



# EBRI News

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New Research from EBRI:

## Workers' Participation in Retirement Plans Showed a Significant Increase in 2007, First Since 1998

WASHINGTON—The percentage of workers participating in an employment-based retirement plan increased significantly in 2007 for the first time since 1998, with the increase affecting virtually all categories of workers, according to a study released today by the nonpartisan Employee Benefit Research Institute (EBRI).

Specifically, the percentage of *all workers* participating in an employment-based retirement plan increased from 39.7 percent in 2006 to 41.5 percent in 2007, while the percentage of *full-time, full-year wage and salary workers* ages 21–64 (those with the strongest connection to the work force) increased from 52.7 percent in 2006 to 55.3 percent in 2007, says the study, published in the October 2008 *EBRI Issue Brief*, available at [www.ebri.org](http://www.ebri.org).

The study notes that retirement plan participation trends increased significantly in the late 1990s, and then decreased in 2001 and 2002. In 2003 and 2004, the participation trend flattened out. The level of participation subsequently declined in 2005 and 2006 before increasing in 2007.

“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,” Craig Copeland, EBRI senior research associate, writes in the *Issue Brief*. “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.”

The EBRI study includes these points about retirement plan participation:

- **Age:** Participation increases with age (63.9 percent for wage and salary workers ages 55–64, compared with 28.0 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 (57.0 percent for women, compared with 54.0 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 narrows when compared across earnings levels.

- **Geography:** Wage and salary workers in the South, West, and Southwest had the lowest participation levels in 2007 (Florida was the lowest at 42 percent) while the upper Midwest and Northeast had the highest levels (Wisconsin had the highest participation rate, at approximately 68 percent).
- **Other factors:** Higher-educated, higher-income, and married workers are more likely to participate in a plan than their counterparts.

The study also reports that in 2007 about 58 percent of all working-age (21–64) wage and salary employees worked for an employer or union that sponsored a retirement plan, up from about 56 percent in 2006. Among full-time, full-year wage and salary workers ages 21–64, just over 63 percent worked for an employer or union that sponsored a plan in 2007, up from 60.5 percent in 2006. The study includes those participating in both of the two types of tax-favored retirement plans offered through employers and unions—defined contribution plans (typified by 401(k) plans) and defined benefit plans (typified by traditional pension plans).

Looking ahead, the study says that many factors will affect the direction of retirement plan participation trends, including the Pension Protection Act of 2006. This measure “included provisions supporting automatic enrollment in defined contribution plans, effective beginning in 2008 (the year after the data presented here), that could prolong the upward trend in participation observed in 2007 into 2008 and later,” Copeland writes. “Consequently, how employers and employees respond to the provisions of the PPA will be important factors in future participation trends.”

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](http://www.ebri.org)

*The full October 2008 EBRI Issue Brief will be posted early Oct. 09 on the EBRI Web site, [www.ebri.org](http://www.ebri.org). Embargoed copies are available upon request.*