

# Pension Coverage Among Private Wage and Salary Workers: Preliminary Findings From the 1988 Survey of Employee Benefits

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Using data from a 1988 survey of workers in the United States, this article examines patterns of pension coverage among private wage and salary workers, focusing on those employed full time. The study also compares 1988 coverage rates with those reported in similar surveys in 1972, 1979, and 1983. Only workers actually participating in a pension plan are identified as "covered."

Among full-time private sector employees, 46 percent were participating in employer-financed pension plans in 1988—33 percent covered only by a basic plan, 7 percent only by a 401(k) type plan, and 6 percent dually covered. Among men, the total coverage rate was 49 percent; among women, 43 percent. Workers with less than 5 years on the job and those in small firms had particularly low coverage rates.

Of special interest are findings about changes over time. First, after an increase in pension coverage from 1972 to 1979, the coverage rates for full-time workers decreased from 50 percent to 48 percent by 1983 and to 46 percent by 1988. Second, the losses in pension coverage have been concentrated among younger workers, and primarily among younger men. And third, limited evidence suggests a recent shift in types of pension coverage, with a decline in traditional pension plans and an increase in 401(k) type plans.

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Private pension benefits have long been recognized as an important component of retirement income in the United States. For this reason, the Social Security Administration (SSA) has actively promoted research on various aspects of employer-sponsored pensions.

One line of research, particularly important over the past two decades, has focused on changing patterns of pension coverage and vesting among American workers.<sup>1</sup> Basic national statistics on pension coverage among private sector wage and salary workers were established in a series of SSA studies beginning in the 1950's.<sup>2</sup> This effort was considerably enhanced by findings from a survey cosponsored by SSA in 1972—the first nationally representative survey designed to gather data about pension coverage and vesting from

private sector workers.<sup>3</sup> The 1972 survey was administered as a supplement to the Current Population Survey (CPS),<sup>4</sup> and this design was repeated in a second CPS pension supplement in 1979.<sup>5</sup>

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<sup>3</sup> Other sponsors were the Department of the Treasury and the Department of Labor. A description of the 1972 survey and analysis of its data are presented in Walter W. Kolodrubetz and Donald M. Landay, "Coverage and Vesting of Full-Time Employees Under Private Retirement Plans," *Social Security Bulletin*, November 1973, pages 20-36. The fact that the 1972 questionnaire was administered only to full-time private wage and salary workers aged 16 or older requires that any comparisons to 1972 be made in terms of this particular population. Further, the article by Kolodrubetz and Landay is the only known publication that reports the 1972 data. Since the 1972 data file no longer exists, any comparisons that include 1972 must therefore use the data as presented in their study.

<sup>4</sup> The Current Population Survey (CPS) is a monthly survey conducted by the Bureau of the Census with a nationally representative sample of households. For a detailed description of the basic CPS design, see the Bureau of the Census, *The Current Population Survey: Design and Methodology*, Technical Paper No. 40, 1978.

<sup>5</sup> The 1979 survey was also cosponsored by the Social Security Administration, this time with the Department of Labor. A description of this survey and analysis of its data on pension coverage are presented in Daniel J. Beller, "Coverage Patterns of Full-Time Employees Under Private Retirement Plans," *Social Security Bulletin*, July 1981, pages 3-11. See also Gayle Thompson Rogers, "Vesting of Private Pension Benefits in 1979 and Change From 1972," *Social Security Bulletin*, July 1981, pages 12-29.

Findings from these studies revealed a pattern of long-term growth in pension coverage—from about one-fourth of private wage and salary workers in the early 1950's to almost one-half by the late 1970's.<sup>6</sup> Additional data indicated growth in other aspects of the private pension system. Income surveys, for example, documented increasing rates of pension receipt among the aged. In 1962, only 17 percent of men and 5 percent of women aged 65 or older were receiving income from private pensions or annuities; by 1986, receipt rates had increased to 33 percent for men and 13 percent for women.<sup>7</sup> Statistics on expenditures of private pension plans also pointed to significant growth. Total payments distributed by private pension plans (including monthly benefits and lump-sum payments to

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<sup>6</sup> Alfred M. Skolnik, "Twenty-Five Years of Employee-Benefit Plans," *Social Security Bulletin*, September 1976, pages 3-21; and Laurence J. Kotlikoff and David E. Smith, *Pensions in the American Economy*, Chicago, University of Chicago Press, 1983, table 3.1.2.

<sup>7</sup> Lenore A. Epstein and Janet H. Murray, *The Aged Population of the United States: The 1963 Social Security Survey of the Aged* (Research Report No. 19), Social Security Administration, 1967, table 3.21; and Susan Grad, *Income of the Population 55 and Over, 1986*, Office of Research and Statistics, Office of Policy, Social Security Administration, June 1988, table 5.

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<sup>1</sup> Typically, workers are defined as "covered" by a pension plan on a particular job when they have met the plan's eligibility requirements and are participating in the plan. "Vesting" is achieved by such workers when they acquire a nonforfeitable right to future benefits.

<sup>2</sup> Findings from the early years of this research are summarized in Alfred M. Skolnik, "Ten Years of Employee-Benefit Plans," *Social Security Bulletin*, April 1966, pages 3-19. The final article in the series was Martha Remy Yohalem, "Employee-Benefit Plans, 1975," *Social Security Bulletin*, November 1977, pages 19-28.

aged and nonaged recipients) increased from about \$17 billion in 1976 to \$104 billion in 1986.<sup>8</sup>

Based on coverage statistics, however, projections of future growth in the private pension system began to be questioned. During the 1970's, increases in the rate of pension coverage had leveled off, and studies from the mid-1980's suggested an actual downturn. One of the data sources revealing the decline in pension coverage was a third CPS pension survey, conducted in May 1983.<sup>9</sup>

To update available knowledge about various aspects of the pension system, including any further changes in pension coverage, a fourth CPS pension supplement was conducted in May 1988. This survey, similar to those in 1972, 1979, and 1983, was designed and jointly sponsored by the Social Security Administration, four other Federal agencies,<sup>10</sup> and the Employee Benefit Research Institute, a privately funded research organization. The 1988 interviews were conducted with persons in one-half the CPS sample who were currently employed for pay. Among those persons aged 16 or older, 27,496 interviews were completed, representing an estimated 113.7 million workers. Of these workers, 76 percent were private wage and

salary workers, 15 percent were public sector employees, and 9 percent were self-employed.

Based on data from the 1988 survey, only recently made available for analysis, this article presents selected early findings on pension coverage among private wage and salary workers. In contrast to several studies in recent years that have used an expanded definition of pension coverage,<sup>11</sup> this article uses the more commonly accepted definition—counting workers as covered only if they are actually participating in a pension plan. Much of the analysis—as in SSA's studies of the 1972 and 1979 data<sup>12</sup>—is restricted to a subset of private wage and salary workers, those working full time.<sup>13</sup>

Specifically, the article (1) describes 1988 coverage rates under two types of employer-sponsored pension plans, (2) examines some of the factors associated with differences in pension coverage, and (3) compares the 1988 coverage rates with those from the 1983 survey and with rates reported in studies of the 1979 and 1972 data.

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<sup>11</sup> See, for example, Emily S. Andrews, *op. cit.*, page 12. This study defined workers as "covered" if any of the employing firm's workers were being provided an employer-financed pension plan. (Following some introductory instructions by the interviewer, the specific questionnaire item was: "Does your employer or union contribute to a pension or retirement plan for any of its employees or members?") In contrast, workers who subsequently responded that they were included in the plan were designated "participants."

<sup>12</sup> Kolodrubetz and Landay, November 1973, *op. cit.*; Beller, July 1981, *op. cit.*; and Rogers, July 1981, *op. cit.*

<sup>13</sup> Full-time workers are defined as those who usually work 35 hours or more per week on their principal job, while part-time workers are defined as those usually working 1-34 hours per week.

