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New Research from EBRI:

Retirement Plan Participation Starts Ticking Up Again

WASHINGTON—The percentage of workers who participate in an employment-based retirement plan increased in 2013 for the first time since 2010—both among all workers and private-sector workers, according to a new report by the nonpartisan Employee Benefit Research Institute (EBRI).

Specifically, the percentage of *all workers* participating in an employment-based retirement plan increased to 40.8 percent in 2013, up from 39.7 percent in 2010. The number of workers participating rose to 64.2 million in 2013, the highest number since 2007. In general, EBRI found, each category of workers was at its highest level of participation since the economic recession began in 2008.

The increases reflect the slowly improving national economy and employment rate in the aftermath of the recession. “Retirement plan participation by workers is tied to macroeconomic factors such as the labor market, in addition to various demographic factors,” said Craig Copeland, senior research associate at EBRI and author of the report. “Other underlying factors also have an impact, but higher employment generally leads to higher levels of retirement plan participation.”

As the EBRI report, based on recently released 2014 data from the Census Bureau’s Current Population Survey, notes that the percentage of workers participating in a plan varies significantly by the type of worker being considered:

- Among *all* American workers in 2013, 51.3 percent worked for an employer or union that sponsored a retirement plan (the sponsorship rate), while 40.8 percent participated in a plan.
- Among *wage and salary workers* ages 21–64, the sponsorship rate increased to 56.0 percent, and the portion participating increased to 45.8 percent.
- Among *full-time, full-year wage and salary workers* ages 21–64, the sponsorship rate was 62.3 percent and 54.5 percent of the workers participated in a retirement plan.
- Almost 74 percent of wage and salary public-sector workers participated in an employment-based retirement plan.

In addition, demographic factors have a big impact on whether a worker has a retirement plan:

- Being white was associated with higher probabilities of participating in a retirement plan. Hispanic wage and salary workers were significantly less likely than both white and black workers to participate in a retirement plan, although native-born Hispanics were more likely to participate than non-native born Hispanics. The overall gap between the percentages of black and white plan participants narrowed when compared across earnings levels, with blacks surpassing whites at the income level of \$75,000 or more.
- Workers with lower educational attainment had lower levels of retirement plan participation. While educational attainment has a strong correlation with earnings, when controlling for that factor, the higher educated still had the highest levels of participation, and 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.

- While the overall percentage of females participating in a plan was lower than that of males, when controlling for work status or earnings, the female participation level actually surpassed that of males in 2013. The retirement-plan-participation gender gap significantly closed from 1987–2009 before widening in 2010–2012 but nearly closed again in 2013.
- Workers at large employers were far more likely to participate than those at smaller firms. Those in the manufacturing industry and the transportation, utilities, information, and financial industry had the highest probabilities of participating, while those in the other-services industry had the lowest probability.
- Not only do the workers’ demographic 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 (38.3 percent) of participating in a plan in 2013, while those living in Iowa had the highest probability (56.9 percent).

Those workers who do not participate in a plan tend to be young, part-time, low-income, or employed by small firms. For instance, of the 67.9 million wage and salary workers who worked for an employer who did not sponsor a plan, 17.9 million (26.4 percent) were ages 25 or younger or 65 or older. Almost 30 million (43.6 percent) were not full-time, full-year workers, and 29.2 million (43.0 percent) had annual earnings of less than \$20,000. Furthermore, 39.3 million (57.8 percent) worked for employers with less than 100 employees.

These and other findings are contained in “Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013,” published in the October *EBRI Issue Brief*, online at www.ebri.org

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