

RESEARCH NOTE

Trends in Employer-Sponsored Retirement Plan Access and Participation Rates: Reconciling Different Data Sources *

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Analysts and representatives of the news media often get confused about American workers' retirement plan coverage due to the complexities behind multiple data sources. Namely, differing methodologies used by each source report different results. This research note updates previous attempts¹ to explain the data differences and reports trends between 2000 and 2020 in two measures of employer-sponsored retirement plan coverage: access rate (the share of workers who are offered a retirement plan at work and are eligible to participate in them) and participation rate (the share of all workers who are participating in retirement plans offered at work). We also break down retirement plan access and participation rates by race, gender, and socio-economic status to report disparities in coverage.

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¹ Munnell, A. and Bleckman, D. (2014) "Is Pension Coverage A Problem In The Private Sector?", Issues in Brief, Center for Retirement Research.

Regardless of the data source used, retirement plan participation is low and stagnating, a reality that is primarily due to employers choosing not to offer employees access to these plans. The current design of the American retirement system leaves between 53 percent and 65 percent of workers are participating in retirement plans at work. The American retirement system leaves out most workers, especially low-income workers and minorities. Retirement plan coverage is unequally distributed, with minorities and low-income workers less likely to have access to employer-sponsored retirement plans, reflecting their lack of bargaining power.

Data Sources on Retirement Plan Access and Participation Rates

Our analysis compares data on access and participation from four sources: (1) Current Population Survey's Annual Social and Economic Supplement (CPS-ASEC); (2) Survey of Consumer Finances (SCF); (3) Survey of Income and Program Participation (SIPP); and (4) National Compensation Survey (NCS). A summary of the strengths and weaknesses of each of these sources is displayed in Table A1 in the Appendix.

Current Population Survey – Annual Social and Economic Supplement (CPS-ASEC)

The CPS-ASEC is a nationally representative survey of the American population and is the source of official national estimates of poverty levels and rates and of widely used measures of income and migration. It provides annual estimates based on a survey of more than 75,000 households. The large sample size of the CPS-ASEC and the information on workers' income, demographics, location, and job characteristics allow researchers to measure the disparities in retirement plan coverage by factors such as income, race, education, geography, and occupation and industry.

The CPS-ASEC asks all workers if their employer or union had a retirement plan for any of its employees, and if they were included in that plan. While these questions capture participation in retirement plans, they cannot differentiate between those who are not eligible to participate in employer-provided plans and those who choose not to participate in those plans. This leads to overestimating access rates. In 2014, the order of questions in the CPS-ASEC was changed, and the respondents were asked the questions about retirement plan coverage at different points of the interview based on their income level. These changes seem to have caused underestimation of retirement plan access and participation rates for high earners who are more likely to have access

to retirement plans. As a result, the CPS-ASEC underestimates the overall level of access and participation rate, as well as disparities in access and participation among different groups. When access and participation rates for groups with higher incomes are underestimated, the gaps appear smaller than they are. However, because of its large sample size, annual updates, and the range of information provided regarding workers and their job, the CPS-ASEC remains a valuable source for access and participation rates, especially at the state level or to compare retirement plan coverage among smaller populations.

Survey of Income and Program Participation (SIPP)

The SIPP is another nationally representative, household-based survey with data on a variety of topics, which allows for examination of the interaction between taxes, transfers, and other government and private policies. Government policy makers depend upon SIPP for information on the distribution of income and the success of government assistance programs.

The SIPP has a large sample size and asks for a wide range of information including income and demographics. This made SIPP the ideal source for estimation of retirement plan coverage until 2014, when most of the questions about retirement plans were dropped due to budget cuts and simplification of the survey. The last detailed information about retirement plan access and participation were provided in 2014 by a separate supplement on behalf of the Social Security Administration. Later waves of SIPP provide limited data on retirement plan access and participation and may even leave out money-purchase and profit-sharing plans.

Given its panel structure and the information about retirement plans and accounts balances, the SIPP is still a useful source of data on retirement plans and the impact of various shocks and policies on population's wellbeing even though it may not produce the most accurate estimates of overall retirement plan coverage in the more recent years.

