

# RETIREMENT IN CRISIS: WORKPLACE ACCESS & PARTICIPATION RATES IN COLORADO

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Workplace retirement plans are a critical tool for families to adequately prepare for retirement. Unfortunately, nearly one million Colorado private sector employees in their prime working years don't participate in a workplace plan. Of those not participating, 80 percent (roughly 780,000 Coloradans) don't even have access to a plan at their workplace.

A lack of adequate retirement savings upon retirement has long-term individual and societal effects. A lack of retirement savings could mean Coloradans working well into their later years of life or having less money than what's needed to keep up with costs of living. This instability has intergenerational effects, as older adults who don't have adequate savings are more likely to live in poverty and rely on other family members for support. For communities, retirees without adequate savings lead to greater public costs in the form of food, health, housing, and income assistance.<sup>1</sup>

While the economy has generally been in recovery from the Great Recession, retirement security has declined. According to the Center for Retirement Research at Boston College, half the households aged 30 to 59 are at risk of inadequate retirement income compared to 44 percent of individuals in 2007.<sup>2</sup> These findings are especially pronounced for black and Hispanic households. At a time when Americans are living longer and the cost of living continues to increase, future generations will need more retirement income than at any previous point in our history.

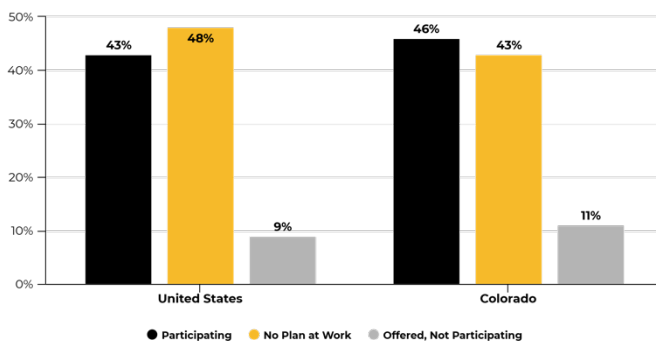
By passing [SB19-173](#), which established a board to study the creation of a Secure Savings Retirement Plan, Colorado is taking significant steps to address the retirement crisis. To better inform this process and shed light on the crisis in Colorado, the Bell has examined data from the U.S. Census Bureau's Current Population Survey to detail and project the access and participation rates of Colorado private sector workers.<sup>3</sup>

## Bell's Key Findings

(among private sector workers aged 25 to 64)

- Over 900,000 Coloradans of all ages could benefit from the passage of a Secure Savings Retirement Plan.
- 54 percent, about 980,000 Coloradans, don't participate in a workplace retirement plan.
- 43 percent, about 780,000 Coloradans, don't have access to a workplace retirement plan.
- Workers in low-wage jobs and small business workers overwhelmingly (over 60 percent) lack access to a workplace retirement plan.
- Workers aged 25 to 35 are the least likely of any age group to participate in (37 percent participate) or have access to a workplace retirement plan (47 percent lack access).
- Black and Hispanic workers are the least likely to participate in (37 percent and 29 percent participate, respectively) or have access to a workplace retirement plan (46 percent and 59 percent lack access, respectively).

**FIGURE 1: EMPLOYER-SPONSORED RETIREMENT PLAN COVERAGE**



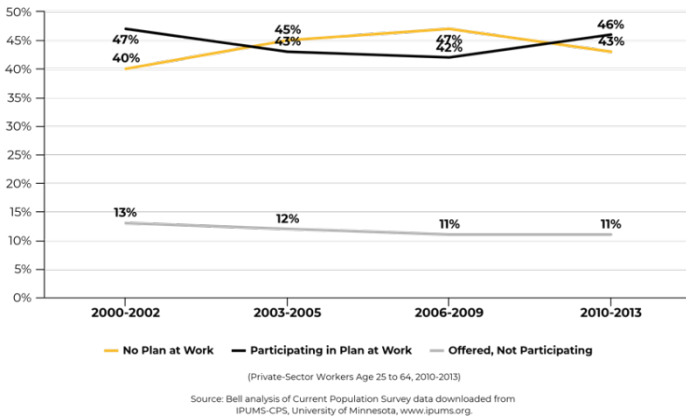
(Private-Sector Workers Age 25 to 64, 2010-2013)  
Source: Bell analysis of Current Population Survey data downloaded from IPUMS-CPS, University of Minnesota, www.ipums.org

