
Unsolved mystery: Where are the missing participants?

By Editorial Staff *Thu, Dec 17, 2015*

Whichever set of data you believe, no more than 61% of full-time, full-year wage and salary workers are covered by an employer-sponsored retirement savings plan.

Is the percentage of Americans who participate in a workplace retirement savings plan dropping, or is the method used to measure participation faulty? The Employee Benefit Research Institute raises this question in a new Issue Brief.

It's an important and timely question. If participation is dropping, it could add weight to the argument that state-sponsored, auto-enrolled retirement savings plans are needed to make up for the lack of coverage provided by the voluntary 401(k) system.

At issue is the accuracy of the Annual Social and Economic Supplement (fielded in March) to the Census Bureau's CPS. It is one of the most-cited sources of income data for retirement-age Americans.

The Census Bureau redesigned the income-related questions starting in the 2014 survey in response to findings that this survey has misclassified and generally under-reported income (in particular, sources of retirement income).

While the redesign of the survey did capture more income (especially pension income), EBRI notes, it also significantly lowered the survey's estimates of retirement plan participation among those most likely to participate. Furthermore, these new CPS participation results trended downward in contrast to other surveys on retirement plan participation.

Specifically, EBRI found:

- In the 2014 CPS, which provides results for 2013, both survey designs were used. Under the traditional survey design, the percentage of all workers found to be working for an employer that sponsored a plan was 50.2%, compared with 47.6% from the redesigned questionnaire, a difference of 2.6 percentage points. For full-time, full-year wage and salary workers ages 21-64 (those most likely to participate in a plan), the difference was 3.7 percentage points (60.8% traditional vs. 57.1% redesigned) and for public-sector workers ages 21-64 the difference was 3.3 percentage points.
- The 2015 survey used the redesigned questionnaire, and the percentages of workers working for an employer that sponsored a plan were found to have decreased among each work force. The percentage of full-time, full-year wage and salary workers ages 21-64 working for an employer that sponsored a plan fell 2.7 percentage points from

2013 to 2014.

- The percentage of full-time, full year wage and salary workers ages 21-64 participating in a plan under the traditional survey design was 53.0%, compared with 49.5% under the redesigned questionnaire, a difference of 3.5 percentage points.

The decline contradicted the findings from the Bureau of Labor Statistics' National Compensation Survey (NCS). It found that the percentage of private-sector wage and salary workers at establishments with 500 or more employees participating in an employment-based retirement plan *increased* in 2014 to 77% from 76% in 2013.

“While the redesign of the CPS questionnaire achieved one of its primary goals of capturing more income—especially pension income—it also resulted in sharp declines in the estimated retirement plan participation levels of current workers,” Copeland said. “Furthermore, those most affected were those groups with the highest likelihoods of participation—those older, with higher earnings, and working for larger employers.”

The full report, “The Effect of the Current Population Survey Redesign on Retirement-Plan Participation Estimates,” is published in the December 2015 *EBRI Notes* and online at www.ebri.org.

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