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## Conceptual Background and Measurements

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Descriptions of the pension system typically distinguish between two types of pension plans: Defined benefit plans and defined contribution plans. In common parlance, the defined benefit plan is the traditional "pension" plan, and it has long been the predominant form. Under such a plan, the worker is promised a specified benefit amount to be paid at retirement, an amount usually calculated according to earnings and years of service. In contrast, benefit levels under a defined contribution plan are based solely on the value of the individual worker's account at retirement, a value determined by the amount contributed to the account (by the employer and/or the employee) and any accrued earnings on the account's investments. Defined contribution plans include deferred profit sharing plans, thrift or savings plans, and stock bonus plans. These plans often provide secondary coverage for persons already covered under a defined benefit plan.<sup>14</sup>

In recent years much attention has centered on a particular subtype of defined contribution plan—one that allows employees to make tax-deferred contributions to their retirement accounts.<sup>15</sup> Authorized by sections 401(k) and 403(b) of the Internal Revenue Code, these plans have been known by various names, including "salary reduction plans," "401(k) plans,"

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<sup>14</sup> For a comprehensive discussion of defined benefit and defined contribution plans, see Dan M. McGill, *Fundamentals of Private Pensions*, 5th ed., Homewood, Ill., Richard D. Irwin, 1984.

<sup>15</sup> Employee Benefit Research Institute, "401(k) Cash or Deferred Arrangements," *EBRI Issue Brief*, No. 46, September 1985.

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<sup>8</sup> Wilmer L. Kerns and Milton P. Glanz, "Private Social Welfare Expenditures, 1972-85," *Social Security Bulletin*, August 1988, table 7.

<sup>9</sup> The 1983 survey was sponsored by the Department of Health and Human Services and by the Employee Benefit Research Institute. A description of this survey and a comprehensive analysis of its data are presented in Emily S. Andrews, *The Changing Profile of Pensions in America*, Washington, DC, Employee Benefit Research Institute, 1985.

<sup>10</sup> The Congressional Budget Office, the Department of Labor, the Pension Benefit Guaranty Corporation, and the Small Business Administration.

and "pre-tax plans." Although many of these plans offer an annuity to participants at retirement, distribution options also include lump-sum payments made at retirement or on termination of employment. The extent to which these payments are used to promote retirement income security is not yet clear and remains an issue of policy concern.<sup>16</sup>

When questions were developed for the 1988 survey, one goal was to maintain comparability with the earlier CPS pension supplements. With some modification in wording, the content of the basic question on pension coverage has remained the same in the 1979, 1983, and 1988 surveys. Respondents are first asked if a pension or retirement plan is provided for any of the employees where they work, and, if the answer is affirmative, are then asked if they are included in the plan. Because the type of plan is left unspecified in this question, positive responses may refer to either defined benefit or defined contribution plans. However, based on independent estimates of the number of participants in different types of plans,<sup>17</sup> it can be reasonably assumed that the majority of covered respondents are referring to defined benefit plans.

In the 1983 survey, a new coverage question was added in an attempt to identify workers with coverage under a pre-tax type of defined contribution plan—either as

their only pension plan or in addition to the plan identified earlier. In 1988, the thrust of this question remained unchanged, but its wording was modified to reflect the diverse terminology commonly used to refer to these plans. When asking respondents about their participation in such a "retirement savings plan," the interviewer added that "these plans are called by different names, including 401(k) plans, pre-tax plans, and tax-sheltered annuities."

These two sources of employer-sponsored pension coverage will be distinguished from each other, below, by referring to the first as coverage under a basic pension plan and the second as coverage under a pretax retirement savings plan. Other measurement issues from the 1988 survey will be described in the course of presenting results.

## **Pension Coverage in 1988**

### **Coverage of Private Sector Employees Under Two Types of Plans**

Among all private wage and salary workers in May 1988, 34 percent reported coverage under a basic pension plan (table 1), and 14 percent reported coverage under a pretax retirement savings plan (table 2). Again, the distinction should be made clear: The 34 percent coverage rate applies to a mixture of defined benefit and defined contribution plans (with defined benefit plans probably a clear majority); the 14 percent figure represents coverage under a particular type of defined contribution plan.

Historically, men have displayed much higher rates of pension coverage than have women, and throughout this analysis coverage rates will be reported by gender. In

terms of basic pension coverage in 1988, the differences remain substantial: 38 percent of men in the private sector reported coverage, compared with 29 percent for women (table 1). Men also reported a somewhat higher coverage rate than women under pretax retirement savings plans—16 percent, compared with 12 percent (table 2).

In addition to these basic findings, several analytical issues reflected in the first two tables need to be clarified because they have implications for the interpretation of subsequent findings or for the replication of these findings by other researchers. First, the data on basic pension coverage (table 1) reflect not only the questionnaire items previously described, but an additional item included in the interview. When the 1988 questionnaire was designed, it was expected that some respondents—who were in fact covered only by a pretax savings plan—might respond affirmatively to the first question on pension coverage and later respond affirmatively to the question on pretax savings coverage. To distinguish these respondents from those who were actually reporting dual coverage, a followup question asked respondents who reported both types of pension coverage if their retirement savings plan was the same one that they had described earlier, or was an additional plan. Six percent affirmed that they had been, in fact, referring only to their retirement savings plan. As a result, these workers are not included in the 34 percent covered by a "basic pension plan" in table 1.

A second issue concerns the contributory role of the employer in pretax retirement savings plans. While employers were presumably contributing to all "basic" pension plans (table 1), only about four-fifths of the workers in pretax plans

<sup>16</sup> Several studies have indicated that preretirement distributions are typically spent rather than saved. See, for example, Andrews, 1985, *op. cit.*, pages 162-164. Because of concern over this issue, the Tax Reform Act of 1986 applied a 10 percent additional income tax to nonretirement distributions from qualified retirement plans.

<sup>17</sup> See, for example, Kotlikoff and Smith, 1983, *op. cit.*, table 4.1.3.

**Table 1.—Coverage under basic pension plan, by sex, May 1988:**  
Percentage distribution of private wage and salary workers aged 16 or older

Coverage status	Total	Men	Women
Number (in thousands).....	86,342	47,928	38,414
Total percent <sup>1</sup> .....	100	100	100
Covered <sup>2</sup> .....	34	38	29
Not covered.....	60	57	65
Don't know.....	5	5	6

<sup>1</sup> Workers not responding on pension coverage (1.7 percent total) are included in base and allocated proportionally among the other three categories.

<sup>2</sup> Does not include workers whose only reported coverage was identified as a pretax retirement savings plan.

reported employer contributions (table 2). The remaining one-fifth might be described as covered by plans that were “employer-sponsored” but not “employer-financed,” a distinction that will be used below.

Finally, 5 percent of all workers responded “don’t know” to the question on pension coverage (table 1), and 4 percent gave the same response to the question on coverage under a retirement savings plan (table 2). Previous pension research has suggested that such respondents are probably not covered, since they are quite similar to noncovered workers on a range of coverage-related characteristics.<sup>18</sup> Thus, if the “don’t know” responses create any undercount in the number of covered workers, the effect is probably very slight.

## Total Coverage

**All private sector employees.—**  
The coverage rates from tables 1

<sup>18</sup> See Gayle Thompson Rogers, *Pension Coverage and Vesting Among Private Wage and Salary Workers, 1979: Preliminary Estimates from the 1979 Survey of Pension Plan Coverage* (Working Paper No. 16), Office of Research and Statistics, Office of Policy, Social Security Administration, 1980.

and 2 cannot simply be summed to produce a total rate of pension coverage under the two types of plans because 7 percent of the workers were found to be dually covered. The findings on dual coverage are reported in table 3, along with a breakdown of those reporting only one type of coverage.<sup>19</sup> Among all private wage and salary workers, 27 percent had basic pension coverage only, 7 percent had pretax savings plan coverage only, and, as noted above, 7 percent were covered under both types of plans. As measured in this study, then, the best estimate of total coverage under employer-sponsored pension plans is 41 percent for all private sector employees—46 percent for men and 35 percent for women.

