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## **Pension Sponsorship and Participation: Summary of Recent Trends**

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# Pension Sponsorship and Participation: Summary of Recent Trends

## Summary

According to the Census Bureau's *Current Population Survey (CPS)*, the number of workers in the private sector whose employer sponsored a retirement plan fell slightly between 2003 and 2004. Among workers in the private sector between the ages of 25 and 64, the number whose employer sponsored a retirement plan was 53.1 million in 2004, compared to 53.3 million in 2003. The number of workers who participated in an employer-sponsored retirement plan fell from 43.5 million in 2003 to 43.3 million in 2004. The percentage of 25 to 64-year-old workers in the private sector who participated in an employer-sponsored retirement plan declined from 46.7% in 2003 to 46.3% in 2004.

A CRS analysis of the Current Population Survey indicates that, among workers 25 to 64 years old who were employed in the private sector and worked *year-round, full-time*:

- The percentage of workers employed year-round, full-time whose employer sponsored a retirement plan fell from 62.7% in 2003 to 61.8% in 2004.
- The percentage of workers employed year-round, full-time who participated in an employer-sponsored retirement plan declined from 54.1% in 2003 to 53.4% in 2004.
- Only 26.5% of workers at firms with fewer than 25 employees participated in an employer-sponsored retirement plan in 2004, compared to 48.6% of workers at firms with 25 to 99 employees and 67.0% of workers at firms with 100 or more employees.
- In 2004, there was relatively little difference in retirement plan participation among men and women who were employed full-time: 52.9% of men and 54.1% of women participated in an employer-sponsored retirement plan.
- In 2004, only 44.9% of private-sector workers 25 to 34 years old who were employed year-round, full-time participated in an employer-sponsored retirement plan, versus 56.6% of workers over age 35 .
- Black, Hispanic, and other non-white workers were less likely to have participated in an employer-sponsored retirement plan. Fifty-nine percent of white workers participated in a company-sponsored retirement plan in 2004, compared to 49.7% of black non-Hispanic workers, 31.0% of Hispanic workers, and 50.8% of other non-white workers (mainly Asian-American and Native American workers).
- Only 29.9% of workers whose earnings were in the lowest quartile in 2004 (those with earnings under \$25,000) participated in a retirement plan at work, compared to 71.4% of workers whose earnings were in the top quartile (those with earnings above \$58,000).

The percentage of part-year or part-time workers in the private sector whose employer sponsored a retirement plan was 41.5% in 2004, unchanged from 2003. The percentage of part-year or part-time workers in the private sector who participated in an employer sponsored retirement plan fell from 25.3% in 2003 to 24.8% in 2004.

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# Pension Sponsorship and Participation: Summary of Recent Trends

## **Background: Employment and an Aging Workforce**

The aging of the American population has made retirement income an issue of increasing concern to the Congress and the public. Although Americans are living longer than ever before, most retire before age 65. Moreover, while the nation's population continues to grow, the decline in birth rates that followed the post-World War II "baby boom" and the continued lengthening of life spans will result in fewer workers relative to the number of retirees. These trends will affect the economic well-being of future retirees because pensions and Social Security benefits will be paid over longer periods of time; savings will have to be stretched over longer retirements; and Social Security benefits will have to be financed by a working population that is shrinking relative to the number of retirees.

**Americans are living longer than ever before.** The average life expectancy of Americans born in 1960 was 69.7 years. It has been estimated that those who are born in 2005 will live for an average of 77.8 years.<sup>1</sup> A man who reached age 65 in 1960 could expect to live another 13 years, while a woman who turned 65 had a remaining life expectancy of 16 years. A man who reached age 65 in 2001 could expect to live another 16.4 years, while a woman who turned 65 in 2001 had a remaining life expectancy of 19.4 years. As more people live into old age, the age-profile of the population will shift. In 1960, 16.7 million people in the United States — 9.2% of the population — were age 65 or older. In 2003, there were 35.9 million Americans age 65 or older, representing 12.4% of the population. By 2025, according to projections made by the Bureau of the Census, there will be 63.5 million people age 65 or older, comprising 18.2% of the U.S. population.

**Labor force participation begins to drop after age 55.** The proportion of the population that is either working or looking for work is called the "labor force participation rate." As indicated by the data in **Table 1**, the labor force participation rate starts to drop significantly at about age 55. When income is no longer derived from earnings, individuals depend more on pensions, interest and dividends, withdrawals from their savings, and — when they become eligible through age or disability — Social Security. The aging of the U.S. population will place strains on the components of the traditional "three-legged stool" of retirement income: Social Security, pensions, and personal saving.

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<sup>1</sup> U.S. National Center for Health Statistics, *Vital Statistics of the United States*.

