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**PENSION AND IRA COVERAGE AMONG  
BOOMER, PRE-BOOMER, AND OLDER  
WORKERS**

by  
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**AARP Public Policy Institute**

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## **Executive Summary**

### **Introduction**

The economic future of baby boomers is partly dependent on their participation in employer-provided pensions and other individual retirement plans, including 401(k) plans and Individual Retirement Accounts (IRAs). Many observers have been concerned about the retirement prospects of boomers and other segments of the labor force because all pension coverage rates have been low. Coverage by pension and retirement plans is especially important for older workers (aged 55 and older) even closer to retirement. They will soon need to count on the income from their pensions and savings to supplement their Social Security benefits.

### **Purpose**

This Issue Paper looks at the retirement plan coverage of boomer, pre-boomer and older workers. In addition to assessing coverage on different jobs, this paper also examines the type of plan in which a worker participates. Examining the pension and retirement plan coverage of older groups of workers may tell us something about the future level and type of coverage, and maybe even about the level of benefits and income, of younger ones. In addition, the special circumstances affecting the retirement prospects of vulnerable populations, such as women, minorities, and low-income groups, are briefly discussed.

### **Methodology**

This paper explores the retirement plan coverage among boomer (aged 27 to 46 in 1993), pre-boomer (aged 47 to 54 in 1993) and older workers (aged 55 and over in 1993), as well as among subgroups of this workforce—women, minorities, and low-income workers. Using an approach developed by the Social Security Administration, this issue paper examines pension or retirement coverage of boomer, pre-boomer, and older workers from a broad-gauged perspective. Coverage is defined broadly to include active participation in retirement plans funded either by employers or individuals. This includes employer-sponsored plans, such as 401(k) plans, as well as IRAs. In addition, this Issue Paper defines retirement plan coverage broadly to capture any retirement plan coverage obtained by workers during their careers. Most analyses of retirement plan coverage look only at current primary job. This analysis is based on data from the Employee Benefits Supplement to the April 1993 Current Population Survey (CPS)—the latest for which sufficiently detailed information on pension coverage and type is available.

## Principal Findings

The measure of coverage employed in this Issue Paper is expanded to include retirement plan coverage on all jobs during a career as well as active participation in an IRA. Using this approach, instead of looking at current primary job coverage only, added 7 percentage points to the proportion of all workers 16 and older who participated in some type of retirement plan in 1993.

Analysis of the April 1993 Employee Benefits Supplement data indicated that pre-boomers (birth cohort 1939-45) had higher retirement coverage levels than either boomers (birth cohort 1946-65) or older workers (pre-1939 birth cohorts). The coverage rate for workers aged 55 and older was actually higher than that for boomers. The result is the opposite if coverage is restricted to the usual approach of counting coverage only if it is from a worker's current primary job. Among baby boomers, early boomers (birth cohorts 1946-55) consistently had higher levels of coverage than late boomers (birth cohorts 1956-65).

Working women were less likely than men to have retirement plan coverage across all age groups. This is probably due to the more limited access that women have to employer-provided pensions compared with men because women work in sectors less likely to offer pensions. The most significant difference by sex was apparent between older working men and women. On the other hand, older working men and women were equally likely to have an active IRA, probably because all workers have access to an IRA. This is surprising because workers contributing to an IRA tend to be concentrated at higher income levels (U.S. Department of Labor, 1994). It is likely that women are contributing less to their accounts than men are. Among working women, pre-boomers had the highest level of overall retirement plan coverage.

Personal income levels significantly affected total retirement plan coverage. Lower-income workers appeared to be the most vulnerable of all subgroups. They had the highest percentage without retirement plan coverage from any source. Higher-income workers in all age groups were more likely to have retirement plan coverage than their lower-income counterparts. Of all age groups, working pre-boomers were most likely to have coverage at low- and high-income levels; older workers at both low- and high-income levels were more likely than other groups to have active IRAs.

Working pre-boomers appeared to have the best retirement prospects. They were most likely to have both 401(k)-type and DB-or-other plan coverage. Boomers and older workers had equal levels of dual coverage but each had much less dual coverage than pre-boomers. Working pre-boomer and boomer women had a higher level of DB-or-other only plan coverage than men in these age cohorts. However, in all age groups, working women were less likely to have dual coverage. In all instances, workers with low personal income had lower coverage rates, irrespective of type of pension plan, than high-income workers.

## Conclusions

Evidence on retirement plan coverage points to significant gaps in coverage among boomer, pre-boomer, and older workers even when a broad-gauged measure of coverage is used. Women and minorities were more likely than their counterparts to lack any retirement plan coverage. Over half of workers in these two groups lacked any coverage, i.e., 50.7 percent of women and 50.9 percent of minority workers. The greatest retirement plan coverage gap appeared between those with incomes less than \$30,000 per year and those with incomes of \$30,000 or more. Only 20.5 percent of those with annual incomes less than \$30,000 had retirement plan coverage compared to 61.2 percent of workers with incomes of \$30,000 or more. This suggests that low income may be the most significant factor limiting coverage, thereby increasing retirement income vulnerability. Social Security reforms must take this into account.

Increasing coverage and closing the gap facing vulnerable groups remains a major challenge. In addition, it is critical to examine anticipated retirement income levels from both pension and individual retirement plans. For many workers these amounts may be modest. Increasing coverage is a necessary but not a sufficient condition for ensuring the future retirement income security of boomers, pre-boomers, and older workers.

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## Introduction

The economic future of baby boomers is partly dependent on their participation in employer-provided pensions and other individual retirement plans, including 401(k) plans and Individual Retirement Accounts (IRAs). Coverage by pension and retirement plans is especially important for older workers even closer to retirement. They will soon count on the income from their pensions and savings to supplement their Social Security benefits. This Issue Paper looks at the retirement plan coverage of boomer, pre-boomer, and older workers.<sup>1</sup> Boomers are defined as those born between 1946 and 1965, pre-boomers are those born between 1939 and 1945, and older workers are defined as those born before 1939.<sup>2</sup> Examining the pension and retirement plan coverage of these groups of workers is instructive because the coverage of older groups of workers may tell us something about the future level and type of coverage, and maybe even about the level of benefits and income, of younger ones.

Many analysts have worried about the retirement prospects of boomers and other segments of the labor force because all pension coverage rates have been low. Only about half of all workers are covered by an employer-sponsored plan, and the rate of coverage has essentially remained unchanged through the 1980s and into the early 1990s (Employee Benefit Research Institute, 1994).