**Full-time and part-time employees.—**As expected, the coverage rates for full-time workers

<sup>19</sup> The classifications “only” basic pension coverage and “only” pretax savings coverage are based, of course, on the measures obtained in this particular survey. Some additional sources of dual coverage might have been identified with additional questions—for example, defined contribution plans that are not primary plans and that do not allow pretax employee contributions.

were higher than for all private sector employees (table 3). Forty-eight percent were covered under an employer-sponsored plan—39 percent under a basic pension plan (including 8 percent dually covered) and 9 percent with only a pretax retirement savings plan. Among part-time workers, coverage rates were quite low, with only 9 percent reporting coverage under either type of plan.

The coverage differences between men and women can be explained to some degree by their different rates of full-time and part-time employment. Twenty-six percent of the women were employed in low coverage part time work, compared with only 10 percent of the men. Holding the extent of employment constant for the two sexes results in a substantial narrowing of the gap in pension coverage. Among full-time workers, 51 percent of the men reported coverage under an employer-sponsored plan, while 44 percent of the women did so. Among part-time workers, women were almost twice as likely as men to be covered, though coverage rates were very low for both sexes.

**Coverage under employer-financed plans.—**Included in the group of workers covered only by a pretax retirement savings plan is a subset of workers whose plans were also being supported by employer contributions—among full-time workers, 7 percent (table 3). Adding this group to the 39 percent of full-time workers with “basic,” employer-funded pension coverage yields an estimate that is more comparable to estimates from earlier studies, and one that will be used in later sections of the analysis: Among private full-time wage and salary workers, 46 percent were covered under an employer-financed pension plan.

**Table 2.**—Coverage under pretax retirement savings plan and employer's contributory role, by sex, May 1988: Percentage distribution of private wage and salary workers aged 16 or older

Coverage status	Total	Men	Women
Number (in thousands).....	86,342	47,928	38,414
Total percent <sup>1</sup> .....	100	100	100
Covered <sup>2</sup> .....	14	16	12
Employer contributes.....	11	13	10
Employer does not contribute.....	3	3	2
Not covered.....	82	80	84
Don't know.....	4	4	4

<sup>1</sup> Workers not responding on coverage under a pretax retirement savings plan (0.9 percent total) are included in base and allocated proportionally among other response categories.

<sup>2</sup> Includes workers not responding on employer's contributory role, not shown separately.

### Additional Retirement Savings Through IRA's

Since the emphasis in this section has been on determining total retirement plan coverage (whether or not the employer contributes to the plan), the analysis can be extended to a third type of retirement plan measured in the 1988 survey: Individual Retirement Accounts (IRA's). While typically not "employer-sponsored," IRA's provide an alternative approach to retirement savings; thus, including them may give a more complete picture of the total number of workers who are actively accumulating assets for retirement.

The IRA question, coming later in the interview, asked if respondents had made a contribution to an IRA in their own name during the 1987 tax year, the first year that changes instituted by the 1986 Tax Reform Act were in effect. Under these 1986 provisions, contributions to IRA's were fully tax deferred only for persons who were not active participants in an employer-maintained retirement plan or whose adjusted gross incomes fell below certain phaseout levels (\$25,000 for an individual and \$40,000 for a

married couple filing a joint return). Persons not eligible for tax-deferred treatment could, however, make taxable contributions to an IRA, which would then accumulate untaxed.

Among all private wage and salary workers in May 1988, 12 percent reported an IRA contribution during the previous tax year—13 percent of the men and 11 percent of the women (table 4). In general, full-time workers reported a higher contribution rate than did those working part time (12 percent and 8 percent, respectively), though among women the contribution rates were virtually identical.

In addition to disaggregating IRA contribution rates by sex and extent of employment, table 4 also presents these rates for some of the categories of pension-covered and noncovered workers identified in the preceding analysis (table 3). Two findings are of particular interest: First, in all gender and employment categories, workers covered by an employer-sponsored pension plan reported higher IRA contribution rates than did noncovered workers; and second, among all workers and full-time workers, those with dual coverage reported slightly higher

IRA contribution rates than did those who were covered under only one type of pension plan.

Of greater interest to this analysis is the question of additional, nonduplicative coverage. Specifically, how many of those not covered by an employer-sponsored plan made IRA contributions and thus can be added to the total number of workers who have some form of retirement plan coverage? The data for the necessary calculations are in tables 3 and 4. Among all private wage and salary workers, 57 percent were not covered by an employer-sponsored plan, and 10 percent of these noncovered workers reported IRA contributions. The resulting 5.7 percent can be added to the total number of pension-covered workers (table 3) to yield an expanded estimate: As measured in this survey, 47 percent of all private wage and salary workers were participating in some kind of asset accumulation plan designed to yield resources at retirement. Among full-time workers, this measure of retirement coverage yields a total participation rate of 53 percent.<sup>20</sup>

### Factors Associated with Pension Coverage

In addition to gender and extent of employment, previous studies have identified numerous other factors associated with pension coverage. The purpose of this section is not to undertake a comprehensive analysis of these relationships, but to provide current data on some of them. The discussion here, as in the remainder

<sup>20</sup> Including in these calculations the small number of workers who "didn't know" about their pension coverage has no effect on the findings, adding only 0.1 percent to the total participation rate for all workers and 0.3 percent for full-time workers.

**Table 3.—Coverage under employer-sponsored pension or retirement plan, by extent of employment and sex, May 1988: Percentage distribution of private wage and salary workers aged 16 or older**

Coverage status	Total	Full time	Part time
Total			
Number (in thousands).....	86,342	71,485	14,857
Total percent <sup>1</sup> .....	100	100	100
Covered by employer-sponsored plan.....	41	48	9
Basic pension only.....	27	31	8
Both pension and pretax plans.....	7	8	1
Pretax savings plan only <sup>2</sup> .....	7	9	1
Employer contributes.....	6	7	1
Employer does not contribute.....	1	1	(3)
Not covered.....	57	51	87
Don't know.....	2	1	3
Men			
Number (in thousands).....	47,928	43,188	4,740
Total percent <sup>1</sup> .....	100	100	100
Covered by employer-sponsored plan.....	46	51	6
Basic pension only.....	30	33	5
Both pension and pretax plans.....	8	9	(3)
Pretax savings plan only <sup>2</sup> .....	8	9	1
Employer contributes.....	6	7	(3)
Employer does not contribute.....	1	2	(3)
Not covered.....	52	48	90
Don't know.....	2	1	4
Women			
Number (in thousands).....	38,414	28,296	10,117
Total percent <sup>1</sup> .....	100	100	100
Covered by employer-sponsored plan.....	35	44	11
Basic pension only.....	23	29	9
Both pension and pretax plans.....	6	8	1
Pretax savings plan only <sup>2</sup> .....	6	8	2
Employer contributes.....	5	7	1
Employer does not contribute.....	1	1	(3)
Not covered.....	63	55	87
Don't know.....	2	1	3

<sup>1</sup> Workers not responding on pension or pretax plan coverage (0.8 percent total) are included in base and allocated proportionally among other response categories.

<sup>2</sup> Includes workers not responding on employer's contributory role, not shown separately.

<sup>3</sup> Less than 0.5 percent.

of this article, will be restricted to full-time workers and to coverage under employer-financed pension plans.