## Total Workplace Access & Participation

Based upon the Bell's analysis and projections,<sup>4</sup> 43 percent of private sector workers aged 25 to 64, about 780,000 Coloradans, work for employers who don't provide any type of retirement plan.

Another 11 percent, about 200,000 Coloradans, are offered a plan at work, but don't participate. This is either because they're ineligible to participate or they choose not to join. Close to 46 percent of private sector workers participate in some form of workplace plan.

**FIGURE 2: ACCESS & PARTICIPATION OVER TIME**



Access and participation rates in Colorado are slightly better than the national averages. Nationally, about 48 percent of private sector workers work for employers who don't offer retirement plans, while 43 percent of these workers participate in retirement plans at work.

The proportion of Colorado private sector workers aged 25 to 64 who don't have access to a retirement plan at work peaked during the Great Recession at 47 percent. This has improved over time, but not to the pre-recession level of 40 percent. Participation in workplace retirement plans has improved to about 46 percent, but participation is still at extremely low levels.

**Who Would a Secure Savings Retirement Plan Benefit?**

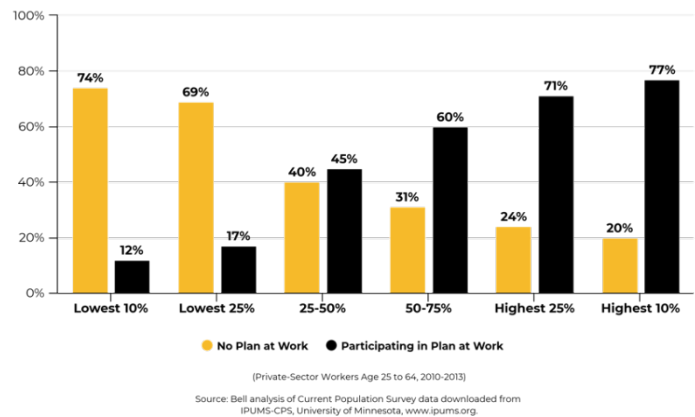
Because a Secure Savings Retirement Plan would benefit workers of all ages, not only those aged 25 to 64, the Bell also examined the possible total number of Coloradans that may benefit from the proposed plan. It is estimated that over 900,000 Coloradans would benefit from a Secure Savings Retirement Plan.<sup>5</sup> The following additional information is based upon Coloradans in their prime working years of aged 24 to 64

**Access & Participation by Income**

Workers in low-wage jobs are more than 2.5 times more likely to lack access to a retirement plan at work than their high earning counterparts. For workers earning less than \$26,000 a year, about 70 percent do not have access to a retirement plan at work and another 14 percent are unable to or do not participate in a plan at work.

The rates of access and participation significantly increase for those making more than \$26,000 and even more for those making above \$53,000. Participation rates peak at 77 percent for those making over \$100,000 a year.

