

Notes

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EXECUTIVE SUMMARY

Capping Tax-Preferred Retirement Contributions: Preliminary Evidence of the Impact of the National Commission on Fiscal Responsibility and Reform Recommendations

THE “20/20” PROPOSALS: Among the debt-reduction recommendations by the National Commission on Fiscal Responsibility and Reform is a proposal to cap annual “tax-preferred contributions to [the] lower of \$20,000 or 20% of income” for 401(k)-type retirement plans.

HIGHEST- AND LOWEST-INCOME WORKERS MOST AFFECTED: New results from EBRI’s Retirement Security Projection Model™ (RSPM) show that the highest-income quartile within each age cohort would see the largest average percentage reduction in projected balances at retirement. However, for each age cohort other than the oldest one, the lowest-income quartile would see the second-highest average percentage reductions. Phrased another way, the proposed cap would, as expected, most affect the highest-income workers; but it also would cause a very big reduction in projected retirement accumulations for the lowest-income workers.

The Impact of the Recession on Employment-Based Health Benefits: The Case of Union Membership

UNION WORKERS HAVE MUCH HIGHER HEALTH COVERAGE: Union workers are much more likely to have employment-based health benefits than nonunion workers. In 2009, 80.4 percent of union workers were covered by health benefits through their own job, compared with 52.2 percent of nonunion workers. Overall, 91 percent of union workers had coverage either through their own job or as a dependent, while 70.6 percent of nonunion workers had any employment-based coverage. In 2009, 5.6 percent did not have any health insurance coverage. Among nonunion workers, 20.2 percent were uninsured in 2009.

UNION COVERAGE LESS AFFECTED BY RECESSION: Both union workers and nonunion workers were affected by the recession, but it affected nonunion workers more than union workers. Union workers covered through their own job fell from 82 percent to 80.4 percent between 2007 and 2009, a 2 percent decline. In contrast, the percentage of nonunion workers with coverage through their own job fell from 55.9 percent to 52.2 percent, a 6.5 percent decline. Overall, the percentage of union workers with any employment-based coverage fell from 93.4 percent to 91 percent (a 2.6 percent decline), while among nonunion workers it fell from 74.3 percent to 70.6 percent (a 5 percent decline).

Capping Tax-Preferred Retirement Contributions: Preliminary Evidence of the Impact of the National Commission on Fiscal Responsibility and Reform Recommendations

By Jack VanDerhei, Employee Benefit Research Institute

Introduction

In December 2010, the National Commission on Fiscal Responsibility and Reform released their long-awaited document on federal debt reduction, "The Moment of Truth." Although their guiding principles and values (pages 13–14) specifically mention the need to keep America sound over the long run by implementing "policies today to ensure that future generations have retirement security, affordable health care, and financial freedom," the document puts forth a tax reform plan that would modify retirement plans by capping annual "tax-preferred contributions to [the] lower of \$20,000¹ or 20% of income" (page 31). This is often referred to as the "20/20 cap."

Even if one were to ignore the potential interaction of the proposed limitations with the present values of accruals under defined benefit plans and/or the existing tax preferences available to some individual retirement account (IRA) contributions, this alternative formulation of capping tax-preferred contributions would substantially reduce the current limits available under qualified defined contribution (401(k)-type) plans. Currently, the combination of employee and employer contributions is the lesser of a dollar limit of at least \$49,000 per year² and a percentage limit of 100 percent of an employee's compensation.³

This article provides preliminary evidence of the impact of these "20/20 caps" on projected retirement accumulations under a set of assumptions explained in detail later. While this provides a first approximation of the potential impact of these constraints on workers, as well as the distribution of the impact by income, it does not tell the entire story. A follow-up study will also explore the likely impact of these constraints on retirement plan sponsor behavior and estimate the extent to which fewer employers would be willing to offer qualified defined contribution plans (especially among plans offered by small employers).

Seriousness of the Problem and Importance of Defined Contribution Plans for Retirement Income Adequacy

Previous EBRI research has documented that as of Jan. 1, 2010, nearly half of the Baby Boom Generation (born between 1948 and 1964) and Gen Xers (born between 1965 and 1974) were "at risk" of running short of money in retirement.⁴ While some of the "at-risk" households found themselves in this position as a result of the 2008/2009 financial market and real estate market crisis, EBRI estimates that only 3.8 percent–14.3 percent of "at-risk" households would not currently be at risk had it not been for the recession.⁵ Moreover, the feasibility of simply working a few more years after one's planned retirement age to make up for insufficient savings behavior or recent financial and/or real estate market losses has recently been called into question by EBRI research showing that many Boomers and Gen Xers (especially those in the lowest-income quartile) would need to work well into their 70s before they had a better than 50 percent probability of retirement income adequacy.⁶

It is important to keep in mind that these statistics apply to all households in this age cohort whether or not they have worked for employers sponsoring qualified retirement plans for a significant portion of their careers. When the results are broken down even by FUTURE years of eligibility in a defined contribution plan, the potential impact on retirement income adequacy is staggering. For example, Gen Xers with no future

years of eligibility have an “at-risk” level of 60 percent, compared with only 20 percent for those with 20 or more years of future eligibility (VanDerhei and Copeland, 2010).

Baseline Results

Prior to estimating the potential reductions in accumulations resulting from 401(k) contributions, a set of baseline results first need to be run to determine the likely values if the 20/20 caps are not imposed on the current 401(k) system. The model used in this article is based on the 401(k) voluntary enrollment modules from the EBRI Retirement Security Projection Model[®] (RSPM) and is similar in many respects to the one used in Holden and VanDerhei (2002) in that it looks only at current 401(k) participants and does not attempt to include eligible nonparticipants⁷ or workers who are currently not eligible.⁸ However, unlike the 2002 model, this analysis assumes no job turnover, withdrawals, or loan defaults.⁹

Figure 1 shows the median real replacement rates at age 67 from 401(k) balances exclusively for participants currently ages 25–29 by income quartiles.¹⁰ The values vary from a low of 53 percent for the lowest-income quartile to a high of 77 percent for the highest-income quartile.¹¹ The simulated rates of return are explained in more detail in VanDerhei and Copeland (2010), but they are based on a stochastic process with a mean equity return of 8.9 percent and a mean fixed-income return of 6.3 percent (expressed in nominal terms).