Monitoring coverage rates is one way to gauge future retirement income security. Significant changes are occurring in the type of employer-sponsored retirement coverage that may have important implications for retirement benefits.<sup>3</sup> There has been a shift from traditional defined benefit (DB) plans to defined contribution (DC) plans—specifically to 401(k) plans, a particular type of DC plan. In 1993, for the first time, participants in DC plans outnumbered those in DB plans (U.S. Department of Labor, 1997). This shift will result in less predictable retirement income because employee participation in most DC plans is voluntary, the investment risk is shifted from the employer to the employee, and access to funds before retirement has been made easier.

There has also been a recent shift among DB plans. A significant number of large DB plans have been converted to cash balance plans.<sup>4</sup> The shift toward cash balance plans is of a smaller scale than the shift from DB to DC plans in general or to 401(k) plans in particular

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<sup>1</sup> This analysis is based on data from the Employee Benefits Supplement to the April 1993 Current Population Survey (CPS), the latest data for which detailed information on pension coverage and type is available.

<sup>2</sup> The baby boom generation is typically defined to include individuals born in the 19-year period beginning in 1946. This Issue Paper treats the generation as a 20-year cohort so that baby boomers can be divided into two 10-year groups—those born in 1946-55, designated as “early” boomers, and those born in 1955-65, designated as “late” boomers.

<sup>3</sup> Other factors affecting future retirement income security include pension vesting, pension benefit formulas, and asset accumulations in individual retirement plans. It is possible to be covered by a retirement plan and receive inadequate retirement benefits.

<sup>4</sup> Cash balance plans are legally DB plans but combine features of DB and DC plans. An in-depth discussion of cash balance plans is beyond the scope of this Issue Paper.

(Gale, Papke, VanDerhei, 1999). Reliable and comprehensive data on cash balance plans is unavailable.

Aggregate analysis of a generation as a whole may obscure important differences among subgroups and limit an adequate assessment of subgroups' retirement prospects. For example, several studies indicate that while the boomers will probably have a higher economic status in retirement than their parents due to their expected income from pension benefits and savings, some groups, such as women and minorities, are not likely to do as well (Lewin-VHI, 1994, Manchester, 1994, Radner, 1998). This strongly suggests that the special circumstances affecting the retirement prospects of vulnerable populations, such as women, minorities, and low-income groups, should be considered.

This Issue Paper explores the retirement plan coverage among boomer (aged 27 to 46 in 1993), pre-boomer (aged 47 to 54 in 1993) and older workers (aged 55 and over in 1993), as well as among subgroups of this workforce—women, minorities, and low-income workers.<sup>5</sup> The proportion of workers without retirement plan coverage from any source during their career, including both employer-sponsored plans and IRAs, is highlighted. After measuring coverage during a worker's career, the type of employer-sponsored coverage is examined for each of these groups.<sup>6</sup> Finally, the implications of the findings for the future retirement income of boomer, pre-boomer, and older workers, as well as for vulnerable groups, are briefly discussed.

## **A Broad-Gauged Approach to Retirement Plan Coverage**

Using an approach developed by the Social Security Administration (SSA), this Issue Paper examines pension or retirement coverage of boomer, pre-boomer, and older workers from a broad-gauged perspective (Woods, 1994). Coverage is defined broadly to include active participation in retirement plans funded either by employers or individuals.<sup>7</sup> This includes employer-sponsored plans, such as 401(k) plans, as well as IRAs. The inclusion of pension plans and IRAs in a definition of retirement plan coverage is a departure from conventional definitions but appropriate for several reasons. First, a more inclusive definition of retirement coverage helps identify those workers lacking any retirement plan coverage, who are likely to be the most vulnerable. Also, this broader perspective acknowledges the shift toward employee-funded retirement plans (e.g., 401(k) plans) and the growing similarity between these retirement plans and savings plans (e.g., IRAs). The traditional distinction between employer-provided benefits and personal retirement savings is becoming blurred. Retirement and saving accounts are looking more alike and therefore can logically be viewed

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<sup>5</sup> While this analysis includes data for all workers aged 16 or older in 1993, one age cohort—workers aged 16 to 26—is outside this paper's focus and is excluded from the analysis and the tables. It should be noted that this cohort is least likely to have pension coverage and therefore lowers the pension coverage rate for all workers aged 16 or over, a category which is presented in the tables.

<sup>6</sup> Because this Issue Paper deals only with retirement plan coverage and type of plan, the findings should be interpreted as representing an upper limit to coverage. Estimates of vested coverage and anticipated retirement income are areas for future research.

<sup>7</sup> Workers are defined as "covered" by a pension plan on a job when they have met the plan's eligibility requirements and are actually participating in the plan.

as performing similar functions in retirement. They were even similar in their initial purpose—IRAs were proposed as a substitute for pensions, and the tax code still treats them as such (Smith, 1998).

In addition, this Issue Paper defines retirement plan coverage broadly to capture any retirement plan coverage obtained by workers during their working careers. Most analyses of retirement plan coverage look at current primary job coverage only. Consequently, they produce estimates of aggregate pension coverage as well as coverage for specific groups, especially older workers, that are biased downward. For example, focusing only on current jobs makes it difficult to measure the pension coverage of older workers who may have already retired from their major career employment. Many of these “retirees” are transitioning to retirement through “bridge jobs,” which are often either of short duration or part-time and usually provide no pension benefits (Quinn, 1999). These workers would be considered uncovered if only a pension on their current job were considered. However, many of these workers may actually have some type of pension coverage from a previous job or a current job (if a multiple jobholder). Therefore, to be inclusive, a measure of retirement plan coverage should count any coverage obtained during a worker’s career. Even with this broad approach it is likely that pension coverage may be understated because the analysis is at the worker level and does not include spousal pension benefits.

## **Data Source**

The analysis in this Issue Paper is based on data from the Employee Benefits Supplement to the April 1993 Current Population Survey (CPS). The April 1993 CPS is the latest for which sufficiently detailed information on pension coverage and type is available. The first CPS employee benefits supplement was conducted in 1972 to provide national statistics about pension coverage and vesting of workers, and has been repeated about every five years. The supplement contains demographic and economic information as well as detailed information about IRAs and employer-sponsored pension plans, including 401(k) plans.