The factors under examination can be grouped into two categories: Characteristics of the individual and characteristics of the job. In the first category are age, job tenure, and race; in the second category are industry, size of firm, and unionization.<sup>21</sup> Each variable will be presented separately as it relates to pension coverage among private full-time employees, with a further disaggregation by sex.

### Age

The Employee Retirement Income Security Act (ERISA) of 1974 established minimum standards for workers' participation in qualified pension plans.<sup>22</sup> Thereafter, any worker otherwise eligible to participate in a pension plan could not be excluded after attaining the age of 25. With the passage of the Retirement Equity Act (REA) in 1984, this age standard was lowered to 21.

Despite these regulations, workers aged 21-24 reported only a 25 percent coverage rate in the 1988 survey (table 5), suggesting that factors other than age itself are depressing their chances for

<sup>21</sup> Age, job tenure, race, and industry were reported in SSA's studies of the 1972 and 1979 data; firm size and unionization were also reported for the 1979 data. In the present study, these variables have generally been categorized in ways similar to those in the two previous studies, enabling readers to make comparisons as they choose. As noted previously, the 1972 data were reported for full-time private sector employees in Kolodrubetz and Landay, November 1973, *op. cit.*, and the 1979 data were reported for the same population in Beller, July 1981, *op. cit.*

<sup>22</sup> "Qualified" plans are those that meet standards required for favorable tax treatment under ERISA and the Internal Revenue Code.

coverage. In the age categories older than age 24, the coverage rates rise substantially—to 42 percent for those aged 25-29 and to 48 percent for those aged 30-34. Beyond age 34, the coverage rates remain fairly constant (varying between 54 percent and 58 percent), while among workers aged 60 or older, only 47 percent were covered. The latter decline undoubtedly reflects the departure from the labor force of many pension-covered workers as they become eligible for retirement.

A particularly interesting finding emerges from the comparison of men's and women's coverage rates, controlling for age. Among the younger age groups, there is virtual equality between the sexes, with women even reporting slightly higher rates of pension coverage than men. At the same time, this parity between the sexes is achieved at relatively low levels of pension coverage, with only 11-12 percent covered in the group aged 16-20, 24-26 percent covered among those aged 21-24, 41-42 percent covered at ages 25-29, and 48 percent covered at ages 30-34. Among older workers, men's traditionally higher rates of pension coverage are still manifested rather strongly, rising to a 14-percentage-point advantage over women in the group aged 50-54 (63 percent to 49 percent). Further analysis of these data is presented beginning on page 14, with comparisons made to findings from earlier surveys.

### Job Tenure

A second participation standard established by ERISA concerns the worker's length of employment on a job. Workers otherwise eligible to participate in a qualified pension plan cannot be excluded from the

**Table 4.—Percent contributing to an IRA,<sup>1</sup> by employer-sponsored pension or retirement plan coverage, extent of employment, and sex, May 1988: Private wage and salary workers aged 16 or older**

Coverage status	Total	Full time	Part time
Total			
Number (in thousands).....	86,342	71,485	14,857
Total percent contributing to IRA.....	12	12	8
Covered by employer-sponsored plan.....	15	15	19
Basic pension only.....	14	14	19
Both pension and pretax plans.....	18	19	13
Pretax savings plan only.....	16	16	23
Not covered.....	10	10	8
Don't know.....	3	3	4
Men			
Number (in thousands).....	47,928	43,188	4,740
Total percent contributing to IRA.....	13	14	5
Covered by employer-sponsored plan.....	16	16	18
Basic pension only.....	15	15	17
Both pension and pretax plans.....	19	19	(2)
Pretax savings plan only.....	17	17	(2)
Not covered.....	10	12	4
Don't know.....	3	3	1
Women			
Number (in thousands).....	38,414	28,296	10,117
Total percent contributing to IRA.....	11	11	10
Covered by employer-sponsored plan.....	14	13	19
Basic pension only.....	13	12	20
Both pension and pretax plans.....	17	17	(2)
Pretax savings plan only.....	15	15	19
Not covered.....	9	9	9
Don't know.....	4	3	6

<sup>1</sup> Workers not responding on IRA contributions (0.4 percent total) were included in each base and allocated proportionally among three remaining response categories—contributing, not contributing, and don't know.

<sup>2</sup> Data not shown where base is less than 75,000.

plan once they have completed 1 year of service.

Clearly, as shown in table 6, job stability increases the likelihood of pension coverage. Despite ERISA standards, workers with only 1-4 years of job tenure had a coverage rate of 36 percent in 1988—again, suggesting that factors other than job tenure are involved. Among workers with less than 1 year of job tenure, the coverage rate was even lower (16 percent). These two

groups of workers, it may be noted, constituted more than one-half of all full-time private sector workers at the time of the survey. For the remaining workers, those with 5 years or more on a job, coverage rates were relatively high, showing a steady increase with increasing tenure, and reaching a peak of 80 percent among those with 20-24 years of service.

These patterns hold for both men and women. Moreover, controlling for length of employment also



**Table 5.—Coverage under employer-financed pension or retirement plan, by age and sex, May 1988: Percentage distribution of full-time private wage and salary workers aged 16 or older**

Age (in years)	Number (in thousands)	Total percent	Covered	Not covered	Don't know
<b>Total</b>					
Total .....	71,485	100	46	52	2
Under 21 .....	3,307	100	12	84	4
21-24 .....	7,738	100	25	73	2
25-29 .....	12,671	100	42	57	2
30-34 .....	11,504	100	48	51	1
35-39 .....	9,547	100	54	45	1
40-44 .....	8,060	100	57	41	1
45-49 .....	6,360	100	56	42	1
50-54 .....	5,007	100	58	41	1
55-59 .....	3,943	100	56	41	2
60 or older .....	3,347	100	47	52	1
<b>Men</b>					
Total .....	43,188	100	49	50	2
Under 21 .....	1,956	100	12	84	4
21-24 .....	4,315	100	24	73	3
25-29 .....	7,326	100	41	57	2
30-34 .....	7,188	100	48	51	1
35-39 .....	5,924	100	57	42	1
40-44 .....	4,859	100	61	38	1
45-49 .....	3,780	100	61	37	1
50-54 .....	3,134	100	63	36	1
55-59 .....	2,545	100	60	37	3
60 or older .....	2,162	100	51	48	1
<b>Women</b>					
Total .....	28,296	100	43	56	2
Under 21 .....	1,351	100	11	85	4
21-24 .....	3,424	100	26	72	2
25-29 .....	5,345	100	42	57	1
30-34 .....	4,316	100	48	51	1
35-39 .....	3,623	100	49	49	1
40-44 .....	3,201	100	51	47	2
45-49 .....	2,581	100	49	50	1
50-54 .....	1,873	100	49	50	1
55-59 .....	1,398	100	49	49	2
60 or older .....	1,185	100	40	59	1

reduces pension coverage disparities between the sexes. Among workers with 1-14 years of job tenure, virtually no relationship is found between sex and pension coverage.

#### Race

Like sex, race is not very strongly related to variations in pension coverage among full-time workers (table 7). In 1988, whites reported a

coverage rate of 47 percent, compared with 42 percent for blacks and 45 percent for other races. This relationship was stronger among men, with whites displaying a 7-percentage-point advantage over blacks and a 4-percentage-point advantage over men of other races. However, the relationship was very weak among women.

Within racial groups, differences between the sexes were not

uniform. The overall disparity between men and women is essentially a disparity among whites (who represented 87 percent of all full-time workers in this study), 49 percent for white men and 43 percent for white women. In contrast, among blacks and other races, men and women had nearly identical coverage rates.

