ebri.org
Employee Benefit Research Institute

November 2009 • **No. 336**

Issue BRIEF

Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2008

By Craig Copeland, EBRI

EXECUTIVE SUMMARY

SPONSORSHIP RATE: About 56 percent of all working-age (21–64) wage and salary employees work for an employer or union that sponsors a retirement plan. Among *full-time, full-year wage and salary workers* ages 21–64 (those with the strongest connection to the work force), just under 63 percent worked for an employer or union that sponsors a plan.

PARTICIPATION LEVEL: Among *full-time, full-year wage and salary workers* ages 21–64, just under 55 percent participated in a retirement plan.

- ***Trend:*** This is virtually unchanged from just over 55 percent in 2007. Participation trends increased significantly in the late 1990s, and decreased in 2001 and 2002. In 2003 and 2004, the participation trend flattened out. The retirement plan participation level subsequently declined in 2005 and 2006, before the significant increase in 2007 and a slight decline in 2008.

- ***Age:*** Participation increases with age (62.7 percent for wage and salary workers ages 54–64, compared with 29.4 percent for those ages 21–24).

- ***Gender:*** Among *all* workers, men had a higher participation level than women, but among *full-time, full-year workers,* women had a higher percentage participating than men (56.2 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.

- ***Geographic differences:*** Wage and salary workers in the South, West, and Southwest had the lowest participation levels (Florida had the lowest percentage, at 44 percent) while the upper Midwest and Northeast had the highest levels (Iowa had the highest participation level, at approximately 68 percent).

- ***Other factors:*** White, more highly educated, higher-income, and married workers are more likely to participate than their counterparts.

THOSE WITHOUT A PLAN: Overall in 2008, 78.0 million workers worked for an employer/union that did *not* sponsor a retirement plan and 94.1 million workers did *not* participate in a plan. But looking only at workers who work full-time, full-year, make $10,000 or more in annual earnings, and work for an employer with 100 or more employees, only 4.9 million workers (or 7 percent) would be included among those working for an employer that did not sponsor a plan.

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Recommended Citation: Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2008," *EBRI Issue Brief,* no. 336, November 2009.

Report availability: This report is available on the Internet at www.ebri.org

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Introduction

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

Consequently, if the near elderly (those ages 55–64) hope to maintain their preretirement standards of living, they will need other sources of income in retirement to supplement their Social Security benefits, as Social Security was not designed to match that standard. Today, a retiree beneficiary turning 65 can expect Social Security to replace approximately 30 percent to 50 percent of preretirement income, depending upon his or her earnings history (Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, 2009).[1]

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

In 2008, the percentage of workers participating in an employment-based retirement plan decreased, after the first increase in a number of years that occurred in 2007. Specifically, the percentage of *all workers* participating in an employment-based retirement plan decreased from 41.5 percent in 2007 to 40.4 percent in 2008, 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 55.3 percent in 2007 to 54.8 percent in 2008. The overall decrease in participation was also reflected in virtually all categories of workers in 2008.

Retirement plan participation by workers is strongly tied to macroeconomic factors such as stock market returns and the labor market: Better conditions of the late 1990s resulted in higher levels of participation, while worse conditions of the 2000s led to lower levels of participation. The economic crisis of 2008 clearly had an impact on the most recent participation data, and the full effect on participation from the recent downturn in the economy has yet to be measured. Other underlying factors will continue to affect future participation trends, such as the decline and freezing of defined benefit pension plans in the private sector, and automatic enrollment provisions of the 2006 Pension Protection Act (PPA) for defined contribution plans, which became effective only in 2008.

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 2009 Current Population Survey (CPS), the most recent data currently available.[2] 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 2008 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 2008, trends from 1987–2008 in employment-based retirement plan participation are presented across many of the same worker and employer characteristics as used for 2008. Furthermore, an accounting of the number of workers who work for an employer that does *not* sponsor a plan and of workers who do *not* participate in a plan is provided by various demographic and employer characteristics. 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,[3] 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 ultimate benefit is determined by the contributions (employer and employee) to the individual's account and the investment returns within that account.[4] 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.[5]

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

The increase in the number of DC plan participants relative to DB plan participants has been well documented. For example, the Department of Labor's Employee Benefits Security Administration's *Private Pension Plan Bulletin Historical Tables and Graphs* (2009), which compiles data from the Internal Revenue Service Form 5500, shows that the number of private-sector workers who are active participants in a DB plan decreased from 30.1 million in 1980 to 19.9 million in 2006 (a decline of more than 33 percent), while similar workers covered by a DC plan increased from 18.9 million in 1980 to 65.8 million in 2006 (an increase of more than 250 percent over the same period).[6] Copeland (2009a), 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 2004 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 67.1 percent in 2006. Another study

by Copeland (2009b), using the 1992 and the 2007 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 37.5 percent in 1992 to 60.3 percent in 2007.

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.[7] The consequences of these trends for retirees are significant, the most important being the necessity for individuals, first, to accumulate sufficient assets in these accounts, and second, for individual retirees to manage the assets in retirement so as not to outlive them.[8, 9] However, these issues are outside the scope of this report, given that the data limitations used in this study allow for focusing only on participation in an employment-based retirement plan arrangement.

Data

While the analysis of employment-based retirement plan participation among plan types is important, the datasets that contain this information focus only on private-sector workers, are slow to be released, do not contain detailed demographic data on the participants, or are compiled from surveys taken only at three- or five-year intervals. The data cited above on the breakdown of plan types from SIPP and SCF illustrate this problem, as the latest available numbers are from 2006 and 2007, with the survey intervals being three years.[10] 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 2006. Public-sector employers are not required to file these forms, making detailed data from those plans difficult to obtain even after a few years.

The one timely survey on employment-based retirement plan offering and participation by employees is the National Compensation Survey conducted by the U.S. Department of Labor's Bureau of Labor Statistics (BLS). This survey finds, in March 2009, 51 percent of private-sector workers participated in an employment-based retirement plan—the same percentage as in March 2006 through March 2008—and 86 percent of public-sector workers. This survey also finds that 20 percent of private-sector workers participated in a defined benefit plan and 43 percent participated in a defined contribution plan (12 percent participated in both) in 2009. While this survey does not contain detailed demographic data on the participants, it does provide some firm characteristic breakdowns of participation in retirement plans.

In contrast, the Current Population Survey (CPS), a monthly survey, has asked questions in a consistent manner each March since at least 1988 about whether a employee 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.[11] The U.S. Census Bureau conducts the CPS for the BLS by interviewing about 57,000 households and asking numerous questions about individuals' work status, employers, income, and basic demographic characteristics. Therefore, the CPS provides detailed information about workers from a broad sample of Americans who are in an employment-based plan, making it possible to establish a consistent annual and timely trend across numerous worker characteristics and the characteristics of their employers.

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

provided through an employment-based arrangement, *not* a plan such as an individual retirement account (IRA) that workers can fund outside of an employment-based arrangement.

2008 Participation Levels

Among the 157.8 million Americans who worked in 2008, 79.8 million worked for an employer or union that sponsored a pension or retirement plan, and 63.7 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 50.6 percent and a participation level of 40.4 percent.

Figure 1
Percentage of Various Work Forces Who Work for an Employer That Sponsored a Retirement Plan, and the Percentage Who Participated in a Plan, 2008

	All Workers	Wage and Salary Workers Ages 21–64	Private-Sector Wage and Salary Workers Ages 21–64	Public-Sector Wage and Salary Workers Ages 21–64	Full-Time, Full-Year Wage and Salary Workers Ages 21–64
			(millions)		
Worker Category Total	157.8	131.4	110.7	20.7	93.4
Works for an employer sponsoring a plan	79.8	73.6	56.4	17.2	58.4
Participating in a plan	63.7	60.4	45.0	15.4	51.2
			(percentage)		
Worker Category Total	100.0%	100.0%	100.0%	100.0%	100.0%
Works for an employer sponsoring a plan	50.6	56.0	51.0	83.0	62.5
Participating in a plan	40.4	46.0	40.7	74.5	54.8

Source: Employee Benefit Research Institute estimates from the 2009 March Current Population Survey.

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.[12] For this group, the sponsorship rate increases to 56.0 percent and the portion participating increases to 46.0 percent. When separating these wage and salary workers into the public and private sectors, the percentages participating differ significantly. Approximately 75 percent (74.5 percent) of the public-sector workers participated in an employment-based retirement plan, compared with 40.7 percent of the private-sector workers.

A more restrictive definition of the work force, which more closely resembles the types of workers who generally must be covered in accordance with the Employee Retirement Income Security Act (ERISA) for a retirement plan offered by a private-sector employer or union, is the work force of *full-time, full-year wage and salary workers* ages 21–64.[13] 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 2008 increased with age (Figure 2). For those ages 21–24, 19.0 percent participated in a plan, compared with 54.8 percent of those ages 55–64. Male workers were slightly more likely to participate in a plan than females. However, female workers were more likely to have participated in a plan than males among full-time, full-year workers.

Figure 2

Percentage of Various Work Forces Who Worked for an Employer That Sponsored a Retirement Plan and the Percentage Who Participated in a Plan, by Various Characteristics, 2008

	All Workers			Wage and Salary Workers Ages 21–64			Private-Sector Wage and Salary Workers Ages 21–64			Public-Sector Wage and Salary Workers Ages 21–64			Full-Time, Full-Year Wage and Salary Workers Ages 21–64		
	Number of workers	Sponsor-ship rate	Percent-age participating	Number of workers	Sponsor-ship rate	Percent-age participating	Number of workers	Sponsor-ship rate	Percent-age participating	Number of workers	Sponsor-ship rate	Percent-age participating	Number of workers	Sponsor-ship rate	Percent-age participating
	(000s)	(%)	(%)	(000s)	(%)	(%)	(000s)	(%)	(%)	(000s)	(%)	(%)	(000s)	(%)	(%)
Age															
20 or younger	9,880	24.1%	4.8%												
21–24	12,659	36.4	18.7	12,393	37.1%	19.0%	11,261	35.0%	17.6%	1,131	57.4%	33.7%	5,663	43.5%	29.4%
25–34	33,717	50.5	38.3	32,331	52.2	39.6	28,130	48.0	35.1	4,202	80.4	69.7	22,474	58.3	47.8
35–44	34,430	54.7	46.1	32,207	57.9	48.9	27,238	53.1	43.8	4,969	84.5	77.1	24,363	63.3	55.9
45–54	36,193	57.2	50.3	33,382	61.1	53.8	27,400	55.7	47.9	5,983	85.9	80.4	25,644	66.6	60.8
55–64	23,339	57.4	50.5	21,097	62.2	54.8	16,658	55.7	48.5	4,439	86.4	78.3	15,279	67.4	62.7
65 or older	7,625	38.7	28.1												
Gender															
Male	83,308	49.6	40.5	68,469	55.3	46.5	59,911	51.2	42.2	8,557	84.2	76.2	52,675	60.8	53.7
Female	74,535	51.7	40.2	62,941	56.8	45.4	50,775	50.7	38.8	12,166	82.2	73.3	40,749	64.6	56.2
Race/Ethnicity															
White	108,730	54.3	44.1	88,974	60.8	50.8	74,407	55.9	45.6	14,568	85.7	77.4	63,659	67.3	60.0
Black	17,008	50.0	37.8	14,870	53.5	41.4	11,942	48.0	35.0	2,928	75.7	67.4	10,479	60.3	50.5
Hispanic	22,081	33.7	25.2	18,999	36.8	28.3	16,973	31.9	23.5	2,026	78.0	68.0	13,092	42.4	34.5
Other	10,021	49.0	38.4	8,567	53.7	43.2	7,365	50.1	39.3	1,201	75.9	66.9	6,194	59.3	51.4
Education															
No high school diploma	17,678	23.2	13.0	11,610	26.3	17.8	10,961	24.4	16.3	649	58.9	44.1	7,128	30.6	23.1
High school diploma	45,064	45.9	35.0	37,563	50.6	39.7	33,503	47.1	36.1	4,060	79.3	69.2	26,323	57.0	47.8
Some college	46,391	51.2	39.0	38,877	56.4	44.4	33,372	52.4	39.9	5,505	80.9	71.4	26,761	64.0	55.0
Bachelor's degree	31,760	61.3	53.1	28,622	65.3	56.7	22,955	60.4	51.6	5,667	85.4	77.5	21,667	69.9	63.9
Graduate/profnl. degree	16,951	69.9	63.1	14,738	74.4	67.6	9,895	67.4	60.2	4,843	88.8	82.8	11,544	77.3	72.8
Marital Status															
Married	88,080	55.8	48.0	76,738	60.6	52.5	63,365	55.2	46.8	13,373	86.5	79.4	57,465	65.8	59.7
Widowed	3,075	44.8	34.8	1,798	54.1	44.0	1,446	46.9	35.7	351	83.9	78.1	1,222	60.8	54.1
Divorced	16,610	53.6	42.9	14,490	57.8	46.6	12,106	53.0	41.2	2,385	52.2	73.9	10,610	63.5	54.2
Separated	3,835	42.0	31.0	3,494	44.1	32.5	3,040	39.9	28.1	454	72.4	62.2	2,285	52.1	41.1
Never married	46,243	40.7	26.2	34,890	46.5	32.8	30,729	42.9	29.1	4,161	73.2	59.8	21,842	54.4	43.7
Work Status															
Full-time, full-year	103,280	59.1	51.6	93,424	62.5	54.8	77,862	57.6	49.2	15,562	87.1	82.7	15,562	87.1	82.7
Full-time, part-year	21,885	41.2	27.4	18,182	44.8	30.6	15,750	39.7	25.3	2,432	77.8	64.9			
Part-time, full-year	16,605	32.3	17.5	11,035	38.6	22.8	9,803	35.2	20.5	1,232	66.0	41.1			
Part-time, part-year	16,073	27.8	9.4	8,769	32.8	12.9	7,272	26.6	9.1	1,497	62.9	31.6			

(cont'd.)

(Fig. 2, cont'd.)