**Table 1. Labor Force Participation Rates in 2004**

Age	Total number of people (000s)	Number in the labor force (000s)	Labor force participation rate (percent)
<b>Men</b>			
Age 25 to 54	60,773	54,972	90.5
Age 45 to 54	20,160	17,635	87.5
Age 55 to 64	13,894	9,547	68.7
Age 65 and up	14,684	2,787	19.0
<b>Women</b>			
Age 25 to 54	62,636	47,150	75.3
Age 45 to 54	21,085	16,123	76.5
Age 55 to 64	15,025	8,466	56.3
Age 65 and up	19,925	2,211	11.1

**Source:** U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (January 2005)

**Congress and Retirement Income Policies.** The Internal Revenue Code was first amended to provide favorable tax treatment for qualified pension and retirement plans in the 1920s. These provisions have been expanded and modified many times since then. Among the tax exemptions that apply to traditional “defined benefit” pension plans are the deduction of pension contributions from employer income, exclusion of employer contributions to pension plans from employee income, and tax exemption of the earnings of pension trusts.<sup>2</sup> In “defined contribution” plans such as those authorized under section 401(k) of the tax code, income taxes are deferred until retirement on employer and employee contributions to the plan and on the investment earnings of the plan.

By establishing the tax-favored status of pension programs and defining the terms under which tax exemptions and deductions are granted, federal tax law has both encouraged the growth of retirement plan coverage among workers and shaped the development of pensions and retirement savings plans. Congress also has sought to protect the pension benefits earned by workers through direct regulation of pension plans, most notably through the **Employee Retirement Income Security Act** of 1974 (P.L. 93-406). ERISA, too, may have influenced the development of employer-sponsored retirement plans. Since its enactment, defined contribution (DC) plans have proliferated while the number of defined benefit (DB) plans has fallen.

**Two Kinds of Retirement Plans: Defined Benefit and Defined Contribution.** Retirement programs are legally classified as either *defined benefit* plans or *defined contribution* plans. In *defined benefit* or “DB” plans, the retirement benefit usually is based on an employee’s salary and number of years of service.

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<sup>2</sup> Defined benefit pensions are taxed when the employee receives benefits during retirement.

With each year of service, a worker accrues a benefit equal to either a fixed dollar amount per month or year of service or a percentage of his or her final pay or average pay.

A *defined contribution* or “DC” plan is much like a savings account maintained by the employer on behalf of each participating employee. The employer contributes a specific dollar amount or percentage of pay into the account, which is usually invested in stocks and bonds. In some plans, the size of the employer’s contribution depends on the amount the employee contributes to the plan. When the worker retires, the amount of retirement benefits that he or she receives will depend on the balance in the account, which is the sum of all the contributions that have been made plus interest, dividends, and capital gains (or losses). The worker usually has the choice of receiving these funds in the form of a life-long annuity,<sup>3</sup> as a series of fixed payments over a period of years, or as a lump sum.

In recent years, many employers have converted their traditional pensions to *hybrid plans* that have characteristics of both DB and DC plans. The most popular of these hybrids has been the *cash balance plan*. A cash balance plan looks like a DC plan in that the accrued benefit is defined in terms of an account balance. The employer makes contributions to the plan and pays interest on the accumulated balance. However, in a cash balance plan, the account balances are merely bookkeeping devices. They are not *individual accounts* that are *owned by the participants*. Legally, therefore, a cash balance plan is a defined benefit plan.

***Who bears the investment risk?*** In a defined benefit plan, it is the *employer* who bears the investment risk of the plan, while in a defined contribution plan it is the *employee* who bears the investment risk. In a defined benefit plan, the employer promises to provide retirement benefits equal to a certain dollar amount or a specific percentage of the employee’s pay. The employer contributes money to a pension trust that is invested in stocks, bonds, real estate, or other assets. Retirement benefits are paid from this trust fund. The employer is *at risk* for the amount of retirement benefits that have been promised to employees and their survivors. If there are insufficient funds in the pension trust to pay the accrued benefits, the firm that sponsors the pension plan is legally obligated to make up the difference by paying more money into the pension fund.

In a *defined contribution* plan, the employer bears no risk beyond its obligation to make contributions to each employee’s retirement account. In these plans, it is the *employee* who bears the risk that his or her retirement account will increase in value by an amount sufficient to provide adequate income during retirement. If the contributions made to the account by the employer and the employee are insufficient, or if the securities in which the account is invested lose value or increase in value too slowly, the employee risks having an income in retirement that is not sufficient to maintain his or her desired standard of living. If this situation occurs, the worker might choose to delay retirement.

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<sup>3</sup> Retirees can also choose a *joint and survivor annuity* in which a surviving spouse continues to receive an annuity after the retired worker’s death.