Survey of Consumer Finances (SCF)

The SCF is another nationally representative survey designed to collect information on families' balance sheets, pensions, income, and demographic characteristics. Respondents are asked if they or their spouses participate in retirement plans connected to their jobs, if their employers offer such plans, and if they are eligible to participate in the plans. These questions provide accurate measures of access and participation rates.

The SCF is a family-level survey and is not designed to represent individuals. As a result, some information such as race are only collected from the respondent and not the other members of the household, including the spouse. Also, since the SCF collects data on households' finances, it oversamples the wealthy and has a relatively small sample size. This makes the SCF a less suitable source for estimations of access and participations rate of any subgroups of the population – especially those who are less likely to be wealthy and as a result can be represented by a very small number of observations in the sample. The SCF is conducted every three years, which leaves estimates outdated and not responding to short-term changes in the economy.

National Compensation Survey (NCS)

Unlike the three other data sources, which were all surveys of households, the NCS is a survey of establishments and provides comprehensive measures of employer costs for employee compensation, including wages and salaries, benefits, and the incidence of employer-sponsored benefits among workers. The NCS data is not publicly available, but the estimates of retirement plan access and participation in different retirement plan types are available by establishment and job characteristics.

Data collected from establishments (rather than individuals) is more accurate due to the fact it is less likely to contain the high levels of error in self-reported data. However, it leaves out the self-employed. The data collected from establishments represents jobs rather than individuals, and therefore lacks information on workers' characteristics. Because calculating employees' eligibility to participate in retirement plans relies on their tenure, the NCS cannot provide an accurate measure of access rates. Instead, the NCS estimates assume all employees that work in jobs that have access to a retirement plan have access to those plans regardless of their eligibility, which results in significant overestimation of access rates among employees.

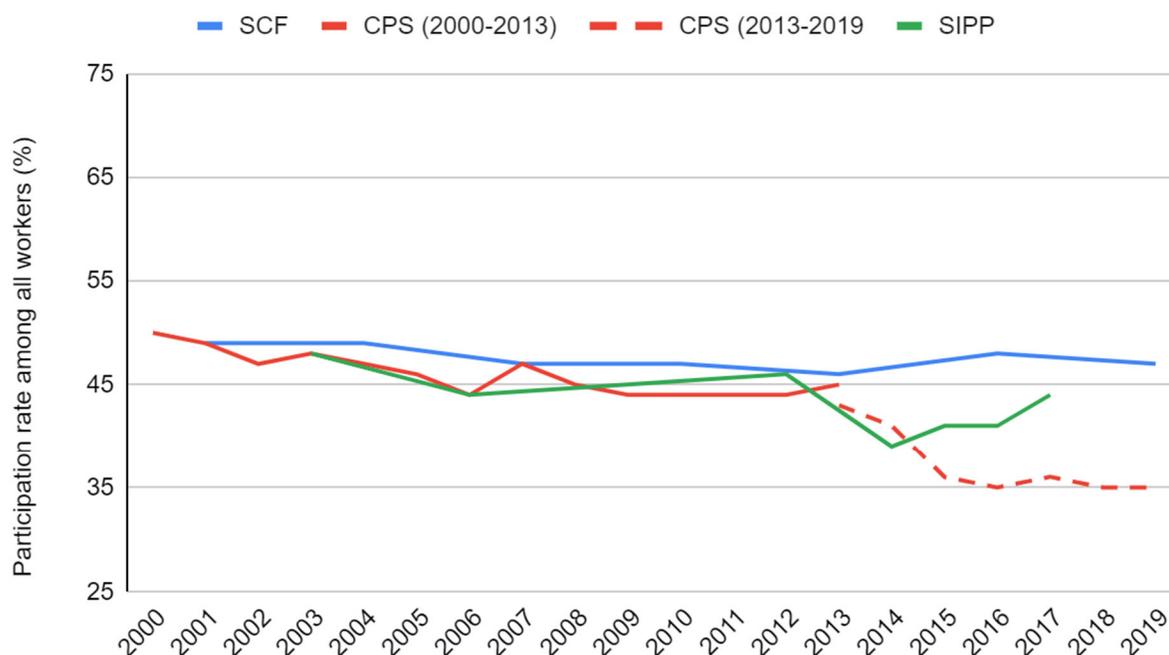
The NCS is the best source for estimated of retirement plan participation for occupations and industries where workers are less likely to be self-employed.