	All Workers			Wage and Salary Workers Ages 21–64			Private-Sector Wage and Salary Workers Ages 21–64			Public-Sector Wage and Salary Workers Ages 21–64			Full-Time, Full-Year Wage and Salary Workers Ages 21–64		
	Number of workers (000s)	Sponsorship rate (%)	Percentage participating (%)	Number of workers (000s)	Sponsorship rate (%)	Percentage participating (%)	Number of workers (000s)	Sponsorship rate (%)	Percentage participating (%)	Number of workers (000s)	Sponsorship rate (%)	Percentage participating (%)	Number of workers (000s)	Sponsorship rate (%)	Percentage participating (%)
Annual Earnings															
Less than $5,000	16,181	22.2%	5.2%	7,901	25.3%	6.6%	6,956	21.60%	5.30%	945	52.7%	16.7%	372	26.9%	15.3%
$5,000–$9,999	11,954	27.0	9.8	8,104	30.0	12.0	7,228	27.0	10.1	876	55.4	27.9	1,290	29.2	16.2
$10,000–$14,999	12,643	30.1	16.0	9,824	32.4	17.9	8,653	27.8	14.0	1,170	66.9	46.7	3,667	30.1	20.2
$15,000–$19,999	11,924	36.3	23.1	10,011	38.7	25.0	8,902	34.1	20.6	1,109	76.1	60.1	5,816	35.9	24.6
$20,000–$29,999	24,802	46.2	34.5	21,966	49.3	37.1	19,386	45.3	33.0	2,580	79.1	68.0	16,630	50.1	38.8
$30,000–$39,999	21,506	58.8	49.8	19,584	62.2	52.8	16,360	57.4	47.2	3,224	86.5	81.2	16,602	63.2	54.1
$40,000–$49,999	15,918	67.0	59.9	14,857	69.5	62.2	11,574	63.9	55.7	3,283	89.4	85.0	13,005	70.6	63.6
$50,000 or more	42,915	70.3	65.6	39,163	73.6	68.8	31,628	69.5	64.2	7,535	90.5	88.2	36,041	74.1	69.5
Occupation															
Management, business, and financial	22,879	58.6	52.7	19,308	65.6	59.2	16,848	62.4	55.6	2,461	87.3	83.6	16,578	68.3	63.0
Professional and related	32,485	67.2	57.3	28,890	71.3	61.2	19,711	64.8	54.3	9,179	85.1	76.1	21,003	75.3	68.4
Service	27,915	33.2	21.8	20,977	38.3	27.0	17,140	29.5	17.9	3,837	77.3	67.9	12,281	47.0	37.8
Sales and related	17,873	41.6	29.0	13,528	47.5	35.5	13,360	47.2	35.2	168	69.7	56.7	9,163	53.7	44.9
Office and admin. support	20,528	57.5	44.3	18,039	60.5	48.1	15,010	55.9	43.0	3,029	82.9	73.2	12,697	67.5	58.5
Farming, fishing, and forestry	1,255	18.2	11.3	953	22.1	13.9	916	19.3	11.1	38	90.7	82.8	544	29.6	19.0
Construction and extraction	9,553	32.6	26.9	7,606	38.2	32.3	7,127	35.3	29.3	479	81.9	75.7	4,940	44.6	38.8
Installation, maintenance, repair	5,578	55.2	45.0	4,927	59.9	49.3	4,537	57.2	46.3	390	90.6	84.8	4,089	63.4	53.8
Production	9,508	52.5	42.6	8,583	55.4	45.4	8,290	54.4	44.2	293	83.5	78.6	6,383	61.3	52.9
Transportation/material moving	10,270	45.9	33.7	8,598	49.1	37.8	7,749	46.5	35.2	849	72.7	61.2	5,747	54.3	45.2
Employer Size															
Fewer than 10 employees	32,286	15.0	12.1	19,395	19.0	15.7	19,395	19.0	15.7				12,037	23.0	20.2
10–24 employees	15,434	27.9	21.8	13,096	29.9	24.1	13,096	29.9	24.1				8,544	35.1	30.4
25–99 employees	18,653	43.6	33.9	16,489	46.0	36.6	16,489	46.0	36.6				11,787	52.0	44.1
100–499 employees	17,463	57.0	44.3	15,953	59.1	46.8	15,953	59.1	46.8				11,923	64.6	54.4
500–999 employees	7,016	62.1	48.8	6,441	63.9	51.3	6,441	63.9	51.3				4,931	69.2	58.6
1,000 or more employees	44,302	67.5	51.6	39,313	70.5	55.9	39,313	70.5	55.9				28,640	76.1	65.4
Public sector	22,688	80.8	71.0	20,724	83.0	74.5				20,724	83.0	74.5	15,562	87.1	82.7
Sector/Industry															
Private sector	135,155	45.5	35.3	110,690	51.0	40.7	110,690	51.0	40.7				77,862	57.6	49.2
agriculture, mining, and construction	14,812	29.5	24.0	11,067	36.2	29.7	11,067	36.2	29.7				7,298	41.3	35.2
manufacturing	16,536	61.8	53.3	15,333	63.9	55.4	15,333	63.9	55.4				12,335	68.4	61.3
wholesale and retail trade	22,696	47.2	31.8	18,181	51.5	37.2	18,181	51.5	37.2				12,543	57.1	46.4
transportation, utilities, information, and financial	20,193	56.7	47.8	17,675	61.3	52.4	17,675	61.3	52.4				13,972	65.8	58.4
professional services	38,820	49.3	38.8	32,561	54.4	43.4	32,561	54.4	43.4				22,422	60.8	51.9
other services	22,099	25.5	15.2	15,870	29.7	19.3	15,870	29.7	19.3				9,291	36.3	27.8
Public sector	22,688	80.8	71.0	20,724	83.0	74.5				20,724	83.0	74.5	15,562	87.1	82.7

Source: Employee Benefit Research Institute estimates from the 2009 March Current Population Survey.

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, 50.8 percent participated in a plan, compared with 28.3 percent of Hispanic workers. Eighteen percent of workers without a high school diploma participated in a plan, with the percentage participating increasing with educational attainment to 67.6 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. One-quarter of those who had annual earnings of $15,000–$19,999 participated in a plan. This number increased to 68.8 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 professional and related occupations had the highest probability of participating in a retirement plan, at 61.2 percent. In comparison, those workers in farming, fishing, and forestry occupations had the lowest likelihood of participating in a plan, at 13.9 percent.

Employer Characteristics

The probability of a worker participating in an employment-based retirement plan increased significantly with the size of his or her employer (Figure 2). For workers at employers with fewer than 10 employees, 15.7 percent participated in a plan, compared with 55.9 percent of those working for an employer with 1,000 or more employees. The sector and industry of the employer also had an impact on the likelihood of participating in a plan. Public-sector workers were significantly more likely to participate than private-sector workers. Workers in the manufacturing industry and the transportation, utilities, information, and financial industry had the highest probability of participating, while those in the other services industry had the lowest probability.

A Closer Examination

Gender—Female wage and salary workers ages 21–64 were found to participate in a retirement plan at a lower level than males did. However, among full-time, full-year workers of these same ages, females had a higher rate of participation in a plan (56.2 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). This result has persisted since 2001, when the full-time, full-year females' participation level was slightly higher than the males' level at 58.5 percent to 58.1 percent (Figure 4). This difference subsequently grew to 3 percentage points in 2007 before declining slightly to 2.5 percentage points in 2008.

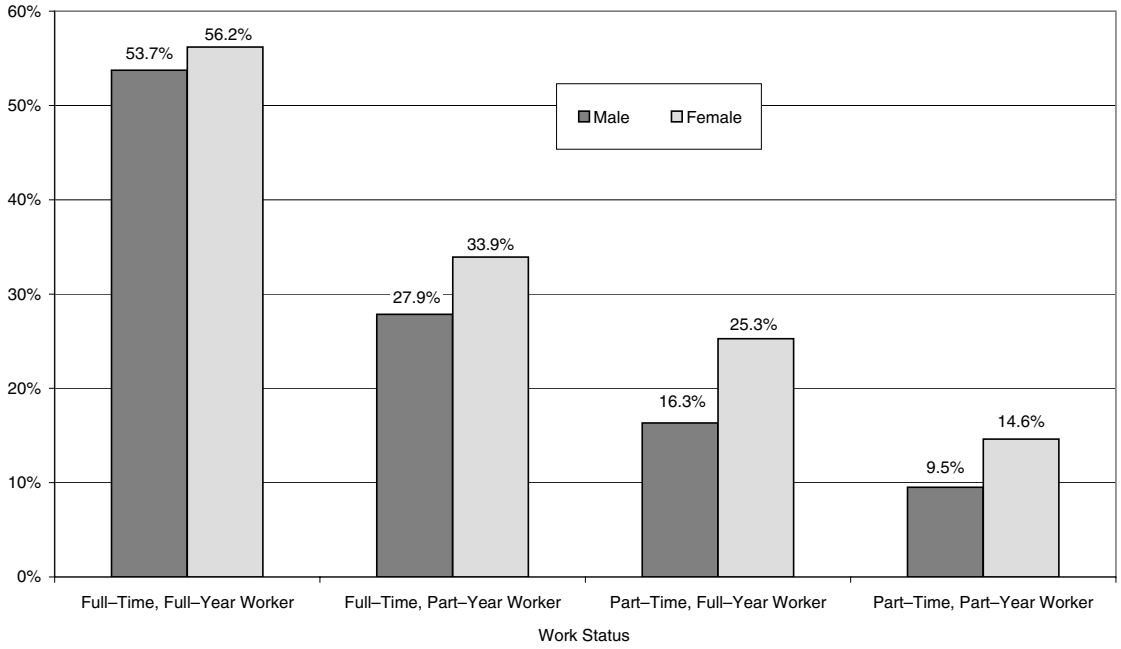
Furthermore, when examining participation by earnings level, the proportion of females participating in a plan was higher than it was for males at each earnings level (Figure 5). Consequently, it appears that female workers' lower probability of participation in the aggregate was a result of their overall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

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

Another potential contributor to the overall lower level of participation by Hispanic workers could be the characteristics of their employers, such as firm size (number of employees). However, across all the firm sizes, with the exception of public-sector employers, this appears not to be the case, as Hispanic workers had significantly lower participation in employment-based retirement plans than workers of all the other races/ethnicities (Figure 7). For workers at the smallest employers (fewer than 10 employees), 19 percent of white wage and salary workers participated in a plan, compared with 6 percent of the Hispanic workers. These levels increased as the employer size increased, but white

Figure 3

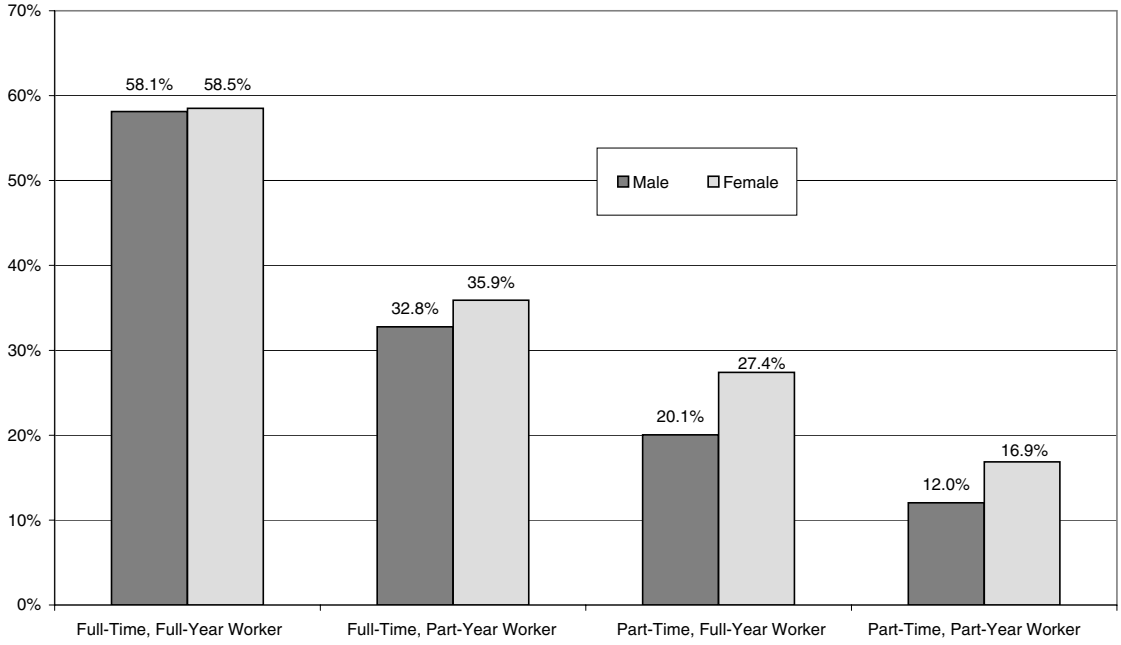
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Work Status and Gender, 2008



Source: Employee Benefit Research Institute estimates from 2009 March Current Population Survey.

Figure 4

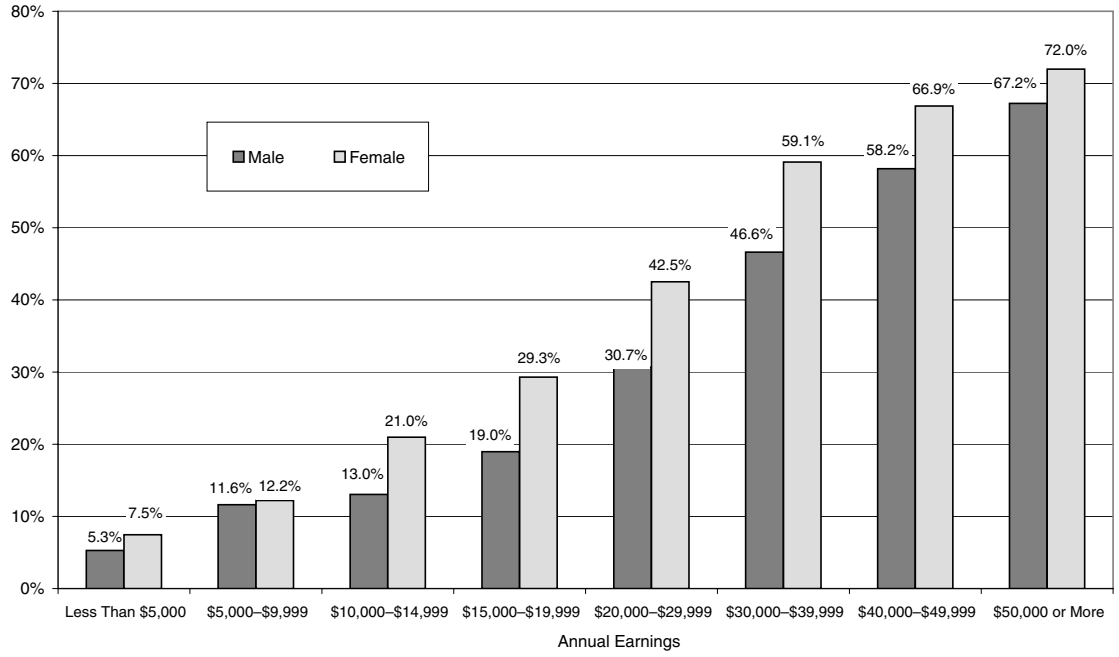
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Work Status and Gender, 2001



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

Figure 5

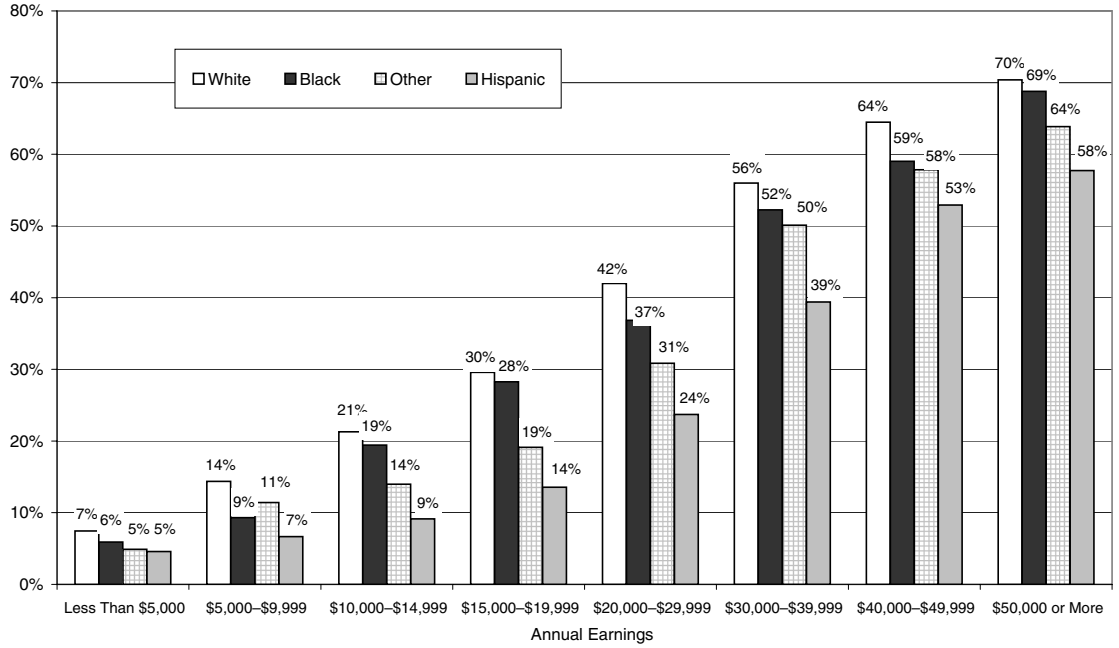
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Annual Earnings and Gender, 2008



Source: Employee Benefit Research Institute estimates from 2009 March Current Population Survey.