Many factors affect a firm's decision to sponsor a retirement plan and a worker's decision to participate in the plan. In any given year, changes in the business climate — inflation, interest rates, wage increases, the cost of other benefits (such as health insurance), trends in business revenues and profits — could weigh more heavily in a firm's decision to establish a retirement plan than the potential tax advantages it could gain by sponsoring a plan. Likewise, an employee's decision to participate or not to participate in a retirement plan may be affected by such variables as the rate of growth of wages, the rising cost of employee health insurance premiums, his or her confidence in the financial status of Social Security, and whether another family member already participates in a retirement plan.

Encouraging sponsorship of retirement plans by small firms is an important issue to the Congress in part because of the large number of people employed by small businesses. In 2004, for example, 36 million people worked for firms with fewer than 25 employees.<sup>4</sup> The relatively low rates of employer sponsorship and employee participation in retirement plans at small businesses have prompted Congress to look for ways to make it easier for small employers to establish and maintain retirement plans for their employees. Because small employers may be reluctant to take on the financial risk and administrative burden of establishing a defined-benefit pension plan, Congress has sought to encourage greater retirement plan sponsorship among small businesses mainly by easing the financial and reporting requirements associated with certain types of defined contribution pension plans. The *Revenue Act of 1978* (P.L. 95-600) authorized a defined contribution plan called the **Simplified Employee Pension (SEP)**.<sup>5</sup> More recently, the *Small Business Job Protection Act of 1996* (P.L. 104-188) authorized another type of defined contribution plan called the **Savings Incentive Match Plan for Employees (SIMPLE)**. Nevertheless, rates of retirement plan sponsorship and participation in small firms continue to lag behind the rates achieved in larger firms.

## Recent Trends in Retirement Plan Sponsorship and Participation

**The number of defined benefit plans is declining.** According to the Pension Benefit Guaranty Corporation (PBGC), the number of insured defined benefit plans fell from 114,396 in 1985 to 31,238 in 2004.<sup>6</sup> The decline in the number of DB plans resulted mainly from the termination of a large number of small plans. Between 1985 and 2004, the number of defined benefit pension plans with fewer than 100 participants fell from 90,911 to 18,835, a decline of 79.3%. The number of large DB plans fell from 23,485 to 12,403, a decline of 47.2%.

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<sup>4</sup> Full-time and part-time wage and salary workers. (Source: *Current Population Survey*.)

<sup>5</sup> P.L. 95-600 authorized tax exemption only for employer contributions to a SEP. The *Tax Reform Act of 1986* (P.L. 99-514) allowed workers in firms with fewer than 25 employees to contribute to a SEP on a tax-deferred basis through salary reduction (SARSEP). P.L. 104-188 authorized SIMPLE plans to replace SARSEPs. Firms may continue to establish SEPs funded exclusively by employer contributions, but new SARSEPs were prohibited after December 31, 1996. Previously existing SARSEPs may continue as before.

<sup>6</sup> Pension Benefit Guaranty Corporation, *Pension Insurance Data book 2004*.

**Surveys of Employers.** The Bureau of Labor Statistics collects data from employers about paid leave, health insurance, retirement plan participation, flexible spending accounts, and other employee benefits as part of the *National Compensation Survey*. The *National Compensation Survey* is conducted among a nationally representative sample of business establishments. The term *establishment* usually refers to a single place of business at a particular location or all branches of a business in a particular metropolitan area or county. An establishment might be a branch or small operating unit of a larger firm. In contrast, a *firm* comprises *all* of the establishments that together form a corporation, partnership, or other business entity.<sup>7</sup>

According to the data collected from employers through the National Compensation Survey, 65% of employees in medium and large private establishments participated in an employer-sponsored pension or retirement savings plan in 2003. (See **Table 2**.) Participation in company-sponsored retirement plans was substantially lower in small businesses. In 2003, only 35% of employees in businesses with fewer than 100 employees participated in an employer-sponsored pension or retirement savings plan. The data from the NCS also indicate that, among firms of all sizes, 58% of full-time employees participated in an employer-sponsored retirement plan in 2003, compared to just 18% of part-time workers.

