

The Scope of Retirement Income Insecurity Among Illinois Workers



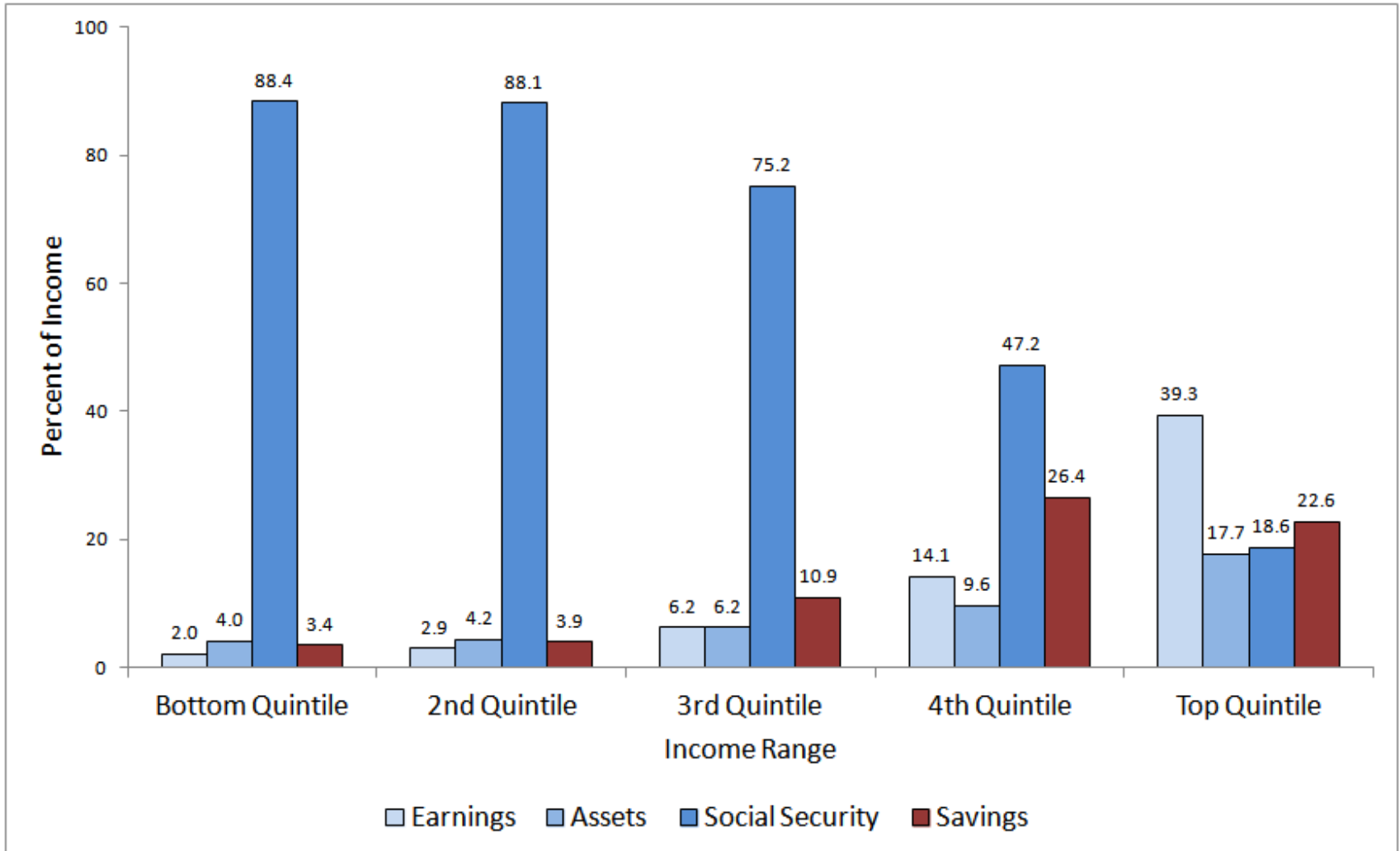
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Overview

- Sources of retirement income
 - trends
- Access to employment-based retirement savings plans in Illinois
 - data and methodology
- Policy recommendations