One of the benefits of assuming no turnover, withdrawals, or loan defaults is that it allows one to see what a subset of today’s 401(k) plans (specifically, those not using automatic enrollment provisions) may be able to produce for longer-service workers—the same type of worker for whom the final-average defined benefit pension plan provides the highest benefits. In fact, the simulated median real replacement rates for the 401(k) participants in Figure 1 are larger than those provided in the Federal Employees Retirement System (FERS) defined benefit pension plan. For federal employees age 62 or older at separation with 20 or more years of service, the FERS Basic Annuity Formula provides 1.1 percent of the “high-3” average salary for each year of service. Even in the case of a 401(k) participant first observed at age 25, the FERS benefit would provide only a 46.2 percent real replacement rate at age 67. Figure 1 shows that even for the lowest-income quartile, the median 401(k)-generated real replacement rate exceeds 50 percent.

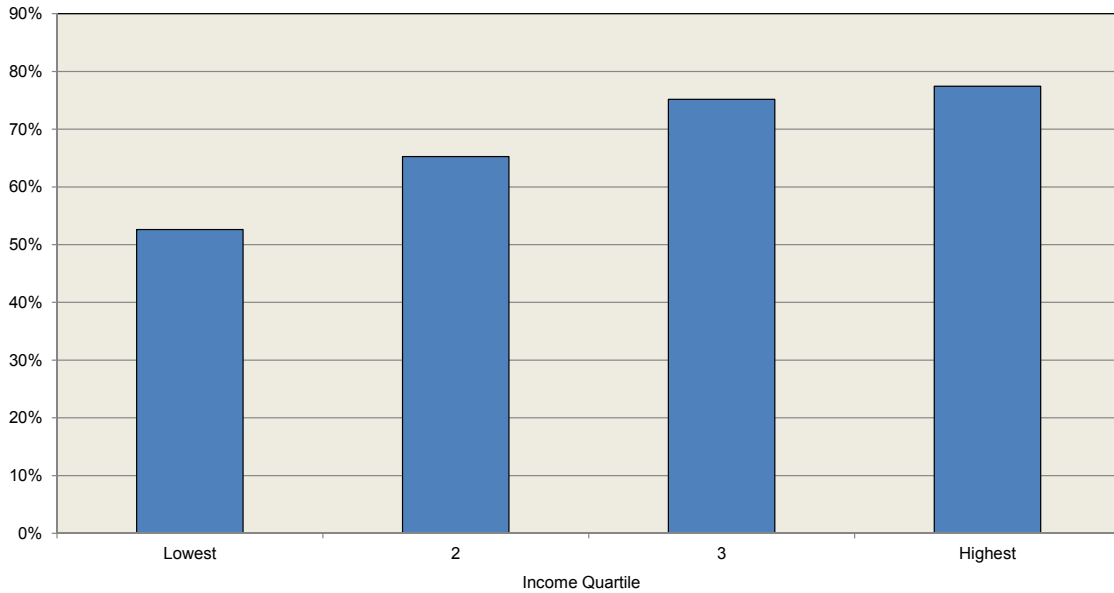
Impact of Applying the 20/20 Caps

If the 20/20 caps are assumed to be imposed starting in 2012, the annual percentage reductions in 401(k) account balances at Social Security normal retirement age are displayed in Figure 2 by age and age-specific income quartiles for all 401(k) participants with salaries in excess of \$10,000 and tenure of at least two years.

Several points stand out immediately:

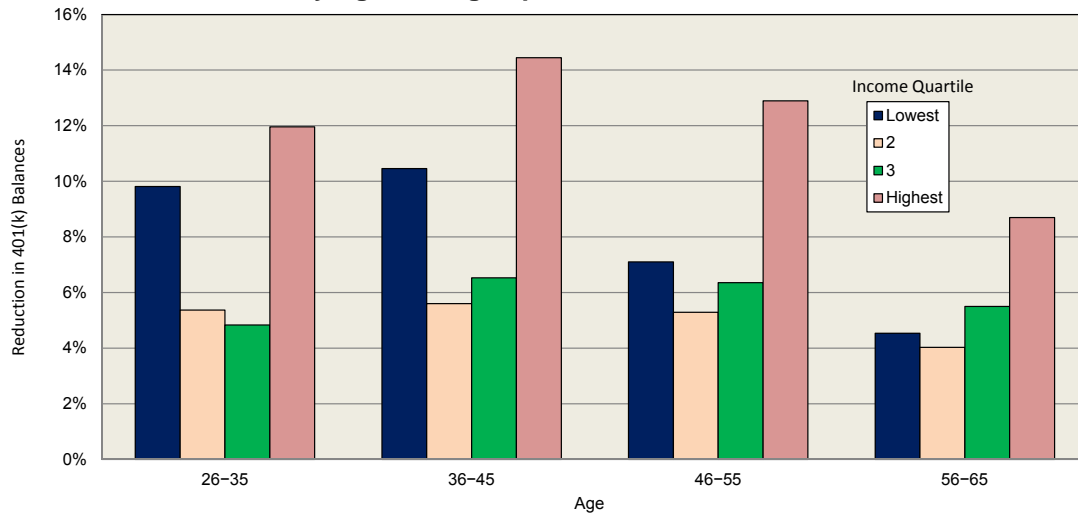
- With the exception of the earliest age cohort¹² (those currently 26–35) the average reduction for any income quartile decreases for older age cohorts. This is due to the fact that those closest to retirement age will have fewer years of future contributions subject to potential reduction as a result of the 20/20 caps.
- Within each of the four age cohorts, the highest-income quartile experiences the largest average percentage reduction from the 20/20 caps. This reaches a maximum value of 15.1 percent for the highest-income quartile for those currently ages 36–45 and falls to 8.6 percent for the highest-income quartile for those currently ages 56–65.