**Table 2. Percentage of Private-sector Employees Participating in Employer-Sponsored Retirement Plans, March 2003**

	Type of retirement plan		
	All types	Defined benefit	Defined contribution
<i>Establishment Size</i>			
1-99 workers	35	8	31
100 or more workers	65	33	51
<i>Work Schedule</i>			
Full-time workers	58	24	48
Part-time workers	18	8	14
All workers	49	20	40

**Note:** Data represent 103 million workers employed in the private sector.

**Source:** National Compensation Survey, U.S. Department of Labor.

**Surveys of Households.** The *Current Population Survey* (CPS) is conducted each month by the Bureau of the Census among a nationally representative sample of 60,000 to 100,000 households, primarily for the purpose of estimating the rates of employment and unemployment. Each March, supplemental questions are asked about employment, income, health insurance, retirement plan participation, and

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<sup>7</sup> In the Census Bureau's *Current Population Survey*, employer characteristics are reported at the level of the *firm*, which may include more than one establishment.



receipt of government benefits during the previous calendar year. These data allow analysts to tabulate the number and percentage of workers who reported whether their employer offered a retirement plan and whether they participated in the plan. These responses can then be categorized by certain demographic and economic characteristics, such as the worker's age, race, sex, income, and the size of firm at which they worked. Unfortunately, however, because the CPS asks only two pension-related questions — if the worker's employer offers a retirement plan and if the worker participates — we cannot ascertain whether the plan is a defined benefit plan or a defined contribution plan.

**Plan Participation by Full-Time vs. Part-Time Employment. Table 3** compares retirement plan participation for year-round, full-time workers in the private sector to those who were employed part-year or part-time. Workers with part-year or part-time employment are much less likely to be employed by a firm that sponsors a retirement plan. Part-time and part-year workers also are less likely to participate if their employer sponsors a plan.

The proportion of year-round, full-time workers employed at firms that sponsored a retirement plan was 62.7% in 2003 and 61.8% in 2004. The participation rate among year-round, full-time workers whose employer sponsored a retirement plan was 54.1% in 2003 and 53.4% in 2004. Plan participation peaked among full-time workers in 1999 at 58.0%. Between 2003 and 2004, the proportion of part-time or part-year workers employed by firms that sponsored a retirement plan remained unchanged at 41.5%. The rate of participation among part-year and part-time workers whose employer sponsored a retirement plan fell from 25.3% to 24.8%.

The lower rate of retirement plan participation among part-year and part-time workers is one of the reasons that women are less likely than men to participate in a company-sponsored retirement plan. There is little difference in retirement plan participation between men and women who work *year-round, full-time*. (See **Table 5**.) Women, however, are more likely than men to work part-year or part-time. Data from the Current Population Survey show that in 2004, 82.3% of working men between the ages of 25 and 64 were employed year-round, full-time compared to 66.9% of working women in this age-group. Consequently, while women who worked *full-time* in 2004 were as likely as their male counterparts to have participated in a retirement plan (54.1% of women vs. 52.9% of men), the retirement plan participation rate among *all* working women 25 to 64 years old in the private sector in 2004 was lower than the participation rate among all working men in that age group (44% vs. 48%).<sup>8</sup>

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<sup>8</sup> CRS estimates based on the March 2005 CPS (not shown in accompanying tables).

**Table 3. Participation in Retirement Plans  
by Full-Time vs. Part-Time Employment**

(Private-sector wage and salary workers, ages 25 to 64)

	Workers (thousands)	Employer sponsors plan		Employees participating	
		Workers	Percent	Participants	Percent
<b>Full-time</b>					
1995	60,687	38,344	63.2	33,298	54.9
1996	63,144	41,149	65.2	35,535	56.3
1997	64,002	41,855	65.4	36,184	56.5
1998	65,931	44,095	66.9	38,092	57.8
1999	67,065	44,794	66.8	38,901	58.0
2000	70,177	46,499	66.3	40,304	57.4
2001	69,265	45,097	65.1	38,678	55.8
2002	69,093	42,805	62.0	36,973	53.5
2003	69,306	43,450	62.7	37,464	54.1
2004	70,402	43,488	61.8	37,588	53.4
<b>Part-time</b>					
1995	23,790	9,348	39.3	5,508	23.2
1996	24,022	9,673	40.3	5,406	22.5
1997	23,508	9,774	41.6	5,465	23.3
1998	21,937	9,679	44.1	5,615	25.6
1999	21,815	9,166	42.0	5,562	25.5
2000	21,420	9,708	45.3	5,756	26.9
2001	23,449	10,535	44.9	6,444	27.5
2002	24,104	10,353	43.0	6,192	25.7
2003	23,714	9,868	41.6	5,991	25.3
2004	23,137	9,597	41.5	5,748	24.8
<b>All workers</b>					
1995	84,477	47,692	56.5	38,806	45.9
1996	87,166	50,822	58.3	40,941	47.0
1997	87,510	51,629	59.0	41,649	47.6
1998	87,868	53,774	61.2	43,707	49.7
1999	88,880	53,960	60.7	44,463	50.0
2000	91,597	56,207	61.4	46,060	50.3
2001	92,714	55,632	60.0	45,122	48.7
2002	93,197	53,158	57.0	43,165	46.3
2003	93,020	53,318	57.3	43,455	46.7
2004	93,539	53,085	56.8	43,337	46.3

