



EMPLOYER RETIREMENT PLANS: NOT A PRETTY PICTURE

If work-based retirement plans are essential to long-term financial security, many American workers may be facing a difficult future as access to and participation in these plans declines.

In a recent study from the Congressional Research Service, available on the Pension Rights Center website (www.pensionrights.org), Patrick Purcell looks at employer-sponsored retirement plans from two perspectives — who is offering plans and who is participating in them — and finds warning signs of a potential crisis.

The context sets the tone. Purcell points out that the US population is getting older. While people 65 and over made up just 9.2% of the population in 1960, by 2010 they will account for 13% and by 2030 that number is projected to be 19%.

Further, since the percentage of people, both men and women, working or looking for work declines substantially after 55, demand for retirement income begins to build at least ten years before 66, which Social Security has set as normal, or full, retirement age for people born between 1943 and 1954.

(Social Security, of course, has its own problems, as the percentage of the population paying into the system shrinks and the percentage expecting to collect benefits expands.)

RETIREMENT PLANS LOSING GROUND

But the important story in this study is that the number and the proportion of employees enrolled in retirement plans is dropping. This decline in participation translates into fewer people being

→ A QUICK LOOK

- 59% of full-time private-sector workers eligible for a retirement plan but just 51% participate
- Only 37 % of part-time workers eligible for a retirement plan and just 23% participate
- Workers least likely to be eligible for a plan earn less than \$28,000
- Workers most likely to participate if eligible earn more than \$65,000

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eligible for job-related retirement benefits. That reduction, in turn, will place an increasing weight on personal savings as a source of retirement income.

The survey also shows that while 59% of full-time private-sector employees work at jobs that offer retirement plans, just 51.1% of those eligible participate. That represents a 6.3 percentage point decline since 2000 and translates in 3.5 million fewer participants over eight years.

To put this 59% figure in another perspective, it's lower than it was in 1990 (62.8%) and 2000 (66.3%), despite the fact that both the number of full-time workers and the number of employers offering plans increased between 1990 and 2008.

A GLIMMER OF GOOD NEWS

The only good news in these findings was that there's essentially equal access for full-time workers regardless of gender. In fact, in 2008, women working full-time were slightly more likely than men to have access to a retirement plan (60.1% compared to 58.3%), but the two groups participated at essentially the same rate, 51% for women and 51.2% for men. The good news is tempered, though, by the reality that both rates are lower than they were in 2000.

OPPORTUNITY IS NOT EQUAL

Several other findings in the study are not entirely unexpected:

- Just 37.2% of part-timers work for employers that offer plans and just 23% of those who can participate elect to do so. Since more women work part time than men do, Purcell points to this imbalance as a way of explaining why fewer women, overall, can expect retirement income from an employer plan despite the gains among women employed full-time.
- Younger workers, 25 to 34, are less likely to have access to a plan (54.4%) than older workers, and they are less likely to participate (43.3%) when they do. In contrast, employees 55 to 61 were most likely to have access to a

plan (61.7%) and of those 56.6% participated. (Purcell does note, however, that some younger workers may not have been on the job long enough to be eligible.)

- Caucasian workers are most likely to work for an employer who offers a plan and more likely to participate, as are people who earn \$65K or more, the ceiling used in the survey. However, in this group as well the participation rate has dropped below levels achieved not only in 2000 but also, remarkably, in 1990.
- Those least likely — by a wide margin — to have access to a plan or participate in one that is available to them are those earning less than \$28K and those whose ethnicity is Hispanic.

While the study doesn't focus on the reasons that plan availability and participation have declined as much as they have, the findings underscore the scary implications for the long-term financial security of many Americans.

Purcell does point out that employers are under no obligation to provide a retirement plan or to maintain one they have introduced. To encourage employers to provide these plans, the federal government has used a carrot in the form of tax deductions. But as Purcell observes, this approach may not have been sufficient in the first decade of the 21st century to continue the expansion that characterized the previous ten years.

The study, titled "Pension Sponsorship and Participation: Summary of Recent Trends," analyzes information from the 2007 U.S. Census Bureau's Current Population Survey (CPS) and was written by Patrick Purcell of the Congressional Research Service. It was published in September 2009.