
WASHINGTON, DC—Policymakers have spent years trying to expand retirement plan sponsorship by small employers (businesses with 100 or fewer employees). A new survey released today provides insights into how this might be accomplished.

The 2001 Small Employer Retirement Survey (SERS), sponsored by the nonpartisan Employee Benefit Research Institute (EBRI), the American Savings Education Council (ASEC), and Mathew Greenwald & Associates, provides information that could help policymakers respond to the needs of small business owners who need to develop retirement plans. Conducted annually since 1998, the SERS helps explain the factors behind the so-called “pension gap” among small businesses. The survey looks at three key areas: 1) why many small employers do not offer plans; 2) how familiar nonsponsors (companies that don’t offer a plan) are with the options and incentives available to them; and 3) what might motivate small businesses to offer plans.

Small employers are generally viewed as a key factor to any significant expansion of retirement-plan coverage in the United States, since the vast majority of large firms offer retirement plans to their workers but most small firms do not. According to the most recent data available from the U.S. Department of Labor, 79 percent of full-time employees in medium- and large-sized firms are covered by an employment-based retirement plan, compared with 46 percent in small firms.

Among the key findings from the fourth annual SERS released today:

- **Reasons cited by small employers for not offering a retirement plan**—Employees prefer wages and/or other benefits (19 percent); revenue is too uncertain to commit to sponsoring a retirement plan (18 percent); a large portion of workers are seasonal, part time, or high turnover (15 percent); it costs too much to set up and administer (12 percent); required company contributions are too expensive (10 percent); the business is
too new (6 percent); and too many government regulations (4 percent).

• **Nonsponsors’ lack of familiarity with different retirement plans**—Nonsponsors may be unaware of all the plan options available to them as small businesses. Many report that they have “never heard” of the following plan types: simplified employee pensions (SEPS) (52 percent); traditional pension or defined benefit plans (36 percent); savings incentive match plan for employees (SIMPLE) plans, which were created by Congress specifically for small employers (34 percent); deferred profit-sharing plans (23 percent); and 401(k) plans (2 percent).

• **Motivators cited to sponsor a retirement plan**—An increase in the business’ profits (44 percent of nonsponsors); a plan with low administrative costs that required no employer contributions (35 percent); business tax credits for starting a plan (23 percent); a plan that could be tailored to the unique needs of their business (23 percent); a plan with reduced administrative requirements (18 percent); availability of easy-to-understand information (19 percent); allowing key executives to accumulate more in retirement plan (16 percent); demand from employees (15 percent); repeal of top-heavy rules (10 percent); a plan that could be set up and administered completely over the Internet (7 percent); and lengthening of vesting requirements (7 percent).

“The 2001 SERS also demonstrates that small companies with retirement plans tend to employ older, more stable, or better educated workers than small companies that do not provide retirement plans,” said Mathew Greenwald, president of Mathew Greenwald & Associates. “And even when comparing companies of similar size, plan sponsors tend to have higher gross annual revenues than nonsponsors.”

Concerning employers that do offer retirement plans:

• **Retirement plan sponsorship**—Small employers most often offer a defined contribution plan (95 percent offer only defined contribution plans; 5 percent offer both defined contribution and defined benefit plans). Fifty-eight percent of small employers that offer a defined contribution plan say they provide a 401(k) plan. They are less likely to offer a SIMPLE plan (22 percent), a deferred profit-sharing plan (22 percent), or simplified employee pension (SEP) (13 percent).

• **Reasons cited for offering a retirement plan**—Most important is the competitive advantage that sponsoring a retirement plan gives the business in employee recruitment and retention (25 percent). Next are the positive effect on employee attitude and performance (19 percent); employer obligation to provide a retirement plan for their employees (16 percent); and tax advantages for their employees (9 percent), key executives (6 percent), or themselves (4 percent).

“Among small employers that do not offer a retirement plan, 38 percent say they are likely to start offering a plan in the next two years,” said Dallas Salisbury, president and CEO of EBRI. “The SERS highlights actions that could be taken to assure that some of this new plan creation actually takes place.”

More than 100 financial planning calculators, as well as educational video and audio messages are available at [www.choosetosave.org](http://www.choosetosave.org), a Web site developed for the general public to aid in savings education and retirement planning. A number of interactive savings tools, including the Small Biz Retirement Quiz that employers can take to test their knowledge on the specifics of sponsoring a plan, are available on the EBRI and ASEC Web sites at: [www.ebri.org](http://www.ebri.org) and [www.asec.org](http://www.asec.org)

The annual Small Employer Retirement Survey (SERS), now in its fourth year, was designed to gauge the views and attitudes of America’s small employers (with five to 100 full-time workers) regarding retirement plans and related issues. The survey was conducted within the United States between January and February, 2001, through 15-minute telephone interviews with 302 companies with a retirement plan and 299 companies without a retirement plan. Oversamples of companies with 21–50 and 51–100 employees were obtained to allow separate analysis of these groups. Within each sample, 2001 data are weighted by size of business to reflect the universe of small employers with and without retirement plans but previous data are not weighted.
In theory, each sample of 300 yields a statistical precision of plus or minus 6 percentage points (with 95 percent certainty) of what the results would be if all businesses with five to 100 full-time workers were surveyed with complete accuracy. There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is difficult or impossible to quantify the errors that may result from them.

Founded in 1978, EBRI's mission is to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education. EBRI is a private, nonprofit, nonpartisan public policy research organization based in Washington, DC. EBRI does not lobby and does not take positions on legislative proposals.

ASEC is a coalition of private- and public-sector institutions that undertakes initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC works through its partners to educate Americans on all aspects of personal finance and wealth development, including credit management, college savings, home purchase, and retirement planning. ASEC develops and distributes educational materials, all of which are available in hard copy and on the ASEC Web sites: www.asec.org and www.choosetosave.org ASEC is a program of the EBRI Education and Research Fund.

Mathew Greenwald & Associates, Inc. is a full-service market research company with an expertise in financial services research. Founded in 1985, Mathew Greenwald & Associates has conducted public opinion and customer-oriented research for more than 100 organizations, including many of the nation's largest companies and foremost associations.

The 2001 SERS data collection was funded by grants from nine organizations, with staff time donated by EBRI, ASEC, and Mathew Greenwald & Associates. SERS materials and a list of underwriters may be accessed at the EBRI Web site: www.ebri.org/sers

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