**Source:** Congressional Research Service analysis of the *Current Population Survey*, various years.

**Retirement Plans and Employer Size.** The data from the CPS show that retirement plan participation in small firms rose from the mid- to late-1990s, but has recently declined. The CPS data also indicate that access to a company-sponsored retirement plan remains substantially lower in small firms than in firms with 100 or more employees. The data displayed in **Table 4** show that from 1995 to 2004, the number of workers between the ages of 25 and 64 who were employed in the private sector and worked year-round, full-time increased from 60.7 million to 70.4 million. At the same time, the number of such workers whose employer offered a retirement plan increased from 38.3 million to 43.5 million. The proportion of year-round, full-time workers who were employed at firms that offered a retirement plan rose from 63.2% in 1995 to 66.9% in 1998. It has since fallen to 61.8% .

Since 1995, the proportion of workers in large firms whose employer sponsors a retirement plan has fallen. Among employees at businesses with 100 or more workers, 77.4% worked at firms that sponsored a retirement plan in 2004, 3.0 percentage points lower than the 80.4% of workers who were employed by large firms that sponsored a retirement plan in 1995. Nevertheless, workers at large firms remain substantially more likely than employees of small businesses to work for an employer that sponsors a retirement plan. In 2004, 30.7% of full-time workers in businesses with fewer than 25 employees were employed at firms that sponsored a retirement plan, down from a high of 34.2% in 2000. This was still higher than the 25.4% level of 1995. Among workers in firms with 25 to 99 employees, 56.7% were employed at firms that sponsored a retirement plan in 2004, compared to 54.1% in 1995 and 59.0% in 1999.

**Table 4** also shows the percentage of year-round, full-time employees in the private sector who *participated* in an employer-sponsored retirement plan.<sup>9</sup> This statistic takes into account the impact of employers that do not sponsor a plan on overall retirement plan participation rates. Among firms of all sizes, the proportion of year-round, full-time employees between the ages of 25 and 64 who participated in a retirement plan fell slightly from 54.1% in 2003 to 53.4% in 2004. This was also lower than the participation rate of 54.9% in 1995. In firms with fewer than 25 employees, just 26.5% of full-time employees between the ages of 25 and 64 participated in a retirement plan in 2004, down from a peak of 29.3% in 2000, but higher than the 21.3% who participated in a plan in 1995. In firms with 25 to 99 employees, retirement plan participation fell from 49.9% in 2003 to 48.6% in 2004. This was higher than the 1995 participation rate of 46.0%. Participation in retirement plans among workers in firms with 100 or more employees also fell slightly between 2003 and 2004, declining from 67.6% to 67.0%. This was 3.4 percentage points lower than the 1995 participation rate of 70.4% in 1995.

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<sup>9</sup> Not all employees whose employer sponsors a retirement plan are eligible to participate. For example, employees who have been employed for less than one year or who work fewer than 1,000 hours per year can be excluded.

**Table 4. Participation in Retirement Plans by Size of Firm**  
(Private-sector wage and salary workers, ages 25 to 64, employed year-round, full-time)

Size of firm (Employees)	Workers (thousands)	Employer sponsors plan		Employees participating	
		Workers	Percent	Participants	Percent
<b>All firms</b>					
1995	60,687	38,348	63.2	33,298	54.9
1996	63,145	41,149	65.2	35,535	56.3
1997	64,001	41,855	65.4	36,184	56.5
1998	65,931	44,095	66.9	38,092	57.8
1999	67,065	44,794	66.8	38,901	58.0
2000	70,177	46,499	66.3	40,304	57.4
2001	69,266	45,097	65.1	38,678	55.8
2002	69,093	42,805	62.0	36,973	53.5
2003	69,306	43,450	62.7	37,464	54.1
2004	70,402	43,488	61.8	37,588	53.4
<b>Under 25</b>					
1995	14,627	3,715	25.4	3,109	21.3
1996	15,343	4,365	28.5	3,713	24.2
1997	14,732	4,356	29.6	3,722	25.3
1998	15,101	4,789	31.7	4,072	27.0
1999	15,582	5,259	33.4	4,522	29.0
2000	16,591	5,575	34.2	4,857	29.3
2001	17,061	5,788	33.9	4,965	29.1
2002	17,878	5,658	31.7	4,880	27.3
2003	18,616	5,850	31.4	5,064	27.2
2004	18,906	5,795	30.7	5,016	26.5
<b>25 to 99</b>					
1995	9,108	4,923	54.1	4,188	46.0
1996	9,421	5,378	57.1	4,531	48.1
1997	9,691	5,416	55.9	4,602	47.5
1998	9,940	5,794	58.3	4,838	48.7
1999	9,974	5,881	59.0	4,933	49.5
2000	10,492	6,139	58.5	5,186	49.4
2001	10,466	6,086	58.2	5,067	48.4
2002	10,719	6,030	56.3	5,126	47.8
2003	10,540	6,133	58.2	5,254	49.9
2004	10,532	5,969	56.7	5,121	48.6
<b>100 or more</b>					
1995	36,951	29,706	80.4	26,000	70.4
1996	38,381	31,407	81.8	27,291	71.1
1997	39,578	32,083	81.1	27,860	70.4
1998	40,890	33,513	82.0	29,182	71.4
1999	41,509	33,654	81.1	29,447	70.9
2000	43,094	34,692	80.5	30,262	70.2
2001	41,739	33,223	79.6	28,645	68.6
2002	40,496	31,116	76.8	26,967	66.6
2003	40,149	31,466	78.4	27,146	67.6
2004	40,964	31,724	77.4	27,452	67.0