Retirement Plan Access and Participation Rates

We compare estimates from various sources of shares of workers who have access to a retirement plan at work (access rate) and the shares of workers who are participating in retirement plans (participation rate) between 2000 and 2020. Among the three surveys that cover all workers

(CPS, SIPP, and SCF), the CPS often reports the lowest estimate of plan participation (35 percent in 2019) while the SCF often reports the highest (47 percent in 2019) (see Figure 1). The data sets similarly report that worker participation in employer-sponsored retirement plans has not increased since 2000.²

Figure 1. Participation rates in employer-sponsored retirement plans among all workers



Source: Author's calculation using 2001-2019 SCF, 2001-2020 CPS-ASEC, and SIPP 2014 panel (waves 2-4) and 2018 panel (Wave 1). 2003, 2006, 2009, and 2012 SIPP data are from Copeland (2013)³.

Notes: See Appendix Table A1 for notes related to each data source. Participation rate refers to the share of workers (excluding self-employed) who participate in a retirement plan at work.

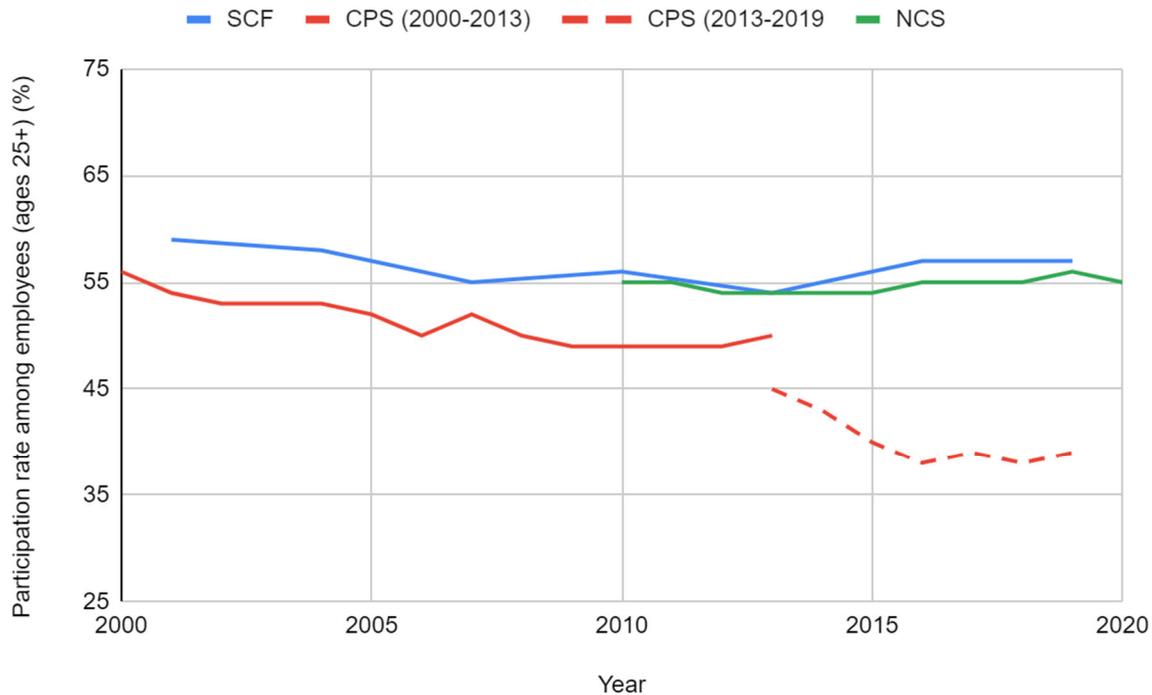
Because the American retirement system relies on employers to voluntarily offer employees retirement plans, employee access and participation rates are often used as a proxy to describe the health of the retirement system. However, these measures are inadequate to the task due to their exclusion of self-employed individuals less likely to participate in retirement plans.

² Estimates from SCF show the retirement coverage was also stagnant between 1989 and 2001, increasing only 2 percentage points from 47 percent to 49 percent.

³ Copeland, C. (2013). Retirement plan participation: Survey of Income and Program Participation (SIPP) data, 2012. *EBRI Notes*, 34(8).

Nevertheless, even the more optimistic estimates of participation among employees show low participation rates ranging from 39 percent from the CPS to 57 percent from the SCF (Figure 2).