**FIGURE 3: ACCESS & PARTICIPATION BY INCOME**

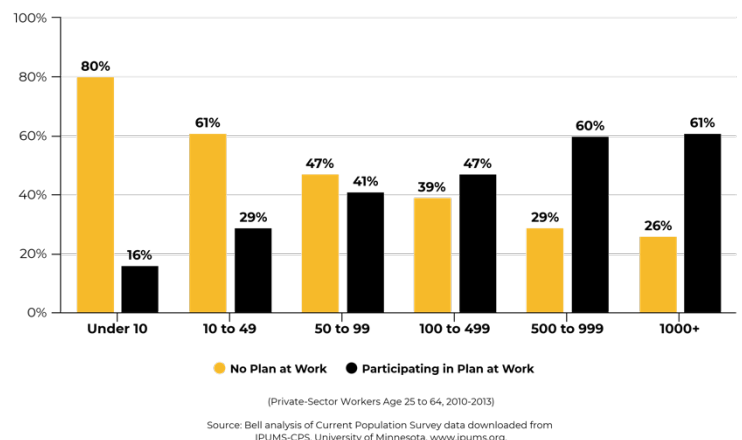


**Access & Participation by Business Size**

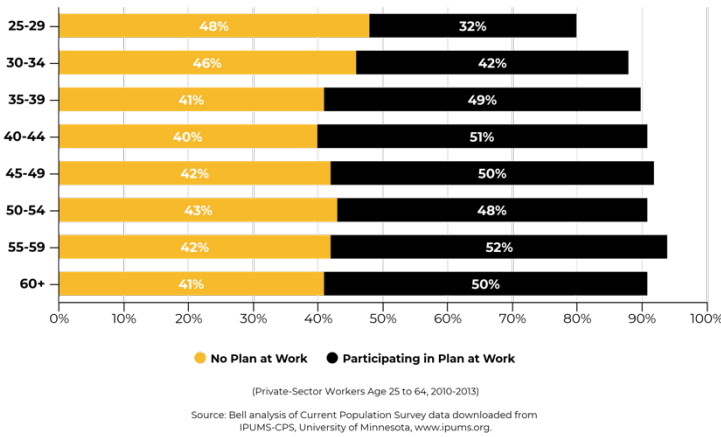
Colorado workers at small private firms — particularly those below 50 employees — are much less likely to have access to retirement plans at work than workers at large firms. Eighty percent of workers in firms with fewer than 10 employees and 61 percent of those in firms with 10 to 49 employees lack access to a workplace retirement plan.

The lack of access at firms with less than 50 employees is particularly troubling given that they make up roughly 33 percent of the individuals within the private sector workforce.

**FIGURE 4: ACCESS & PARTICIPATION BY BUSINESS SIZE**



**FIGURE 5: ACCESS & PARTICIPATION BY AGE**

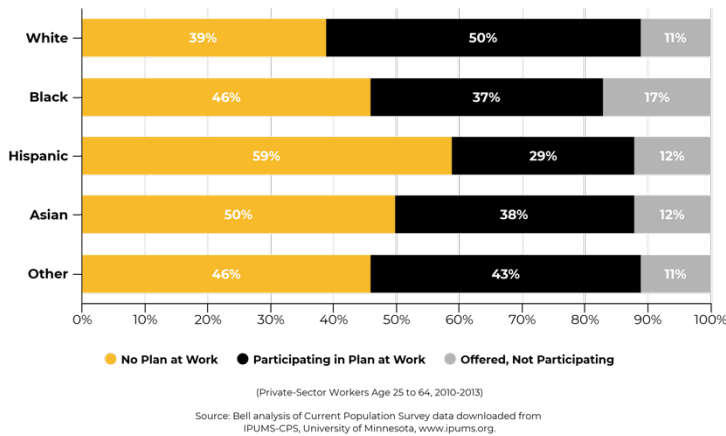


**Access & Participation by Age**

Younger workers — one of the age groups with the most potential to build their retirement savings over time — are the least likely to have access to retirement plans at work in Colorado. Forty-seven percent of private sector workers aged 25 to 35 don't have access a workplace retirement plan.

While the rate of access and participation generally increases with age, it is still alarming that roughly 42 percent of private sector workers over age 50 do have access to a workplace retirement plan.