### ***Coverage on Different Jobs***

The supplement permits a broad-gauged analysis of retirement plan coverage because it was administered to all those who worked for pay, and asked these workers about their pension coverage on three jobs: their current primary job, any current secondary job, and any previous job.<sup>8</sup> In addition, the supplement identified workers who had an “active” IRA, i.e., contributed to an IRA in their own name during the preceding year.<sup>9</sup> As a result it is possible to measure whether a worker has pension or retirement coverage from any source, including

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<sup>8</sup> *Covered from a previous job* includes receiving or expecting to receive a pension from a previous job.

<sup>9</sup> The reason for including in the broad-gauged definition of retirement plan coverage only workers with an “active” IRA and not all workers who “own” an IRA is to focus on individuals who are using an IRA as a regular saving vehicle in which assets are being accumulated. In 1993, about 19 percent of workers “owned” an IRA, but only about 7 percent contributed to it.

an IRA.<sup>10</sup> Under this approach, pension coverage during 1993 for all workers aged 16 and over jumps by almost 7 percentage points—from 45.3 percent typically reported based on current primary job to 51.9 percent based on the more inclusive approach (Table 1).<sup>11</sup>

Age of Worker	Total Number of Workers	Covered as Percent of All Workers in Age Group				
		Current Primary Job	Current Second Job	Previous Job	IRA	With Any Coverage
	in millions	%	%	%	%	%
<b>All Workers (16+)</b>	117.5	45.3	1.2	7.1	6.7	51.9
<b>Boomers (27-46)</b>	64.5	52.3	1.2	6.5	6.3	58.0
Late Boomers (27-36)	33.4	47.0	1.0	4.2	5.4	52.3
Early Boomers (37-46)	31.0	56.6	1.0	8.4	7.4	62.8
<b>Pre-Boomers (47-54)</b>	16.0	58.0	1.9	10.2	11.3	67.4
<b>Older Workers (55+)</b>	14.8	45.4	1.7	17.2	11.9	61.0

Data source: The Census Bureau's CPS April 1993 machine readable data file.  
Note: In this and all other tables, numbers do not necessarily add due to rounding.

### *Type of Plan*

From the 1993 CPS supplement it is possible to identify two general pension plan types: 1) 401(k)-type plans<sup>12</sup>—broadly defined as plans that allow workers to make voluntary tax-deferred contributions to the plan, usually with some matching contribution by the employer, and 2) DB-or-other plans—a residual category that results when 401(k)-type plans are subtracted from a measure of “all pension plans.”<sup>13</sup> This allows us to define three

<sup>10</sup> The terms “pension coverage” and “retirement coverage” are used interchangeably in this Issue Paper to refer to active participation in retirement plans funded either by individuals or employers (Woods, 1994).

<sup>11</sup> Note that the sum of each source of coverage in Table 1 does not equal the total “with any coverage” (e.g., the 51.9 percent in the “with any coverage” column for all workers does not equal 60.3 percent, which is the sum of each source of coverage—current job, current second job, from previous job, and IRA). This is because some workers have more than one type of coverage and the “with any coverage” category includes each worker only once if he or she had coverage from any one source. To calculate the proportion of workers who lack retirement plan coverage, according to this expansive definition, the percentage “with any coverage” is subtracted from 100 percent.

<sup>12</sup> The generic 401(k)-type features included in this category of employer-sponsored plans are: 1) workers have part of their wages or other compensation placed in a designated account, and 2) the income tax on those contributions is tax deferred. The most common types of 401(k) plans are savings and thrift plans, although deferred profit sharing and other DC plans may also have these features (Woods, 1994).

<sup>13</sup> The “DB-or-other plan” category is mostly DB plans but may contain certain defined contribution plans which might not have been included as a 401(k)-type plan such as profit sharing plans that do not have a “pretax contribution” feature.

mutually exclusive types of coverage: 1) coverage by a 401(k)-type plan only, 2) coverage by a DB-or-other plan only, and 3) coverage by both a 401(k)-type and a DB-or-other plan.

The following analysis of plan types is constrained because data on 401(k) plans is available only for a worker's current primary job. Because of this constraint, analysis of plan types in this Issue Paper will be presented for "current primary job" only. Unfortunately, this makes it especially difficult to analyze the type of plans older workers have because these workers are more likely than others to have a pension from a previous job.

### ***Defining Boomer, Pre-Boomer and Older Workers***

Baby boom workers are typically defined as those born in the 19-year period from 1946 through 1964. This Issue Paper changes this definition slightly and divides the baby boomer workers into two ten-year cohorts. Workers born between 1946 and 1955 (aged 37 to 46 in 1993, the year of the survey) are designated "early boomers," while those born between 1956 and 1965 (aged 27 to 36) are defined as "late boomers" (Woods, 1994). Pre-boomers were born in the six-year period from 1939 to 1945 (between the ages of 47 and 54 in 1993) and older workers are those born in 1938 or earlier (aged 55 and older in 1993).<sup>14</sup>

Age 55 is significant because it is the common age for early retirement under many employer-sponsored pension plans and a point at which many individuals begin leaving the labor force. Evidence indicates that eligibility to receive a pension benefit significantly affects the decision to leave the labor force. In addition, the type of pension coverage a worker has is important to this decision: workers with DB plans are more likely to exit the labor force when they are eligible for benefits than those workers with DC plans because of plan incentives (Quinn, 1999).<sup>15</sup>

Today, many older Americans leave the labor force in stages, using "bridge jobs" between employment on a career job and total labor force withdrawal (Quinn, 1999). Some of these workers may be receiving pension benefits from a previous job; others may do so in the future.

### ***Defining Vulnerable Populations***

Limited access to pensions and an inability to save adequately for retirement are common to vulnerable populations within each age group. The vulnerable populations considered here are women, minorities, and low-income workers. For purposes of this study, workers are divided into two income groups—those with an annual personal income of

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<sup>14</sup> It is also possible to think of older workers as pre-boomers. This analysis uses the term "pre-boomers" in the narrow sense to refer to the age cohort between "boomers" and "older" workers (Woods, 1994).

<sup>15</sup> Many DB pension plans, the main form of pension coverage for older workers, contain age-specific retirement incentives—workers who stay on the job beyond the age of pension eligibility often receive lower total lifetime benefits than workers who retire and claim early benefits (Quinn, 1999).