Figure 2. Participation rates for retirement plans among employees, ages 25+



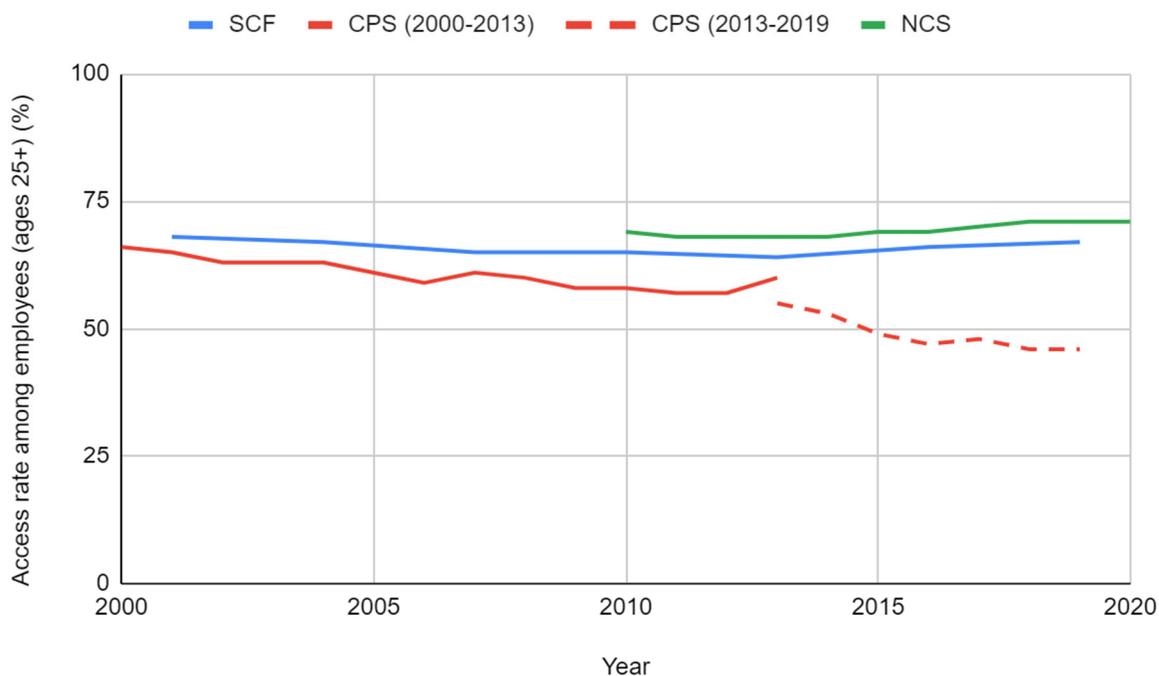
Source: Author's calculation using 2001-2019 SCF and 2001-2020 CPS-ASEC, NCS data from "Employee Benefits in the United States" excel file, Bureau of Labor Statistics, September 2020.

Notes: See Appendix Table A1 for notes related to each data source. Participation rate refers to the share of workers (excluding self-employed) who participate in a retirement plan at work.

American workers are not participating in retirement plans at work primarily because employers are not offering retirement plans. And when employers do sponsor plans, they often set restrictive eligibility conditions that exclude new employees and contingent employees. The access rates to employer-sponsored plans vary from the lowest estimate of 46 percent coming from CPS to the highest estimate of 67 percent coming from the NCS in 2019 (see Figure 3). The National Compensation Survey (NCS) overestimates access by counting those who are not eligible to

participate in workplace retirement plans as having access to these plans.⁴ This optimistic estimate from the NCS shows that a third of employees do not have access to retirement plans at work, leading to half of all employees not saving for retirement through their job.

Figure 3. Access rates for retirement plans among employees, ages 25+



Source: Author's calculation using 2001-2019 SCF and 2001-2020 CPS-ASEC, NCS data from "Employee Benefits in the United States" excel file, Bureau of Labor Statistics, September 2020.

Notes: See Technical Appendix for notes related to each data source. Participation rate refers to the share of workers (excluding self-employed) who participate in a retirement plan at work.