Source: CRS analysis of the *Current Population Survey*, various years.

**Plan Participation Among Men and Women.** Table 5 shows the rates of participation in employer-sponsored retirement plans by men and women between the ages 25 and 64 who were employed in the private sector and worked year-round, full-time. Between 1995 and 1999, the proportion of men whose employer sponsored a retirement plan rose from 63.0% to 66.9%. Since then, it has dropped to 60.4%. The proportion of women who worked at firms that sponsored a retirement plan increased from 63.4% in 1995 to a high of 67.2% in 1998. In 2004, 63.8% of women who worked year-round, full-time were employed at firms that sponsored a retirement plan. Thus, in 2004 women who were employed year-round, full-time were slightly more likely than men to work for an employer that sponsored a retirement plan. Men and women were almost equally likely to *participate* in an employer-sponsored retirement plan. In 2004, 52.9% of men who were employed year-round, full-time participated in a company-sponsored retirement plan, compared to 54.1% of women. Both of these participation rates were lower than the peak participation rates of 1998-1999. The participation rate for men was 6.3 percentage points lower in 2004 than in 1999. The participation rate for women was 2.1 percentage points lower in 2004 than in 1999.

**Table 5. Employee Participation in Retirement Plans, by Sex**  
(Private-sector wage and salary workers, ages 25 to 64, employed year-round, full-time)

	Workers (thousands)	Employer sponsors plan		Employees participating	
		Workers	Percent	Participants	Percent
<b>Men</b>					
1995	36,504	23,008	63.0	20,359	55.8
1996	37,912	24,541	64.7	21,577	56.9
1997	38,207	24,796	64.9	21,887	57.3
1998	39,399	26,270	66.7	23,160	58.8
1999	39,757	26,596	66.9	23,553	59.2
2000	41,516	27,463	66.2	24,220	58.3
2001	40,976	26,539	64.8	23,164	56.5
2002	40,851	25,100	61.4	22,033	53.9
2003	40,963	25,306	61.8	22,083	53.9
2004	41,732	25,190	60.4	22,079	52.9
<b>Women</b>					
1995	24,182	15,336	63.4	12,939	53.5
1996	25,232	16,609	65.8	13,958	55.3
1997	25,795	17,060	66.1	14,297	55.4
1998	26,532	17,825	67.2	14,932	56.3
1999	27,308	18,198	66.6	15,349	56.2
2000	28,661	19,036	66.4	16,083	56.1
2001	28,290	18,558	65.6	15,513	54.8
2002	28,242	17,704	62.7	14,939	52.9
2003	28,342	18,144	64.0	15,381	54.3
2004	28,670	18,298	63.8	15,509	54.1

**Source:** Congressional Research Service analysis of the *Current Population Survey*, various years.

**Plan Participation by Employee Age.** Table 6 displays rates of participation in employer-sponsored retirement plans among workers who were employed in the private sector and worked year-round, full-time, according to their age. Young workers — ages 25 to 34 — are less likely than middle-aged and older workers to be employed at a firm that sponsors a retirement plan. They also are less likely to participate in retirement plans than are older workers. In 2004, 56.9% of workers 25 to 34 years old worked for an employer that sponsored a retirement plan, and 44.9% of workers in this age group participated in a company-sponsored plan. Thus, 78.9% of those who worked for a firm that sponsored a plan participated in the plan ( $0.449/0.569 = 0.789$ ). In contrast, among workers 35 to 64 years old, 63.6% worked at firms that sponsored a retirement plan, and 56.6% participated in a company-sponsored plan. Thus, among workers age 35 or older who worked for a firm that sponsored a retirement plan, 89.0% participated in the plan ( $0.566/0.636 = 0.891$ )<sup>10</sup>

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<sup>10</sup> Some of the difference in participation rates is because workers under 35 are somewhat more likely to be in their first year with an employer and can be excluded from participating in the plan. Part-time or part-year workers and those under 21 also can be excluded, but neither of these groups is represented in Table 6.