Figure 6

Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Annual Earnings and Race/Ethnicity, 2008



Source: Employee Benefit Research Institute estimates from 2009 March Current Population Survey.

workers still had a significantly higher participation level among those working for employers with 1,000 or more employees (60 percent for whites vs. 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 8). However, a dramatic shift in Hispanic worker participation levels becomes apparent when analyzed by birthplace—United States or outside the United States. Native-born Hispanic workers age 21 or older had participation levels very similar to those of black and other workers, but still lower than white workers.[15] 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 9).

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

Firm Size—Employees of firms with fewer employees were significantly less likely to participate in a retirement plan. A potential explanation for this lower participation could be that these firms employed workers with characteristics associated with lower participation, such as being younger or lower paid. However, when controlling for age, workers at smaller employers still had a persistently lower level of participation across the age groups (Figure 10). Furthermore, across various earnings levels, workers at small employers were less likely to participate in an employment-based retirement plan (Figure 11). Even among workers making $50,000 or more, a considerable disparity exists—31 percent of those working for the smallest employers participated in a plan, compared with 88 percent of those working for employers with 1,000 or more employees.

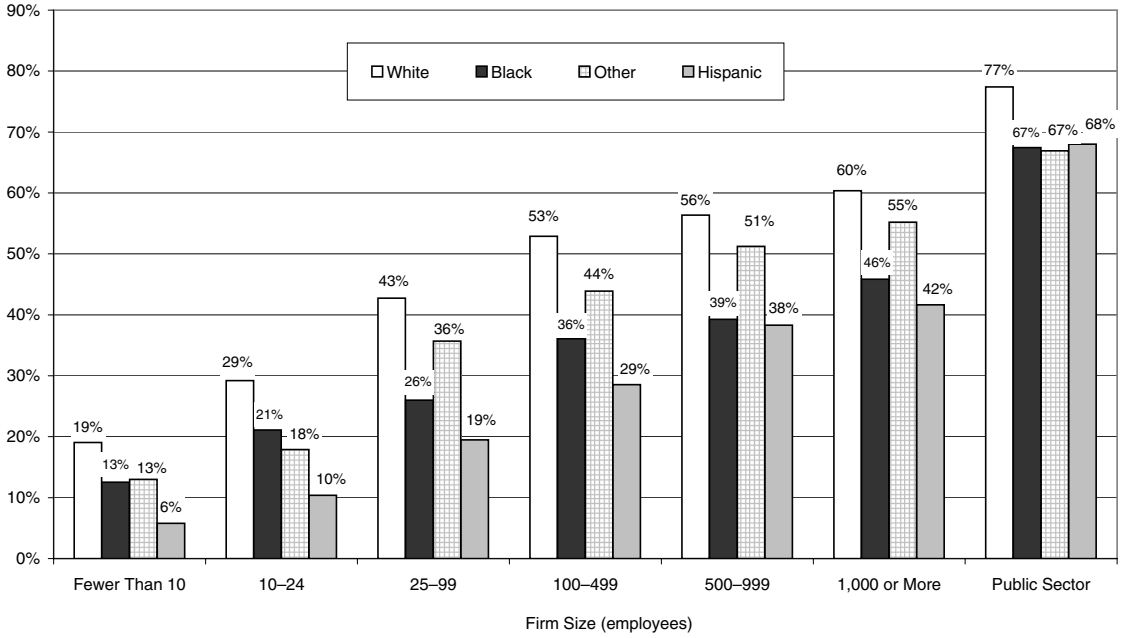
Education—Workers with lower educational attainment have lower levels of retirement plan participation. However, educational attainment has a strong correlation with earnings. When controlling for earnings, the most highly educated still had the highest levels of participation, but the differences with the less educated workers were much smaller, particularly as earnings decreased (Figure 12). Yet, those with the least education (no high school diploma) still had significantly lower levels of participation than those with at least a high school diploma. Specifically, 48.0 percent of those without a high school diploma and making $50,000 or more participated in a retirement plan, compared with 62.5 percent of those with the same earnings and only a high school diploma and 75.7 percent for those with a graduate or professional degree. Consequently, the education level of workers clearly plays a role in the likelihood of participation in a retirement plan beyond determining a worker's earnings level.

Age—Younger workers' significantly lower likelihood of participating in a plan could be the result of having lower incomes at the start of their careers. However, when looking at workers by age across earnings, younger workers are still less likely to be retirement plan participants than older workers with the same earnings (Figure 13). Even for the highest earners ($50,000 or more), 46.2 percent of those ages 21–24 participated in a plan, compared with 72.6 percent of those ages 45–54.

Health Insurance/Status—An important risk to a retiree's finances is his or her health status and health care needs.[16] The availability of employment-based health insurance from the worker's own employer and health status are also correlated with participation in an employment-based retirement plan. Across all ages, workers with employment-based health insurance from their own employer are more than twice as likely to have a retirement plan as those without health insurance from their own employer (Figure 14). For instance, among workers ages 45–54 in 2008, 68.5 percent of those with health insurance through their own employer participated in an employment-based retirement plan, compared with 27.7 percent of those without health insurance through their own employer. This same

Figure 7

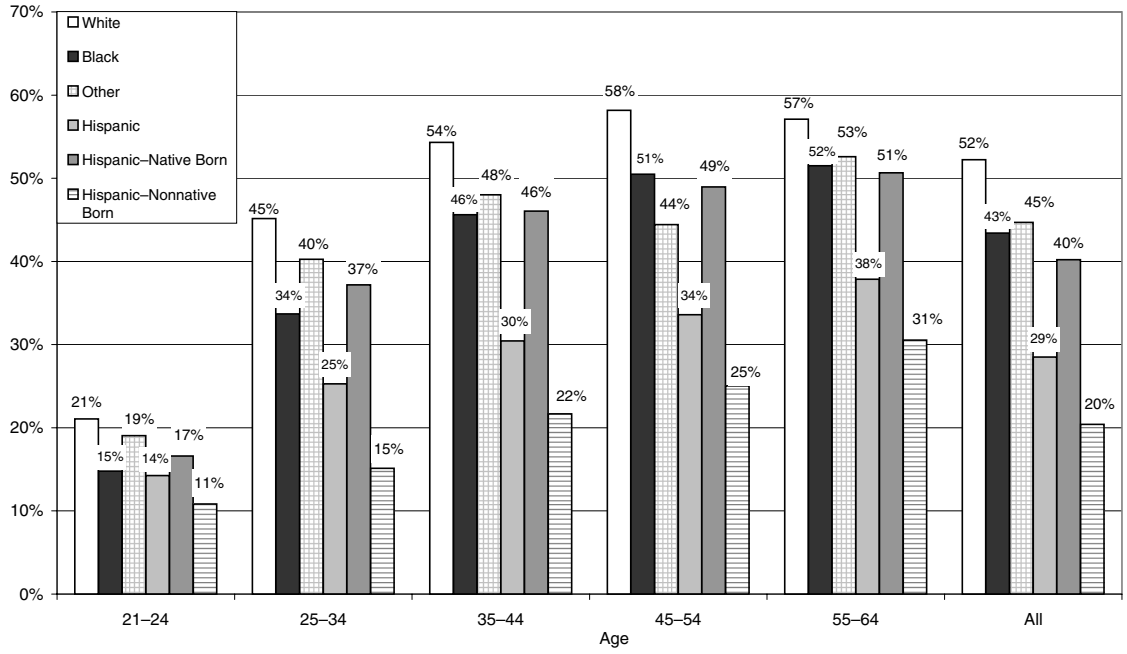
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Firm Size (Number of Employees) and Race/Ethnicity, 2008



Source: Employee Benefit Research Institute estimates from 2009 March Current Population Survey.

Figure 8

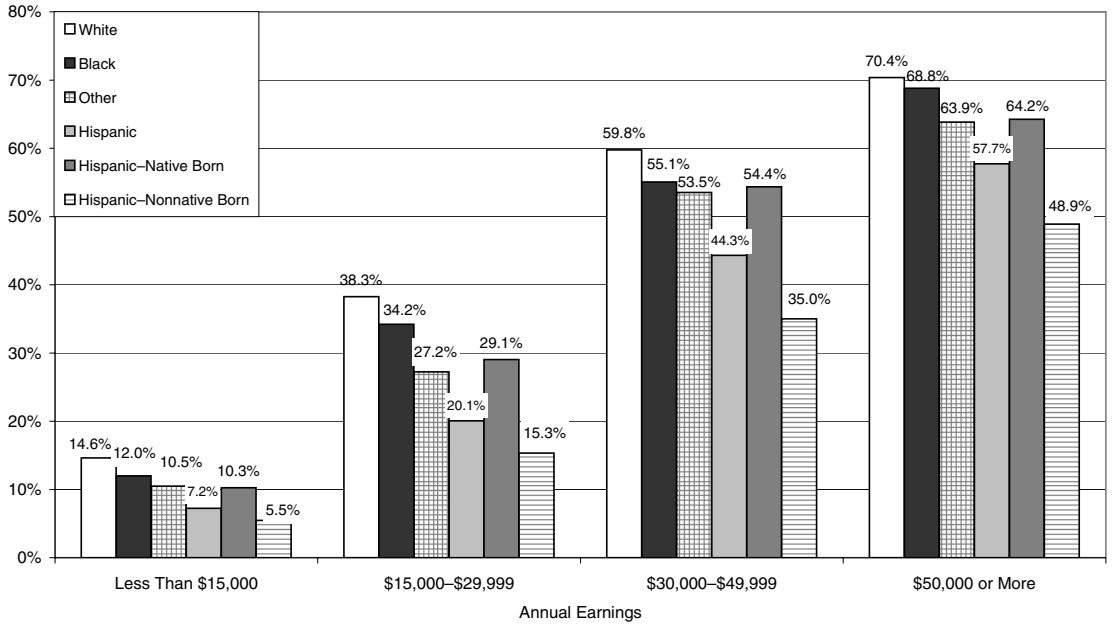
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Age and Race/Ethnicity, 2008



Source: Employee Benefit Research Institute estimates from 2009 March Current Population Survey.

Figure 9

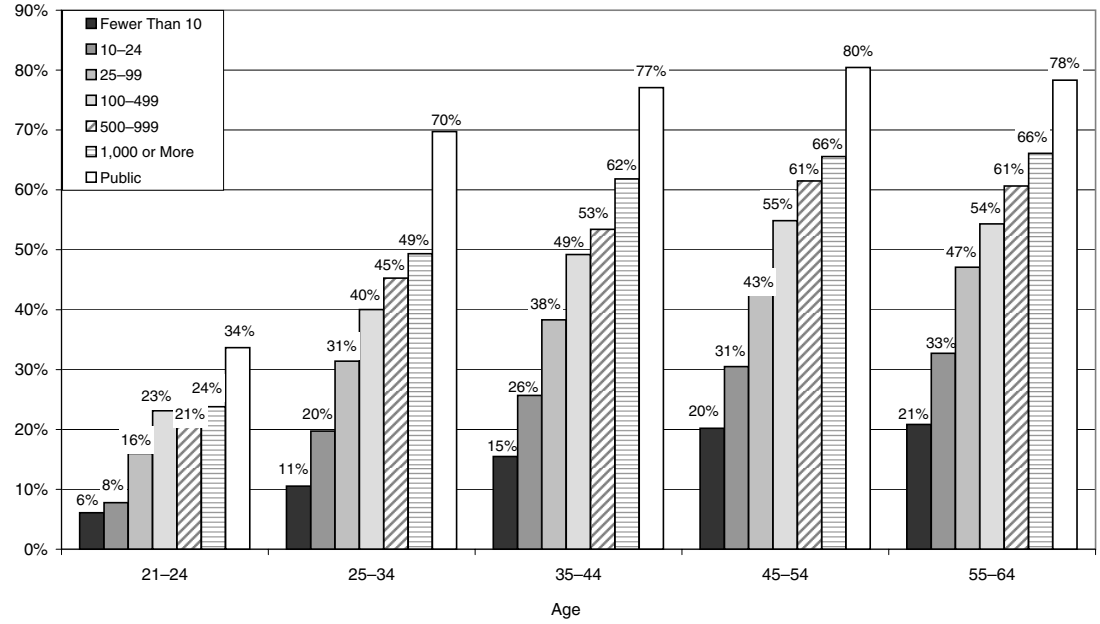
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Race/Ethnicity With Hispanic Detail and Annual Earnings, 2008



Source: Employee Benefit Research Institute estimates from 2009 March Current Population Survey.

Figure 10

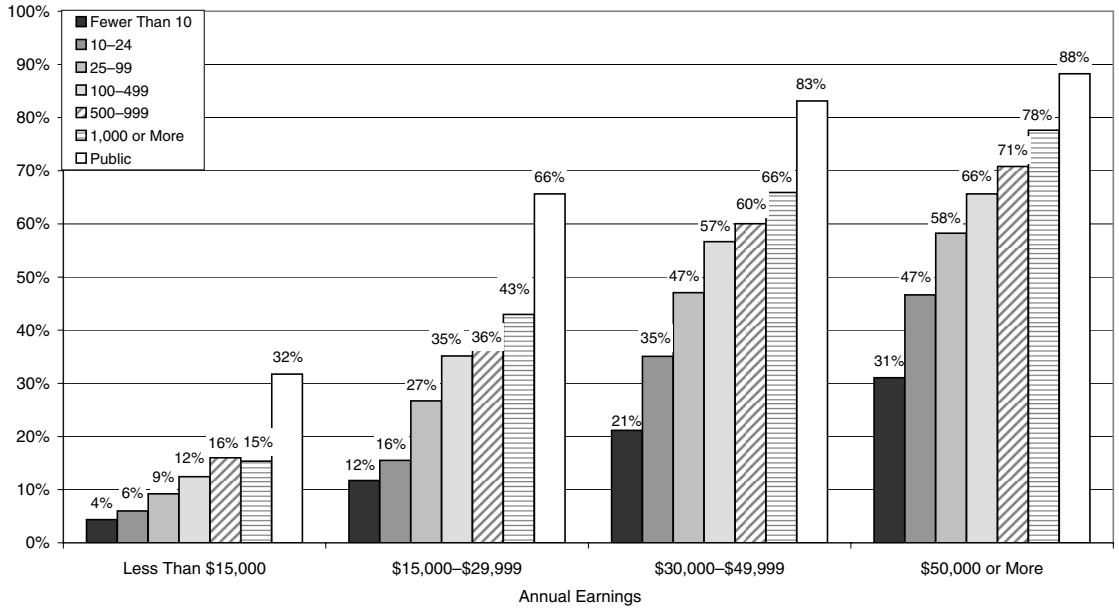
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Age and Employer Size (Number of Employees), 2008



Source: Employee Benefit Research Institute estimates from 2009 March Current Population Survey.

