

# All Is Not 'Fine' with Pension Coverage

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**MarketWatch Blog** by Alicia H. Munnell



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*Suddenly the line is that 80 percent have a plan.*

It is not clear quite why it's happening, but **op-eds**, articles, and conferences are out to show that the employer-sponsored pension system is fine. I suspect that the financial services industry is worried about changes in the favorable tax provisions awarded retirement saving, and have launched a coordinated campaign to show that the private sector is doing a good job in providing retirement income and that reducing the tax subsidy would be a serious mistake. A good number of my friends seem to have signed up for the campaign.

One component of the "all-fine" effort is the contention that coverage is not a serious problem, since about 80 percent of workers have access to a pension. (The actual figure is 78 percent but they use 80, so I will also.) That number is very different from the figure I usually use – namely only 42 percent of private sector workers aged 25-64 participate in an employer-sponsored plan. Both figures are produced by the U.S. Bureau of Labor Statistics. The 80-percent figure comes from the *National Compensation Survey*, which is an *employer* survey that provides comprehensive measures of occupational earnings, employment cost trends, and benefit incidence, and details on benefit provisions. The data have been provided monthly

since 2010. The 42-percent figure comes from the *Current Population Survey*, which has been interviewing *individuals* about their pension coverage and participation since 1979.

Some real differences may exist between the two surveys, but it is helpful to compare apples to apples. First, the 80-percent figure refers to both the private sector and state/local employers. The *National Compensation Survey* does provide data separately for the two sectors. The percent of state-local workers offered a pension is 99 percent; almost all public sector workers are covered by defined benefit plans. Eliminate state/local employers and the coverage figure for the private sector – comparable to the 80 percent – drops to 74 percent. The private and public sectors have very different retirement systems; it makes far more sense for analytical purposes to focus on the sector of the economy where coverage is an issue.

The second issue is full-time versus part-time. The 74-percent number refers only to full-time private sector workers. Add in part-time workers and the 74 percent drops to 64 percent. I cannot think of any rationale for excluding part-time workers from retirement plans.

The third issue is participation versus access. Only three-quarters of private sector workers who are offered a plan chose to participate. Thus, the *National Compensation Survey* reports that only 49 percent of private sector workers participate in a retirement plan.

Is the 49-percent participation rate from the *National Compensation Survey* comparable to the 42-percent from the *Current Population Survey*? Not quite. Both numbers refer to the private sector, both include both full-time and part-time workers, and both relate to participation rather than access. But the 42-percent figure in the *Current Population Survey* refers to workers

age 25-64, whereas I think the *National Compensation Survey* includes all ages. Eliminating the age constraint from the *Current Population Survey* drops the coverage rate from 42 percent to 37 percent. Thus, the apples-to-apples comparison is 49 percent from the employer survey and 37 percent from the individual survey. The employer survey thus shows a participation rate for private sector workers that is 12 percentage points higher. I am not quite sure why this is the case, but am trying to find out.

But even according to the “all-fine” campaign’s preferred data source, less than half of private sector workers are participating in a plan. That does not sound “all fine” to me. And for those 25-64, the *Current Population Survey* shows a decline in participation from 50 percent in 1979 to 42 percent in 2012. In other words, regardless of the definition, the trend in participation is down. That does not sound “all fine” to me either. The “all-fine” campaign seems to be playing a little fast and loose!