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Report shows disparities in access to retirement benefits

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Many workers in the United States don't have the opportunity to participate in a retirement plan at work.

Access to employer-based retirement plans varies widely by state, region, race, ethnicity, industry, employer size, employee income, age, and education, according to a new report from the Pew Charitable Trusts, called "Who's In, Who's Out."

Overall, 58% of full-time, full-year workers in the United States reported having access to a workplace retirement savings plan, and 49% reported participating in one. The Pew report only looked at full-time, full-year workers in the private sector. The access and participation rates tend to be much lower among part-time and seasonal workers.

"With the aging of the nation's population, a continuing decline in the availability of traditional pensions, and concerns about the future of Social Security, many workers in the United States worry that they won't have enough money set aside for their retirements," the report notes.

"Workplace retirement savings plans can be a critical piece of the retirement security puzzle," says John Scott, director of Pew's retirement savings project. "But for millions of Americans, this piece is missing."

Access and participation rates were highest in the Midwest, New England and the Pacific Northwest. They were lowest in the South and the West. Wisconsin showed the highest access rate at 70%, and Florida had the lowest access rate at 46%, the research found.

"Access to workplace retirement plans varies widely across the states," Scott says. "Recognizing the savings challenge faced by so many Americans, half of the states are looking at their own solutions."

A number of factors contribute to racial disparities in access to retirement benefits. Sixty-three percent of white, non-Hispanic workers reported having access to a workplace retirement savings plan, compared to 56% of black workers, 55% of Asian workers and 38% of Hispanic workers, the Pew research found.

"In the context of retirement savings, race and ethnicity can serve as a proxy for economic variables, such as income, wealth, job type, or industry of employment," the report stated. In other words, minorities may be overrepresented in the types of jobs that don't provide retirement benefits.

"Race and ethnicity may affect retirement savings behavior in other ways, such as lower levels of trust and comfort with financial institutions and the investment process in general," the report explained. Hispanic workers in the survey cited language barriers and difficulty using nontraditional forms of identification as reasons for not participating in retirement plans. Differences in family structure and age distribution by race and ethnicity may contribute to the disparities in retirement saving. Racial and ethnic minority groups might benefit from targeted outreach materials to encourage participation in 401(k)s, the report noted.

Employer size is another factor that greatly impacts access. Only 22% of workers at small businesses (with less than 10 employees) had access to a retirement plan at their workplace, compared to 74% of workers at large companies (with 500 or more employees).

"Typically, large employers have somebody who can handle the HR work. The company may be pulled in a lot of directions," says Matt Sicking, a senior consultant at Willis Towers Watson. "The presence of a dedicated HR function helps to facilitate awareness among the employee group."

For small employers, "it's more expensive per employee to run a plan," he adds. "The types of funds and management fees will be retail price. A large employer can command better terms."

The access to workplace retirement plans varies dramatically by employee income, as well. Among workers who earned less than \$25,000 per year, only 32% had access to a retirement plan at work, compared to 75% of those who earned \$100,000 or more per year.

Workplace retirement plans provide convenience and tax advantages that make saving easier for workers. "The ability of employees to contribute directly from their paychecks and the use of features such as automatic enrollment make the workplace an effective place to encourage saving. These employer-sponsored plans are how Americans now accumulate the vast majority of their private retirement funds, but large gaps in coverage exist," the report states.

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Employers offer retirement plans in order to boost recruitment, encourage retention, and allow employees to retire when they want to, rather than working only because they feel they have to for financial reasons. Take-up rates tend to be high when the plans are offered.

"We have always been beating the drum that you need to start saving early and always save some. You have to come up with a better communication strategy and involve people in the discussion," Sicking advises. "Millennials like to know their options, and if you come across as not being entirely realistic about their situation, that's going to get muted. You have to change

the message for the different groups you're talking to. Tell them that you can do this, and show them how to do it. They appreciate that interjection of knowledge."

Leah Shepherd is a freelance writer based in Maryland.

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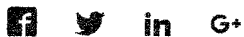
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