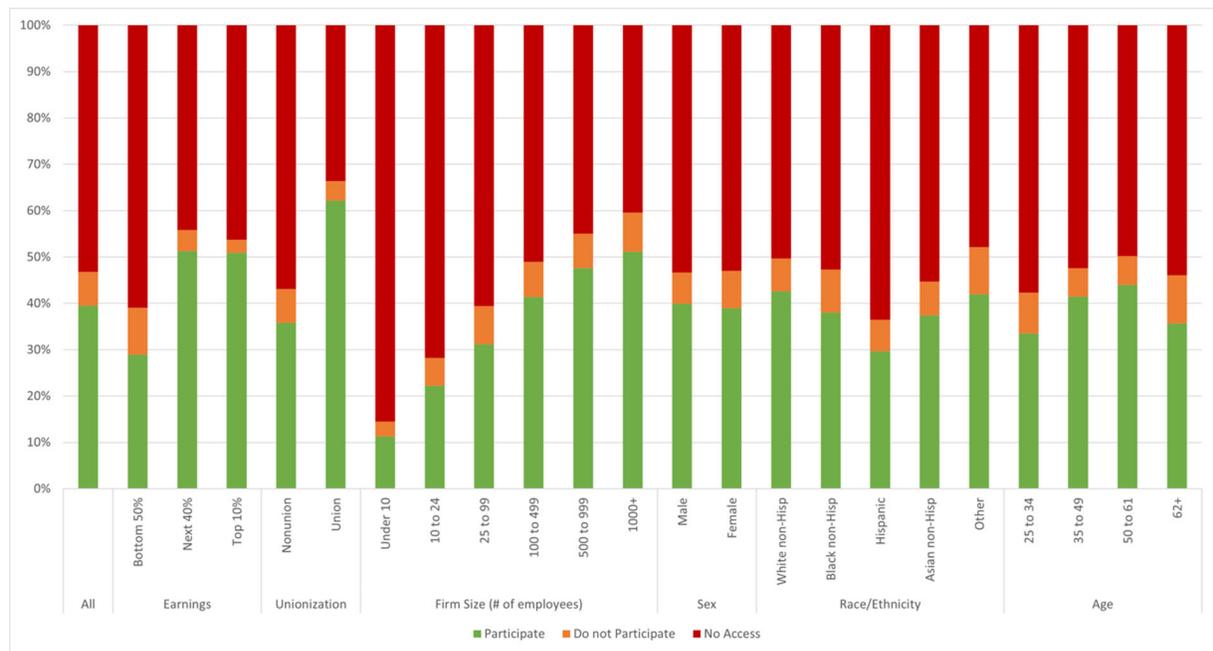
Disparities in Participation in Workplace Retirement Plans

While retirement plan coverage is low for all workers, aggregate numbers hide disparities by income, race, age, union status, and firm size (see Figure 4). The benefit of the CPS is its large sample size, which allows participation rate comparisons across demographic and socio-economic factors. But, as previously discussed, the CPS-ASEC is more likely to underestimate the retirement

⁴ See Dworak-Fisher, K. (2015), "Access to specific provisions of employer-provided benefits: new estimates," Beyond the Numbers: Pay & Benefits, vol. 4, no. 12 (U.S. Bureau of Labor Statistics), <https://www.bls.gov/opub/btn/volume-4/access-to-specific-provisions-of-employer-provided-benefits.htm>

plan participation rates for high earners who are more likely to have access to these plans, which results in underestimation of the magnitude of disparities in retirement plan coverage. These estimates can be interpreted as the lower bounds of disparities in retirement plan coverage. The real extent of disparities is potentially more severe than what is shown here.

Figure 4. Retirement plan access and participation by worker ages 25 and over



Source: Author's calculation using 2020 CPS-ASEC

Notes: Participation rate refers to the share of workers (excluding self-employed) who participate in a retirement plan at work. Access rate refers to the share of workers who are offered a plan and are eligible to participate in it. Earnings group cutoffs are \$50,000 and \$125,000. See Appendix Table A3 for access rate, participation rate, and take-up rate numbers.

Income

In 2019, just 29 percent of workers earning below the median (\$50,000) participated in a retirement plan at work in the CPS-ASEC, whereas 51 percent of those earning above the median participated. Low-paying jobs come with lower benefits, and most workers do not see a trade-off between pay and benefits. While it might be rational to choose a high-paying job with no retirement benefits over a low-paying job with a retirement plan, very few workers are faced with such a decision.

