



EBRI News

1100 13th St. NW • Suite 878 • Washington, DC 20005
(202) 659-0670 • www.ebri.org • Fax: (202) 775-6312

FOR IMMEDIATE RELEASE:
CONTACT:

Nov. 1, 2007
Craig Copeland, EBRI, (202) 775-6356, copeland@ebri.org
John MacDonald, EBRI, (202) 775-6349, macdonald@ebri.org

New Research from EBRI:

Retirement Plan Participation Drops Two Percentage Points In Group with Strongest Connection to the Work Force

WASHINGTON—Participation in employment-based retirement plans fell about 2 percentage points in 2006 among workers with the strongest connection to the work force, according to a study published today by the nonpartisan Employee Benefit Research Institute (EBRI). In recent years, participation levels have tended to follow trends in the labor market, although the 2006 retirement plan participation decline occurred when the job market was stable.

In 2006, participation in employment-based retirement plans fell to 53 percent among *full-time, full-year wage and salary workers ages 21–64*—those considered to have the closest connection with the work force. This was down from 55 percent in 2005, according to the study in the November 2007 *EBRI Issue Brief*, available at www.ebri.org

While individual factors are important, the study said that retirement plan participation is “strongly tied” to macro factors, most importantly trends in the labor market. Retirement plan participation trends increased significantly when the labor market was tight in the late 1990s, and decreased when unemployment went up in 2001 and 2002. With a more stable job market in 2003 and 2004, the participation trend flattened out. However, even with the stable job market in 2005 and 2006, the participation level declined, the study said.

“It appears a much tighter job market may be needed to push the trend upward,” said Craig Copeland, EBRI senior research associate and author of the study. “However, if automatic enrollment in defined contribution plans is widely adopted, retirement plan participation levels could also reverse this downward trend.”

Based on U.S. Census Bureau data released earlier this year, the study included the following information for participation levels for working-age full-time, full-year wage and salary workers:

Age: Participation increases with age (60 percent for workers ages 54–64, compared with 29 percent for those 21–24).

Gender: Women had a higher level of participation (54 percent for women; 51 percent for men) among full-time, full-year workers. However, among *all workers*, men had a higher level of participation (40 percent for men; 39 percent for women). Female workers’ lower probability of participation in the aggregate results from their overall lower earnings and/or lower rates of full-time work in comparison with men.

Race: Hispanic wage and salary workers were significantly less likely than both white and black workers to participate in a retirement plan. The gap between the percentages of black and white plan participants that exists overall narrows when compared across earnings levels; among workers earning \$30,000–\$39,999, black and white workers had virtually identical levels of participation. A key factor in Hispanic participation levels is

whether the worker is native-born or nonnative born. Native-born Hispanics have participation levels closer to other minority groups.

Geography: Wage and salary workers in the South, West, and Southwest had the lowest participation levels (Florida had the lowest percentage, at 40 percent) while the upper Midwest and Northeast had the highest levels (North Dakota had the highest percentage, at just over 64 percent).

According to the study, the percentage of *all workers* participating in an employment-based retirement plan also decreased in 2006, down to 39.7 percent from 40.9 percent in 2005. Among the 157 million Americans who worked in 2006, 78.6 worked for an employer or union that sponsored a pension or retirement plan, and 62.3 million participated in the plan. This translates into a sponsorship rate (the percentage of workers working for an employer or union that sponsored a plan) of 50.0 percent and a participation level of 39.7 percent. The study includes participation in defined benefit and defined contribution plans.

EBRI is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. www.ebri.org

PR #781