Figure 1
**Median Real Replacement Rates at Age 67 From 401(k) Balances
 for Participants Currently Ages 25–29, by Income Quartile**



Source: EBRI Retirement Security Projection Model Version 110503c.
 The simulated rates of return for the baseline return scenario are the same as in VanDerhei and Copeland (July 2010). This version of the analysis models 401(k) participants who are not automatically enrolled and assumes no job turnover, withdrawals or loan defaults. The full stochastic nature of the model will be included in a future analysis.

Figure 2
**Average Percentage Reductions in 401(k) Account Balances
 at Social Security NRA^a by Imposing 20/20 Limits^b in 2012,
 by Age and Age-specific Income Quartiles**



Source: EBRI Retirement Security Projection Model Version 110503c1.
^a Normal retirement age.
^b \$20,000 or 20 percent of salary per year.
 NB: This simulation only models the financial impact of the expected reduction in 401(k) contributions for employees who are not automatically enrolled by imposing the new limits and does not attempt to assess behavioral modifications on the part of either the plan sponsor nor the employees assumed to be eligible for participation in the plan. The simulated rates of return are the same as in VanDerhei and Copeland (July 2010). This version of the analysis assumes no job turnover, withdrawals or loan defaults. The full stochastic nature of the model will be included in a future analysis.

- The finding that the highest-income quartile within each age cohort experiences the largest average percentage reduction is no surprise, given the increased likelihood that workers in this cohort either currently exceed the \$20,000 (indexed) limit when their contributions are combined with employer contributions or are predicted to do so in the future. However, for each age cohort other than the oldest one, the *lowest-income quartile* has the *second-highest average percentage reductions*. Although this may be due to several considerations,¹³ it is almost always a result of their current or expected future contributions exceeding 20 percent of compensation when combined with employer contributions. Phrased another way, the 20/20 cap would, as expected, most affect the highest-income workers, but it also would cause a very big reduction in retirement accumulations for the lowest-income workers.

Caveats With Respect to Automatic Enrollment

The previous results assumed none of the 401(k) participants were automatically enrolled in the retirement plan; instead, workers' escalation of contributions after the first year are driven primarily by age and income characteristics as opposed to tenure with the current employer, as they would be in auto-enrollment plans (especially those with automatic escalation of employee contributions).

The exclusion of auto-enrollment plans in this analysis was necessary given the current modeling assumption of no job change. It would be very difficult to provide a valid analysis of the average percentage reductions in 401(k) balance under auto-enrollment because very little, if any, information currently exists that can be used to track what automatically enrolled participants with automatic escalation of contributions would do upon job change. For example, if a participant has already been escalated to 8 percent of compensation and upon job change is automatically enrolled into another 401(k) plan, would they "remember" where they had been, or decrease contributions to the default rate of the new plan?

As additional information becomes available with respect to employees' behavioral responses for auto-enrollment, EBRI will update this analysis to provide a more robust model.

References

- Holden, Sarah, and Jack VanDerhei. "Can 401(k) Accumulations Generate Significant Income for Future Retirees?" *EBRI Issue Brief*, no. 251 (Employee Benefit Research Institute, November 2002).
- _____. "The Influence of Automatic Enrollment, Catch-Up, and IRA Contributions on 401(k) Accumulations at Retirement." *EBRI Issue Brief*, no. 283 (Employee Benefit Research Institute, July 2005).
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- _____. "A Post-Crisis Assessment of Retirement Income Adequacy for Baby Boomers and Gen Xers." *EBRI Issue Brief*, no. 354 (Employee Benefit Research Institute, February 2011).
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VanDerhei, Jack, and Craig Copeland. "The Impact of PPA on Retirement Income for 401(k) Participants." *EBRI Issue Brief*, no. 318 (Employee Benefit Research Institute, June 2008).

_____. "The EBRI Retirement Readiness Rating:™ Retirement Income Preparation and Future Prospects." *EBRI Issue Brief*, no. 344 (Employee Benefit Research Institute, July 2010).

_____. "The Impact of Deferring Retirement Age on Retirement Income Adequacy." *EBRI Issue Brief*, no. 358 (Employee Benefit Research Institute, June 2011).

Endnotes

¹ Presumably, the \$20,000 figure would be indexed for inflation in the future similar to current treatment of IRC Sec. 415(c) limits.

² Employees age 50 or over may be allowed to contribute up to an additional \$5,500 per year.

³ Sec. 415(c) of the Internal Revenue Code.

⁴ VanDerhei (April 2011).

⁵ VanDerhei (February 2011).

⁶ VanDerhei and Copeland (2011).

⁷ See Holden and VanDerhei (2005).

⁸ See VanDerhei and Copeland (2008).

⁹ The full stochastic nature of the model will be included in a future analysis.

¹⁰ It is important to note that the annuitized accumulations in this analysis are from 401(k) contributions exclusively and do not include projected Social Security retirement benefits. This is in contrast to other EBRI research (e.g., VanDerhei, November 2010) that includes both components. However, in the previous analysis, all workers were simulated and job change was allowed.

¹¹ These estimates compare quite favorably with those in Holden and VanDerhei (2002) when the difference between nominal and real replacement rates are considered. However, this is to be expected given the assumptions listed above (especially the lack of job turnover and therefore the suppression of cashouts prior to retirement).

¹² The reason that the youngest age cohort does not follow this trend is due to their relatively lower current wages than older cohorts after adjusting for historic age/wage profiles.

¹³ Although additional analysis needs to be performed before assessing the relative importance of these factors, it appears that this result is caused by at least two factors. First, the definition of income quartile in RSPM is determined in a manner similar to the average indexed monthly earnings computation for Social Security with the following modifications: (a) All earned income is included up to the age of retirement (i.e., there is no maximum taxable wage base constraint and the calculation terminates at retirement age); (b) Instead of indexing for changes in average national wages, the model indexes based on assumed after-tax rate of return based on asset allocations that are a function of the individual's age in each year; and (c) Percentile distributions are established based on population statistics for each age cohort. Therefore, it is possible that an individual whose preretirement income ranks in the lowest quartile over their remaining work history may indeed end up with an income that would rank higher than the bottom quarter in one or more specific years. Second, the impact of the 20 percent limitation for the lowest-income quartile may fall disproportionately on the part-time workers. For example, a worker who enters the work force part time whose spouse already has a full-time job may be in a better situation to attempt to maximize retirement contributions on his/her income. Although EBRI is in the process of attempting to model the impact on part-timers on a longitudinal basis, the current analysis filtered out any 401(k) participants with annual income of less than \$10,000 as well as those with less than two years of tenure.