\$30,000 or more and those with an annual personal income of less than \$30,000. Minority status of workers is defined in terms of two racial categories—“white” and “non-white.”<sup>16</sup>

## **Pension and IRA Coverage of Boomers, Pre-Boomers, and Older Workers On All Jobs**

This section examines the retirement plan coverage on any job for workers by age, sex, race, and income level.

### *Sources of Coverage*

Overall, almost 52 percent of all workers had some type of retirement coverage in 1993, about 7 percentage points higher than the level based just on the coverage from a current job (Table 1).

By far, most workers with coverage had a pension on their current primary job. On this basis, more than 45 percent of all workers had some kind of employer-sponsored retirement plan. A much lower proportion—7.1 percent—was receiving or was expecting to receive a pension from a previous job. Pension coverage from a current secondary job remained rare—less than 2 percent had a plan from this source. Only 6.7 percent of all workers said they contributed to an IRA in their own name during the previous year.<sup>17</sup>

### *Age and Sources of Coverage*

A positive relation between age and pension coverage is to be expected because this relation reflects patterns of increased wages and benefits that accompany a worker’s career development. On the other hand, it is reasonable to anticipate that older workers (i.e., those born pre-1939) could have lower pension coverage on their current job than younger groups because many older workers have transitional “bridge jobs” which often provide few benefits. The labor withdrawal decisions of older workers are related to a complex set of factors, including health status, and eligibility to claim pension and health insurance benefits from previous jobs, as well as attitudes about work and leisure trade-offs (Quinn, 1999).

You would expect the older group, aged 55 and over, which has been in the labor market longer, to have the highest rate based on coverage obtained during a working career, but surprisingly, pre-boomers had the highest coverage rate from any job (67.4 percent), followed by older workers (61 percent) and boomers (58 percent). Among boomers, early boomers had a higher coverage rate than late boomers. The coverage rate for older workers on their current job was 13 percentage points lower than the rate for pre-boomers. One reason the coverage rate drops for workers aged 55 and older is probably the “pension effect”—the complete withdrawal from the labor force of those eligible to receive pension

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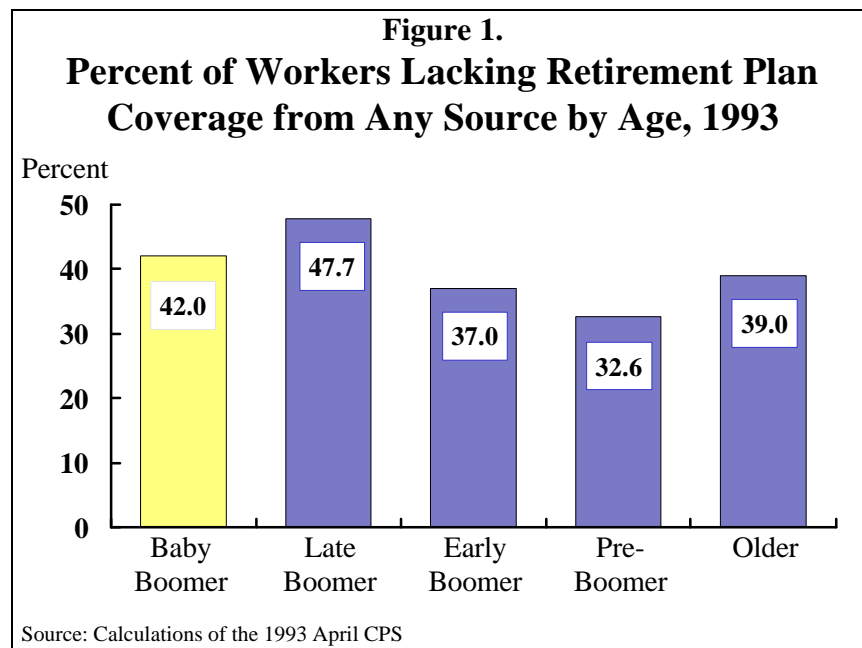
<sup>16</sup> The terms “non-white” and “minority” are used interchangeably in this Issue Paper. Sample size does not permit analysis of both race and ethnic status, e.g., white Hispanics.

<sup>17</sup> Evidence indicates that coverage by any type of pension plan is associated with a lower probability of making an IRA contribution (Smith, 1998).

benefits (Quinn, 1999).<sup>18</sup> It also seems reasonable that older workers would have the highest coverage rate (17.2 percent) from their previous job. Some of these workers may already be receiving pension income from that job.<sup>19</sup> This rate may also reflect the choice by many older workers to take a “bridge job,” which is likely to be part-time and lack a pension.

The relation between age and active IRA coverage is uniform and positive, unlike the relation between age and pension coverage. Older workers were most likely to have an IRA (11.9 percent) and late boomers were least likely to have one (5.6 percent). This may be due to a greater incentive for older workers aged 59½ and older to contribute to an IRA because they can save on a pre-tax basis but are also able to withdraw funds at any time without a tax penalty under the IRA rules. It may also be related to the time period when a tax advantage was available to all, regardless of income. The period 1981 to 1986, when IRA rules were most liberal, were years when late boomers were relatively young and may not have had income to purchase IRAs.

Overall, late baby boomers were most likely to be without retirement plan coverage—47.7 percent of them had neither a pension nor an IRA. Thirty-nine percent of older workers were without any coverage, while only 32.6 percent of pre-boomers faced this unfortunate situation (Figure 1).



<sup>18</sup> If the older workers who leave the labor force tend to be the ones with pensions, those who remain will have lower pension coverage rates. This effect is even stronger if older workers have DB plans which penalize them for remaining in the labor force. Most DC plans are age neutral by design and do not contain the work disincentives that DB plans often have (Quinn, 1999).

<sup>19</sup> A worker receiving a pension from a job is also considered covered by a pension on that job. It is not possible in the CPS to determine from which job a worker receives pension income.

### *Sex and Sources of Coverage*

As expected, given differences in labor market experiences, women's pension coverage rates were consistently and significantly lower than men's. Women, compared to men of similar age, typically have spent fewer years in the labor force, have earned less, and have been employed in jobs less likely to offer pensions (Mitchell, Levine, and Phillips, 1999). Among all workers, the women's coverage rate was almost 5 percentage points lower than the men's rate (see Table 2 below).

