

Workplace Retirement Plans Will Help Workers Build Economic Security

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Access to an employer-based retirement plan is critical for building financial security later in life. Yet, nearly half of American private sector employees—roughly 55 million—work for an employer that does not offer a retirement plan, a proportion that has not changed much in decades. Employers that do provide retirement plans have moved away from traditional pensions to savings plans, like a 401(k).

Currently in the United States, larger employers are more likely to provide a retirement plan than smaller ones. The probability of having a workplace retirement plan also differs considerably by workers' earnings level, education, and race and ethnicity (table 1). However, lack of ability to participate in an employer-provided retirement plan spans all levels of education and earnings, and cuts across all groups.

The Situation by the Numbers

In 2013, nearly half of American workers ages 18 to 64 in the private sector worked for businesses that did not offer a retirement plan.

- **Small business employees are less likely to have a plan:** Workers in businesses with fewer than 100 workers were much less likely to have access to a plan than workers in firms with more workers. In raw numbers, about 32 million workers in small businesses did not have access to a retirement plan compared with about 23 million in businesses with 100 or more workers.
- **Workers at all education levels did not have a plan:** About three out of four workers with less than a high school degree did not have an employer-provided retirement plan—a much higher percentage than workers with

some college (49 percent) or a bachelor's degree or higher (35 percent). But in raw numbers, workers with some college or more who did not have access to an employer plan far exceeded those workers without a high school degree who lacked employer plans (29 million versus 8 million).

- **Many higher earners also do not have access:** More than 12 million employees in the top two earning quintiles (\$40,000 or more) did not have access to a workplace plan. These workers represent about 23 percent of the 55 million employees without an employer-provided retirement plan.
- **Access to a plan differs substantially by race and ethnicity:** About two in three Hispanic workers and roughly half of African Americans and Asians lacked access to an employer-provided retirement plan. Minorities accounted for about 41 percent (22 million) of the 55 million employees without a workplace retirement plan.

Why Access to Payroll Deduction Retirement Savings Plans Is Important

- **Makes saving easier:** About 90 percent of households participating in a workplace retirement plan today report that payroll deduction is very important

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and makes it easier to save.¹ Saving at work appears to be critical: Few households eligible to contribute to an Individual Retirement Account outside of their job regularly do so.²

- **Helps increase retirement income:** Social Security is essential to retirement security, but its average retirement benefit is only \$1,300 a month. Most retirees will need additional resources. Providing workers with a convenient way to save is an important step to increasing the amount of assets a person will have at retirement: A 2014 Employee Benefit Research Institute study found that about 62 percent of employees with access to a retirement plan had more than \$25,000 in total savings and investments, and 22 percent had \$100,000 or more. However, only 6 percent of those without access to such a plan had over \$25,000 saved, and only 3 percent had \$100,000 or more.³
- **Allows individuals to build their own economic security:** Retirement savings plans help workers achieve economic security through their own efforts. Greater access also could help improve economic mobility and reduce wealth disparity.

Endnotes

¹ Jack VanDerhei, “The Impact of Modifying the Exclusion of Employee Contributions for Retirement Savings Plans from Taxable Income: Results from the 2011 Retirement Confidence Survey,” EBRI Notes, March 2011. http://www.ebri.org/pdf/notespdf/EBRI_Notes_03_Mar-11.K-Taxes_Acct-HP.pdf.

² For workers earning between \$30,000 and \$50,000, about 72 percent participated in an employer-provided retirement savings plan when one was available, compared to less than 5 percent without an employer plan who contributed to an Individual Retirement Account. Unpublished estimates from the Employee Benefit Research Institute (EBRI) of the 2004 Survey of Income and Program Participation Wave 7 Topical Module (2006 data).

³ “2014 RCS Fact Sheet #6,” EBRI. <http://ebri.org/pdf/surveys/rcs/2014/RCS14.FS-6.Prep-Ret.Final.pdf>.

**Table 1
Who Is NOT Covered by a
Workplace Retirement Plan?**

Percent and number of U.S. private wage and salary workers ages 18–64 whose employer does not offer a retirement plan in 2013

Item	Group	%	No. (Millions)
All		48.6	54.9
Age	18–34 years	57.6	26.0
	35–44 years	45.9	11.2
	45–54 years	41.0	10.2
	55–64 years	40.5	7.4
Race and Ethnicity	Hispanic	65.5	13.0
	Asian (non-Hispanic)	51.6	3.3
	Black (non-Hispanic)	50.1	6.1
	White (non-Hispanic)	43.4	31.2
Education	Less than high school	73.6	7.8
	High school	54.6	17.7
	Some college	49.1	17.4
	Bachelor’s or higher	34.9	12.0
Gender	Male	48.0	28.7
	Female	49.4	26.1
Employer Size	Under 10	83.4	13.6
	10–49	67.8	13.5
	50–99	52.2	5.0
	100–499	41.2	6.8
	500–999	38.8	2.4
	1000+	30.7	13.7
Earnings Quintile	Under \$14,000	74.8	17.5
	\$14k to \$25k	61.8	14.3
	\$25k to \$40k	44.4	10.7
	\$40k to \$63.5k	34.1	6.7
	Over \$63.5k	25.3	5.7

Note: The sample includes workers whose longest job in 2013 was in the private sector. Earnings quintiles are based on all wages and salary earned by workers, whether or not they were covered by a retirement plan.

Source: U.S. Census Bureau’s Current Population Survey, March Supplement 2014.

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