The Impact of the Recession on Employment-Based Health Benefits: The Case of Union Membership

By Paul Fronstin, Employee Benefit Research Institute

Introduction

During World War II, many employers began to offer health coverage for the first time. Because the National War Labor Board (NWLB) froze wages, employers sought ways to get around the wage controls in order to attract scarce workers.¹ In 1943, the NWLB ruled that employer contributions to insurance did not count as wages, and thus did not increase taxable income and could therefore be offered in addition to wages and salaries. Because health insurance benefits were an attractive means to recruit and retain workers, and unions supported the provisions of employment-based health benefits, employers began to offer health coverage to their workers in order to be competitive in the labor market, and the number of persons with employment-based health coverage started to increase. Since World War II, a strong relationship has existed between employment and health benefits. In 2009, 68.2 percent of workers had employment-based health benefits, with 52 percent covered through their own employer and an additional 16 percent covered through a family member's employer.²

This article examines the relationship between health benefits and union status and the impact of the recent recession on that relationship. Since union workers account for a declining share of the working population in the private sector (Figure 1), further erosion of unionization is likely to coincide with overall erosion in the percentage of workers with employment-based health benefits, despite the fact that union workers are more likely than nonunion workers to have health coverage through their job. Furthermore, any future decline in the size of the public sector that is unionized, or declines in the public sector in general in response to lower tax revenues, will only exacerbate the overall erosion in the percentage of workers with employment-based health benefits.³

The next section of this article discusses the Survey of Income and Program Participation, the source of data for this article. The following section examines trends in coverage rates between union and nonunion workers. Differences in reasons for being uninsured are then examined for union and nonunion workers. The analysis ends with a discussion of trends in premiums.

Survey of Income and Program Participation

Data for this study come from a series of panels from the Survey of Income and Program Participation (SIPP) conducted by the Census Bureau. SIPP is a nationally representative longitudinal survey of the civilian noninstitutionalized U.S. population. SIPP provides comprehensive information about the income of individuals and households in the United States. It also provides information on participation in public programs. Individuals selected into the SIPP sample are interviewed once every four months over the life of the panel. In addition to a core set of questions asked participants each of the four months, a rotating set of topical questions supplements the core questions.

The data in this paper come from the 2004 and 2008 panels. The 2004 panel covers October 2003–December 2007 and the 2008 panel started in May 2008. Hence, there is a gap in early 2008. Data through December 2009 are currently available for the entire sample. Smaller samples are available for early 2010: three-quarters of the January 2010 sample, one-half of the February 2010 sample, and one-quarter of the March 2010 sample.

Every four months, panel members were asked about health insurance coverage. Specific questions were asked about coverage from public sources, such as Medicare, Medicaid, the State Children's Health Insurance Program (SCHIP), and various sources of military-related coverage. Specific questions were also asked about employment-based coverage and insurance purchased directly from an insurer. Uninsured individuals were also asked a series of questions regarding why they did not have coverage. Unfortunately, individuals with public coverage were not asked the series of questions related to why they did not have employment-based coverage; therefore, the analysis in this article related to reasons for not having employment-based coverage is limited to the uninsured.

The data in this report are for wage and salary workers ages 18–64. Self-employed workers are generally not included in the analysis because of issues regarding inquiries about employer sponsorship of health benefits.

Trends in Coverage by Union Status

Union workers are much more likely to have employment-based health benefits than nonunion workers. In 2009, 80.4 percent of union workers were covered by health benefits through their own job, compared with 52.2 percent of nonunion workers (Figure 2). Because so many union workers had coverage through their own job, fewer were covered as a dependent. In 2009, 10.6 percent of union workers were covered as a dependent, whereas 18.4 percent of nonunion workers had coverage as a dependent. Overall, 91 percent of union workers had coverage either through their own job or as a dependent, while 70.6 percent of nonunion workers had any employment-based coverage.

Very few union workers were uninsured. In 2009, 5.6 percent did not have any health insurance coverage. Among nonunion workers, 20.2 percent were uninsured in 2009.

Both union workers and nonunion workers were affected by the recession, but it affected nonunion workers more than union workers. The percentage of union workers with coverage through their own job fell from 82 percent to 80.4 percent between 2007 and 2009, a 2 percent decline. In contrast, the percentage of nonunion workers with coverage through their own job fell from 55.9 percent to 52.2 percent, a 6.5 percent decline. Overall, the percentage of union workers with any employment-based coverage fell from 93.4 percent to 91 percent, a 2.6 percent decline, while among nonunion workers it fell from 74.3 percent to 70.6 percent, a 5 percent decline.