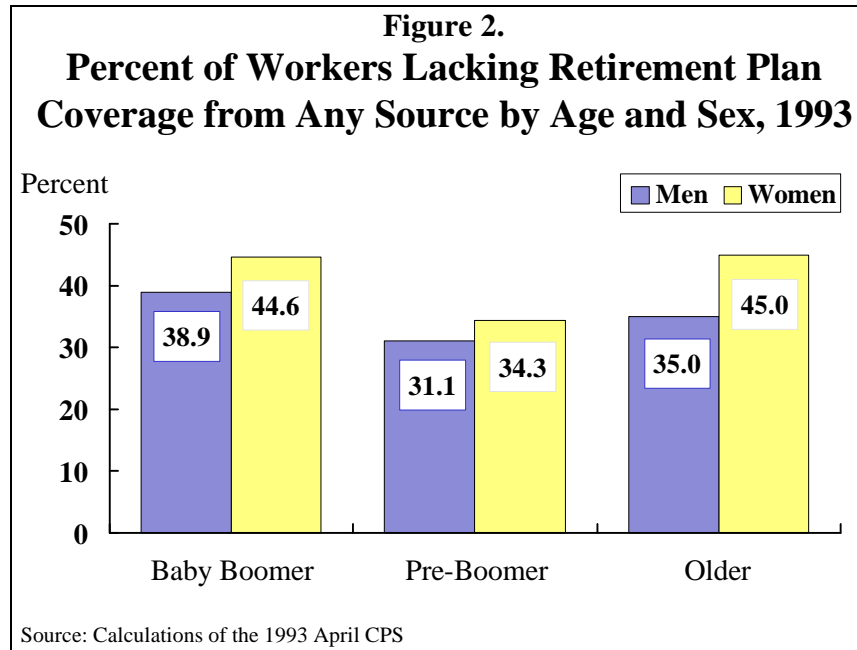
Age of Worker	Employer Plan*		IRA		With Any Coverage	
	Men	Women	Men	Women	Men	Women
	%	%	%	%	%	%
<b>All Workers (16+)</b>	51.1	46.5	7.0	6.0	54.0	49.3
<b>Boomers (27-46)</b>	57.4	52.8	6.8	5.8	60.2	55.4
Late Boomers (27-36)	53.0	50.1	6.2	4.8	53.0	51.0
Early Boomers (37-46)	63.3	56.1	7.2	7.0	65.1	59.1
<b>Pre-Boomers (47-54)</b>	64.7	60.9	11.6	11.0	68.9	65.0
<b>Older Workers (55+)</b>	61.3	49.3	12.2	11.6	65.5	55.0

\* Including current job, current second job, and previous job.  
Data source: The Census Bureau's CPS April 1993 machine readable data file.

There was a positive relation between coverage and age for both women and men. Pre-boomer men and women had the highest rates—64.7 percent for men and 60.9 percent for women (Table 2). Early-boomer men and women had higher rates than their late-boomer counterparts. There was one major disparity—the pension coverage rate for older men was higher than that of male boomers, but the opposite was the case for women workers. This may reflect a higher proportion of older women than younger women in female-dominated occupations, which are least likely to offer pension benefits (Mitchell, Levine, and Phillips, 1999). The lower coverage rate for women under employer plans is expected because women are more likely to work part-time and work in occupations and industries—e.g., the service sector—with proportionately less pension coverage. The largest gap in the pension coverage rate was for older workers: 61.3 percent of men and 49.3 percent of women had an employer plan.

Compared to pension coverage, the IRA coverage rates were similar for men and women in each age group. Older men and women were almost equally likely to have an active IRA—12.2 percent versus 11.6 percent. It is likely that working women have taken advantage of IRAs because eligibility for an IRA, unlike access to pensions, is not dependent

on employer sponsorship.<sup>20</sup> Presumably, all working women are eligible for and contribute to an IRA under their own name because they have earned income.<sup>21</sup>



A significantly higher proportion of working women compared with men lacked retirement plan coverage from any source. This largely reflects the lower rate of employer plan coverage among women (Figure 2). The gap in retirement plan coverage between men and women was greatest for older workers: only 35 percent of older working men lacked any retirement plan coverage compared with 45 percent of women. This gap may be a result of the differences in labor force participation rates of older men and women. Since 1984, older men's labor force participation rates have remained steady while older women's rates have increased dramatically (Quinn, 1998). It is likely that many of these older women entering or remaining in the workforce do not have pension coverage of their own. However, women's lack of coverage may be overstated because women are more likely than men to be eligible for spousal pension benefits. Furthermore, there is some evidence that pension coverage for men and women is converging as women's labor market experiences more closely resemble those of men's (Woods, 1994; Chen, 1995-96).

<sup>20</sup> The IRA law in effect in 1993 allowed married individuals who did not work or who earned less than \$250 to take advantage of a spousal IRA. This was an IRA established in the nonworking spouse's name. It allowed a couple filing jointly to deduct a total of \$2,250 for contributions to a combination of the working spouse's IRA and the spousal IRA. The Small Business Job Protection Act of 1996 amended the law to allow each spouse a \$2,000 contribution, provided the married couple has combined compensation in excess of the amount contributed to both IRAs.

<sup>21</sup> There is other evidence that women are more likely than men to own an IRA, but that they have significantly smaller IRA accumulations (Smith, 1998).

### *Race and Sources of Coverage*

More than 56 percent of whites had coverage compared with 49.1 percent of minorities (Table 3). White boomer and pre-boomer workers were more likely than their minority counterparts to have both employer plan and active IRA coverage. The greatest difference in employer plan coverage was evident among working pre-boomers. Almost 59 percent of whites had coverage compared to only 52.2 percent of minorities. On the other hand, white and minority older workers as well as white and minority early boomers were equally likely to be covered by an employer retirement plan. This might reflect differences in labor market experiences, such as higher unionization among older and early boomer minority workers. Unionization is strongly and positively related to pension coverage. For older workers, it might also reflect higher pension benefit levels for white workers, allowing them to withdraw completely from the labor market, thereby reducing the coverage rates for those remaining in the labor force.

