



EBRI News

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New Research From EBRI:

States With High Retirement Plan Participation Levels Are Spread From New England to the Upper Midwest

WASHINGTON—You are planning ahead and want to find a job in a state with a high probability that you will be able to participate in a retirement plan. Where do you look?

Try Minnesota. Of all 50 states, workers in Minnesota have the highest level of participation in an employment-based retirement plan: 58 percent. Close behind are Connecticut (57.8 percent) and Iowa (55.9 percent). If you are looking at a warm-weather state, though, your prospects are likely to drop. Florida has the nation's lowest retirement plan participation level—38.7 percent—followed by Georgia (42.7 percent) and California (42.8 percent).

The numbers (for private-sector wage and salary workers ages 21–64) come from a study released today by the nonpartisan Employee Benefit Research Institute (EBRI). Entitled “Employment-Based Retirement Participation: Geographic Differences and Trends, 2004,” the study appears in the October 2005 *EBRI Issue Brief*, and is available on the Web at www.ebri.org.

The study provides an array of statistical data about the relationship between retirement plan participation and education, firm size, and income—as well as other demographic factors, such as gender and race. It includes participation levels for all 50 states as well as 30 metropolitan areas, ranging from Appleton-Oshkosh-Neenah, Wis., to Washington, DC-Baltimore-Northern Virginia.

Among the study's other main points:

- While the overall percentage of women participating in a retirement plan is lower than that of men, the gender gap is closing; when controlling for work status and earnings, women participate in a retirement plan at a higher level than men.
- Black and white workers participate in retirement plans at nearly the same levels when accounting for earnings and age, but participation levels among Hispanics are lower.
- Non-native Hispanics have substantially lower participation levels than whites, blacks, and native-born Hispanics across all age groups and income levels.

Craig Copeland, EBRI senior research associate, said that in general his study found retirement plan participation levels are highest in a crescent-shaped swath of states stretching from New England through the upper Middle West. These are states where benefits are often more comprehensive, either due to tradition, unionization, or other factors. Participation levels are lower in a band of states from the South to the Southwest and including the Mountain West states and California. Many of these

states traditionally have had less comprehensive benefits, and some have high concentrations of immigrants.

Overall, the study reported that 41.9 percent of all workers participated in an employment-based retirement plan in 2004, compared with 41.8 percent in 2003. Among full-time, full-year wage and salary workers ages 21–64—those most likely to be offered a retirement plan at work—the participation rate was 56.6 percent in 2004, compared with 57.1 percent in 2003.

Gender Gap Appears to Be Closing

Among *all* wage and salary workers ages 21–64, men participated in retirement plans at a slightly higher level than women: 42.5 percent compared with 41.2 percent. This apparently was a reflection that women often work in lower paying jobs and do not work full time as much as men, the study said.

But a closer look reveals a different picture: For example, among *full-time, full-year workers of the same ages*, a higher percentage of women are participating than men (58.2 percent, compared with 55.4 percent). “In fact, across all of the worker status categories, females were more likely to participate in a retirement plan than men,” Copeland said.

The study also examined participation by earnings level, and found the proportion of women participating in a retirement plan was higher than that of men in all wage categories—from those earning less than \$5,000 a year to those earning \$50,000 a year or more.

Differences Among Racial, Ethnic Groups

A relatively small gap existed in retirement plan participation between white and black workers, when compared by income and age, whereas much lower levels of retirement plan participation by Hispanic workers persisted across income and age.

Among all age groups, 53 percent of whites participated in a retirement plan, compared with 46 percent for blacks. The gaps were larger in some age groups, but only 2 percentage points separated whites (59 percent participation) and blacks (57 percent) among individuals ages 55–64. The close grouping of whites and blacks also appeared among earnings groups: Among those earning \$30,000–\$49,999 a year, participation levels were virtually identical (about 64 percent), and at the \$50,000-a-year earnings level, the participation level for white workers was only slightly higher than for black workers (74 percent compared with 72 percent).

In contrast, less than one-third (29 percent) of Hispanics of all ages—including those born in the United States and those born elsewhere—participated in retirement plans. Hispanics also trailed whites and blacks in various earnings groups. The participation level for whites and blacks was about 43 percent for those earning \$15,000–\$29,999 a year, but was just below 24 percent for all Hispanics in the same earnings group. Likewise, whites and blacks participated at nearly the same level (64 percent for those earning \$30,000–\$49,999), but participation was just above 48 percent for all Hispanics.

Lower Participation Among Non-native Hispanics

Non-native Hispanics showed substantially lower levels of participation in retirement plans than whites, blacks and native-born Hispanics. These trends existed across all age groups and salary levels, the study found.

Among workers ages 45–54—well into a career—61 percent of white workers participated in a retirement plan, 56 percent of blacks, and 52 percent of native-born Hispanics. But the number was just 30 percent for non-native Hispanics. Likewise, participation levels for non-native Hispanics was

lower across all earnings levels. About 65 percent of whites and blacks earning \$30,000–\$49,999 a year participated in a plan, compared with 56.3 percent of native-born Hispanics and 41.1 percent of non-native Hispanics.

The report noted that cultural differences may explain some of the differences between native-born and non-native born Hispanics. Non-native Hispanics may be unfamiliar with the U.S. retirement system and, because of language barriers, may have problems understanding explanations when given to them at their jobs.

Other Findings in Study

Other study findings: Workers with a college degree were much more likely than those with a high school diploma or less to participate in a retirement plan, as were those with earnings of \$50,000 a year compared with those with much lower incomes. Likewise, the study reported the persistent difference in participation rates between those working for large firms (1,000 or more employees) and those employed at small firms (less than 10 workers); however, the report noted that participation has been increasing at small firms, while it has been stagnant at large companies.

The study is based on the U.S. Census Bureau's March 2005 Current Population Survey, the most recent data available. It included both those participating in a traditional defined benefit plan and those in a defined contribution plan. EBRI is a private nonprofit organization, and does not lobby or take positions on policy questions.

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