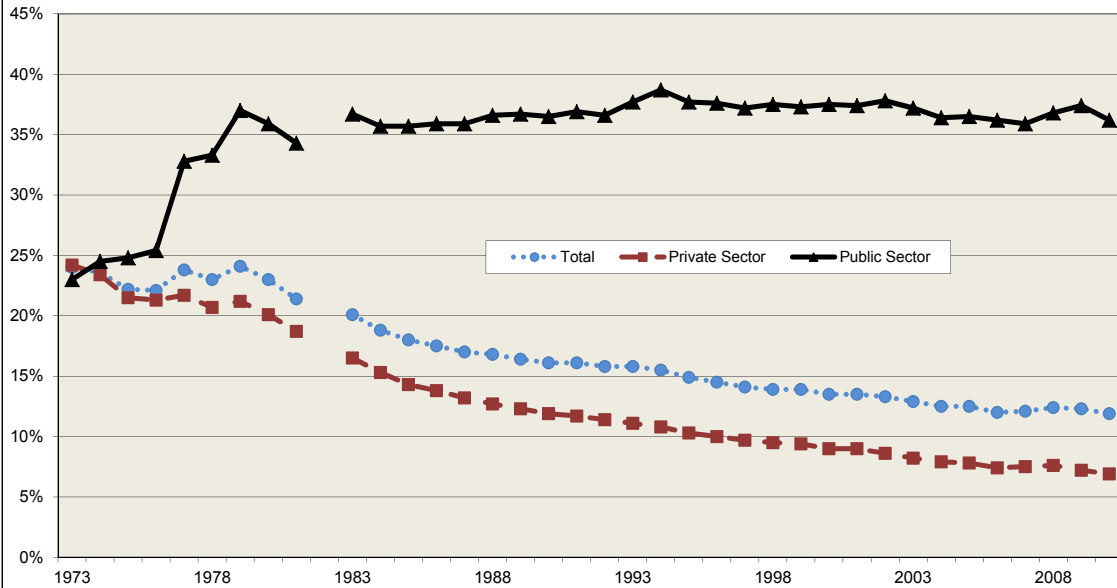
The percentage of union workers who were uninsured increased from 3.6 percent to 5.6 percent. In comparison, the percentage of uninsured nonunion members increased from 16 percent to 20.2 percent.

Monthly Trends

Figure 3 contains the monthly data on the percentage of wage and salary workers with coverage through their own job by union status. It shows that the decline in coverage among nonunion workers occurred mostly between late-2007 and mid-2008—during that period when there was a gap in the data. There continued to be some erosion in coverage through July 2009.

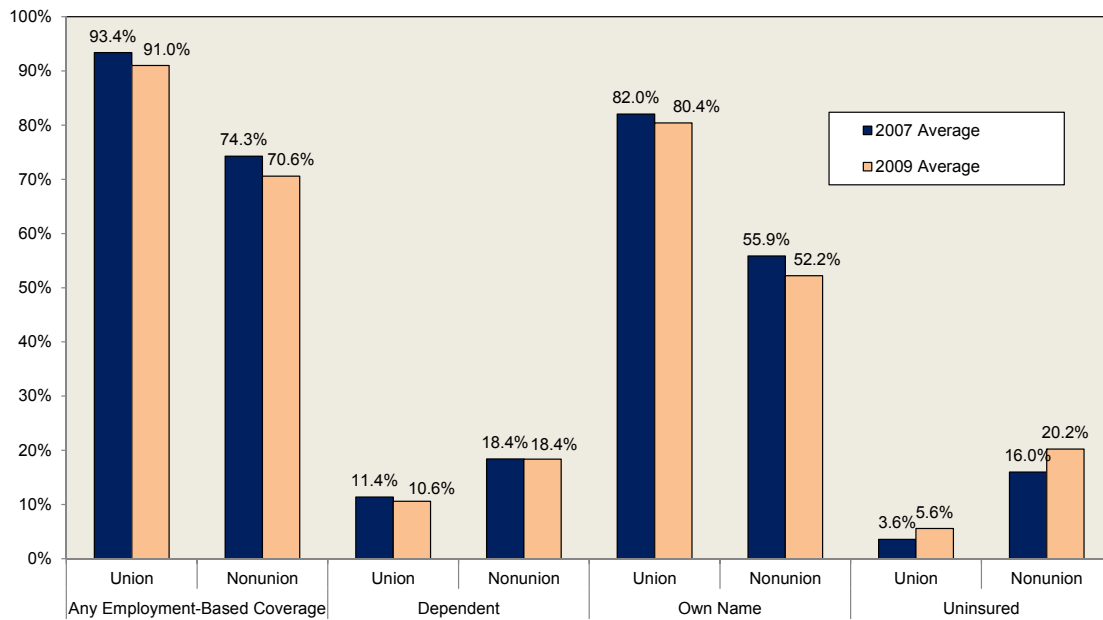
In the case of nonunion workers, there is a slight increase in coverage rates between July 2009 and January 2010. The percentage with coverage from their own job increased from 52 percent to 52.3 percent. Among union workers, there was a full percentage-point increase in the portion with coverage from their own job, increasing from 80.1 percent to 81.2 percent between July 2009 and January 2010.

Figure 1
Unionized Wage and Salary Workers, Ages 16 and Older, 1973–2010



Source: www.unionstats.com estimates based on data from the 1973–1981 May Current Population Survey (CPS) and 1983–2010 CPS Outgoing Rotation Group (ORG) Earnings Files. There were no union questions in the 1982 CPS.

Figure 2
Wage and Salary Workers Ages 18–64 With Selected Sources of Health Insurance, by Union Status, 2007 and 2009



Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 Panels.

Dependent Coverage

As mentioned above, union workers are less likely than nonunion workers to have employment-based coverage as a dependent. The percentage of nonunion workers with dependent coverage remained mostly unchanged during the recession. In contrast, the percentage of union workers with dependent coverage fell during the recession. In late 2007, 11.6 percent of union workers had dependent coverage (Figure 4). By mid-2008, slightly more than 10 percent had dependent coverage, and while the percentage with dependent coverage trended up to 11 percent by July 2009, it then fell to 10.1 percent by late 2009.

Uninsured

As mentioned above, both union and nonunion workers experienced an increase in the percentage who were uninsured between 2007 and 2009. The increase appears to have occurred in early 2008. After mid-2008, the percentage of union workers without health insurance coverage was unchanged in the mid-5 percent range, while the percentage of nonunion workers without health insurance coverage remained unchanged in the low-20 percent range (Figure 5).

Reasons for Being Uninsured

There are a number of reasons why a worker would be uninsured. Declining coverage because of its cost is by far the number one reason given by both union and nonunion workers. Nonunion workers are more likely than union workers to report cost as a reason for declining coverage: 84.4 percent of nonunion workers declined coverage because of cost compared with 75.7 percent among union workers (Figure 6).

Employers not offering health coverage was the second-most-popular reason why both union and nonunion workers were uninsured. Nonunion workers were more likely than union workers to report that their employer did not offer coverage. Over one-quarter (27.4 percent) of nonunion workers reported this as a reason, while 17.7 percent of union workers reported it as a reason.