#### Industry

Industries in the private sector can be grouped into three rough categories according to their workers' 1988 rates of pension coverage (table 8). Included in the group with relatively high coverage rates are four industries: Manufacturing; mining; transportation and public utilities; and finance, insurance, and real estate. Workers' coverage rates in these industries ranged from a high of 64 percent (durable goods manufacturing) to a low of 57 percent (finance, insurance, and real estate). In the group with "medium" rates of coverage (close to the 46 percent rate for all workers) are two industries: Wholesale trade and professional and related services. Composing the group with low coverage rates (ranging from a high of 30 percent covered to a low of 12 percent) are construction, retail trade, other services, and agriculture.

The same rough groupings obtain among both men and women. Within subdivisions in manufacturing, however, women's coverage rates varied considerably. Those in nondurable goods manufacturing reported a pension coverage rate of only 50 percent, compared with 62 percent among women in durable goods manufacturing.

Finally, the relationship of gender to pension coverage does not hold across all industries. In the finance, insurance, and real estate industry, for example, coverage rates for men and women were virtually identical; and women in transportation and public utilities actually had a higher rate of coverage than their male coworkers (63 percent and 58 percent, respectively). In contrast, men's advantage in overall rates of pension coverage was even more marked in two other industries—15 percentage points higher than women in nondurable goods manufacturing and 14 percentage points higher in wholesale trade.

### Firm Size

As measured in the CPS pension supplement surveys, "size of firm" refers to the number of workers employed at all locations operated by a particular organization or business. The 1988 survey used a more finely differentiated set of response categories than the surveys in 1983 and 1979. For example, the lowest response category in previous surveys was "fewer than 25," but the 1988 survey divided this into "fewer than 10" and "10-24."

In general, these distinctions proved worth making, revealing quite clearly the strong positive relationship between the size of firms and the pension coverage rates of their workers (table 9). Workers in very small firms (with fewer than 10 employees) reported a pension coverage rate of only 11 percent. Coverage remained quite low in firms with 10-24 workers (22 percent) and in firms with 25-49 workers (29 percent). Only in the highest category available in the

**Table 6.**—Coverage under employer-financed pension or retirement plan, by job tenure and sex, May 1988: Percentage distribution of full-time private wage and salary workers aged 16 or older

Job tenure (in years)	Number (in thousands)	Total percent	Covered	Not covered	Don't know
Total					
Total <sup>1</sup> .....	71,485	100	46	52	2
Less than 1 .....	12,629	100	16	81	3
1-4 .....	24,506	100	36	62	2
5-9 .....	12,574	100	61	39	1
10-14 .....	7,776	100	70	29	1
15-19 .....	4,563	100	73	26	1
20-24 .....	3,233	100	80	19	1
25 or more .....	3,267	100	77	22	1
Men					
Total <sup>1</sup> .....	43,188	100	49	50	2
Less than 1 .....	7,105	100	18	79	3
1-4 .....	14,059	100	37	62	2
5-9 .....	7,538	100	60	39	1
10-14 .....	4,880	100	71	29	1
15-19 .....	2,901	100	75	25	(2)
20-24 .....	2,349	100	82	17	1
25 or more .....	2,589	100	78	21	1
Women					
Total <sup>1</sup> .....	28,296	100	43	56	2
Less than 1 .....	5,524	100	13	83	4
1-4 .....	10,447	100	35	63	1
5-9 .....	5,036	100	62	38	(2)
10-14 .....	2,897	100	69	30	1
15-19 .....	1,662	100	70	29	1
20-24 .....	884	100	75	24	1
25 or more .....	678	100	73	27	(2)

<sup>1</sup> Includes workers not responding on job tenure, not shown separately.

<sup>2</sup> Less than 0.5 percent.

CPS data (250 or more workers)<sup>23</sup> did the coverage rate exceed the 46 percent coverage rate for all workers. In firms of this size, 67 percent of the workers reported that they were covered by a pension. Previous research suggests that

<sup>23</sup> Although the 1988 survey included response categories of 250-499, 500-999, and 1,000 or more, these responses were topcoded at 250 by the Bureau of the Census in the data file recently released.

coverage rates are even higher in firms of 500 or more workers.<sup>24</sup>

The relationship between firm size and pension coverage appears both for men and for women. However, the relationship between sex and pension coverage varies somewhat according to firm size. In medium and large firms, men's coverage rates were 8-10 percentage points higher than women's, while in firms

<sup>24</sup> In his analysis of the 1979 CPS pension supplement data, Beller, July 1981, *op. cit.*, reported a coverage rate of 81 percent in firms with 500 or more employees.

with fewer than 25 workers—firms characterized by low rates of pension coverage—men and women were almost equally disadvantaged.

### Union Representation

The influence of labor unions in promoting workers' pension coverage was strongly reflected in the 1988 survey (table 10). Of full time private sector employees who responded to the CPS questions on union representation, only 17 percent were members of a union or in jobs covered by a union or employee association contract. For this minority of workers, however, the pension coverage rate was 75 percent, compared with 43 percent among those without union representation. Controlling for gender, the relationship between union representation and pension coverage was slightly stronger for men than for women.

### Changes in Pension Coverage

As noted earlier, one of the goals of the 1988 survey was to obtain data to compare with results from earlier CPS pension supplements, thereby permitting the analysis of changes in workers' pension coverage and vesting. Some of the similarities in sampling and in interview questions designed to measure pension coverage have already been described. A remaining comparability issue, however, needs to be addressed.

In the 1972 interview, respondents were asked if they were covered by "a pension or profit sharing plan providing retirement benefits." In 1979, the coverage question was made less specific, inquiring about "a pension or other type of retirement plan," and this more general referent was retained in the

**Table 7.**—Coverage under employer-financed pension or retirement plan, by race and sex, May 1988: Percentage distribution of full-time private wage and salary workers aged 16 or older

Race	Number (in thousands)	Total percent	Covered	Not covered	Don't know
Total					
Total .....	71,485	100	46	52	2
White .....	62,510	100	47	52	2
Black .....	6,929	100	42	57	2
Other .....	2,046	100	45	51	4
Men					
Total .....	43,188	100	49	50	2
White .....	38,255	100	49	49	2
Black .....	3,754	100	42	56	2
Other .....	1,180	100	45	51	4
Women					
Total .....	28,296	100	43	56	2
White .....	24,255	100	43	56	1
Black .....	3,175	100	41	58	1
Other .....	866	100	46	51	3

1983 and 1988 questionnaires. In 1988, however, a followup question was added. Persons who did not respond affirmatively to the general question on coverage were asked if they were included in "a deferred profit sharing plan or a stock plan" designed for retirement benefits. Two percent of the full-time workers—apparently not having thought of these particular plans as "retirement plans"—responded affirmatively to the followup question. These respondents are included in coverage statistics reported throughout this analysis, and they become problematic only when 1988 coverage rates are being compared with rates from earlier surveys. The assumption used in the following analysis is that, based on these variations in questionnaire design, the coverage rates for 1979 and 1983 may be slightly underestimated relative to those for 1972 and 1988.

Having acknowledged this issue, the analysis in this section focuses,

first, on changes in rates and types of pension coverage and, second, on changes among different age groups. Again, the discussion is restricted to full-time private wage and salary workers and to coverage under employer-financed plans.

### Declining Coverage

The modest decline in pension coverage, first documented in the 1983 survey, continued through 1988 (table 11). Over the course of the four CPS pension supplements, the coverage rate increased from 48 percent to 50 percent from 1972 to 1979, dropped to 48 percent in 1983, and dropped again—to 46 percent—in 1988.<sup>25</sup> Further, without

<sup>25</sup> Following the precedent set in studies of the 1979 data, workers not responding on pension coverage were included in the base in each of the 4 years and allocated proportionally among the other response categories.

the additional 1988 data on deferred profit sharing and stock plans (described above), the decline from 1983 to 1988 would have been even more pronounced, 4 percentage points rather than 2.

