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New Research from EBRI:

Retirement Plan Participation Showed Small Declines in 2008; Full Impact of the Economic Downturn Yet to Be Measured

WASHINGTON—Participation in employment-based retirement plans decreased by small amounts for most categories of workers in 2008, but those with the strongest connection to the work force experienced the smallest decline: 0.5 percentage point, according to a study released today by the nonpartisan Employee Benefit Research Institute (EBRI). Additional decreases are possible in 2009–2010, depending on economic trends, the study adds.

The percentage of *all workers* participating in an employment-based retirement plan decreased from 41.5 percent in 2007 to 40.4 percent in 2008, while the percentage of *full-time, full-year wage and salary workers* ages 21–64 (those most likely to be offered a retirement plan at work) decreased from 55.3 percent in 2007 to 54.8 percent in 2008. The overall decrease in participation was also reflected in virtually all categories of workers in 2008, the study reported. In 2008, *wage and salary workers* ages 21–64 had the biggest decrease, at 1.4 percentage points.

Worker participation in a retirement plan is strongly tied to macroeconomic factors such as stock market returns and the labor market. Better conditions of the late 1990s resulted in higher levels of participation, while worse conditions of the 2000s led to lower levels of participation. “The economic crisis of 2008 clearly had an impact on the most recent participation data, and the full effect on participation from the recent downturn in the economy has yet to be measured,” writes Craig Copeland, senior EBRI research associate and author of the study. Full results are published in the November 2009 *EBRI Issue Brief*, available at www.ebri.org

Other underlying factors also will affect future participation trends, such as the decline and freezing of defined benefit pension plans in the private sector, and automatic enrollment provisions of the 2006 Pension Protection Act (PPA) for defined contribution (401(k)-type) plans, which became effective only in 2008, Copeland adds. The study reports that about 56 percent of all working-age (21–64) wage and salary employees work for an employer or union that sponsors a retirement plan. Among *full-time, full-year wage and salary workers* ages 21–64, just under 63 percent worked for an employer or union that sponsors a plan, and just under 55 percent participate in a plan.

Here are some additional study findings:

- **Trend:** The 54.8 percent participation level for 2008 was virtually unchanged from just over 55 percent in 2007. Participation trends increased significantly in the late 1990s, and decreased in 2001 and 2002. In 2003 and 2004, the participation trend flattened out. The retirement plan participation level subsequently declined in 2005 and 2006, before a significant increase in 2007.
- **Age:** Participation increases with age (62.7 percent for wage and salary workers ages 54–64, compared with 29.4 percent for those ages 21–24).

((more))

- **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 (56.2 percent for women, compared with 53.7 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 that exists overall narrows when compared across earnings levels.
- **Geographic differences:** Wage and salary workers in the South, West, and Southwest had the lowest participation levels (Florida had the lowest percentage, at 44 percent) while the upper Midwest and Northeast had the highest levels (Iowa had the highest participation level, at approximately 68 percent).
- **Other factors:** White, more highly educated, higher-income, and married workers are more likely to participate than their counterparts.

Overall in 2008, 78.0 million workers worked for an employer/union that did *not* sponsor a retirement plan and 94.1 million workers did *not* participate in a plan, the study also finds. But looking only at workers who work full-time, full-year, make \$10,000 or more in annual earnings, and work for an employer with 100 or more employees, only 4.9 million workers (or 7 percent) would be included among those working for an employer that did not sponsor a plan, adds the study, which is based on Census Bureau data.

Percentage of Various Work Forces Who Work for an Employer That Sponsored a Retirement Plan, and the Percentage Who Participated in a Plan, 2008					
	All Workers	Wage and Salary Workers Ages 21–64	Private-Sector Wage and Salary Workers Ages 21–64	Public-Sector Wage and Salary Workers Ages 21–64	Full-Time, Full-Year Wage and Salary Workers Ages 21–64
	(millions)				
Worker Category Total	157.8	131.4	110.7	20.7	93.4
Works for an employer sponsoring a plan	79.8	73.6	56.4	17.2	58.4
Participating in a plan	63.7	60.4	45.0	15.4	51.2
	(percentage)				
Worker Category Total	100.0%	100.0%	100.0%	100.0%	100.0%
Works for an employer sponsoring a plan	50.6	56.0	51.0	83.0	62.5
Participating in a plan	40.4	46.0	40.7	74.5	54.8

Source: Employee Benefit Research Institute estimates from the 2009 March Current Population Survey.

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