Union workers were more likely than nonunion workers to report that they were not eligible for the health coverage offered by their employer either because they had not worked at the job long enough or because they were employed on a part-time or temporary basis. Twice as many union workers, as compared with nonunion workers, reported that they were uninsured because they had not yet met the waiting period: 14.5 percent union workers vs. 7.3 percent nonunion workers.

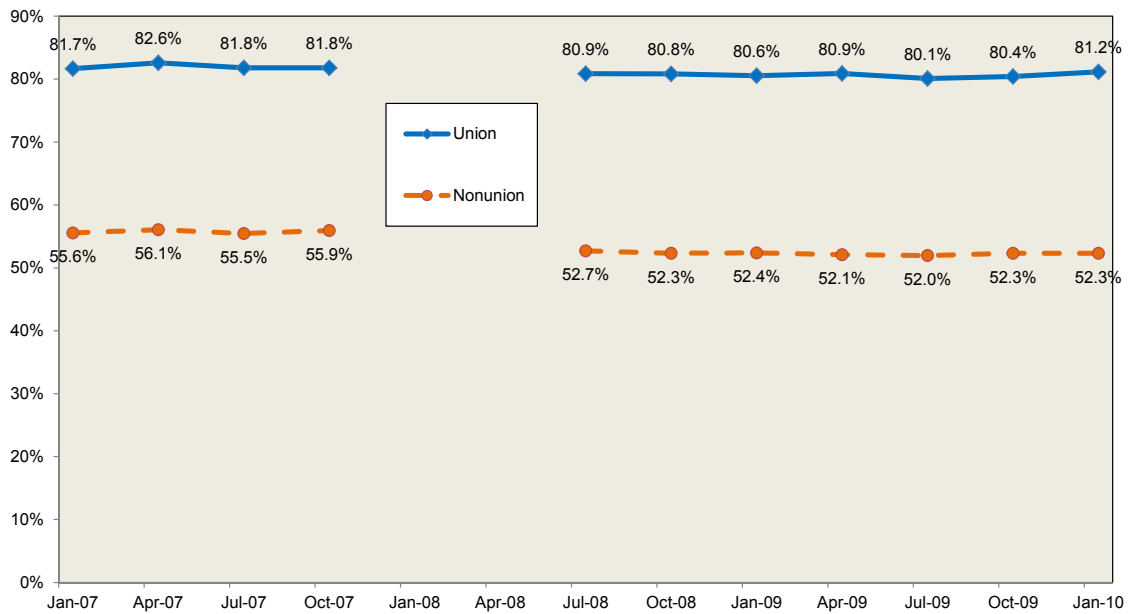
Among both union and nonunion workers, very few—between 3 and 4 percent—reported that they were uninsured because they did not need coverage and declined it.

Premiums

Premiums are higher in plans with union workers compared with plans that have no union workers. In 2010, the premium was \$5,263 for employee-only coverage in plans with at least some union workers, whereas it was \$4,936 in plans with no union workers (Figure 7). Premiums also increased faster in plans with union workers compared with plans that had no union workers. In 2008, premiums in plans with union workers were 4 percent higher than those in plans that had no union workers. By 2010, there was a 7 percent difference in premiums.

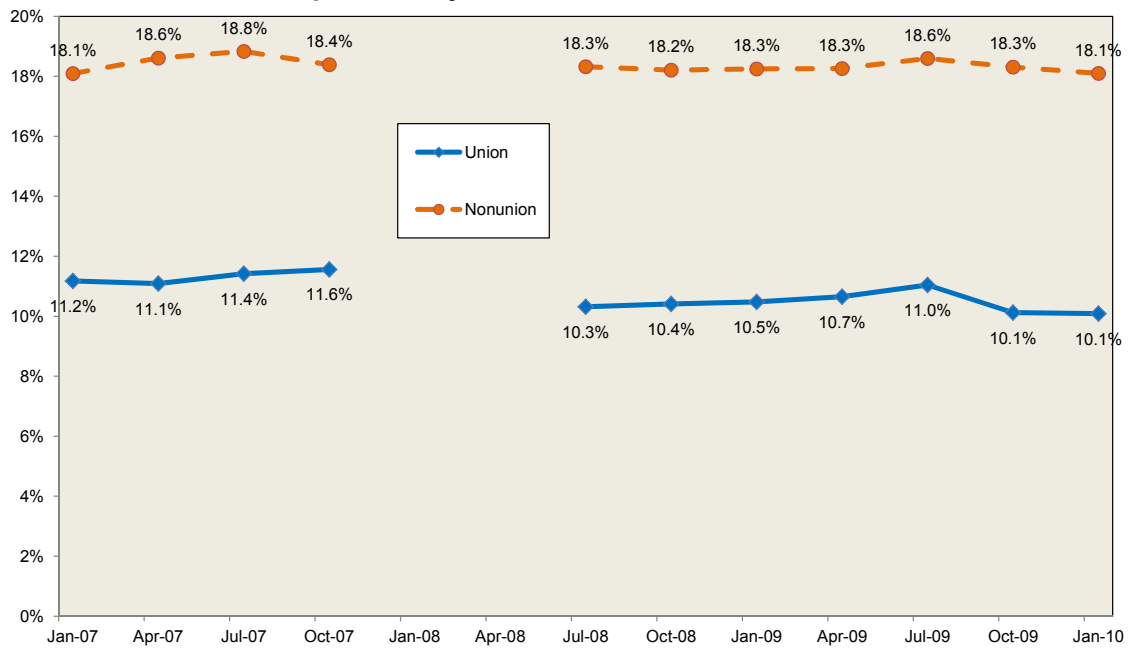
Workers also paid a smaller share of the premium through payroll deduction for family coverage in plans with at least some union workers compared with plans with no union workers (Figure 8). It also appears that the percentage of the premium paid by workers increases slightly faster among nonunion workers than among union workers.