Figure 11

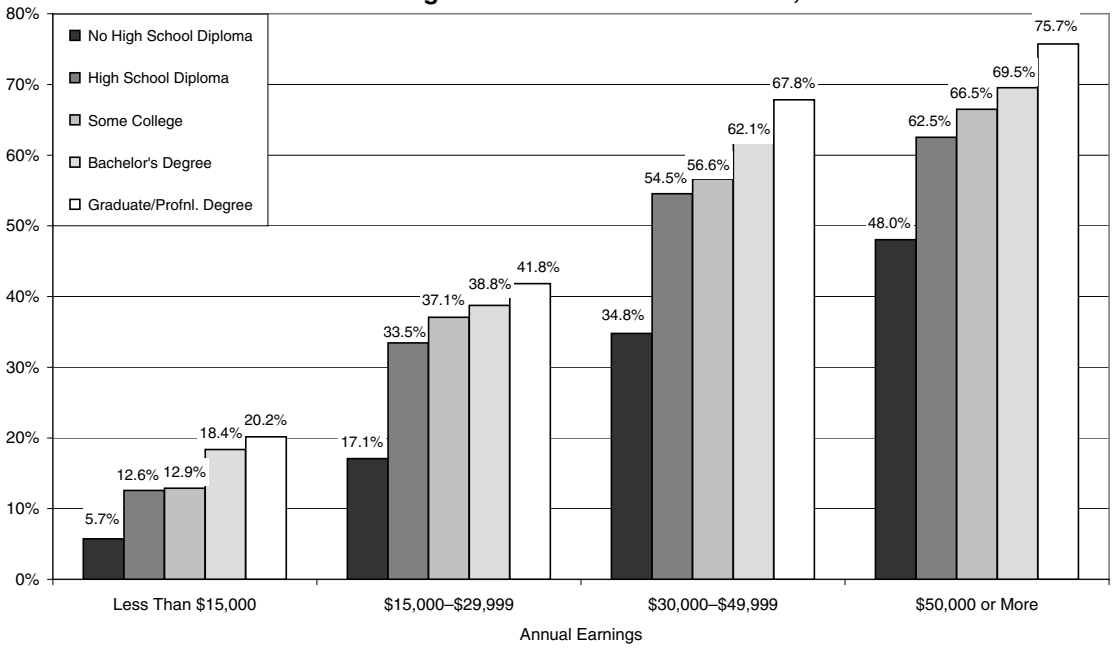
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Annual Earnings and Employer Size (Number of Employees), 2008



Source: Employee Benefit Research Institute estimates from 2009 March Current Population Survey.

Figure 12

Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Annual Earnings and Educational Attainment, 2008



Source: Employee Benefit Research Institute estimates from the 2009 March Current Population Survey.

result was also present in 2000, with similar disparities in participation levels among those with and without employment-based health insurance through their own employer.

As the self-reported health status of a worker decreases, the likelihood of participating in a plan also decreases (below very good). For example, for workers ages 55–64 who reported having very good health, 59.6 percent participated in a plan in 2008. However, among workers of the same age who reported poor health, only 38.6 percent participated in a plan (Figure 15). The same pattern occurred in 2000, with similar relative differences in participation across the health status categories.

Geographic Differences

Not only do the workers' characteristics affect the probability of their participation in an employment-based retirement plan, but their geographic location also has an impact. Wage and salary workers ages 21–64 living in Florida had the lowest probability (36.4 percent) of participating in a plan in 2008, while those living in Iowa had the highest probability (56.7 percent) (Figure 16). For other work-force definitions that include private-sector workers, Iowa workers also had the highest probability (52.5 percent) of participation among private wage and salary workers and among full-time, full-year wage and salary workers (68.3 percent), but Minnesota workers led for the all-worker definition (48.3 percent). At the other end of the rankings, full-time, full-year wage and salary workers in Florida had the lowest probability (43.6 percent) of participation as well for all workers (32.6 percent). Workers in New Mexico had the lowest among private-sector wage and salary workers (28.6 percent). Among public-sector wage and salary workers, Pennsylvania workers had the highest percentage of participation (84.0 percent), followed by Ohio and North Dakota workers (81.4 percent and 81.2 percent, respectively). The lowest level of participation among these public-sector workers was for those living in South Dakota (62.4 percent).[17]

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

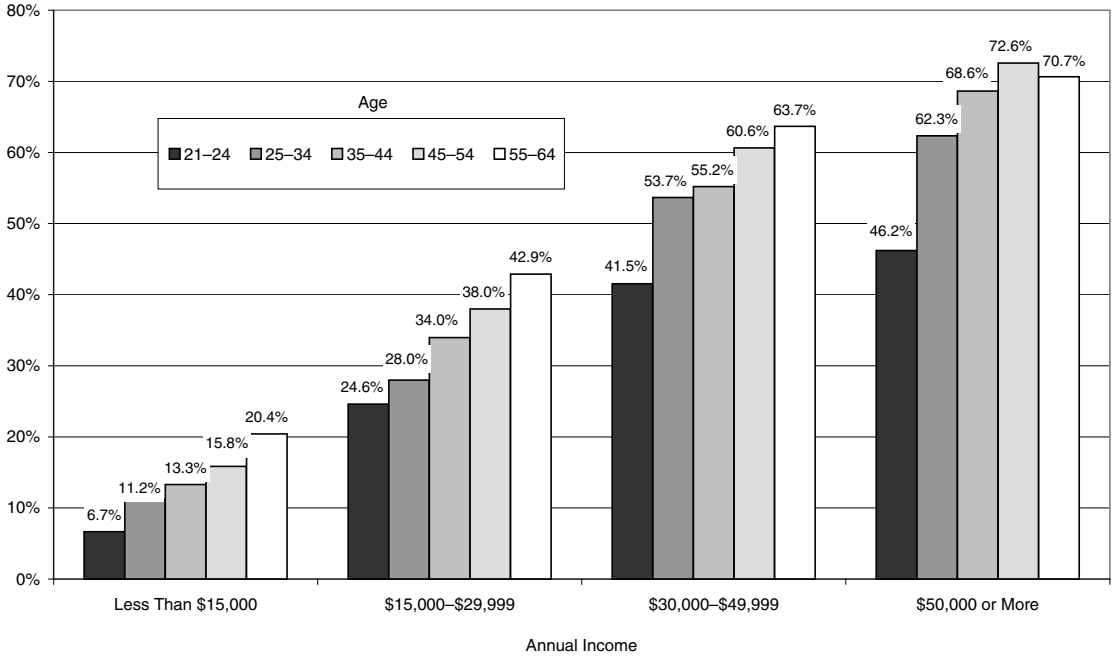
Certain consolidated statistical areas (CSAs) are identified in the CPS, and again those CSAs located in the South and West—e.g., Macon-Warner-Robins-Fort Valley, GA, and Los Angles-Long Beach-Riverside, CA—had the lowest retirement plan participation levels for the work-force definitions, including private-sector workers (Figure 17). Workers from the Minneapolis-St. Paul-St. Cloud, MN CSA had the highest participation levels for these same worker definitions. For public-sector wage and salary workers, workers from the Johnson City-Kingsport-Bristol, VA, CSA had the lowest level, while workers from the Appleton-Oshkosh-Neenah, WI, CSA had the highest participation level.

While the sample sizes of the less populated states are small (which results in large standard errors of the state-by-state estimates of retirement plan participation from CPS), using a three-year average for the estimates can mitigate the impact of any potential sampling errors affecting year-to-year changes. Therefore, a three-year average trend is presented to examine how the participation levels have changed in recent years (2001–2008) across states. The three-year average consists of the current year plus the two lagging years, so that the 2008 three-year average consists of the estimates from 2008, 2007, and 2006. The overall three-year average of the retirement plan participation level declined from 50.7 percent in 2001 to 46.3 percent in 2008 (Figure 18).

Despite the overall decline, the likelihood of workers participating in a retirement plan stayed the same or increased from 2001–2008 for seven states: Colorado, West Virginia, Montana, Washington, Oklahoma, Hawaii, and Vermont. Another three states had declines of less than 1 percentage point. Twenty-one states had a decline of less than 4.4 percentage points (the overall decline). In contrast, Louisiana, Michigan, and Maryland had at least a 7 percentage

Figure 13

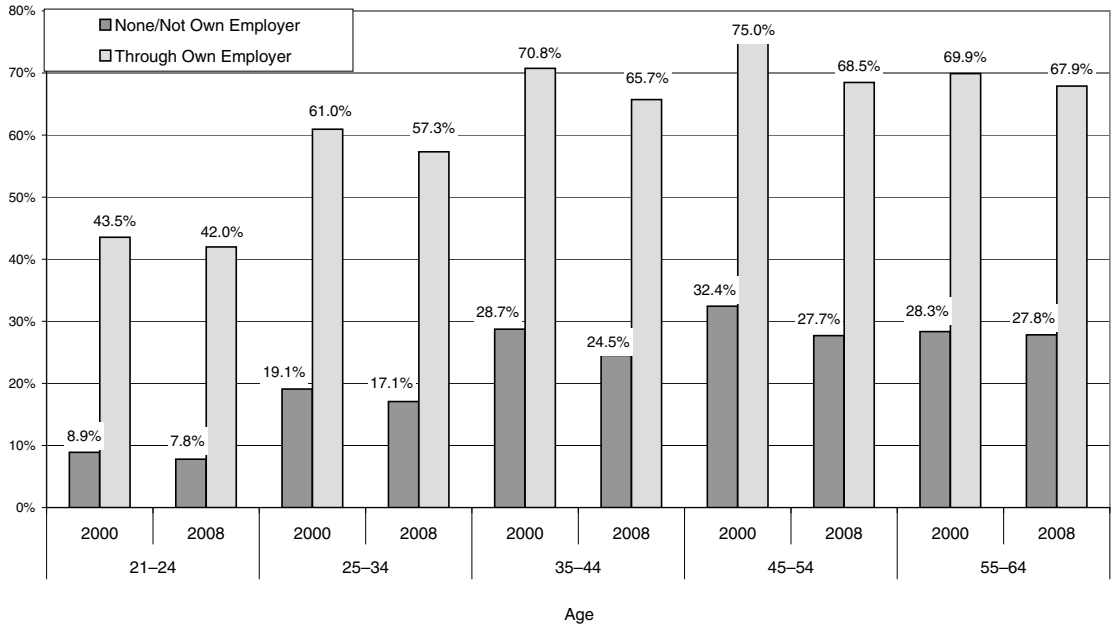
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Age and Income, 2008



Source: Employee Benefit Research Institute estimates from the 2009 March Current Population Survey.

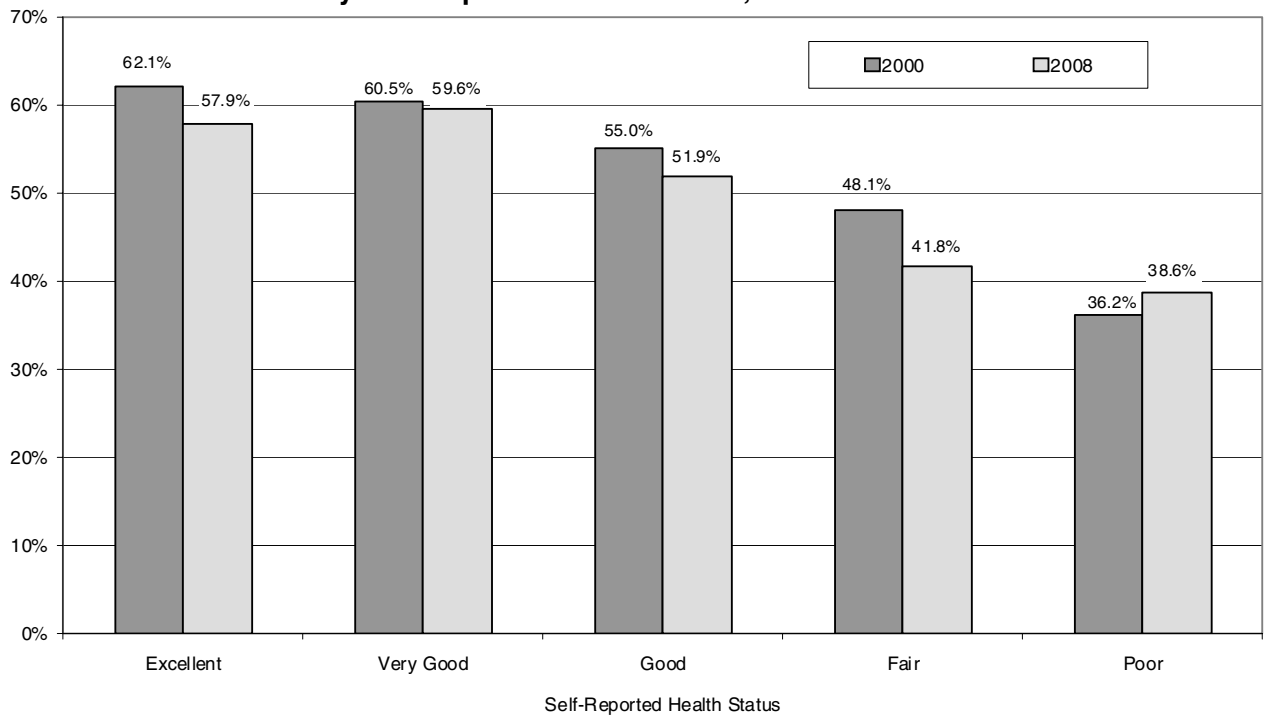
Figure 14

Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Health Insurance Status, 2000 and 2008



Source: Employee Benefit Research Institute estimates from the 2001 and 2009 March Current Population Surveys.

Figure 15
Percentage of Wage and Salary Workers Ages 55–64 Participating in an Employment-Based Retirement Plan, by Self-Reported Health Status, 2000 and 2008



Source: Employee Benefit Research Institute estimates from the 2001 and 2009 March Current Population Surveys.

point decline during this period. Twenty-two states and districts had a decline of more than the average decline of 4.4 percent.

The District of Columbia had the largest decline in its three-year average from 2007 to 2008. The three-year average participation levels showed a decline in 28 states and districts and an increase in 23 states from 2007 to 2008. Colorado and Oklahoma had the largest increases from 2007 to 2008.

Trends

The number of workers participating in an employment-based retirement plan decreased from 65.6 million in 2007 to 63.7 million in 2008, resuming the decline that had stopped in 2007 (Figure 19). This number is still above the level in 2005, but well below the 67.1 million workers that participated in a plan in 2000, the peak year for the number of workers participating in a plan during the 1987–2008 period. The other work-force definitions also posted similar decreases in the number participating in 2008.

Trends in the Percentage Participating

The downward trend in the percentage of workers participating in an employment-based retirement plan, which started in 2001 but was halted in 2007, resumed in 2008. 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

Figure 16

Percentage of Various Work Forces Who Participated in an Employment-Based Retirement Plan, by State, 2008