Race

White non-Hispanic workers were the most likely to have access to and participate in a plan at 43 percent. The participation rate for Black non-Hispanic and Asian non-Hispanic workers were 38 percent and 37 percent, respectively. The participation rate for Hispanic workers was by far the lowest, at 30 percent.

Age and Sex

Retirement plan coverage increases with age but decreases for workers at retirement age. Younger employees are less likely than mid-career employees to have access to retirement plans and are slightly less likely to participate in retirement plans when they are offered one. The lack of access for younger workers means they miss years of savings and compounded interest. Men and women were equally likely to have access to and participate in a retirement plan at work.

Union Status and Firm Size

Union workers are nearly twice as likely as nonunion workers to have access a retirement plan at work – 63 percent vs 36 percent. The higher rates of access and participation among high-earners and those covered by union contracts show that access to retirement plans is mainly decided by workers' bargaining power.

Despite the lower cost of offering 401(k) plans compared to traditional pensions, smaller firms are unlikely to offer their employees a retirement plan. Only 14 percent of workers in small firms with under 10 employees have access to retirement plans at work.

Conclusions

Differences in methodologies and various limitations of different data sources have led to wide ranges of estimated retirement plan access rates and participation rates. It is important to know the strengths and weaknesses of these sources and to use the appropriate source for different analyses. However, all data sources show that the shift from traditional defined-benefit pensions to the cheaper and employer-friendly 401(k) plans over years has not resulted in an increase in retirement plan coverage for workers, leaving large portions of workers without access to retirement plans.

Appendix

| Table A1. Comparison of data sources on retirement plan access and participation | | | |
|---|--|--|---|
| Data Source | Pros | Cons | Usage |
| CPS | Large sample size; includes all workers; annually updated; full demographic and geographic information; allows estimation of coverage for smaller sub-groups. | No information about plan types; changes in methodology since 2013 may have caused underestimation of retirement plan access and participation; errors in self-reported data on class of worker and retirement plan coverage. | The best source for estimation of disparities in retirement plan access and participation rates by worker and job characteristics and geography. |
| SCF | Detailed data about retirement plans from current (and previous) jobs; relatively stable methodology over years; income, wealth, and demographic data; includes all workers. | Small sample size; focused on families and not appropriate for some individual level analyses (e.g., race and ethnicity only available for respondent); over-samples rich people and may not provide good estimates of coverage among low-income households; only updated every 3 years. | Allows for more accurate estimates of overall rates of access and participation rates among workers, but the small sample size prevents breaking down the sample. |
| SIPP | Large sample size; detailed data on plan types, income, wealth, demographic, and geographic location; includes all workers. | Trends in coverage caused by the panel structure make comparison with cross-sectional data difficult; substantial cuts in budget have resulted in loss of questions on retirement plans since 2014; long delays before data releases; new questionnaire may omit Profit Sharing and Money Purchase plans. | Allows for estimated of access and participation by worker characteristics, geography, and plan types until 2014. New shortened questionnaire may omit some plan types and does not provide reliable information. |
| NCS | Updated annually; establishment level data less likely to include misreports; detailed information about plan types. | Survey does not include self-employed; micro-data not publicly available and estimates are limited to published BLS tables; Workers are considered to have access to plans even if they are not eligible to participate; Breakdown of coverage by establishment size cannot be compared to other sources that mostly use firm size; no demographic breakdowns; estimates only available since 2010; employee misclassification by employers causes overestimation of coverage. | Best source for participation rates among employees by detailed industry, occupation, and establishment characteristics. Overestimates access by including ineligible workers. Does not include self-employed and cannot reflect overall rates of access and participation. |