Figure 3
Percentage of Wage and Salary Workers Ages 18–64 With Coverage Through Their Own Job, by Union Status, Jan. 2007–Jan. 2010



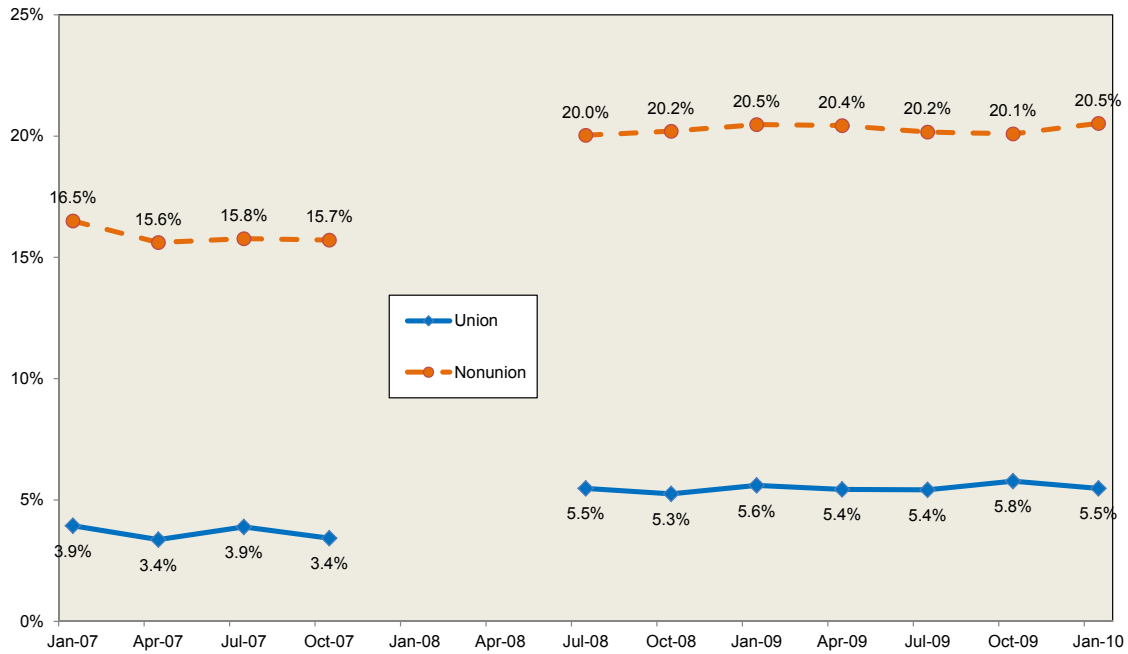
Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 Panels.

Figure 4
Percentage of Wage and Salary Workers Ages 18–64 With Coverage as a Dependent, by Union Status, Jan. 2007–Jan. 2010



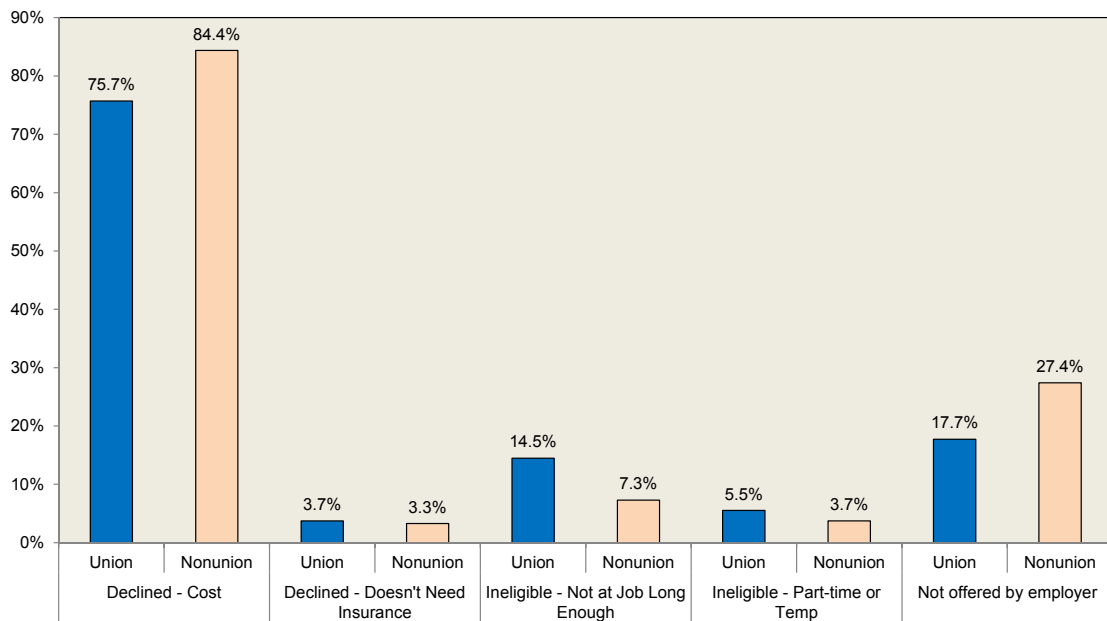
Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 Panels.

Figure 5
Percentage of Wage and Salary Workers Ages 18–64 Without Health Insurance, by Union Status, Jan. 2007–Jan. 2010