State	All Workers		Wage and Salary Workers Ages 21–64		Private-Sector Wage and Salary Workers Ages 21–64		Public-Sector Wage and Salary Workers Ages 21–64		Full-Time, Full-Year Wage and Salary Workers Ages 21–64	
	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)
All	157.8	40.4%	131.4	46.0%	110.7	40.7%	20.7	74.5%	93.4	54.8%
Alabama	2.3	42.2	2.0	47.7	1.6	41.2	0.3	77.5	1.4	56.3
Alaska	0.4	44.1	0.3	52.6	0.2	43.2	0.1	80.1	0.2	64.2
Arizona	3.2	34.1	2.7	38.1	2.4	33.0	0.3	74.4	1.9	46.6
Arkansas	1.4	36.3	1.2	42.3	1.0	36.4	0.2	68.6	0.9	51.8
California	19.0	36.1	15.7	40.9	13.4	35.6	2.4	71.1	10.7	49.7
Colorado	2.8	40.5	2.3	46.5	2.0	41.7	0.3	75.5	1.6	54.4
Connecticut	1.9	46.3	1.6	52.9	1.3	49.6	0.2	71.3	1.1	63.2
Delaware	0.4	43.3	0.4	48.0	0.3	42.2	0.1	77.0	0.3	55.6
District of Columbia	0.4	41.7	0.3	44.5	0.2	37.2	0.1	66.8	0.2	50.1
Florida	9.0	32.6	7.6	36.4	6.4	30.0	1.2	71.1	5.5	43.6
Georgia	4.8	38.4	4.2	42.5	3.5	36.6	0.7	71.0	3.1	50.8
Hawaii	0.6	47.6	0.5	54.1	0.4	48.8	0.1	76.6	0.4	62.9
Idaho	0.8	38.4	0.6	46.0	0.5	39.4	0.1	74.8	0.4	59.1
Illinois	6.8	44.3	5.8	49.6	4.9	45.3	0.9	73.8	4.1	58.5
Indiana	3.2	48.3	2.8	54.4	2.4	51.2	0.3	77.0	2.0	64.3
Iowa	1.8	47.8	1.5	56.7	1.2	52.5	0.2	78.6	1.0	68.3
Kansas	1.6	42.9	1.3	51.0	1.0	45.5	0.3	71.7	0.9	61.5
Kentucky	2.2	37.3	1.8	42.6	1.5	37.6	0.3	68.7	1.2	51.8
Louisiana	2.1	35.8	1.7	40.8	1.5	37.2	0.2	62.9	1.3	46.2
Maine	0.7	39.5	0.6	50.1	0.5	45.5	0.1	74.9	0.4	61.9
Maryland	3.1	42.9	2.5	48.6	2.0	41.4	0.6	73.0	1.9	55.7
Massachusetts	3.5	44.6	2.9	50.6	2.5	46.2	0.4	77.1	2.0	59.8
Michigan	5.1	42.2	4.3	47.9	3.8	44.1	0.5	75.7	2.9	59.8
Minnesota	3.0	48.3	2.5	55.7	2.2	52.3	0.3	76.9	1.7	66.2
Mississippi	1.3	41.4	1.1	47.2	0.9	40.6	0.2	71.6	0.8	56.2
Missouri	3.1	43.0	2.5	50.0	2.2	46.5	0.3	73.6	1.9	59.9
Montana	0.5	40.0	0.4	49.0	0.3	42.7	0.1	76.3	0.3	60.6
Nebraska	1.0	41.8	0.8	49.6	0.7	44.5	0.1	73.6	0.6	58.8
Nevada	1.4	41.3	1.2	45.6	1.0	40.3	0.2	78.5	0.9	54.1
New Hampshire	0.8	43.2	0.6	51.5	0.5	48.3	0.1	70.9	0.5	61.0
New Jersey	4.5	40.6	3.8	44.7	3.2	38.7	0.6	78.4	2.8	51.7
New Mexico	1.0	33.2	0.8	38.1	0.6	28.6	0.2	65.7	0.5	46.7
New York	10.2	39.1	8.7	43.7	7.1	36.9	1.6	74.6	6.3	50.8
North Carolina	4.7	37.6	3.9	43.3	3.3	37.8	0.6	71.4	2.8	51.4
North Dakota	0.4	45.3	0.3	56.0	0.2	49.7	0.1	81.2	0.2	65.1
Ohio	6.0	46.8	5.0	53.6	4.3	49.0	0.7	81.4	3.4	64.2
Oklahoma	1.8	42.4	1.4	49.8	1.2	43.5	0.3	75.3	1.1	58.9
Oregon	2.1	43.6	1.8	49.1	1.5	43.5	0.3	80.4	1.1	60.6
Pennsylvania	6.5	44.9	5.3	52.2	4.7	47.9	0.6	84.0	3.8	61.6
Rhode Island	0.6	41.3	0.5	48.4	0.4	44.0	0.1	76.8	0.3	59.7
South Carolina	2.2	39.9	1.8	45.1	1.5	39.1	0.3	74.8	1.3	55.3
South Dakota	0.5	39.1	0.4	49.4	0.3	46.8	0.1	62.4	0.3	57.7
Tennessee	3.1	37.0	2.6	42.6	2.2	37.9	0.4	70.4	1.8	53.3
Texas	12.1	36.0	10.1	40.9	8.6	34.6	1.6	75.6	7.6	47.8
Utah	1.4	38.9	1.1	46.0	0.9	41.0	0.2	69.5	0.8	56.9
Vermont	0.4	41.4	0.3	50.3	0.2	45.0	0.1	74.3	0.2	61.3
Virginia	4.2	47.9	3.6	54.0	2.8	46.9	0.7	81.0	2.7	63.2
Washington	3.6	44.7	3.0	51.5	2.5	46.3	0.5	77.4	1.9	64.4
West Virginia	0.8	43.2	0.7	48.0	0.6	40.9	0.1	75.7	0.5	58.6
Wisconsin	3.2	44.0	2.7	51.0	2.3	46.8	0.4	75.2	1.9	59.8
Wyoming	0.3	40.2	0.2	50.1	0.2	42.5	0.1	75.2	0.2	58.0

Source: Employee Benefit Research Institute estimates from the 2009 March Current Population Survey.

Figure 17

Percentage of Various Work Forces Who Participated in an Employment-Based Retirement Plan, by Consolidated Statistical Area (CSA), 2008

Consolidated Statistical Area	All Workers		Wage and Salary Workers Ages 21–64		Private-Sector Wage and Salary Workers Ages 21–64		Public-Sector Wage and Salary Workers Ages 21–64		Full-Time, Full-Year Wage and Salary Workers Ages 21–64	
	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)
All	157.8	40.4%	131.4	46.0%	110.7	40.7%	20.7	74.5%	93.4	54.8%
Unrecorded CSAs	99.97	39.7	82.43	45.7	68.89	40.0	13.54	74.3	58.38	54.8
Appleton-Oshkosh-Neenah, WI	0.24	44.4	0.21	50.4	0.19	47.6	0.01	92.1	0.17	56.0
Boston-Worcester-Manchester, MA-NH-CT-ME	3.13	43.8	2.63	49.3	2.27	45.1	0.35	76.1	1.83	58.3
Bridgeport-New Haven-Stamford, CT	0.96	45.3	0.79	51.3	0.67	47.3	0.12	74.1	0.56	62.0
Chicago-Naperville-Michigan City, IL-IN-WI	5.06	44.9	4.35	49.1	3.77	44.8	0.58	76.9	3.15	56.9
Cleveland-Akron-Elyria, OH	1.52	47.9	1.25	54.0	1.09	50.2	0.16	80.0	0.93	61.6
Dayton-Springfield-Greenville, OH	0.48	48.0	0.38	56.8	0.30	47.5	0.08	91.0	0.24	71.1
Denver-Aurora-Boulder, CO	1.72	40.5	1.43	46.0	1.24	41.3	0.18	77.9	1.01	54.7
Detroit-Warren-Flint, MI	2.70	43.1	2.34	47.9	2.09	44.1	0.24	79.8	1.63	59.8
Fresno-Madera, CA	0.59	36.5	0.55	38.8	0.44	30.1	0.10	75.8	0.33	54.8
Grand Rapids-Muskegon-Holland, MI	0.82	40.2	0.70	45.6	0.65	42.2	0.06	84.6	0.41	56.1
Greensboro--Winston-Salem--High Point, NC	0.75	36.7	0.59	44.5	0.51	40.0	0.08	74.6	0.39	54.1
Greenville-Anderson-Seneca, SC	0.34	36.5	0.28	40.7	0.26	39.2	0.02	57.0	0.20	44.3
Huntsville-Decatur, AL	0.31	48.5	0.28	51.4	0.24	47.9	0.03	75.7	0.20	61.6
Indianapolis-Anderson-Colombus, IN	0.98	49.7	0.86	55.1	0.78	53.2	0.08	73.8	0.65	63.0
Johnson City-Kingsport-Bristol, VA	0.21	41.3	0.18	48.5	0.16	48.4	0.02	49.1	0.13	54.5
Los Angeles-Long Beach-Riverside, CA	8.96	33.0	7.40	37.3	6.42	32.4	0.98	69.3	5.13	44.9
Macon-Warner-Robins-Fort Valley, GA	0.14	30.9	0.12	32.9	0.10	25.1	0.02	76.6	0.08	45.1
Milwaukee-Racine-Waukesha, WI	1.00	44.7	0.86	50.6	0.75	46.6	0.10	79.0	0.62	59.1
Minneapolis-St. Paul-St. Cloud, MN	1.86	51.1	1.60	57.4	1.39	54.5	0.21	76.4	1.09	68.3
New York-Newark-Bridgeport, NY-NJ-CT-PA	10.41	38.0	9.03	41.3	7.58	35.3	1.46	73.0	6.78	47.3
Philadelphia-Camden-Vineland, PA-NJ-DE-MD	2.97	46.8	2.50	52.4	2.16	48.1	0.34	79.9	1.83	61.2
Raleigh-Durham-Cary, NC	0.87	41.3	0.74	46.6	0.57	38.1	0.17	75.3	0.57	53.3
Salt Lake City-Ogden-Clearfield, UT	0.92	40.8	0.74	47.5	0.61	42.6	0.12	71.6	0.53	58.0
San Jose-San Francisco-Oakland, CA	4.43	42.1	3.69	47.9	3.19	44.6	0.50	69.3	2.54	56.6
Seattle-Tacoma-Olympia, WA	2.31	45.9	1.95	52.9	1.63	48.4	0.32	75.4	1.31	63.6
Washington-Baltimore-Northern Virginia, DC-MD-VA-WV	4.18	47.3	3.56	52.5	2.72	44.9	0.83	77.5	2.71	60.2

Source: Employee Benefit Research Institute estimates from the 2009 March Current Population Survey.

Figure 18

Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by State, Three-Year Average Trend, 2001–2008

State	2001	2002	2003	2004	2005	2006	2007	2008
All	50.7%	49.7%	48.8%	48.3%	47.9%	46.9%	46.6%	46.3%
Alabama	52.1	52.8	50.9	51.1	50.6	50.9	50.6	49.5
Alaska	52.6	52.0	49.9	49.6	48.8	50.3	49.4	50.8
Arizona	44.6	44.7	43.1	42.5	42.1	40.6	39.3	38.4
Arkansas	45.4	45.1	44.2	43.3	43.4	42.8	44.3	43.6
California	44.1	43.5	43.8	43.6	42.8	41.7	42.0	42.0
Colorado	35.4	34.2	45.0	44.6	44.6	44.3	43.4	45.1
Connecticut	55.7	54.4	53.8	54.3	54.5	52.1	51.1	51.5
Delaware	57.0	54.7	53.9	53.8	52.8	52.6	51.1	50.8
District of Columbia	54.6	53.6	53.1	54.0	54.3	53.1	51.7	48.5
Florida	41.0	41.0	40.7	40.0	39.0	37.1	36.3	35.8
Georgia	50.9	49.5	48.6	46.0	45.7	43.8	45.2	44.4
Hawaii	52.3	51.8	51.4	51.5	51.6	51.8	52.0	52.8
Idaho	48.1	48.2	47.3	45.8	45.9	46.3	48.1	47.8
Illinois	53.4	52.0	50.6	50.1	50.2	49.5	49.0	48.7
Indiana	56.3	54.3	52.6	52.1	52.3	52.6	53.3	53.6
Iowa	57.8	56.6	56.1	55.5	54.8	54.4	55.3	56.4
Kansas	53.9	54.6	53.9	54.2	53.0	51.1	49.6	49.2
Kentucky	51.7	50.9	51.8	51.3	50.9	48.7	47.5	45.0
Louisiana	47.2	46.6	45.9	46.5	44.6	41.8	39.2	39.5
Maine	52.8	51.2	50.6	49.1	48.8	48.6	48.8	49.7
Maryland	56.5	56.3	53.4	53.7	51.4	50.3	49.0	49.0
Massachusetts	53.2	53.2	52.0	51.7	51.4	50.5	50.5	50.4
Michigan	56.7	54.5	53.0	52.0	51.9	50.7	50.5	49.7
Minnesota	59.2	58.8	57.3	56.6	56.3	55.8	54.7	54.6
Mississippi	48.8	47.6	46.9	46.9	46.1	44.9	44.7	45.3
Missouri	55.6	52.7	52.4	51.8	51.9	51.3	52.1	51.8
Montana	46.7	47.7	46.8	45.3	45.1	45.4	47.6	48.3
Nebraska	54.3	54.7	53.9	53.2	52.4	52.0	51.3	50.6
Nevada	46.8	45.1	43.4	42.3	42.3	40.8	41.2	42.4
New Hampshire	52.9	53.0	51.9	52.6	53.9	52.6	52.8	51.7
New Jersey	52.9	51.9	51.6	51.6	51.5	49.2	48.0	46.1
New Mexico	46.0	45.4	42.8	43.5	42.8	42.6	42.2	41.3
New York	50.2	49.1	47.9	47.4	47.5	46.8	45.5	44.2
North Carolina	50.0	48.4	45.9	45.5	44.8	44.3	43.8	43.5
North Dakota	56.4	56.0	55.2	54.5	53.9	53.5	54.8	55.9
Ohio	56.1	54.8	53.5	53.4	52.9	52.2	52.2	52.5
Oklahoma	45.6	46.6	46.7	47.4	46.5	45.7	45.8	48.0
Oregon	48.9	48.2	48.3	49.3	49.2	48.6	48.4	48.8
Pennsylvania	57.5	56.4	54.8	53.8	53.2	53.0	52.1	52.1
Rhode Island	54.1	52.7	50.4	49.1	48.8	49.8	48.4	48.5
South Carolina	52.4	50.1	48.6	48.0	47.9	47.3	46.3	45.7
South Dakota	53.9	52.6	51.3	49.4	49.9	51.1	51.3	50.8
Tennessee	50.3	50.0	48.9	48.1	47.6	45.6	45.5	44.2
Texas	46.2	45.6	45.1	44.7	44.3	43.2	42.6	41.5
Utah	48.7	47.4	44.8	43.4	43.1	43.0	44.3	45.1
Vermont	49.7	49.8	49.0	49.1	48.5	48.8	49.1	49.9
Virginia	55.8	53.6	52.4	51.5	51.2	51.0	51.1	52.6
Washington	50.4	48.3	48.0	49.0	50.8	50.3	51.1	50.8
West Virginia	49.2	47.8	46.3	48.2	49.0	51.0	51.2	51.3
Wisconsin	60.1	57.7	55.8	54.2	53.3	53.5	55.0	54.2
Wyoming	52.0	49.8	47.6	47.6	48.1	49.1	48.7	49.3

Source: Employee Benefit Research Institute estimates from the 2000–2009 March Current Population Surveys.

declining to 39.7 percent in 2006 (Figure 19). The percentage subsequently increased to 41.5 percent in 2007—the highest level since 2004. This percentage fell to 40.4 percent in 2008.

The other three work-force categories that include private-sector workers virtually duplicated this pattern. Public-sector wage and salary workers also followed a similar trend. The percentage of these workers participating in a retirement plan decreased from 75.8 percent in 2004 to 73.3 percent in 2006, reaching its lowest level during 1987–2006, before increasing to 75.4 percent in 2007 and decreasing to 74.5 percent in 2008.

All the work-force definitions showed workers' participation levels decreasing by not more than 1.4 percentage points from 2007 to 2008. Wage and salary workers ages 21–64 had the highest decrease of 1.4 percentage points, while full-time, full-year wage and salary workers ages 21–64 had the smallest decline at 0.5 percentage points. The participation levels in the all-worker and the private- and public-sector wage and salary workers ages 21–64 all had declines between the 0.5 percentage point and 1.4 percentage points and were above their 2006 levels, but below their 2005 levels (Figure 20).[18]

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

Trends Across Worker Characteristics

The levels of participation for wage and salary workers ages 21–64 had relatively consistent differences across age groups during the 1987–2007 period (Figure 21). The trends within each age group were fairly consistent across this time, with each age group's participation level varying in a relatively narrow range (approximately up to 5 percentage points). However, one major exception to the overall trend was among workers ages 55–64. Their likelihood of participating in a retirement plan was virtually identical to that of workers ages 35–44 and well below that of those ages 45–54 from 1987–2000, but by 2008, the likelihood among this group was slightly above that of workers 45–54 and almost 6 percentage points above those ages 35–44.

While the relative differences between the age groups' participation levels have held relatively constant except for workers in the 55–64 age group, the trend within each age group had been downward from 2000–2006, before the levels increased in 2007 (except among those ages 21–24) and resumed the downward trend in 2008. For example, in 2000, 62.6 percent of wage and salary workers ages 45–54 participated in a retirement plan; by 2006, this percentage had decreased to 54.0 percent, before increasing to 56.1 percent in 2007 and decreasing back to 53.8 percent in 2008.