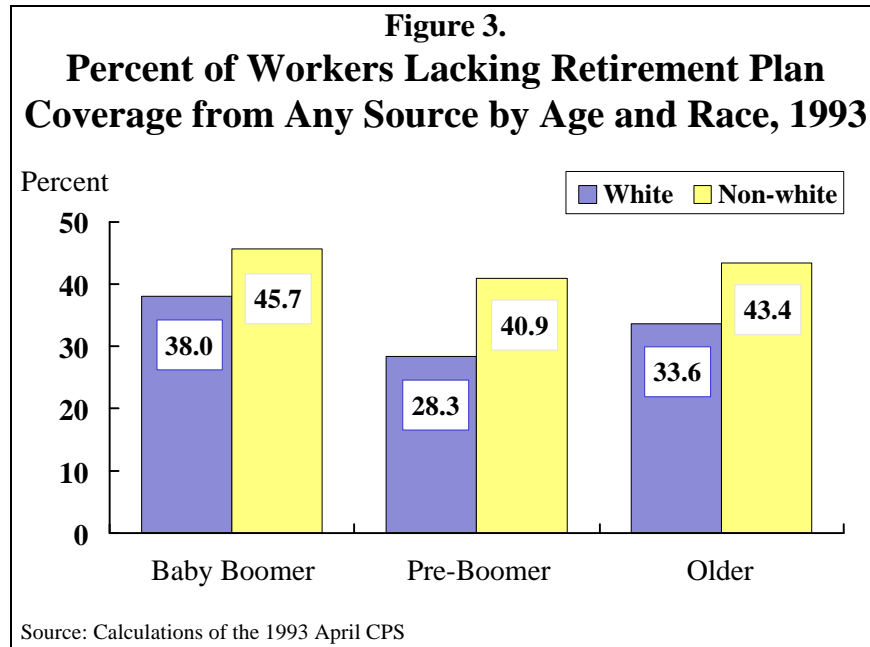
Age of Worker	Employer Plan*		IRA		With Any Coverage	
	White	Non-White	White	Non-White	White	Non-White
	%	%	%	%	%	%
<b>All Workers (16+)</b>	45.7	43.6	6.8	2.9	56.4	49.1
<b>Boomers (27-46)</b>	52.2	50.6	6.2	3.2	62.0	54.3
Late Boomers (27-36)	47.6	44.3	5.1	2.9	56.2	48.8
Early Boomers (37-46)	55.5	56.0	7.1	3.5	66.2	59.6
<b>Pre-Boomers (47-54)</b>	58.8	52.2	11.0	4.2	71.7	59.1
<b>Older Workers (55+)</b>	45.5	45.7	12.3	4.2	66.4	56.6

\* Including current job, current second job, and previous job.  
Data source: The Census Bureau's CPS April 1993 machine readable data file.

Of particular concern is the low rate of IRA coverage for minorities compared with whites. The gap was greatest among older workers—4.2 percent of older minority workers had an active IRA compared with 12.3 percent of older white workers. Baby boomers, white and minority, were least likely to have contributed to an IRA. Early boomers were more likely to have an active IRA than late boomers. Other evidence suggests that minority individuals value current income over saving for retirement more than whites do and frequently choose not to participate in the voluntary retirement income arrangements available to them, regardless of their earnings level (Chen, 1995-96).

Minorities are much more likely than whites to lack retirement plan coverage from any source, regardless of their age group. More than 45 percent of minority baby boomers had no plan of any kind compared with 38 percent of whites in that generation (Figure 3). Even greater differences between minority individuals and whites were apparent for pre-boomers and older

workers. Especially vulnerable are minority late boomers—more than 50 percent lacked retirement plan coverage (Table 3).



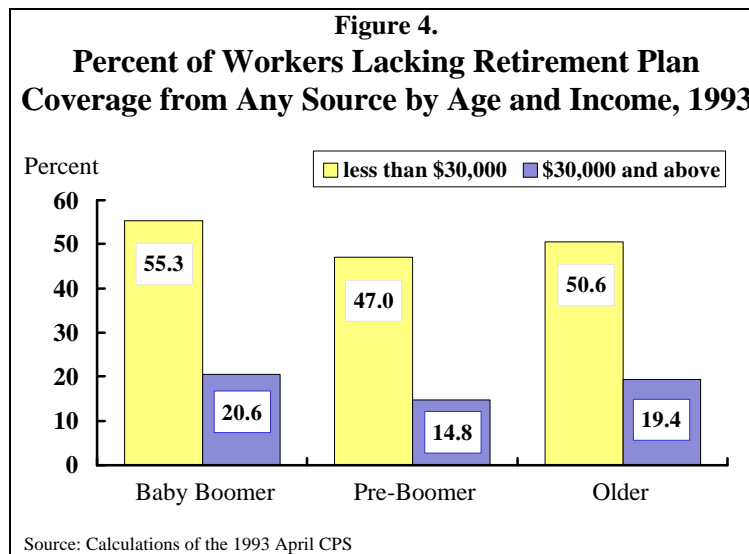
Age of Worker	Employer Plan*		IRA		With Any Coverage	
	Personal Income		Personal Income		Personal Income	
	Under \$30,000	\$30,000 and above	Under \$30,000	\$30,000 and above	Under \$30,000	\$30,000 and above
	%	%	%	%	%	%
<b>All Workers (16+)</b>	36.5	75.7	4.5	11.0	38.8	79.5
<b>Boomers (27-46)</b>	42.3	76.1	4.4	9.4	44.7	79.4
Late Boomers (27-36)	40.4	73.8	3.9	8.9	42.4	77.1
Early Boomers (37-46)	45.3	78.3	5.3	10.0	48.2	81.8
<b>Pre-Boomers (47-54)</b>	49.0	80.2	8.1	15.3	53.0	85.2
<b>Older Workers (55+)</b>	44.6	75.6	9.5	16.0	49.4	80.6

\* Including current job, current second job, and previous job.  
Data source: The Census Bureau's CPS April 1993 machine readable data file.

### *Income and Sources of Coverage*

Retirement plan coverage is highly dependent on personal income levels. Those with incomes of \$30,000 or more per year were much more likely to have retirement plan coverage than those with incomes of less than \$30,000 (Figure 4). Lower-income workers were especially vulnerable to reaching retirement without adequate pension income. Higher-income workers, regardless of age, were more likely to have either an employer plan or an active IRA. Pre-boomers in both income categories were more likely to have pension coverage than comparable workers in other age groups. However, older workers, both at low- and high-income levels, were most likely to have active IRAs (Table 4).

Low-income workers appear to be most vulnerable to entering retirement without coverage. Over 60 percent of workers with incomes less than \$30,000 lacked retirement plan coverage from any source compared with only about 20 percent of higher-income workers (Table 4). Low-income baby boomers are most vulnerable.