Table A2 – Retirement plan access and participation rates among all workers and employees ages 25 and over

| Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| <i>Participation Rate - All workers (including self-employed) ages 25+</i> | | | | | | | | | | | | | | | | | | | | | |
| SCF | | 49 % | | | 49 % | | | 47 % | | | 47 % | | | 46 % | | | 48 % | | | 47 % | |
| CPS (2000-2013) | 50 | 49 | 47 | 48 | 47 | 46 | 44 | 47 | 45 | 44 | 44 | 44 | 44 | 45 | | | | | | | |
| CPS (2013-2019) | | | | | | | | | | | | | | 43 | 41 | 36 | 35 | 36 | 35 | 35 | |
| SIPP | | | | 48 | | | 44 | | | 45 | | | 46 | | 39 | 41 | 41 | 44 | | | |
| <i>Participation Rate - Employees ages 25+</i> | | | | | | | | | | | | | | | | | | | | | |
| SCF | | 59 | | | 58 | | | 55 | | | 56 | | | 54 | | | 57 | | | 57 | |
| CPS (2000-2013) | 56 | 54 | 53 | 53 | 53 | 52 | 50 | 52 | 50 | 49 | 49 | 49 | 49 | 50 | | | | | | | |
| CPS (2013-2019) | | | | | | | | | | | | | | 45 | 43 | 40 | 38 | 39 | 38 | 39 | |
| SIPP | | | | | | | | | | | | | | | | | | | | | |
| NCS | | | | | | | | | | | 55 | 55 | 54 | 54 | 54 | 54 | 55 | 55 | 55 | 56 | 55 |
| <i>Access Rate - Employees ages 25+</i> | | | | | | | | | | | | | | | | | | | | | |
| SCF | | 68 | | | 67 | | | 65 | | | 65 | | | 64 | | | 66 | | | 67 | |
| CPS (2000-2013) | 66 | 65 | 63 | 63 | 63 | 61 | 59 | 61 | 60 | 58 | 58 | 57 | 57 | 60 | | | | | | | |
| CPS (2013-2019) | | | | | | | | | | | | | | 55 | 53 | 49 | 47 | 48 | 46 | 46 | |
| NCS | | | | | | | | | | | 69 | 68 | 68 | 68 | 68 | 69 | 69 | 70 | 71 | 71 | 71 |

Source: Author's calculations using 2001-2020 CPS-ASEC, 2001-2019 SCF, 2010-2019, SIPP 2014 (waves 2-4) and 2018 (Wave 1). 2003, 2006, 2009, and 2012 SIPP data are from Copeland (2013)⁵. NCS data from Employee Benefits in the United States excel file, Bureau of Labor Statistics, September 2020.

⁵ Copeland, C. (2013). Retirement plan participation: Survey of Income and Program Participation (SIPP) data, 2012. *EBRI Notes*, 34(8).

Table A3- Retirement plan access, participation, and take-up rates for employees ages 25 and over

| | | Access | Participation | Take-up |
|----------------------------|--------------------|--------|---------------|---------|
| All | | 47 % | 39% | 84 % |
| Earnings | Bottom 50 % | 39 % | 29 % | 74 % |
| | Next 40 % | 56 % | 51 % | 92 % |
| | Top 10 % | 54 % | 51 % | 95 % |
| Unionization | Nonunion | 43 % | 36 % | 83 % |
| | Union | 66 % | 62 % | 94 % |
| Firm Size (# of employees) | Under 10 | 14 % | 11 % | 78 % |
| | 10 to 24 | 28 % | 22 % | 79 % |
| | 25 to 99 | 39 % | 31 % | 79 % |
| | 100 to 499 | 49 % | 41 % | 85 % |
| | 500 to 999 | 55 % | 48 % | 87 % |
| | 1000+ | 60 % | 51 % | 86 % |
| Sex | Male | 47 % | 40 % | 86 % |
| | Female | 47 % | 39 % | 83 % |
| Race/Ethnicity | White non-Hispanic | 50 % | 43 % | 86 % |
| | Black non-Hispanic | 47 % | 38 % | 80 % |
| | Hispanic | 36 % | 30 % | 81 % |
| | Asian non-Hispanic | 45 % | 37 % | 84 % |
| | Other | 52 % | 42 % | 81 % |
| Age | 25 to 34 | 42 % | 34 % | 79 % |
| | 35 to 49 | 48 % | 41 % | 87 % |
| | 50 to 61 | 50 % | 44 % | 88 % |
| | 62+ | 46 % | 36 % | 77 % |

Source: Author's calculation using 2020 CPS-ASEC

Notes: Access rate refers to the share of employees who are offered a plan and are eligible to participate in it. Participation rate refers to the share of employees who participate in a retirement plan at work. Take-up rate refers to the share of employees who participate in retirement plans among those employees who have access to these plans. Earnings group cutoffs are \$50,000 and \$125,000.