The coverage rates of men and women have also changed over the course of the four CPS supplements (table 11). Women have gained steadily since 1972, though in small increments, while the coverage rates of men have declined in both surveys since 1979. There is a striking symmetry in these changes. While women gained 5 percentage points in pension coverage rates over the period 1972-88, men lost an equivalent 5 percentage points in coverage. Thus, men's 16-percentage-point advantage over women in 1972 (54 percent to 38 percent covered) had been reduced to 6 percentage points by 1988 (49 percent to 43 percent).

### Indications of Changing Types of Coverage

In addition to showing the changes in pension coverage from 1972 to 1988, table 11 also presents the breakdown on types of coverage under employer-financed plans in 1988—39 percent of full-time workers covered under a basic pension plan (including 6 percent dually covered) and 7 percent with only a pretax retirement savings plan. Strictly comparable figures are not available from the earlier surveys. However, based on data that are available, one may speculate about changes in types of coverage during this period.

The pension coverage reported in 1972 and 1979 undoubtedly included some tax-sheltered annuities (403b plans) and at least a small number of pretax defined contribution plans. The latter type of plan was permitted as early as the 1950's, but was apparently not widespread.

**Table 8.—Coverage under employer-financed pension or retirement plan, by industry and sex, May 1988: Percentage distribution of full-time private wage and salary workers aged 16 or older**

Industry	Number (in thousands)	Total percent	Covered	Not covered	Don't know
Total					
Total <sup>1</sup> .....	71,485	100	46	52	2
Agriculture .....	1,200	100	12	87	1
Mining .....	698	100	63	35	1
Construction .....	5,253	100	30	68	2
Manufacturing:					
Durable goods .....	11,895	100	64	34	1
Nondurable goods .....	8,431	100	59	39	1
Transportation and public utilities .....	5,605	100	59	39	1
Trade:					
Wholesale .....	3,839	100	48	51	1
Retail .....	11,000	100	29	68	2
Finance, insurance, and real estate .....	6,442	100	57	41	1
Services:					
Professional services .....	10,056	100	45	54	2
Other services .....	7,012	100	24	74	2
Men					
Total <sup>1</sup> .....	43,188	100	49	50	2
Agriculture .....	965	100	13	87	1
Mining .....	596	100	62	37	1
Construction .....	4,848	100	31	67	2
Manufacturing:					
Durable goods .....	8,833	100	65	34	1
Nondurable goods .....	5,131	100	65	33	2
Transportation and public utilities .....	4,117	100	58	41	1
Trade:					
Wholesale .....	2,833	100	52	48	1
Retail .....	6,048	100	31	67	3
Finance, insurance, and real estate .....	2,354	100	57	42	1
Services:					
Professional services .....	3,576	100	50	48	2
Other services .....	3,845	100	27	70	2

See footnotes at end of table.

Further, the formation of new plans of this type was prohibited in June 1974, and the freeze was not lifted until the implementation of section 401(k) of the Internal Revenue Code, effective January 1, 1980.

Partly in response to this policy change, a question on pretax coverage was added to the 1983 questionnaire. Tabulations of the 1983 data (not shown separately) indicate that 48 percent of all full-

time private employees were covered under a "basic" pension plan (including 3 percent with both basic and pretax coverage), and 0.3 percent had a pretax savings plan only. Unfortunately, these figures cannot be fully trusted. Due to a design flaw in the 1983 questionnaire, the number of workers with pretax plans was probably underestimated by several

**Table 8.—Coverage under employer-financed pension or retirement plan, by industry and sex, May 1988: Percentage distribution of full-time private wage and salary workers aged 16 or older—Continued**

Industry	Number (in thousands)	Total percent	Covered	Not covered	Don't know
	Women				
Total <sup>1</sup> .....	28,296	100	43	56	2
Agriculture .....	235	100	11	89	(2)
Mining .....	102	100	72	28	(2)
Construction .....	405	100	24	71	5
Manufacturing:					
Durable goods .....	3,062	100	62	37	2
Nondurable goods .....	3,300	100	50	49	2
Transportation and public utilities .....	1,488	100	63	36	2
Trade:					
Wholesale .....	1,006	100	38	61	(2)
Retail .....	4,951	100	28	70	1
Finance, insurance, and real estate .....	4,088	100	58	41	1
Services:					
Professional services .....	6,481	100	41	57	2
Other services .....	3,167	100	19	79	2

<sup>1</sup> Includes workers in forestry and fisheries, not shown separately.

<sup>2</sup> Less than 0.5 percent.

percentage points, and the number with basic coverage was correspondingly overestimated.<sup>26</sup>

<sup>26</sup> The problem centers on those who would have had only pretax coverage in 1983. In responding to the first question on coverage (asking about their inclusion in "a pension or retirement plan"), most of these persons would probably have responded in the affirmative. (In 1988, about 80 percent of the comparable respondents answered "yes.") When faced with the later question on pretax coverage, however, either a "yes" or a "no" response from these persons would have resulted in erroneous data. (In effect, the question read "In addition to your basic plan, do you participate in a salary reduction plan, sometimes called either a 401(k) or 403(b) plan...?") Those who responded "yes" to this question would have been erroneously counted as dually covered, while those responding "no" (the more likely response) would have been counted as having only a basic pension plan. As described earlier, this flaw in questionnaire design was corrected in the 1988 survey.

Nonetheless, other data sources suggest that pretax coverage has increased substantially in recent years and that coverage under defined benefit plans has declined substantially.<sup>27</sup> Although the tabulations above probably overestimate coverage under a basic pension plan in 1983, the resulting estimates of change in

<sup>27</sup> Data on 401(k) participation are included in reports from the Bureau of Labor Statistics (BLS) for 1985, 1986, and 1988. See U.S. Department of Labor, Bureau of Labor Statistics, **Employee Benefits in Medium and Large Firms, 1985** (Bulletin No. 2262), July 1986; **Employee Benefits in Medium and Large Firms, 1986** (Bulletin No. 2281), June 1987; and "BLS Reports on Employee Benefits in Medium and Large Firms in 1988," **News Release**, April 4, 1989. Data on defined benefit plan coverage have been provided in each issue in the BLS series, beginning with the 1979 edition. For data on coverage under 403(b) plans, see American Council of Life Insurance, **Pension Facts 1987**, Washington, DC, American Council of Life Insurance, 1987, pages 8-9.

basic coverage from 1983 to 1988 (from 48 percent to 39 percent) closely correspond to the rate of decline in defined benefit plan coverage in the Bureau of Labor Statistics' (BLS) surveys of medium and large firms.<sup>28</sup> The BLS data, representing about one-third of full-time private sector employees, show that coverage under defined benefit plans decreased by 14.6 percent from 1983 to 1988.<sup>29</sup> The CPS data, reported above for all full-time private sector employees, suggest that coverage under a "basic" pension plan decreased by 18.8 percent during the same period. Using a more conservative estimate of basic coverage in 1983 would, of course, produce a lower rate of decline.

### Changing Experience of Younger Workers

A rather important finding emerges when changes in the rate of pension coverage are examined for different age groups: The overall decline in pension coverage from 1972 to 1988 can largely be accounted for by declining rates of coverage among younger workers—primarily among younger men (table 12).

The pattern is clear. Compared with their counterparts in 1972, the coverage rate among workers aged

<sup>28</sup> First conducted in 1979, the BLS survey periodically samples firms with at least 100 or 250 employees, depending on the industry, and gathers data on the actual incidence of employee benefits being provided by these firms.

<sup>29</sup> The actual BLS coverage rates were 82 percent in 1983 and, based on a comparable sample, 70 percent in 1988. See U.S. Department of Labor, Bureau of Labor Statistics, **Employee Benefits in Medium and Large Firms, 1983** (Bulletin No. 2213), August 1984; and "BLS Reports on Employee Benefits in Medium and Large Firms in 1988," **News Release**, April 4, 1989.