**Table 6. Employee Participation in Retirement Plans, by Age**  
 (Private-sector wage and salary workers, ages 25 to 64, employed year-round, full-time)

Employee age	Workers (thousands)	Employer sponsors plan		Employees participating	
		Workers	Percent	Participants	Percent
<b>25 to 34</b>					
1995	19,759	11,673	59.1	9,337	47.3
1996	19,744	12,389	62.8	9,865	50.0
1997	19,829	12,508	63.1	9,832	49.6
1998	19,737	12,455	63.1	9,896	50.1
1999	19,535	12,513	64.1	9,903	50.7
2000	20,398	12,803	62.8	10,173	49.9
2001	19,542	11,908	60.9	9,330	47.7
2002	19,389	11,090	57.2	8,638	44.6
2003	19,288	11,221	58.2	8,822	45.7
2004	19,122	10,878	56.9	8,584	44.9
<b>35 to 44</b>					
1995	20,439	13,235	64.8	11,742	57.5
1996	21,360	14,161	66.3	12,337	57.8
1997	21,528	14,120	65.6	12,377	57.5
1998	22,287	15,125	67.9	13,211	59.3
1999	22,812	15,387	67.5	13,440	58.9
2000	23,362	15,479	66.3	13,559	58.0
2001	22,445	14,841	66.1	12,882	57.4
2002	21,826	13,681	62.7	11,879	54.4
2003	21,328	13,428	63.0	11,609	54.4
2004	21,587	13,314	61.7	11,564	53.6
<b>45 to 54</b>					
1995	14,042	9,240	65.8	8,381	59.7
1996	15,278	10,259	67.2	9,290	60.8
1997	15,576	10,638	68.3	9,760	62.7
1998	16,547	11,615	70.2	10,519	63.6
1999	17,238	12,053	69.9	11,089	64.3
2000	18,489	12,951	70.1	11,787	63.8
2001	18,625	12,650	67.9	11,324	60.8
2002	18,796	12,308	65.5	11,204	59.6
2003	19,227	12,752	66.3	11,521	59.9
2004	19,763	12,827	64.9	11,531	58.4
<b>55 to 64</b>					
1995	6,446	4,196	65.1	3,838	59.5
1996	6,763	4,340	64.2	4,043	59.8
1997	7,069	4,588	64.9	4,215	59.6
1998	7,359	4,900	66.6	4,466	60.7
1999	7,479	4,841	64.7	4,470	59.8
2000	7,929	5,267	66.4	4,785	60.3
2001	8,653	5,698	65.9	5,141	59.4
2002	9,082	5,725	63.0	5,252	57.8
2003	9,463	6,045	63.9	5,512	58.3
2004	9,930	6,470	65.2	5,910	59.5

Source: CRS analysis of the *Current Population Survey*, various years.

**Plan Participation by Employee Race.** The March 2003 CPS introduced newly expanded categories of race and ethnicity, making comparisons with prior years problematic. In **Table 7**, race and ethnicity are categorized as white non-Hispanic, black non-Hispanic, Hispanic, and other. The “other” category includes mainly persons whose heritage is Asian, Native American, Eskimo, or Pacific Islander. In 2004, the likelihood of being employed at a firm that sponsored a retirement plan was highest for white non-Hispanic workers and lowest for Hispanic workers. Black non-Hispanic workers and “Asian/Other” workers were about equally likely to work for an employer that sponsored a retirement plan. Among white non-Hispanic workers, 66.7% worked for an employer that sponsored a retirement plan, and 58.7% participated in an employer-sponsored plan. Among Hispanic workers, just 39.4% worked for an employer that sponsored a retirement plan and only 31.0% participated in an employer-sponsored retirement plan. Of workers who classified their race and ethnicity as black non-Hispanic, 60.5% worked for an employer that sponsored a plan and 49.7% participated in a plan, while among Asian-American and other workers, 58.7% worked for an employer that sponsored a retirement plan and 51% participated in a plan.