### **Type of Retirement Plan Coverage on Current Job<sup>22</sup>**

The type of retirement plan sponsored by an employer has implications for the future form and amount of retirement income that workers can expect. Type of plan coverage may also affect a worker's behavior in the labor market, especially job mobility and decisions about withdrawal from the labor force. The shift from DB plans to DC plans, particularly 401(k) plans, has transferred the risk of adequate retirement income from the employer to the employee. Evidence indicates that increasing numbers of workers are being covered solely by 401(k)-type plans (Woods, 1994). Growth in the number of DC plans is partly due to DC plans replacing DB plans, but much of the increase is in supplemental DC plans added in

<sup>22</sup> As noted earlier, CPS data on 401 (k) plans are available only for a worker's current primary job.

companies that already have a DB plan. Most new retirement coverage is occurring through 401(k) plans, not in other DC plans, such as simplified employee pensions (SEPs), employee stock ownership plans (ESOPs), and money purchase or profit sharing plans. Workers with both DB and 401(k)-type plans are likely to have greater retirement income security than workers covered by only one type of plan.

The following sections include an overall analysis of type of pension coverage on a worker's current job. This is followed by a discussion of the type of pension coverage associated with vulnerable groups—women, minority, and low-income workers.

### *Type of Pension Coverage*

Among all wage-and-salary workers, 48.8 percent had employer-provided pension coverage on their current job (Table 5). DB-or-other plan coverage was much more prevalent than 401(k)-type plan coverage. While 25.0 percent had only a DB-or-other plan, 14.8 percent were covered by just a 401(k)-type plan. Only 9 percent of these workers had coverage from both types of plans.

Age of Worker	Total Number of Workers	Covered as Percent of Wage-and-Salary Workers in Current Primary Job			
		Percent Covered by Pension Plan	401(k)-Type Plan Only	Defined Benefit-or-Other Plan(s) Only	Both 401(k)-Type Plan and Defined Benefit-or-Other Plan(s)
	in millions	%	%	%	%
<b>All Workers (16+)*</b>	107.3	48.8	14.8	25.0	9.0
<b>Boomers (27-46)</b>	55.2	56.4	17.6	28.2	10.7
Late Boomers (27-36)	31.0	50.3	17.7	24.2	8.1
Early Boomers (37-46)	28.0	60.0	17.3	31.0	12.4
<b>Pre-Boomers (47-54)</b>	14.3	64.0	17.7	32.7	13.2
<b>Older Workers (55+)</b>	12.2	52.9	13.4	28.8	10.7

\* Excluding self-employed workers  
Data source: The Census Bureau's CPS April 1993 machine readable data file.

Older workers were least likely to be covered just by a 401(k)-type plan on their current primary job; 13.4 percent of workers 55 and older had coverage under a 401(k)-type plan only, compared with 17.7 percent of pre-boomers and 17.6 percent of boomers. One reason for the lower 401(k)-type plan rate among older workers is likely the unavailability of 401(k)-type plans during much of their careers.<sup>23</sup> It may be also because that type of pension

<sup>23</sup> Although some 401(k)-type plans were in existence as early as the 1950s, they became widely available only when enabling regulations for section 401(k) of the Internal Revenue Code were issued in 1982.

coverage was constrained to that only “on the current job.” Older worker coverage from a prior job is highly likely to be from a DB-or-other plan, but it may also include a high level of dual coverage.

Pre-boomers at 32.7 percent and early boomers at 31 percent had the highest level of coverage from only a DB-or-other plan. It seems reasonable that the lower rates for older workers are the result of several factors. For example, many DB plans have strong age-specific incentives to leave a career job. The incentives cause many older workers to either withdraw from the labor force, reducing coverage rates for those remaining in the sample, or to take a “bridge job,” which may be part-time and without pension coverage.

Pre-boomers were most likely to have had dual coverage: 13.2 percent had a 401(k)-type plan and a DB-or-other plan. Boomer and older workers at 10.7 percent were equally likely to have had dual coverage.

### *Type of Coverage by Sex*

Among wage-and-salary workers, men were more likely than women to have only a 401(k)-type plan, while women and men were equally likely to have just a DB-or-other plan (Table 6). Women’s 401(k)-type plan coverage levels were consistently lower than men’s in all age groups. Older men and women workers had the lowest rate of coverage solely by a 401(k)-type plan.

Age of Worker	401(k)-Type Plan Only		Defined Benefit-or-Other Plan (s) Only		Both 401(k)-Type Plan and Defined Benefit-or-Other Plan (s)	
	Men	Women	Men	Women	Men	Women
	%	%	%	%	%	%
<b>All Workers (16+)*</b>	16.0	13.4	24.9	25.1	10.4	7.4
<b>Boomers (27-46)</b>	19.0	15.9	27.9	28.4	12.6	8.6
Late Boomers (27-36)	19.1	16.2	23.0	25.4	10.2	7.4
Early Boomers (37-46)	19.0	15.2	32.5	31.2	14.7	10.0
<b>Pre-Boomers (47-54)</b>	18.8	16.4	31.8	33.4	15.3	11.2
<b>Older Workers (55+)</b>	14.7	11.9	30.6	26.8	11.9	9.3

\* Excluding self-employed workers.  
Data source: The Census Bureau's CPS April 1993 machine readable data file.

However, the coverage rates of men and women for just a DB-or-other plan were less consistent. For all workers, women were about as likely as men to have only a DB-or-other plan: 25.1 percent versus 24.9 percent. Pre-boomer and boomer women were more likely to

have sole coverage by a DB-or-other plan than men in these age groups. Older men, however, were more likely than older women to have only DB-or-other plan coverage.

In all age groups, women were less likely than men to have dual coverage from both a 401(k)-type plan and a DB-or-other plan. Pre-boomer men and women had the highest level of dual coverage, while late boomers experienced the lowest level.

