

BLS Survey Affirms Wide Swath of Employer-Provided Retirement Plans

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By Ed Ferrigno

If you've heard it once, you've heard it a hundred times — "Only half of private sector workers are offered a retirement plan at work." Mainly, you hear it from those who want to dismantle the voluntary employer-provided system and replace it with a government-run program. Sometimes, we hear it from our service provider friends in their marketing programs.

It is one of those perpetual American myths, and we spend a lot of time at PSCA dispelling it.

Every July, the Bureau of Labor Statistics, a unit of the Department of Labor, releases its National Compensation Survey of Employee Benefits in the United States (available at <http://www.bls.gov/news.release/pdf/ebs2.pdf>). Consistent with prior surveys, as of March 2011, 64 percent of all private industry employees had access to a retirement plan, either defined benefit or defined contribution, and 49 percent of all employees actually participated in a plan. While these statistics shatter the "half the workforce" myth, a deeper look reveals more interesting findings.

The aggregate numbers are for all private sector non-farm workers. That includes very young and very old workers, full- and part-time workers, and workers in a dual income family where only one worker has access to or participates in a plan. The survey is a snapshot. It fails to account for whether or not an uncovered worker or house-

hold will meaningfully participate in a retirement plan during a full working career. I think that's the true measure of our success.


As expected, full-time workers fare better than part-time workers. Seventy-three percent of them have access and 59 percent participate. Recall that this figure is for all full time workers, not the primary target subset of workers age 21 and older who have met an eligibility period. Also, note that pension law basically requires plans to treat workers who work 1,000 hours annually the same as a full time worker.

Income levels matter, of course, but less than you might expect once the lowest earners, who are unlikely to be full time workers or heads of households, are discounted. For example, workers in the lowest decile have "only" a 28 percent access rate and ten percent participation rate. These workers are highly unlikely to have the strong connection to the workforce that is required for access to a retirement plan. I emphasize "only" because I think it is remarkable that this income group has such a high access rate. The second and third income quartile groups have a combined 70 percent access and 55 percent participation rate. Remember, this includes workers of all ages, not just our target group. The median hourly wage for the two middle quartiles is \$10.69 and \$15.87, respectfully. The top decile has an

87 percent access rate and 79 percent participation rate.

Finally, business size matters. Eighty-six percent of workers in firms with 500 or more workers have access to a plan. Forty-nine percent of workers in firms with 100 or fewer workers have access. Looking deeper, the rate is 45 percent for firms with less than 50 workers, while firms with 50–100 workers have a 62 percent access rate. Once again, this is all workers, not just those targeted for plan eligibility.

Conclusions

The BLS survey is a strong affirmation of the success of the voluntary employer-provided retirement system. The glass is definitely much more than half-full. The survey illuminates an often-overlooked fact — an employer-provided system benefits mainly workers with a strong relationship to the workforce, namely full time long-term workers. It also pinpoints our biggest coverage challenge, small businesses with less than 50 workers. Repealing the top-heavy rules and ensuring that small business owners can gain a meaningful and cost-effective benefit for themselves are two good starting points to meet this challenge. 

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