California Workers without Access to Retirement Plans

Nari Rhee, PhD

NASI Roundtable
January 29, 2014
Overview of California Private Sector Retirement Gap

Workplace retirement plan coverage rates
Profile of private sector working population without access to employer-sponsored retirement plans
Retirement income projection model
CA workplace retirement plan coverage significantly worse than US average

Private Workplace Retirement Plan Coverage 2010-2012

California: 44.3% Access, 36.9% Participation
United States: 50.7% Access, 42.0% Participation

Source: Analysis of CPS ASEC. Universe is private sector wage & salary and self-employed/incorporated workers age 25-64.
Only 1 out of 5 full-time low-wage workers have access
Poorest access in small business sector

Private Workplace Retirement Plan Access by Firm Size
California, 2010-2012

Source: Analysis of CPS ASEC. Universe is private sector wage & salary and self-employed/incorporated workers age 25-64.
Few private sector workers in CA have a DB pension

Retirement Plan Type among Participating Private Sector Workers, CA, 2009

- Defined Benefit: 32%
- Defined Contribution: 68%

Latinos lag far behind other racial/ethnic groups

Source: Analysis of CPS ASEC. Universe is private sector wage & salary and self-employed/incorporated workers age 25-64.
California Private Workplace Retirement Plan Coverage Gap

- **6.4 million** people in CA work for private employers who don’t offer a retirement plan.
- **7.2 million** private sector workers do not participate in a plan.
- Large majority of **small business and low wage workers** lack access.
- **Workers of color** make up disproportionate majority of those without access.
65% of private sector workers without access work in businesses with <100 employees

**Firm Size Distribution of Private Sector Workers Who Lack Access to a Workplace Retirement Plan**

CA, 2010-2012

- <10 employees: 30.3%
- 10 - 49 employees: 24.6%
- 50 - 99 employees: 11.9%
- 100 - 499 employees: 9.6%
- 500 - 999 employees: 3.6%
- 1000+ employees: 20.0%

Source: Analysis of CPS ASEC. Universe is private sector wage & salary and self-employed/incorporated workers age 25-64 without access to a workplace retirement plan.
65% of those without access are workers of color

Race Distribution of Private Sector Workers Who Lack Access to a Workplace Retirement Plan
California 2010-2012

- Latino: 45.5%
- White: 35.3%
- Asian: 13.8%
- Other: 1.6%
- Black: 3.8%

Source: Analysis of CPS ASEC. Universe is private sector wage & salary and self-employed/incorporated workers age 25-64 who lack access to a workplace retirement plan.
Retirement income projections model*

• Designed by T. Ghilarducci et al. @ Schwartz Center/New School

• Input: data on earnings, pension coverage, and assets from Survey on Income & Program Participation

• Estimate Social Security, pension, and other income available in retirement for each worker, assuming retirement age of 65

• Does projected income meet minimum living standard (200% of Federal Poverty Level)?

* California model results published in Allegretto, Rhee, Saad-Lessler & Schmitz, 2011.
Nearly half of CA workers headed for economic hardship in retirement

Percentage of CA Workers Projected to Retire with Incomes below 200% Poverty Level, 2009

- Age 25-44: 54.9%
- Age 45-54: 39.3%
- Age 55-64: 33.1%
- All Workers 25-64: 46.7%

Source: Allegretto, Rhee, Saad-Lessler & Schmitz, 2011. Universe is all civilian workers.
Both low and middle income groups are in trouble

<table>
<thead>
<tr>
<th>Income Bracket</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom 25% ($20,784/yr or less)</td>
<td>84.6%</td>
</tr>
<tr>
<td>Middle 50% (20,785-$68,688)</td>
<td>47.2%</td>
</tr>
<tr>
<td>Top 25% ($68,689 and above)</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

CA Workers Projected to Retire with Incomes below 200% Poverty Level, by Income Bracket, 2009

Summary

• CA lags nation in workplace retirement plan access, with only 44% of private sector workers in jobs that offer a plan.

• 6.4 million workers lack access – mostly low-wage, small businesses, workers of color (esp. Latinos).

• Nearly half of CA workers at risk of economic hardship in retirement, each generation poorer than the last.