**FIGURE 6: ACCESS & PARTICIPATION BY RACE**



**Access & Participation by Race/Ethnicity<sup>6</sup>**

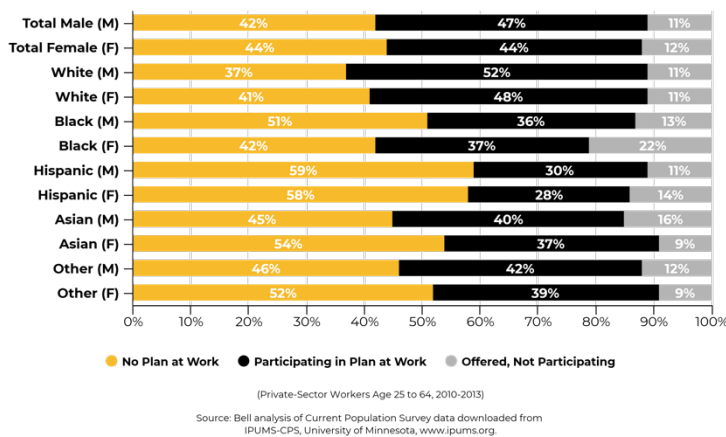
Hispanic and black Coloradans are the least likely private sector workers to have access to or participate in workplace retirement plans. Hispanic Coloradans are 20 percentage points less and black Coloradans are six percentage points less likely to be offered a retirement plat at work than white Coloradans.

These numbers are particularly troubling given these two groups make up more than 20 percent of private sector workers in Colorado.

**Access & Participation by Gender**

While both men and women have similar access and participation rates, there are notable differences when also accounting for race.

**FIGURE 7: ACCESS & PARTICIPATION BY GENDER & RACE**



Notably, there is close to a nine-percentage-point difference between black and Asian men and women. Black men are less likely to have access to a workplace retirement account and Asian men are more likely to have access.

**Conclusion**

The development of a Secure Savings Retirement Plan, or a public-private partnership that would offer a workplace retirement savings plan for private sector workers in Colorado could benefit close to a million Coloradans. It could have particularly strong benefits for workers who are younger, black or Hispanic, low income, and/or working for small firms. As the Colorado Secure Savings Plan Board continues to analyze the viability of a plan within Colorado, the Bell will continue to provide you with updated analysis of the retirement crisis and potential solutions moving forward.