The percentage of male wage and salary workers ages 21–64 participating in an employment-based retirement plan declined in 2008 to 46.5 percent from 47.8 percent in 2007 (Figure 22). The percentage of female workers participating in a plan also decreased in 2008 from 46.9 percent in 2007 to 45.4 percent in 2008—a higher rate than that of males, as the gap between the percentage of males and females participating in a plan slightly widened. In 1987, males participated at a level just over 10 percentage points higher than females. By 2007, this gap was at 0.9 percentage points, before the slight change in 2008 to 1.1 percentage points.

The percentage of wage and salary workers ages 21–64 participating in a retirement plan in 2008 decreased across each race/ethnicity category (Figure 23).[19] This decrease halted the one-year increase in the likelihood of participation that occurred in 2007, returning to the trend from 2002 to 2006, which had been unchanged or decreasing. The percentage of Hispanic workers participating in a plan reached a low point in 2006 at 26.5 percent before the increase in 2007 to 28.5 percent and leveling off in 2008 at 28.3 percent, which is still well below the 41.4 percent level for black workers and 50.8 percent level for white workers.

Wage and salary workers ages 21–64 had a decreased likelihood of a participating in a retirement plan across each level of educational attainment in 2008 (Figure 24). The largest decrease in this likelihood was 2.2 percentage points for workers with some college but no bachelor's degree. The differences in the participation levels of workers between

Figure 19

Percentage of Various Work Forces Who Worked for an Employer That Sponsored a Retirement Plan and the Percentage Who Participated in an Employment-Based Retirement Plan, 1987–2008

All Workers

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	(millions)																					
Number of Workers	130.4	132.6	133.8	134.5	134.4	134.8	136.2	138.2	139.6	142.1	143.8	145.5	149.7	151.1	150.9	151.3	151.1	152.7	154.7	157.0	158.1	157.8
Works for an employer sponsoring a plan	63.0	64.9	66.3	67.9	68.6	69.2	68.2	74.0	73.7	77.5	78.2	82.0	83.3	85.7	83.5	80.7	80.6	81.2	79.7	78.6	81.9	79.8
Participating in a plan	49.0	50.3	52.0	52.5	53.4	53.1	53.1	56.7	57.3	59.3	60.1	63.4	65.5	67.1	64.9	63.2	63.5	63.9	63.6	62.3	65.6	63.7
	(percentage)																					
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works for an employer sponsoring a plan	48.3	48.9	49.6	50.5	51.0	51.3	50.1	53.5	52.8	54.5	54.4	56.4	55.6	56.7	55.3	53.4	53.4	53.2	51.5	50.0	51.8	50.6
Participating in a plan	37.6	38.0	38.9	39.0	39.7	39.4	39.0	41.0	41.0	41.7	41.8	43.6	43.8	44.4	43.0	41.8	42.0	41.9	40.9	39.7	41.5	40.4

Wage and Salary Workers Ages 21–64

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	(millions)																					
Number of Workers	100.2	102.2	103.4	104.4	109.2	109.7	110.5	112.7	115.3	117.6	117.3	118.9	122.4	124.0	124.7	125.4	125.4	126.2	128.4	130.3	131.2	131.4
Works for an employer sponsoring a plan	57.3	58.8	60.0	61.7	63.4	64.0	63.1	68.0	68.1	71.3	72.0	75.1	76.5	78.5	77.0	74.6	74.7	75.1	73.8	72.4	75.6	73.6
Participating in a plan	46.2	47.3	48.8	49.5	51.1	51.0	51.0	54.3	55.1	56.9	57.6	60.6	62.5	63.9	62.1	60.4	60.7	61.0	60.3	59.3	62.2	60.4
	(percentage)																					
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works for an employer sponsoring a plan	57.2	57.5	58.0	59.1	58.1	58.4	57.1	60.4	59.1	60.6	61.4	63.2	62.5	63.3	61.7	59.5	59.6	59.5	57.5	55.6	57.6	56.0
Participating in a plan	46.1	46.2	47.2	47.4	46.8	46.5	46.2	48.2	47.8	48.4	49.1	51.0	51.1	51.6	49.8	48.2	48.4	48.3	47.0	45.5	47.4	46.0

Private-Sector Wage and Salary Workers Ages 21–64

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	(millions)																					
Number of Workers	82.6	84.2	85.2	86.1	90.6	90.7	91.1	93.4	96.7	99.3	98.9	100.1	102.7	104.3	105.1	105.3	105.4	105.7	108.0	109.6	110.1	110.7
Works for an employer sponsoring a plan	41.9	43.1	44.1	45.7	47.2	47.4	46.7	51.0	51.9	55.2	56.2	58.8	59.4	61.5	60.3	57.8	57.8	57.6	56.8	55.4	58.0	56.4
Participating in a plan	32.9	33.7	34.8	35.6	37.0	36.6	36.6	39.3	40.8	42.8	43.7	46.1	47.3	48.7	47.4	45.4	45.5	45.4	45.1	44.1	46.3	45.0
	(percentage)																					
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works for an employer sponsoring a plan	50.7	51.2	51.7	53.1	52.1	52.3	51.2	54.6	53.7	55.6	56.8	58.7	57.8	59.0	57.4	54.9	54.8	54.5	52.6	50.6	52.7	51.0
Participating in a plan	39.8	40.0	40.9	41.3	40.8	40.4	40.1	42.1	42.2	43.1	44.2	46.1	46.1	46.7	45.1	43.1	43.2	43.0	41.7	40.3	42.0	40.7

(cont'd.)

(Fig. 19, cont'd.)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	20.8	21.1	20.7
Works for an employer sponsoring a plan	15.4	15.6	15.9	16.0	16.3	16.6	16.4	17.0	16.1	16.0	15.9	16.3	17.1	17.0	16.6	16.8	17.0	17.5	17.0	17.0	17.6	17.2
Participating in 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	15.2	15.9	15.4
	(percentage)																					
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works for an employer sponsoring a plan	87.4	86.6	87.2	87.5	87.3	87.3	85.1	88.1	86.9	87.6	86.0	87.1	86.9	86.4	84.9	83.7	84.8	85.1	83.6	81.8	83.3	83.0
Participating in a plan	75.6	75.6	76.3	76.1	76.1	75.2	74.5	77.6	76.7	77.1	75.5	77.2	77.2	77.3	75.3	74.8	75.8	75.8	74.8	73.3	75.4	74.5
Full–Time, Full–Year Wage and Salary Workers Ages 21–64																						
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	(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	96.4	97.1	93.4
Works for an employer sponsoring a plan	44.1	45.8	46.2	46.9	48.0	49.1	48.7	52.3	52.9	55.4	56.5	59.6	61.2	62.6	60.8	58.6	59.2	59.6	59.1	58.4	61.3	58.4
Participating in 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	50.6	53.7	51.2
	(percentage)																					
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works for an employer sponsoring a plan	66.6	66.8	67.0	68.1	67.0	67.4	65.7	68.4	66.2	67.8	68.1	69.4	69.1	68.6	67.5	65.1	65.6	65.0	62.9	60.5	63.1	62.5
Participating in a plan	58.4	58.3	59.0	59.5	58.9	59.0	57.7	59.6	57.9	59.0	59.2	60.3	60.4	59.8	58.3	56.7	57.1	56.6	54.8	52.7	55.3	54.8

Source: Employee Benefit Research Institute estimates from the 1988–2009 March Current Population Surveys.

those without a high school diploma and those with one continued to persist, as those workers without a high school diploma had a decrease larger than that of those with a high school diploma and those with a graduate or professional degree. The participation level of workers with a high school diploma is more than twice as large as that of workers without one, and the participation level of workers with a graduate degree is more than three times that of those without a high school diploma.

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

Regarding income, the percentage of workers in all earnings groups who participated in a retirement plan decreased from 2007 to 2008 (Figure 25).[20] Again, the decrease continued the three-year downward trend among all income groups that had been occurring prior to the increases in most income groups that occurred in 2007.

The percentage of full-time, full-year wage and salary workers participating in a retirement plan decreased from 55.3 percent in 2007 to 54.8 percent in 2008 (Figure 26). Workers in each of the other three work status categories also experienced a downward movement in their participation levels in 2008, with part-time, full-year workers having the largest decline since 2005.

Trends Across Employer Characteristics

Only workers in firms with fewer than 10 employees had an increase in their likelihood of participating in a retirement plan in 2008, albeit a very small increase at 0.3 percentage points (Figure 27). Employees working for all other firm sizes had a decrease in their likelihood of participating in a retirement plan in 2008. Overall since 1991, the likelihood of workers participating in a retirement plan has increased for those working for employers with fewer than 500 employees. Those working for employers with 25–99 employees had the largest increase, at 5.8 percentage points. In contrast, the percentage of employees working for an employer with 1,000 or more employees who participated in a plan declined from 61.9 percent in 1991 to 55.9 percent in 2008. Public-sector employees' participation remained relatively flat from 1987–2008. The shift to DC plans, in which some workers at larger firms are choosing not to participate in a plan, appears to be driving the overall downward trend among the largest firms, while smaller firms, for the most part, have been more likely to offer a plan, leading to more workers at employers of this size being retirement plan participants.

The percentage of wage and salary workers ages 21–64 who participated in a retirement plan decreased or remained unchanged across each industry/sector in 2008 (Figure 28).[21] Furthermore, the probability of workers in each industry having a retirement plan was lower than it was in 2002. The largest percentage point drop from 2002 occurred for workers in the agriculture, mining, and construction industry, at 4.0 percentage points.

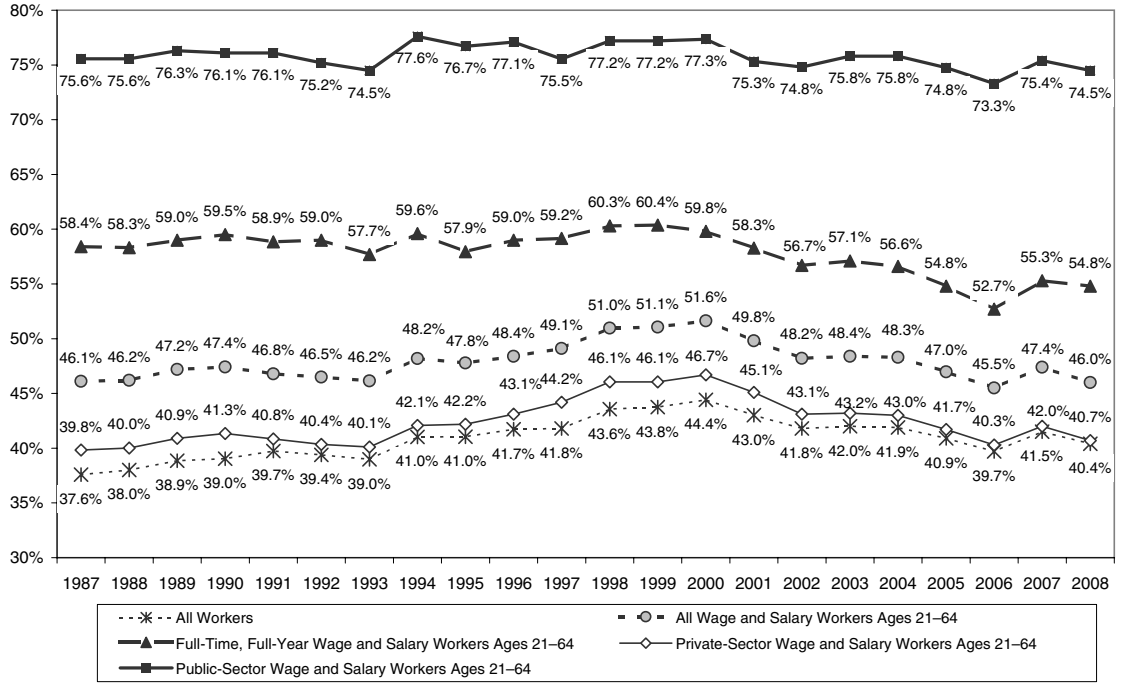
Workers in all occupations had a lower probability of participating in a plan in 2008 than in 2007, except for those who worked in the construction and extraction and installation, maintenance, and repair occupations (Figure 29). Workers in professional and related occupations, office and administrative support occupations, and farming, fishing, and forestry occupations had declines of more than 2 percentage points. Overall, workers' levels of participation remained relatively flat from 2002–2008 across all occupations.[22]

Number Without a Plan

An important policy topic resulting from an analysis of employment-based retirement plan participation is the number of workers who are *not* participants, as well as the number for whom an employer/union does *not* sponsor a plan.[23] This section investigates these numbers to show where potential legislation may exclude workers, or the number of workers who are already being reached, by certain demographic and employer characteristics, annual earnings, employer size, and work status (full-time/part-time).

Figure 20

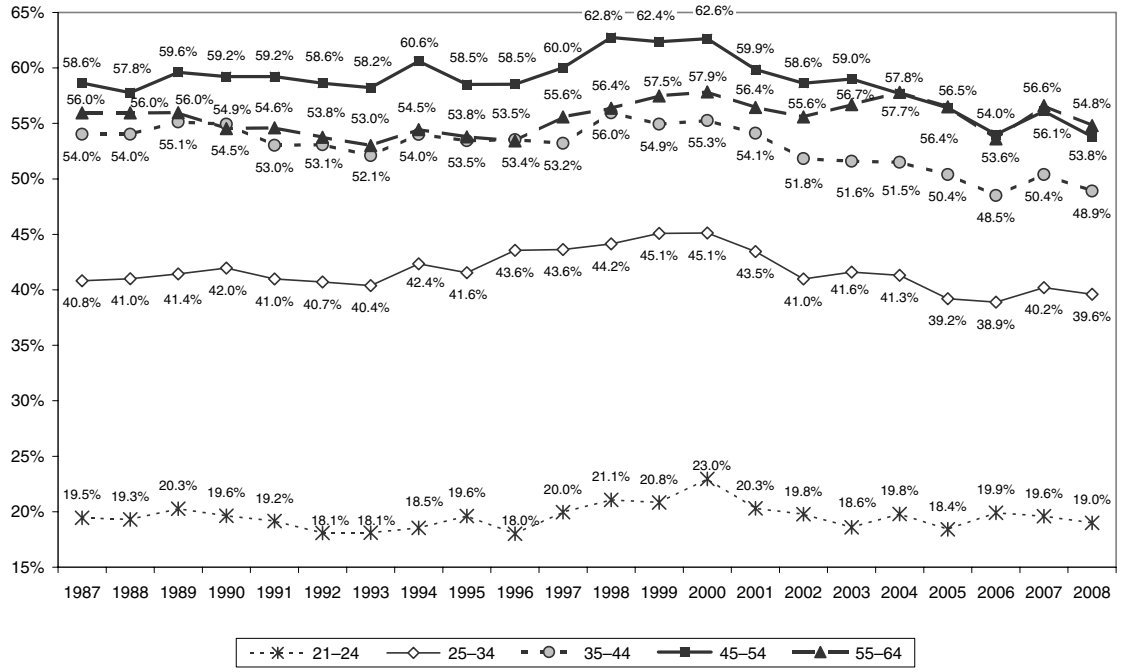
Percentage of Various Work Forces Who Participated in an Employment-Based Retirement Plan, 1987–2008



Source: Employee Benefit Research Institute estimates from the 1988–2009 March Current Population Surveys.