**Table 9.**—Coverage under employer-financed pension or retirement plan, by size of firm and sex, May 1988: Percentage distribution of full-time private wage and salary workers aged 16 or older

Firm size (number of workers)	Number (in thousands)	Total percent	Covered	Not covered	Don't know
Total					
Total <sup>1</sup> .....	71,485	100	46	52	2
Fewer than 10 .....	10,093	100	11	89	1
10-24 .....	6,260	100	22	78	1
25-49 .....	5,371	100	29	69	2
50-99 .....	4,278	100	40	59	2
100-249 .....	5,601	100	45	53	1
250 or more <sup>2</sup> .....	33,566	100	67	31	1
Men					
Total <sup>1</sup> .....	43,188	100	49	50	2
Fewer than 10 .....	6,356	100	12	87	1
10-24 .....	3,983	100	22	77	1
25-49 .....	3,387	100	33	64	3
50-99 .....	2,596	100	43	56	1
100-249 .....	3,342	100	49	49	2
250 or more <sup>2</sup> .....	19,869	100	71	28	1
Women					
Total <sup>1</sup> .....	28,296	100	43	56	2
Fewer than 10 .....	3,737	100	9	91	(3)
10-24 .....	2,277	100	20	79	1
25-49 .....	1,984	100	23	76	1
50-99 .....	1,682	100	35	63	2
100-249 .....	2,259	100	39	60	1
250 or more <sup>2</sup> .....	13,697	100	63	36	1

<sup>1</sup> Includes workers not responding on firm size, not shown separately.

<sup>2</sup> Although some previous studies have reported "500 or more" as the maximum firm size category, this variable was topcoded at 250 in the May 1988 CPS Supplement data file.

<sup>3</sup> Less than 0.5 percent.

16-24 in 1988 was 10 percentage points lower (31 percent in 1972, 21 percent in 1988); those aged 25-29 had a coverage rate 6 percentage points lower than their 1972 counterparts; and workers aged 30-34 had a coverage rate 4 percentage points lower (table 12). In contrast, the 1988 coverage rates of groups in the age range 35-54 were virtually unchanged, compared with similar age groups in 1972; and workers aged 55 or older actually displayed an increase in pension coverage, compared with their 1972

counterparts. These changes in coverage rates were compounded by changes in the age distribution of full-time private sector employees—an increase in the proportion of those under age 35 (from 43 percent in 1972 to 50 percent in 1988), and a decrease in the proportion of workers aged 55 or older (from 15 percent to 11 percent).

The comparison between 1972 and 1988 masks some important variations in pension coverage

revealed in the 1979 and 1983 data (table 12). The only appreciable gains over the 16-year period occurred from 1972 to 1979. Losses were experienced in almost all age categories from 1979 to 1983, and from 1983 to 1988 the changes were uniformly negative. Indeed, the 1983-88 losses in pension coverage among younger age categories were not substantially different from those experienced among most of the older age groups.

As noted, the overall decline in pension coverage from 1972 to 1988 can largely be attributed to changes in the coverage of younger men. Except in the youngest age category, women of all ages have shown net increases in pension coverage over the 16-year period; men in the groups aged 35-59 have basically held their own or experienced only slight losses in pension coverage; and men in the group aged 60 or older have experienced modest gains. The substantial losses in pension coverage have been concentrated in the cohorts of younger men: Among those aged 16-24 in 1988, a 14-percentage-point loss, compared with their 1972 counterparts; among those aged 25-29, an 11-percentage-point loss; and among those aged 30-34, a loss of 8 percentage points.

These patterns also help to clarify a finding reported earlier in this article—the parity in 1988 coverage rates between younger men and women. It is now clear that, in the two youngest groups (aged 29 or under), this parity has been achieved not by substantial gains among new cohorts of young women workers but by substantial losses among new cohorts of young men—thus, at a relatively low level of pension coverage. In contrast, the parity at ages 30-34 may be attributed to important gains by

**Table 10.—Coverage under employer-financed pension or retirement plan, by union representation and sex, May 1988: Percentage distribution of full-time private wage and salary workers aged 16 or older**

Union representation	Number (in thousands)	Total percent	Covered	Not covered	Don't know
Total					
Total <sup>1</sup> .....	71,485	100	46	52	2
Union .....	11,131	100	75	24	1
Nonunion .....	55,058	100	43	56	2
Men					
Total <sup>1</sup> .....	43,188	100	49	50	2
Union .....	8,384	100	77	22	1
Nonunion .....	31,142	100	44	54	2
Women					
Total <sup>1</sup> .....	28,296	100	43	56	2
Union .....	2,746	100	70	29	1
Nonunion .....	23,916	100	41	57	2

<sup>1</sup> Includes workers not responding on union representation, not shown separately.

women and equally important losses by men. Finally, while pension coverage has increased significantly among women aged 35 or older, men aged 35-59 experienced only slight net changes from 1972 to 1988. Thus, despite the narrowing gender gap over the course of the four surveys, men in these older groups continue to have considerably higher rates of pension coverage than do women.

## Summary

Based on data for private wage and salary workers in May 1988, this article examined pension coverage under two types of employer-sponsored pension plans. Some of the factors associated with employer-financed pension coverage were also examined, and comparisons were made to findings

on pension coverage of full-time workers in 1972, 1979, and 1983. "Covered" workers were defined as those actually participating in a pension plan.

Among all private sector employees studied, 34 percent were covered by a "basic" pension plan (most of which, presumably, were defined benefit plans), and 14 percent were covered by a pretax retirement savings plan—a subtype of defined contribution plan. With 7 percent of the respondents covered by both types of plans, the total coverage rate under employer-sponsored plans was 41 percent.

Twelve percent of the respondents reported that they had contributed to an IRA in 1987. The reported IRA usage was somewhat higher among those already covered by a pension plan than among noncovered workers. Six percent of the respondents were not covered by an employer-sponsored plan but were

contributing to an IRA, yielding a total of 47 percent who were participating in either an employer-sponsored or an individual retirement plan.

While it was assumed—as in previous studies—that all "basic" coverage was being funded by employers, only four-fifths of those in pretax retirement savings plans reported that employers were also contributing to these plans. The remainder of the analysis was restricted to coverage under employer-financed plans, and it was further restricted to full-time workers. A total of 46 percent of these workers were covered under employer-financed pension plans—33 percent covered only by a basic plan, 7 percent covered only by a pretax plan, and 6 percent dually covered. Among men, the coverage rate was 49 percent, compared with 43 percent among women.

Several individual and job-related characteristics were found to be associated with employer-financed pension coverage among full-time employees.