## Appendix I: Summary of Findings

### Access and Participation for Private Sector Workers Aged 25-64

|                 | None Offered<br>at Work | Offered, Not<br>Participating | Offered,<br>Participating | Total<br>Participating | Total Not<br>Participating |
|-----------------|-------------------------|-------------------------------|---------------------------|------------------------|----------------------------|
| <b>Total</b>    |                         |                               |                           |                        |                            |
| Total National  | 47.8%                   | 9.1%                          | 43.1%                     | 43.1%                  | 56.9%                      |
| Total Colorado  | 43.2%                   | 11.1%                         | 45.7%                     | 45.7%                  | 54.3%                      |
| Total CPS # CO  | 778,429                 | 200,450                       | 823,606                   | 823,606                | 978,880                    |
| <b>Age</b>      |                         |                               |                           |                        |                            |
| 25-29           | 48%                     | 20%                           | 32%                       | 32%                    | 68%                        |
| 30-34           | 46%                     | 12%                           | 42%                       | 42%                    | 58%                        |
| 35-39           | 41%                     | 10%                           | 49%                       | 49%                    | 51%                        |
| 40-44           | 40%                     | 9%                            | 51%                       | 51%                    | 49%                        |
| 45-49           | 42%                     | 9%                            | 50%                       | 50%                    | 50%                        |
| 50-54           | 43%                     | 9%                            | 48%                       | 48%                    | 52%                        |
| 55-59           | 42%                     | 7%                            | 52%                       | 52%                    | 48%                        |
| 60+             | 41%                     | 9%                            | 50%                       | 50%                    | 50%                        |
| <b>Race</b>     |                         |                               |                           |                        |                            |
| White           | 39%                     | 11%                           | 50%                       | 50%                    | 50%                        |
| Black           | 46%                     | 17%                           | 37%                       | 37%                    | 63%                        |
| Hispanic        | 59%                     | 12%                           | 29%                       | 29%                    | 71%                        |
| Asian           | 49%                     | 12%                           | 38%                       | 38%                    | 62%                        |
| Other           | 46%                     | 11%                           | 43%                       | 43%                    | 57%                        |
| <b>Gender</b>   |                         |                               |                           |                        |                            |
| Total Male      | 42%                     | 11%                           | 47%                       | 47%                    | 53%                        |
| Total Female    | 44%                     | 12%                           | 44%                       | 44%                    | 56%                        |
| <i>White</i>    |                         |                               |                           |                        |                            |
| Male            | 37%                     | 10%                           | 52%                       | 52%                    | 48%                        |
| Female          | 41%                     | 11%                           | 48%                       | 48%                    | 52%                        |
| <i>Black</i>    |                         |                               |                           |                        |                            |
| Male            | 51%                     | 12%                           | 36%                       | 36%                    | 64%                        |
| Female          | 42%                     | 22%                           | 37%                       | 37%                    | 63%                        |
| <i>Hispanic</i> |                         |                               |                           |                        |                            |
| Male            | 59%                     | 11%                           | 30%                       | 30%                    | 70%                        |
| Female          | 58%                     | 14%                           | 28%                       | 28%                    | 72%                        |
| <i>Asian</i>    |                         |                               |                           |                        |                            |
| Male            | 45%                     | 16%                           | 40%                       | 40%                    | 60%                        |
| Female          | 54%                     | 9%                            | 37%                       | 37%                    | 63%                        |
| <i>Other</i>    |                         |                               |                           |                        |                            |
| Male            | 46%                     | 12%                           | 42%                       | 42%                    | 58%                        |
| Female          | 52%                     | 9%                            | 39%                       | 39%                    | 61%                        |
| <b>Income</b>   |                         |                               |                           |                        |                            |
| Lowest 10%      | 74%                     | 14%                           | 12%                       | 12%                    | 88%                        |
| Lowest 25%      | 69%                     | 14%                           | 17%                       | 17%                    | 83%                        |
| 25-50%          | 40%                     | 15%                           | 45%                       | 45%                    | 55%                        |
| 50-75%          | 31%                     | 8%                            | 60%                       | 60%                    | 40%                        |
| Highest 25%     | 24%                     | 6%                            | 71%                       | 71%                    | 29%                        |

| Highest 10%          | 20% | 3%  | 77% | 77% | 23% |
|----------------------|-----|-----|-----|-----|-----|
| <b>Business Size</b> |     |     |     |     |     |
| Under 10             | 80% | 4%  | 16% | 16% | 84% |
| 10 to 49             | 61% | 10% | 29% | 29% | 71% |
| 50 to 99             | 47% | 12% | 41% | 41% | 59% |
| 100 to 499           | 39% | 14% | 47% | 47% | 53% |
| 500 to 999           | 29% | 11% | 60% | 60% | 40% |
| 1000+                | 26% | 13% | 61% | 61% | 39% |

## Appendix II: Methodology

There are two important methodological notes to highlight for this study: (1) the US Census Bureau’s Current Population Survey (CPS) remains one of the most useful resources for state-level analysis of retirement plan access and participation, and (2) changes to survey questions relating to retirement made in 2014 have made post-2014 analyses using CPS data susceptible to unexplained anomalies.<sup>7</sup>

In designing this study, the Bell examined national retirement studies using data from the *National Survey of Consumer Finances (SCF)*, the *Survey of Income and Program Participation (SIPP)*, and the *Current Population Survey (CPS)*. Based upon previous consistency between the results of these surveys and the ability of CPS to provide the most detailed and current state-specific analysis, CPS data was chosen as the primary data source for this study.

An analysis of both national and Colorado-specific CPS retirement data from 2014 to 2018 was initially conducted, showing a sizable decrease in both the number of individuals participating in workplace retirement plans and the number of individuals having access to plans at their workplace. This trend was seen both within the Colorado and national rates. These trends are not consistent with national data reported by the *Survey of Consumer Finances*, the other survey with current data. After discussions with experts from the field, including the Retirement Savings Project at the Pew Charitable Trusts, it was decided that this period of analysis was too susceptible to change within the survey itself and not necessarily trends within retirement access and participation.