Figure 21

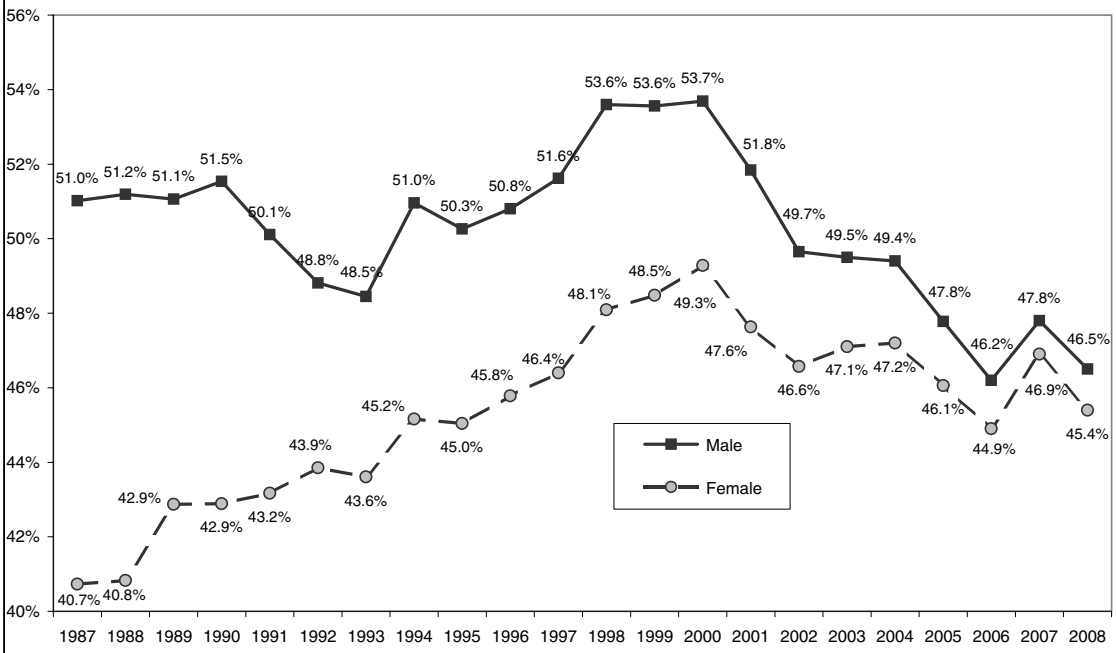
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Age, 1987–2008



Source: Employee Benefit Research Institute estimates from the 1988–2009 March Current Population Surveys.

Figure 22

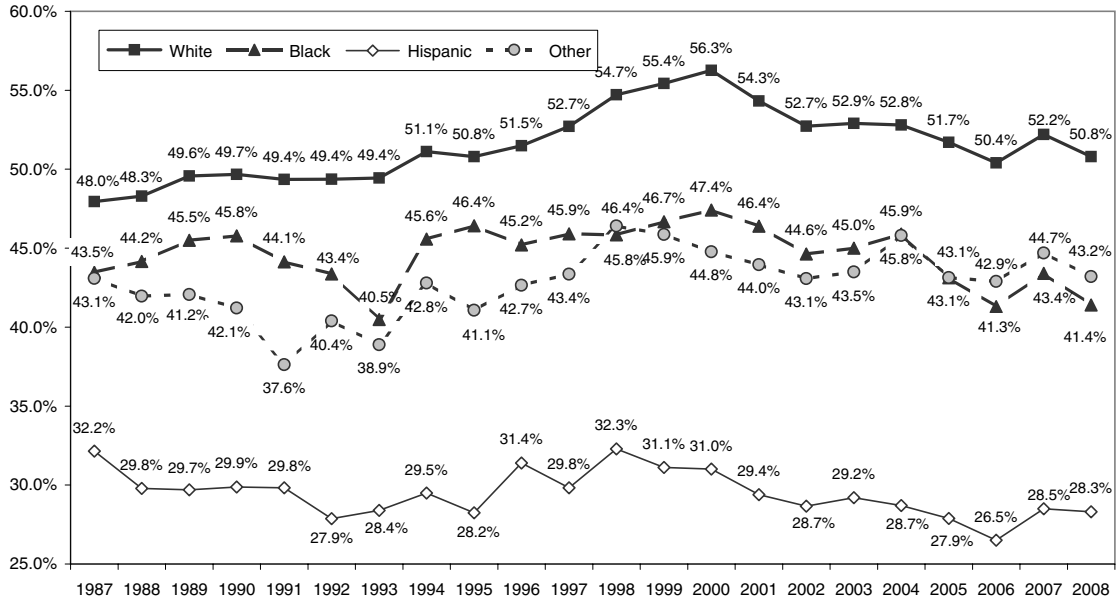
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Gender, 1987–2008



Source: Employee Benefit Research Institute estimates from the 1988–2009 March Current Population Surveys.

Figure 23

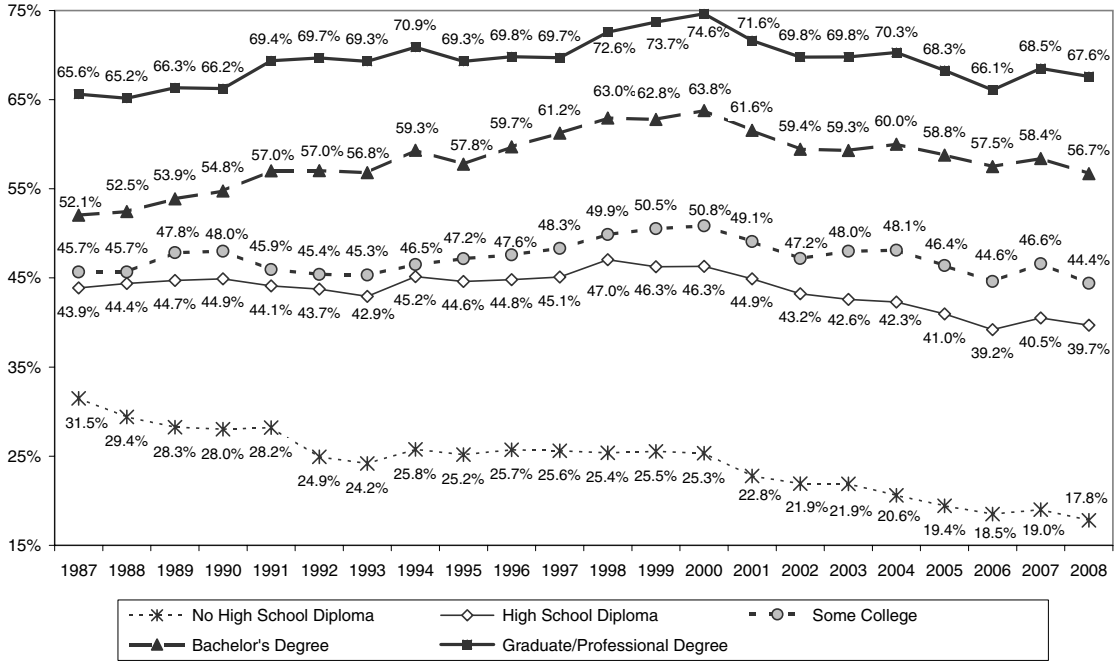
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Race/Ethnicity,* 1987–2008



Source: Employee Benefit Research Institute estimates from the 1988–2009 March Current Population Surveys.
* Beginning with the 2003 March Current Population Survey, changes were made to the race variable, where respondents were allowed to answer to more than one race. Thus, the 2002–2006 results are not entirely comparable with prior years, but are presented for illustrative purposes. The "other" category includes those who answered to being of more than one race for 2002–2006.

Figure 24

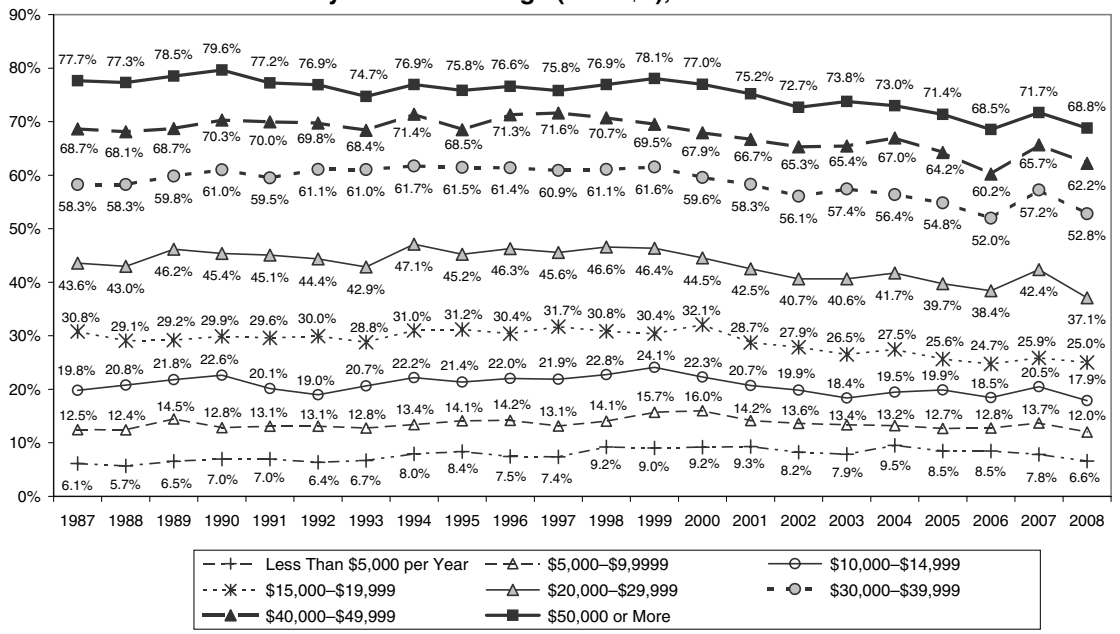
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Educational Level, 1987–2008



Source: Employee Benefit Research Institute estimates from the 1988–2009 March Current Population Surveys.

Figure 25

Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Annual Earnings (2008 $s), 1987–2008



Source: Employee Benefit Research Institute estimates from the 1988–2009 March Current Population Survey.

In 2008, 78.0 million workers worked for an employer/union that did *not* sponsor a retirement plan and 94.1 million workers did *not* participate in a plan (Figure 30).[24] Focusing on employees who did not work for an employer that sponsored a plan, 9.3 million were self-employed—meaning the worker could have started a plan for himself/herself without the need for action from his/her employer. Therefore, the number of workers who worked for someone else that did not sponsor a plan totaled 68.7 million in 2008.

Of those 68.7 million, 7.3 million were under the age of 21, and 3.6 million are age 65 or older. Approximately 31 million were not full-time, full-year workers, and 29.3 million had annual earnings of less than $10,000. Furthermore, many of these workers (39.9 million) worked for employers with fewer than 100 employees, including 10.5 million working for employers with 25–99 employees, 11.0 million for those with 10–24 employees, and 18.5 million for those with fewer than 10 employees.

However, many of these workers would fall into several of these categories concurrently, such as being under age 21, having less than $10,000 in annual earnings, and not being a full-time, full-year worker. Therefore, the bottom of the Figure 30 shows the number of workers who would remain in a targeted population, if exclusions are made for age, annual earnings, work status, and/or employer size. For example, if the population of interest is wage and salary workers ages 21–64 who work full time, make $5,000 or more in annual earnings, and work for an employer with 10 or more employees, 31.8 million worked for an employer that did not sponsor a retirement plan in 2008 (meaning that 46 percent of the total nonself-employed worked for an employer that did not sponsor a plan). Yet, if a more restrictive definition is placed on the targeted population, so that only workers who work full-time, full-year, make $10,000 or more in annual earnings, and work for an employer with 100 or more employees, only 4.9 million workers (or 7 percent) would be included among those working for an employer that did not sponsor a plan. Of course, another way to look at this last number is that 93 percent of these workers with those characteristics worked for an employer that did sponsor a retirement plan in 2008.

Conclusion

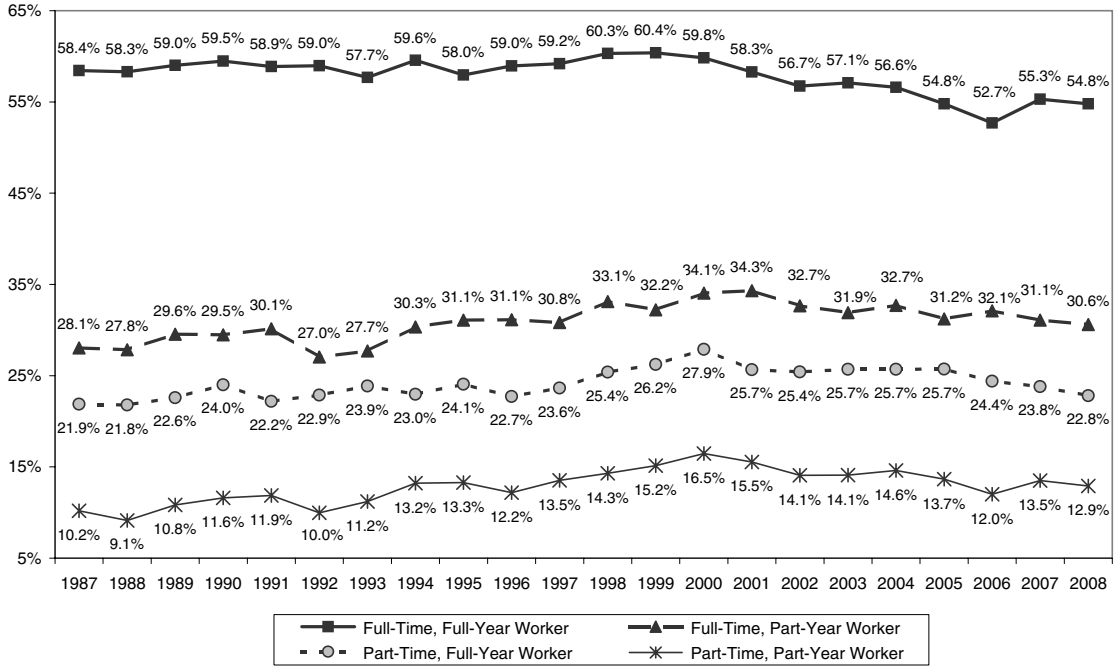
In 2008, 40.4 percent of all workers, or 63.7 million Americans, participated in an employment-based retirement plan. Among full-time, full-year wage and salary workers ages 21 to 64—those with the strongest connection to the work force—54.8 percent participated. This percentage of participating workers 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 has significantly closed; when controlling for work status or earnings, the female participation level actually surpasses that of males.[25] 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.

The decrease in the number of workers participating in 2008 resumed a two-year decline in the number that had occurred before an increase in 2007. The 2008 total of participating workers is still above the level it was in 2005 but just below the 2006 number.

Figure 26

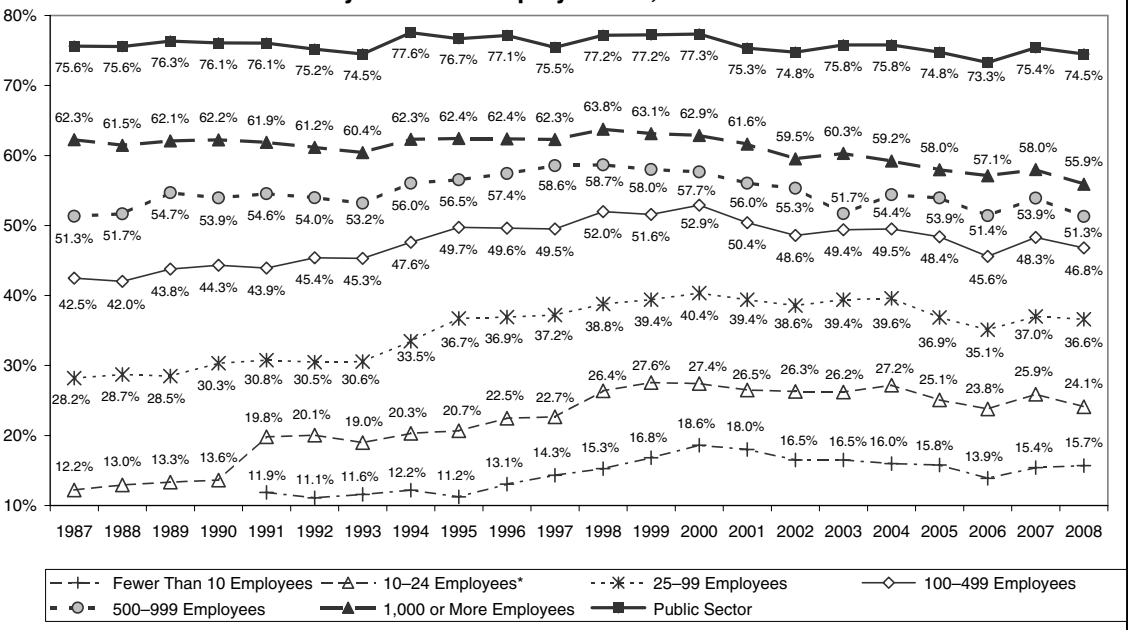
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Work Status, 1987–2008



Source: Employee Benefit Research Institute estimates from the 1988–2009 March Current Population Surveys.