- Coverage rates were quite low among workers under age 25, but were substantially higher among those aged 35-59.
- Pension coverage was also low among those with less than 5 years of employment on the job, but relatively high among those with 5 years or more of job tenure.
- Coverage rate differences by race were not substantial. Whites reported a coverage rate of 47 percent, compared with 42 percent among blacks and 45 percent among other races.
- Industries with relatively high rates of pension coverage included manufacturing; mining; transportation; and

**Table 11.**—Coverage under employer-financed pension or retirement plan, by sex, 1972, 1979, 1983, and 1988: Percentage distribution of full-time private wage and salary workers aged 16 or older

Coverage status	1972 <sup>1</sup>	1979 <sup>2</sup>	1983	1988
Total				
Number (in thousands).....	48,000	59,735	59,938	71,485
Total percent.....	100	100	100	100
Covered by employer-financed plan.....	48	50	48	<sup>3</sup> 46
Basic pension only <sup>4</sup> .....	...	...	...	33
Both pension and pretax plans <sup>4</sup> .....	...	...	...	6
Pretax savings plan only <sup>4</sup> .....	...	...	...	7
Not covered.....	47	43	49	52
Don't know.....	4	7	3	2
Men				
Number (in thousands).....	<sup>(5)</sup>	38,185	37,123	43,188
Total percent.....	100	100	100	100
Covered by employer-financed plan.....	54	55	52	<sup>3</sup> 49
Basic pension only <sup>4</sup> .....	...	...	...	35
Both pension and pretax plans <sup>4</sup> .....	...	...	...	7
Pretax savings plan only <sup>4</sup> .....	...	...	...	7
Not covered.....	42	38	45	50
Don't know.....	4	6	3	2
Women				
Number (in thousands).....	<sup>(5)</sup>	21,550	22,814	28,296
Total percent.....	100	100	100	100
Covered by employer-financed plan.....	38	40	42	<sup>3</sup> 43
Basic pension only <sup>4</sup> .....	...	...	...	30
Both pension and pretax plans <sup>4</sup> .....	...	...	...	6
Pretax savings plan only <sup>4</sup> .....	...	...	...	7
Not covered.....	58	51	55	56
Don't know.....	4	9	3	2

<sup>1</sup> The source of data from the 1972 survey is Walter W. Kolodrubetz and Donald M. Landay, "Coverage and Vesting of Full-Time Employees Under Private Retirement Plans," *Social Security Bulletin*, November 1973, page 22, table 1. Distribution adjusted by proportionally allocating "no response" to other categories.

<sup>2</sup> The source of data from the 1979 survey is Daniel J. Beller, "Coverage Patterns of Full-Time Employees Under Private Retirement Plans," *Social Security Bulletin*, July 1981, page 5, table 1.

<sup>3</sup> Includes workers whose basic pension coverage was identified only through a followup question used in 1988 survey—2 percent of men, women, and all workers.

<sup>4</sup> Comparable data not available for 1972, 1979, and 1983.

<sup>5</sup> While the total number of workers in the 1972 study was reported to be 48 million, a breakdown by sex was not provided.

finance, insurance, and real estate; industries with low rates of coverage included construction, retail trade, nonprofessional services, and agriculture.

- The size of the employing firm was strongly related to pension coverage. Coverage rates ranged from 11 percent in firms with fewer than 10 workers to 67 percent in firms with 250 or more workers.
- Among the minority of workers represented by a labor union, 75 percent reported pension coverage, compared with 43 percent among workers without union representation.

Perhaps most important, the analysis revealed significant changes in pension coverage among full-time workers over the past 16 years: a continuing decline in the rate of coverage since 1979, the fact that most of this decrease can be attributed to falling coverage rates among younger men, and some evidence that the most recent decline in pension coverage has been concentrated in defined benefit plans.

- Previous studies had shown that overall pension coverage increased from 48 percent to 50 percent from 1972 to 1979; this study confirmed a decline to 48 percent through 1983, and a further decline to 46 percent in 1988. In addition, since coverage rates in 1979 and 1983 were probably underestimated by 1-2 percentage points, the recent decrease in pension coverage may have been even more pronounced.
- Over the course of the four CPS supplements, women's coverage rates have increased



**Table 12.—Percent covered by employer-financed pension or retirement plan, by age and sex, 1972, 1979, 1983, and 1988: Full-time private wage and salary workers aged 16 or older**

Age (in years)	1972 <sup>1</sup>	1979 <sup>2</sup>	1983	1988 <sup>3</sup>
Total				
Total percent covered.....	48	50	48	46
Under 25.....	31	27	<sup>4</sup> 23	<sup>4</sup> 21
25-29.....	48	48	43	42
30-34.....	52	56	51	48
35-39.....	54	57	58	54
40-44.....	56	56	58	57
45-49.....	57	60	58	56
50-54.....	58	65	60	58
55-59.....	53	63	63	56
60 or older.....	41	53	51	47
Men				
Total percent covered.....	54	55	52	49
Under 25.....	34	29	25	20
25-29.....	52	53	43	41
30-34.....	56	62	54	48
35-39.....	59	65	62	57
40-44.....	61	64	64	61
45-49.....	63	66	63	61
50-54.....	64	69	63	63
55-59.....	59	69	66	60
60 or older.....	46	56	55	51
Women				
Total percent covered.....	38	40	42	43
Under 25.....	27	23	21	22
25-29.....	39	42	42	42
30-34.....	40	46	46	48
35-39.....	40	42	51	49
40-44.....	42	42	47	51
45-49.....	44	50	49	49
50-54.....	45	56	55	49
55-59.....	42	50	55	49
60 or older.....	29	46	45	40

<sup>1</sup> The source of data from the 1972 survey is Walter W. Kolodrubetz and Donald M. Landay, "Coverage and Vesting of Full-Time Employees Under Private Retirement Plans," *Social Security Bulletin*, November 1973, page 25, table 4. Distribution adjusted by proportionally allocating "no response" to other categories.

<sup>2</sup> The source of data from the 1979 survey is Daniel J. Beller, "Coverage Patterns of Full-Time Employees Under Private Retirement Plans," *Social Security Bulletin*, July 1981, page 5, table 2.

<sup>3</sup> Includes workers whose basic pension coverage was identified only through a followup question used in 1988 survey—2 percent of men, women, and all workers.

<sup>4</sup> Among those aged 21-24 in 1983, coverage rate was 28 percent; in 1988, corresponding rate was 25 percent.

steadily, while coverage among men has decreased in both surveys since 1979. Thus, men's 16-percentage-point advantage in pension coverage rates in 1972 had been reduced to a 6-percentage-point advantage by 1988.

- Losses in pension coverage have been concentrated among younger workers, and primarily among younger men. Indeed, given changes in the age distribution of workers, the overall decline in coverage from 1972 to 1988 can be largely attributed to decreased pension coverage in succeeding cohorts of men under age 35.
- Although women under age 35 have achieved parity with men, the parity for those under age 30 is at relatively low levels of pension coverage. More meaningful gains have been made by middle-aged and older women, but men in these age groups continue to have coverage rates that are 8-14 percentage points higher.
- The evidence regarding changing types of pension coverage is limited. However, it is suggested that coverage under defined benefit plans may have declined by as much as 15 percent from 1983 to 1988, a decline that has been partly offset by increased coverage under defined contribution plans that allow pretax employee contributions.

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## Conclusions

The trend toward lower rates of pension coverage among current workers—and, particularly, the lower rates of coverage among younger workers—may have important implications for the future of private pension benefits in the United States. The eventual outcome, of course, will depend on a complex array of factors: The extent to which younger workers continue to have lower rates of coverage relative to previous cohorts as they move into their prime working years; the proportion of covered workers who will become vested and eventually receive benefits; and the size of benefit amounts relative to other sources of income. Based on coverage statistics alone, however, the findings in this article suggest decreasing rates of private pension receipt among future generations of retired workers and a corresponding increased reliance on other sources of retirement income, including Social Security benefits.

The apparent, partial shift from defined benefit to defined contribution plan coverage has additional implications for the future of private pension benefits. Compared to traditional pension plans, defined contribution plans are generally thought to provide less retirement security to employees. Further, the extent to which employees' contributions to pretax plans are actually used to produce retirement income remains an important issue of concern.

These and other implications of the changing patterns of pension coverage need to be more fully explored. In addition, further research is needed to clarify the nature and causes of these changes. Future data gathering efforts should continue to be focused on changes in rates of pension coverage, but particular

attention must be devoted to coverage rates among new cohorts of workers and to possible changes in types of coverage.

In the meantime, currently available data should be used to analyze the causes of the decline in pension coverage among younger workers, to document any changes in patterns of vesting, and to explore the extent and disposition of lump-sum payments. Clearly, the research agenda is full. However, just as clearly, the knowledge to be gained will be critical to future policy debates on retirement income security.