Therefore, only CPS retirement data before 2014 was used to estimate access and participation rates. To project out access and participation trends to current workplace totals, 2016 to 2018 CPS data of general employment trends within Colorado was used to develop an estimate of the number of people without access to a retirement plan at work and the number of Coloradans not participating in a workplace retirement plan.

### Access and Participation Analysis

For the analysis of retirement plan access and participation rates bases upon age, race, gender, income, and business size, a pooled sample comprised of Annual Social and Economic Supplement data from 2010 to 2013 was created and used. The analysis was limited to private sector workers in their prime working years, defined as workers age 25 to 64. Self-employed individuals were not included within this category.

### Current 2018 Estimate Formula

A pooled sample comprised of Annual Social and Economic Supplement data from 2016 to 2018 was used to generate more recent estimates of total Colorado private sector workers in their prime working years. These estimates were then multiplied by the access and participation rates from the 2010-13 pooled sample to create a current estimate of workers without access to a workplace retirement plan and the number of workers participating in workplace retirement plans. While this method has the obvious limitations of not using the most current survey data, it is believed to be the best reflection of Colorado-specific retirement estimates. Given that SCF estimates show a slightly higher percentage of employees participating in workplace retirement plans nationally, our projections might represent a lower-bound of participation rates. But without more detailed Colorado-specific data, we cannot be certain.

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<sup>1</sup> Jay Goodliffe et. al. “The Cost of Retiring Poor: Cost to Taxpayers of Utahans Retiring Poor.” NOTALYS, LLC. Jan 2015, available at <https://www.aarp.org/content/dam/aarp/ppi/2016-03/cost-to-taxpayers-of-utahns-retiring-poor.pdf>.

<sup>2</sup> Alicia H. Munnell et. al. “Trends in Retirement Security By Race/Ethnicity.” CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE. Nov 2018, available at <https://crr.bc.edu/briefs/trends-in-retirement-security-by-raceethnicity/>.

<sup>3</sup> For full methodology, see Appendix II. Data credits: Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles and J. Robert Warren. “Integrated Public Use Microdata Series, Current Population Survey: Version 6.0 [dataset]. Minneapolis, MN: IPUMS, 2018. <https://doi.org/10.18128/D030.V6.0>.

<sup>4</sup> Because of changes to the Current Population Survey’s (CPS) retirement survey questions, data post 2013 is not reliable for questions around access and participation. Therefore, the Bell used a pooled survey group from 2010-13 to analyze participation and access rates. Those rates were then applied to 2018 CPS data of the labor market to generate a numeric projection for 2018. For details, see APPENDIX II.

<sup>5</sup> Using estimates from the Current Employment Survey, the Center for Retirement Research at Boston College (CRR) estimates that around 918,000 Coloradans may receive coverage from the plan. Using the Current Population Survey, the Bell found that number to be closer to 980,000. To be conservative, we have chosen to state a lower number. For CRR’s number, please visit: <https://www.colorado.gov/pacific/sites/default/files/atoms/files/CRR%20Kickoff%20Presentation%2023OCT2019.pdf>

<sup>6</sup> Because of limited sample sizes, the Bell was unable to further breakdown race/ethnicity categories beyond those listed.

<sup>7</sup> Craig Copeland. “The Effect of the Current Population Survey Redesign on Retirement-Plan Participation Estimates.” EMPLOYEE BENEFIT RESEARCH INSTITUTE. Dec 2015, available at <https://www.ebri.org/content/-the-effect-of-the-current-population-survey-redesign-on-retirement-plan-participation-estimates-and-worker-opinions-about-employee-benefits-differences-among-millennials-baby-boomers-and-generation-x-have-implications-for-plan-sponsors--3299>.