Figure 27

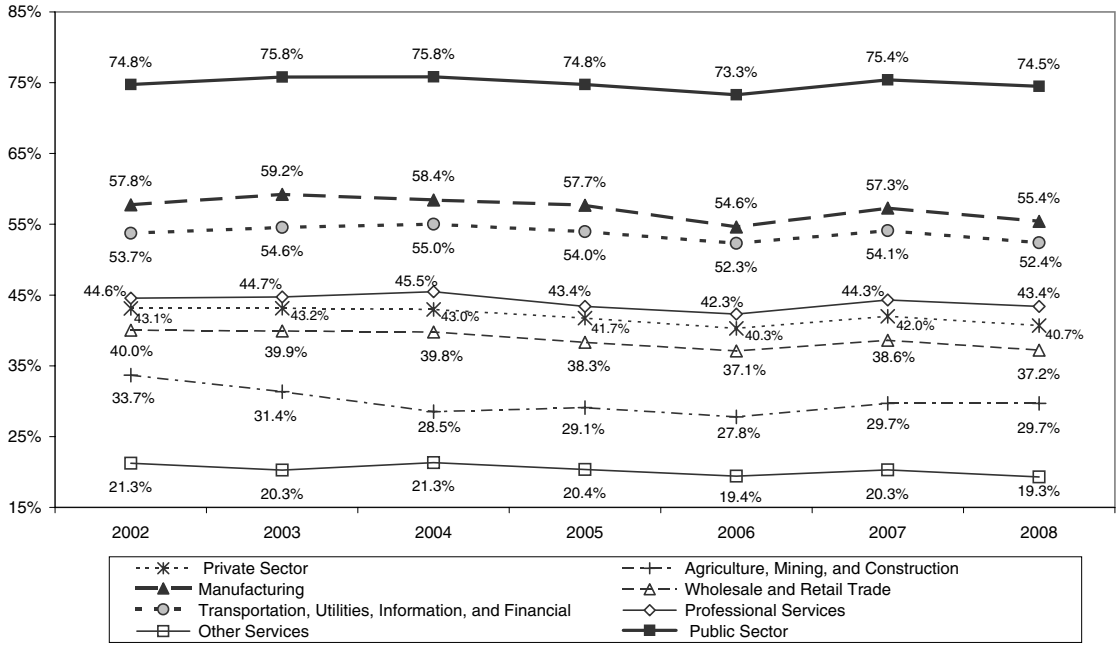
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Workers' Employer Size, 1987–2008



Source: Employee Benefit Research Institute estimates from the 1988–2009 March Current Population Surveys.
* Fewer than 25 from 1987–1990.

Figure 28

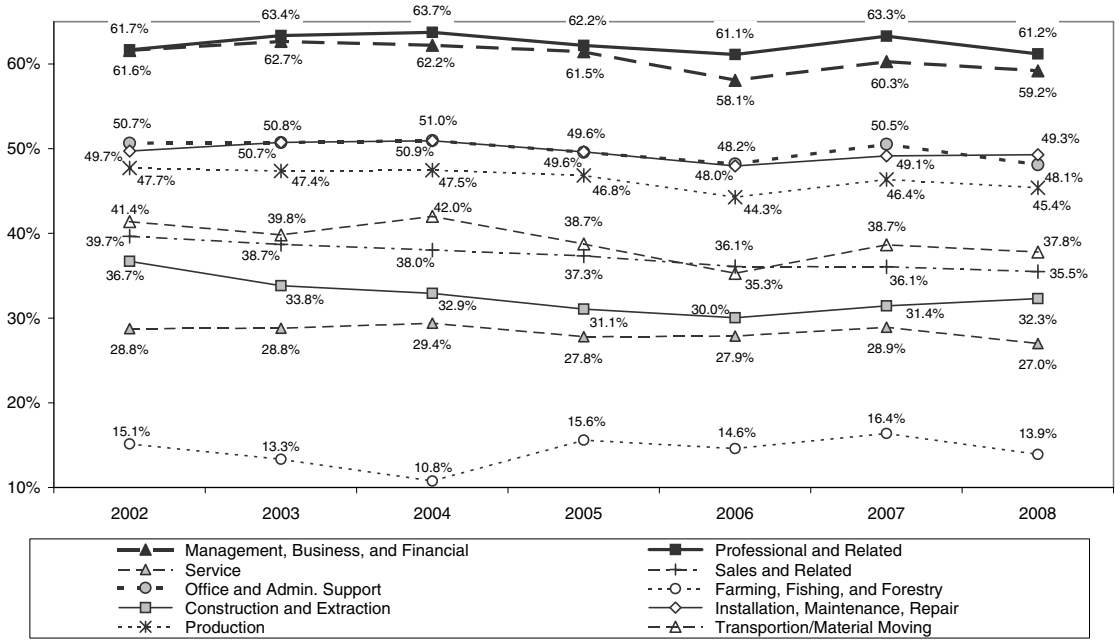
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Industry/Sector, 2002–2008



Source: Employee Benefit Research Institute estimates from the 2003–2009 March Current Population Surveys.
Note: Industry classifcations were changed in the 2003 Current Population Survey, so a consistent industry trend only goes from 2002–2008.

Figure 29

Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Occupation, 2002–2008



Source: Employee Benefit Research Institute estimates from the 2003–2009 March Current Population Surveys.
Note: Occupation classifcations were changed in the 2003 Current Population Survey, so a consistent industry trend goes from only 2002–2008.

The percentage of workers participating in a retirement plan decreased across virtually all of the categories examined, except for those working for the smallest employers (fewer than 10 employees) and the construction and extraction and installation, maintenance, and repair occupations. After decreasing for three consecutive years, the percentage of participating employees working for the smallest employers (fewer than 10 employees) increased by almost 2 percentage points combined in 2007 and 2008. The percentage of those working for the largest employers (1,000 or more employees) who participated in a plan decreased by just over 2 percentage points in 2008 alone.

While individual factors are important, retirement plan participation by workers is also strongly tied to macroeconomic factors such as stock market returns and the labor market. Better macroeconomic conditions of the late 1990s resulted in higher levels of participation, while less positive macroeconomic conditions of the 2000s led to lower levels of participation. Regardless of the current direction, this trend has important implications for workers, since having more opportunities to participate in an employment-based retirement plan greatly increases the amount of money a retiree is likely to have in retirement.[26] The full effect of the downturns in the economy and stock market in 2008 and into 2009 will likely be known only after the release of the 2010 CPS data, which will show the impact of a full year of the downturn through March 2009.

However, many other underlying factors will continue to affect the future direction of this trend. In particular, the decline and freezing of defined benefit pension plans in the private sector will, at a minimum, have an effect on the type of retirement plans that private-sector workers participate in, as well as on the number of people participating in a plan. Furthermore, provisions of the 2006 Pension Protection Act (PPA) supported automatic enrollment in defined contribution plans, effective beginning in 2008, which could help future participation levels stay near the levels observed in prior years, and could lower the difference between the number of workers working for an employer that does not a sponsor a plan and those who are not participants.[27] Consequently, how employers and employees respond to the provisions of the PPA and the downturns in the stock market and economy will be important factors in future participation trends.

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

As VanDerhei and Copeland (2003) have shown, many cohorts of future retirees are unlikely to be able to pay for basic 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.[28] Furthermore, the savings goal of an individual is not a simple rule of thumb but a more complicated calculation that must account for all the risks in retirement—investment, longevity, and health care needs. Depending upon an individual's comfort level and/or ability to assume these risks, there is wide variation in the amount of assets Americans will need to accumulate for retirement.[29]

Figure 30

Number of Workers Working for an Employer That Does NOT Sponsor an Employment-Based Retirement Plan and Number of Workers NOT Participating in an Employment-Based Retirement Plan, by Various Demographic and Employer Characteristics, 2008

Characteristic(s)	Working for an Employer NOT Sponsoring a Plan	NOT Participating In a Plan
	(millions)	
Total	78.0	94.1
Self-Employed (Not Wage and Salary)	9.3	9.5
Net Wage and Salary	68.7	84.6
Under age 21	7.3	9.2
Age 65 or older	3.6	4.4
Not full-time, full-year	31.3	39.6
full-time, part-year	11.7	14.7
part-time, full-year	9.4	11.8
part-time, part-year	10.2	13.2
Less than $5,000 in annual earnings	10.8	13.5
Less than $10,000 in annual earnings	18.5	23.3
Fewer than 100 employess	39.9	43.4
fewer than 10 employees	18.5	19.2
10–24 employees	11.0	11.9
25–99 employees	10.5	12.3
Wage and Salary, Full-Year, Ages 21–64, $5,000 or more in annual earnings, 10 or more employees	29.6	37.8
Wage and Salary, Full-Year, Ages 21–64, $5,000 or more in annual earnings, 25 or more employees	23.1	30.9
Wage and Salary, Full-Time, Ages 21–64, $5,000 or more in annual earnings, 10 or more employees	31.8	40.6
Wage and Salary, Full-Time, Ages 21–64, $5,000 or more in annual earnings, 25 or more employees	24.9	33.2
Wage and Salary, Full-Year, Ages 21–64, $10,000 or more in annual earnings, 10 or more employees	27.9	35.7
Wage and Salary, Full-Year, Ages 21–64, $10,000 or more in annual earnings, 25 or more employees	21.9	29.1
Wage and Salary, Full-Time, Ages 21–64, $10,000 or more in annual earnings, 10 or more employees	29.8	38.1
Wage and Salary, Full-Time, Ages 21–64, $10,000 or more in annual earnings, 25 or more employees	23.4	31.2
Wage and Salary, Full-Time, Full-Year, Ages 21–64, $5,000 or more in annual earnings, 10 or more employees	12.2	16.6
Wage and Salary, Full-Time, Full-Year, Ages 21–64, $5,000 or more in annual earnings, 25 or more employees	9.4	13.5
Wage and Salary, Full-Time, Full-Year, Ages 21–64, $5,000 or more in annual earnings, 100 or more employees	6.9	10.5
Wage and Salary, Full-Time, Full-Year, Ages 21–64, $10,000 or more in annual earnings, 10 or more employees	8.7	11.9
Wage and Salary, Full-Time, Full-Year, Ages 21–64, $10,000 or more in annual earnings, 25 or more employees	6.7	9.7
Wage and Salary, Full-Time, Full-Year, Ages 21–64, $10,000 or more in annual earnings, 100 or more employees	4.9	7.5

Source: Employee Benefit Research Institute estimates from the 2009 March Current Population Survey.

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Endnotes

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

[2] See Copeland (2008) for results from 2007 in this annual publication series from the Current Population Survey.

[3] 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.

[4] 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.

[5] Lump-sum distributions are increasingly available in DB plans. For example, in 2005, 52 percent of full-time employees in private-sector DB plans were eligible for a lump-sum distribution (Bureau of Labor Statistics, 2007b). That compares with 1997 and 1995, when 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).

[6] The 2006 number for active defined contribution participants includes some participants who were not included prior to 2004 due to changes in the requirements for filling out the 5500 Form. Therefore, some of the increase in the time series is due to including more participants as actives who were not included in prior years. This resulted in 9 million more being counted as actives in 2004—the last year both ways of reporting was possible. See Department of Labor, Employee Benefits Security Administration's *Private Pension Plan Bulletin Historical Tables and Graphs* (2009) for more information.

[7] See VanDerhei and Copeland (April 2001).

[8] See VanDerhei, Holden, and Alsono (2009) for results on how current workers, in their present jobs, are doing in terms of accumulating assets in 401(k) plans. One important caveat of this study in regard to overall accumulations of workers in 401(k) plans is that the study does not include any assets accumulated at past jobs that have not been rolled into their current employment-based plan.

[9] See VanDerhei and Copeland, op. cit., for discussion of the reasons for the growth in DC plans and the consequences of this growth for retirees.

[10] The 2007 Survey of Consumer Finances (SCF) was released in early 2009 with 2007 data. Therefore, the data are one year behind the CPS used in this study. However, SCF remains the most updated survey of plan type breakouts as well as overall assets held by American households (among other things) and is an essential piece in the evaluation of the status of Americans' preparation for retirement.

[11] Each March CPS asks about retirement plan participation in the prior year. For example, the March 2009 CPS asks about retirement plan participation in 2008.

[12] 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 workers are not included.

[13] 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.

[14] 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.

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

[16] 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.

[17] State estimates of the less populated states are less reliable than those of more populated states due to the sample size in the survey in those states. Consequently, these state estimates should be used with caution. Furthermore, due to the fairly significant standard error in the less populated states, in order to lessen the any potential sampling error, three-year averages are used to present trends in the state estimates. See Fronstin (2009) for use of the three-year state averages in the analysis of employment-based health insurance coverage.

[18] 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. SIPP also has data on these issues. In Copeland (2009a), the percentage of workers participating in a retirement plan was found to have increased from 1998 to 2003 and then decreased by 2006, 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* would not be. While the SIPP trend did not match the CPS trend from 1998 to 2003, it did match the drop found in CPS from 2003 to 2006. 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, 2009) for a further discussion on the differences in these two surveys in counting the uninsured. In addition, the most recent SCF also shows an increase in the percentage of families with a worker who participated in an employment-based retirement plan from 2004 to 2007 matching CPS, but SCF does not have a

comparable number yet for 2008 (Copeland, 2009b). In contrast, results from the Bureau of Labor Statistics (2003, 2005, 2006, 2007a, 2008 and 2009) show an increase in the percentage of private-sector workers participating in a retirement plan from 48 percent in 2000, 49 percent in 2003, 50 percent in 2005, and to 51 percent in 2006, 2007, 2008, and 2009. However, the BLS survey is a survey of private establishments about their employees' participation, while CPS is a survey directly asked of households. Consequently, BLS survey does not provide the level of individual demographic data that the CPS does. Therefore, the CPS has the most up-to-date breakdowns of retirement plan participation by individual demographic data from the longest consistent set of annually asked questions on this topic. See Purcell (2009) for a further discussion on the differences from the BLS numbers in the National Compensation Survey and the CPS.

[19] 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 when those of more than one race were moved to the "other race" category. Consequently, the trend for the race/ethnicity categories is presented despite the inconsistent definitions of these categories.

[20] All earnings amounts are in 2008 dollars, that is, all earnings from years prior to 2008 are inflated by the consumer price index (CPI) level to reach 2008 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.

[21] The industry definitions within the 2003 Current Population Survey were altered. Consequently, industry participation levels before 2002 cannot be compared with the more current years' results.

[22] The occupation definitions within the 2003 Current Population Survey were altered. Consequently, occupation participation levels before 2002 cannot be compared with the more current years' results.

[23] An employment-based retirement plan can be sponsored by an employer or by a union. "Employer sponsored" is used in this study for brevity, but it should be understood that it also means union.

[24] This includes the 78.0 million who worked for employer/union that did not sponsor a plan plus 16.1 million who worked for an employer that sponsored a plan but did not participate in the plan for whatever reason.

[25] 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 2007 SCF, female family heads had a participation rate of 72.6 percent in DC plans compared with 80.5 percent for male family heads. Consequently, it appears that females are more likely to work for employers that offer a plan than are males.

[26] 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.

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

[28] 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 nonstochastic expenses is a function of the retiree's retirement income.

[29] 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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