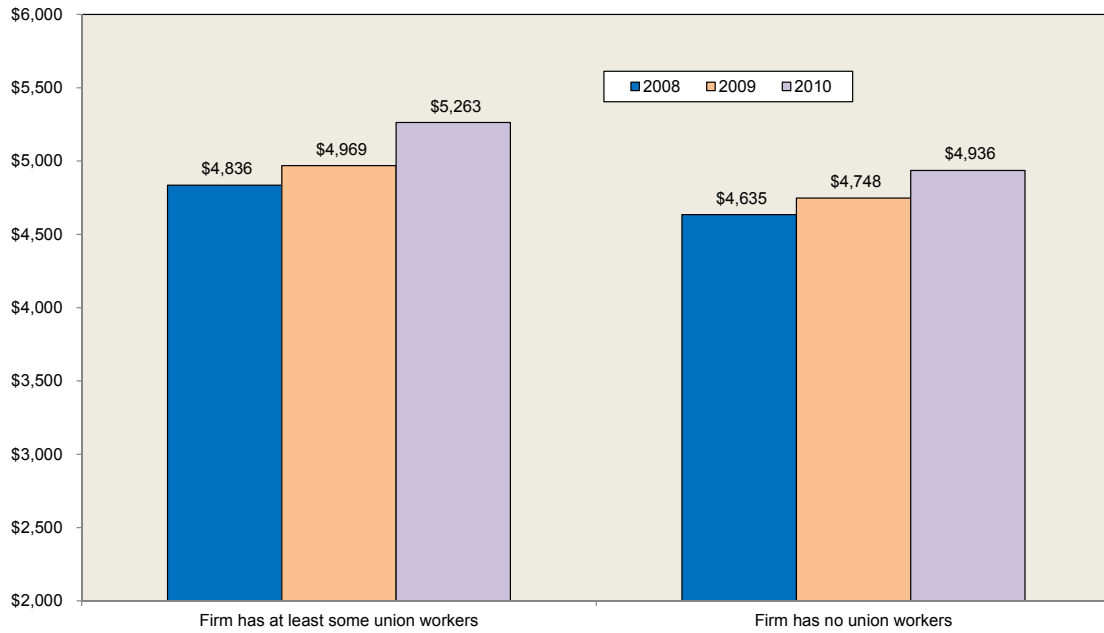
Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 Panels.

Figure 6
Reasons Why Uninsured Workers Do Not Have Employment-Based Coverage, by Union Status, Monthly Average, 2007–2009



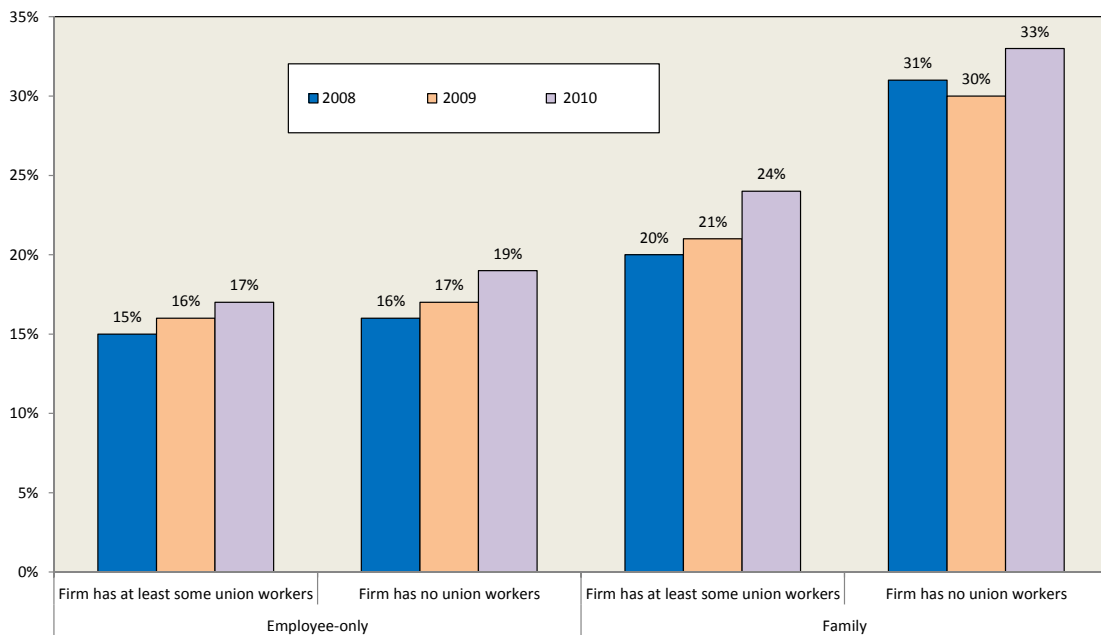
Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2004 and 2008 Panels.

Figure 7
Average Annual Premiums for Employee-Only Coverage,
by Union Status, 2008–2010



Source: Kaiser Family Foundation.

Figure 8
Average Percentage of Premium Paid by Worker Through Payroll
Deduction, by Union Status and Type of Coverage, 2008–2010



Source: Kaiser Family Foundation.

Conclusion

Union workers are more likely than nonunion workers to have health benefits. In 2009, 80 percent of unionized workers had health benefits through their own job, compared with 52.2 percent among nonunion workers. The percentage of union workers with coverage through their own job fell 2 percent between 2007 and 2009. In contrast, the percentage of nonunion workers with coverage through their own job fell 6.5 percent. The percentage of union workers who were uninsured increased from 3.6 percent to 5.6 percent, while the percentage of nonunion members who were uninsured increased from 16 percent to 20.2 percent. The decline in coverage occurred mostly between late-2007 and mid-2008.

Declining coverage because of its cost is by far the number one reason given by both union and nonunion workers. Nonunion workers are more likely than union workers to report cost as a reason for declining coverage. Nonunion workers were also more likely than union workers to report that their employer did not offer coverage. Union workers were more likely than nonunion workers to report that they were not eligible for the health coverage offered by their employer either because they had not worked at the job long enough or because they were employed on a part-time or temporary basis.

If unionization in the private sector continues to decline, the percentage of workers with employment-based health benefits will continue to decrease, and this trend will be exacerbated by any future declines in public-sector unionization.

Endnotes

¹ Robert Helms, "Tax Policy and the History of the Health Insurance Industry," in Henry J. Aaron, and Leonard E. Burman, eds., *Using Taxes to Reform Health Insurance: Pitfalls and Promises* (Washington, DC: Brookings Institution Press, 2008).

² Paul Fronstin, "Sources of Coverage and Characteristics of the Uninsured: Analysis of the March 2009 Current Population Survey," *EBRI Issue Brief*, no. 347 (Employee Benefit Research Institute, September 2010).

³ Previous research found that 6 percent of the decline in employment-based health benefits among workers between 1988 and 1993 was due to the decline in unionization. See Paul Fronstin and Sarah C. Snider, "An Examination of the Decline in Employment-Based Health Insurance Between 1988 and 1993," *Inquiry*, Vol. 33, no. 4 (Winter 1996/97): 317–325.

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