***Type of Coverage by Minority Status***

Among all wage-and-salary workers, whites had a higher rate of coverage than minorities from either just a 401(k)-type plan or just a DB-or-other plan. The rate of 401(k)-type coverage for whites was 18.1 percent compared with 13.5 percent for minorities (Table 7). The difference in the rates was less for DB-or-other plans: 8.4 percent for whites and 5 percent for minorities. Older workers regardless of race had the lowest rate of 401(k)-type-only coverage of any age group. In contrast, white late boomer workers had the lowest rate

Age of Worker	401(k)-Type Plan Only		Defined Benefit-or-Other Plan(s) Only		Both 401(k)-Type Plan and Defined Benefit-or-Other Plan(s)	
	White	Non-White	White	Non-White	White	Non-White
	%	%	%	%	%	%
<b>All Workers (16+)*</b>	18.1	13.5	8.4	5.0	6.6	3.7
<b>Boomers (27-46)</b>	21.4	15.6	9.8	5.8	7.9	4.5
Late Boomers (27-36)	20.5	13.4	8.0	4.4	6.8	3.4
Early Boomers (37-46)	21.8	17.7	11.2	7.5	8.6	5.8
<b>Pre-Boomers (47-54)</b>	22.8	15.8	12.0	4.7	9.0	3.0
<b>Older Workers (55+)</b>	16.0	13.5	8.6	7.8	6.6	4.7

\* Excluding self-employed workers.  
Data source: The Census Bureau's CPS April 1993 machine readable data file.

of DB-or-other-only coverage of any age group, while older minority workers had the highest rate of DB-or-other-only coverage of any age group. White pre-boomers had the highest rate for dual coverage, while for minorities, early boomers had the highest dual coverage rate, followed by older workers. Again it seems reasonable to suggest this may reflect differences in labor market experiences, including union membership differences.

***Type of Pension Coverage by Income***

In all instances, workers with personal income of less than \$30,000 per year had lower coverage irrespective of type of pension plan than workers with annual personal income of \$30,000 and over (Table 8). Among lower-income groups, pre-boomers had the highest percentage in all these categories of pension coverage. Low-income older workers were least likely to have only a 401(k)-type plan, but more likely than low-income boomers to have had

just a DB-or-other plan. Boomers and older workers were equally likely to have dual coverage at both low and high personal income levels.

<b>Age of Worker</b>	<b>401(k)-Type Plan Only</b>		<b>Defined Benefits-and-Other Plan(s) Only</b>		<b>Both 401(k)-Type Plan and Defined Benefits-and-Other Plan(s)</b>	
	Personal Income		Personal Income		Personal Income	
	Under \$30,000	\$30,000 and above	Under \$30,000	\$30,000 and above	Under \$30,000	\$30,000 and above
	%	%	%	%	%	%
<b>All Workers (16+)*</b>	10.6	23.7	21.3	32.6	4.1	19.1
<b>Prime Working Years (25-54)</b>	12.8	24.2	24.5	33.1	4.9	19.3
<b>Boomers (27-46)</b>	12.9	24.6	25.3	32.6	5.1	19.3
Early Boomers (37-46)	13.0	22.5	28.7	35.5	5.3	20.9
Late Boomers (27-36)	12.9	26.7	23.1	29.7	4.9	17.8
<b>Pre-Boomers (47-54)</b>	13.9	22.1	29.1	36.8	6.1	22.1
<b>Older Workers (55+)</b>	8.9	20.5	27.4	31.1	5.1	19.4

\* Excluding self-employed workers.  
Data source: The Census Bureau's CPS April 1993 machine readable data file.

## Conclusions

This analysis uses a broad-gauged approach to measure retirement plan coverage among baby boomer, pre-boomer, and older workers as well as vulnerable subgroups. The measure of coverage was expanded to include retirement plan coverage on all jobs during a career and to include active IRA participation along with coverage by employer-provided pension plans. This broader approach added 7 percentage points to the proportion of all workers 16 and older who participated in some type of retirement plan in 1993.

Analysis of the April 1993 Employee Benefits Supplement data indicated that pre-boomers (birth cohort 1939-45) had higher retirement coverage levels than either boomer (birth cohort 1946-65) or older workers (pre-1939 birth cohorts). The coverage rate for workers aged 55 and older was actually higher than that for boomers. The result is the opposite if coverage is restricted to the usual approach; that is, counting coverage only if it is from a worker's current primary job. Among baby boomers, early boomers (birth cohorts 1946-55) consistently had higher levels of coverage than late boomers (birth cohorts 1956-65).

Working women were less likely than men to have retirement plan coverage across all age groups. This is probably due to the more limited access that women have compared with

men to employer-provided pensions because women work in sectors less likely to offer pensions. The most significant difference was apparent between older working men and women. On the other hand, older working men and women were equally likely to have an active IRA, probably because all workers have access to an IRA. This is surprising because workers contributing to an IRA tend to be concentrated at higher income levels (U.S. Department of Labor, 1994). It is likely that women are contributing less to their accounts than men are. Among working women, pre-boomers had the highest level of overall retirement plan coverage.

Personal income levels significantly affected total retirement plan coverage. Lower-income workers appeared to be the most vulnerable of all subgroups. They had the highest percentage of those without retirement plan coverage from any source. Higher-income workers in all age groups were more likely to have retirement plan coverage than their lower-income counterparts. Of all age groups, working pre-boomers were most likely to have coverage at low- and high-income levels; older workers at both low- and high-income levels were more likely than other groups to have active IRAs.

Working pre-boomers appeared to have the best retirement prospects. They were most likely to have both 401(k)-type and DB-or-other plan coverage. Boomers and older workers were equally likely to have such dual coverage but much less likely than pre-boomers. Working pre-boomer and boomer women had a higher level of DB-or-other only plan coverage than men in these age cohorts. However, in all age groups, working women were less likely to have dual coverage. In all instances, workers with low personal income had lower coverage rates, irrespective of type of pension plan, than high-income workers.

In sum, evidence on retirement plan coverage points to significant gaps in coverage among boomer, pre-boomer, and older workers even when a broad-gauged measure of coverage is used. Women (50.7 percent) and minorities (50.9 percent) were more likely than their counterparts to lack any retirement plan coverage. The greatest retirement plan coverage gap appeared between those with incomes less than \$30,000 per year and those with incomes of \$30,000 or more—20.5 versus 61.2 percent. This suggests that low income may be the most significant factor limiting coverage, thereby increasing retirement income vulnerability. Social Security reforms must take this into account.

Increasing coverage and closing the gap facing vulnerable groups remains a major challenge. In addition, it is critical to examine anticipated retirement income levels from both pension and individual retirement plans. For many workers these amounts may be modest. Increasing coverage is a necessary but not a sufficient condition for ensuring the future retirement income security of boomers, pre-boomers, and older workers.

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