**Table 7. Employee Participation in Retirement Plans, by Race**  
(Private sector wage and salary workers, ages 25 to 64, employed year-round, full-time)

Employee Race	Workers (thousands)	Employer sponsors plan		Employees participating	
		Workers	Percent	Participants	Percent
<b>White, non-Hispanic</b>					
2002	49,012	32,711	66.7	28,836	58.8
2003	48,524	32,800	67.6	28,759	59.3
2004	48,618	32,427	66.7	28,522	58.7
<b>Black, non-Hispanic</b>					
2002	7,078	4,156	58.7	3,363	47.5
2003	7,241	4,311	59.5	3,555	49.1
2004	7,556	4,570	60.5	3,753	49.7
<b>Hispanic</b>					
2002	8,942	3,582	40.1	2,777	31.1
2003	9,073	3,750	41.3	2,956	32.6
2004	9,651	3,802	39.4	2,987	31.0
<b>Other</b>					
2002	4,062	2,356	58.0	1,996	49.2
2003	4,468	2,588	57.9	2,193	49.1
2004	4,578	2,689	58.7	2,326	50.8

**Source:** Congressional Research Service analysis of the *Current Population Survey*, various years.



**Plan Participation by Employee Earnings.** Table 8 shows the relationship between earnings and participation in an employer-sponsored retirement plan. In Table 8, workers' annual earnings from wages and salaries — as reported on the Current Population Survey — are ranked by quartile. In 2004, one-quarter of private-sector wage and salary workers between the ages of 25 and 64 who were employed year-round, full-time earned more than \$58,000. Another quarter had earnings between \$37,000 and \$58,000. The next quarter had earnings between \$25,000 and \$37,000, and those in the lowest quartile earned less than \$25,000.

In 2004, 75.8% of year-round, full-time workers in the private sector with annual earnings in the top quartile were employed by firms that sponsored a retirement plan, and 71.4% of workers in the top earnings quartile participated in a retirement plan. Both of these percentages were lower than the rates in 1999, which was the peak year of plan participation for this quartile during the ten-year period shown in the table. In 1999, 80.2% of year-round, full-time workers in the private sector with annual earnings in the top quartile were employed by firms that sponsored a retirement plan, and 75.9% of workers in the top earnings quartile participated in a retirement plan.

The percentage of workers employed at firms that sponsored a retirement plan and the percentage who participated in these plans were progressively lower in each of three lowest earnings quartiles. For example, among workers in the lowest earnings quartile in 2004, 41.6% were employed at firms that sponsored a retirement plan, and 29.9% of workers in the bottom quartile participated in a retirement plan. Both of these percentages were lower than the rates in 1998, which was the peak year of plan participation for this quartile during the ten-year period shown in the table. In 1998, 46.9% of year-round, full-time workers in the private sector with annual earnings in the bottom quartile were employed by firms that sponsored a retirement plan, and 33.1% of workers in the bottom earnings quartile participated in a retirement plan.

Low-wage workers are not only less likely to work for an employer that sponsors a retirement plan, they also are less likely to participate if a plan is offered. Among employees whose earnings in 2004 were in the top quartile, 75.8% worked for an employer that sponsored a retirement plan and 71.4% participated in a retirement plan. Therefore, the participation rate among employees in the top earnings quartile whose employer sponsored a retirement plan was 94.2% ( $0.714/0.758 = 0.942$ ). Among workers whose 2004 earnings were in the bottom quartile, only 41.6% worked for an employer that sponsored a retirement plan and just 29.9% participated in a retirement plan. Thus, the participation rate among low-wage employees whose employer sponsored a retirement plan was 71.9% ( $0.299/0.416 = 0.719$ ).

**Table 8. Participation in Retirement Plans by Annual Earnings**  
(Private-sector wage and salary workers, ages 25 to 64, employed year-round, full-time)

Worker's Annual Earnings	Employer sponsors plan	Employee participates
	<i>Percentage of workers</i>	<i>Percentage of workers</i>
<b>Highest Earnings Quartile</b>		
1995	77.1	73.0
1996	79.7	75.2
1997	79.4	74.7
1998	79.6	75.0
1999	80.2	75.9
2000	80.2	75.5
2001	78.2	73.3
2002	75.3	71.0
2003	77.0	72.5
2004	75.8	71.4
<b>Second-highest Earnings Quartile</b>		
1995	72.4	65.1
1996	74.7	67.8
1997	75.1	67.6
1998	74.9	67.8
1999	75.7	68.0
2000	74.3	67.1
2001	74.2	66.7
2002	70.9	63.3
2003	71.0	63.6
2004	71.3	64.1
<b>Third-highest Earnings Quartile</b>		
1995	61.0	51.3
1996	65.3	55.0
1997	63.9	53.6
1998	67.1	56.3
1999	66.0	56.3
2000	66.0	55.5
2001	63.9	52.9
2002	61.3	51.6
2003	61.6	51.7
2004	60.9	51.0
<b>Lowest Earnings Quartile</b>		
1995	42.4	30.4
1996	45.4	32.4
1997	44.5	31.7
1998	46.9	33.1
1999	45.5	32.3
2000	44.9	32.1
2001	44.9	31.5
2002	41.4	29.5
2003	41.2	28.4
2004	41.6	29.9

**Source:** CRS analysis of the *Current Population Survey*, various years.