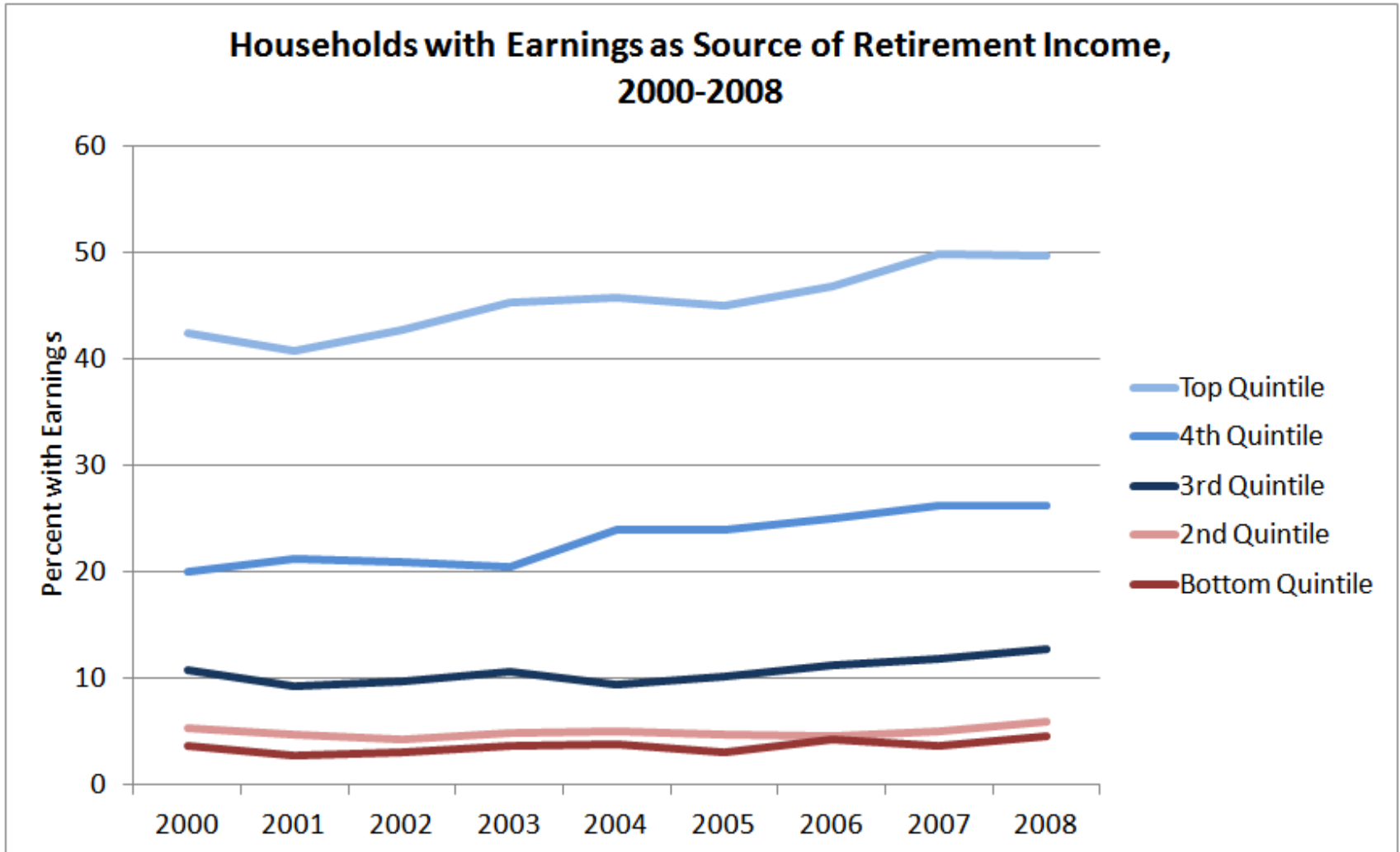
Sources of Retirement Income, 2008



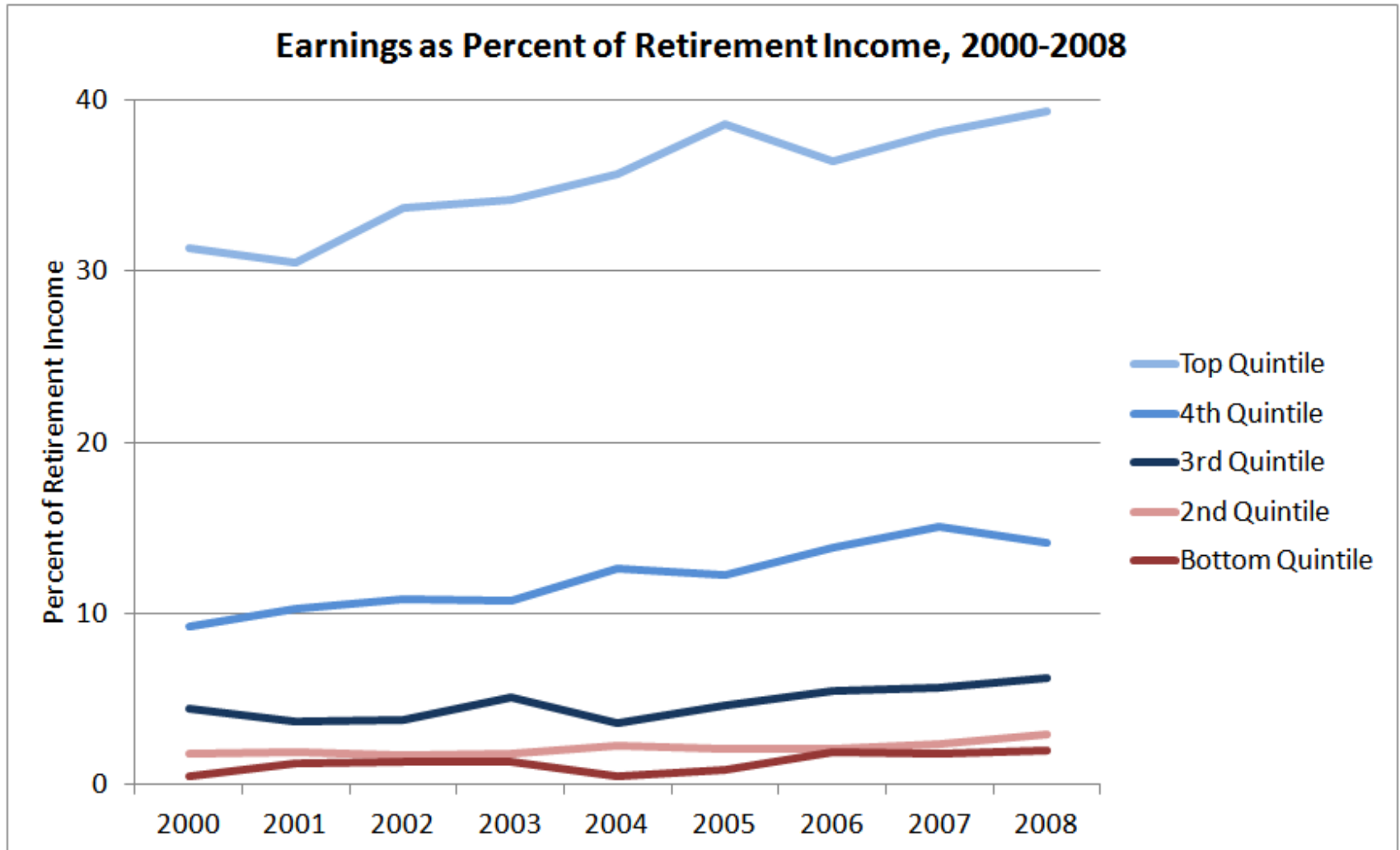
Trends

- Earnings up slightly
 - more older people working
- Assets down in a recession
 - most in lower quintiles
 - workers under 55
- Social Security replacement rate declining
 - 45% fully retired at 65, reducing benefits

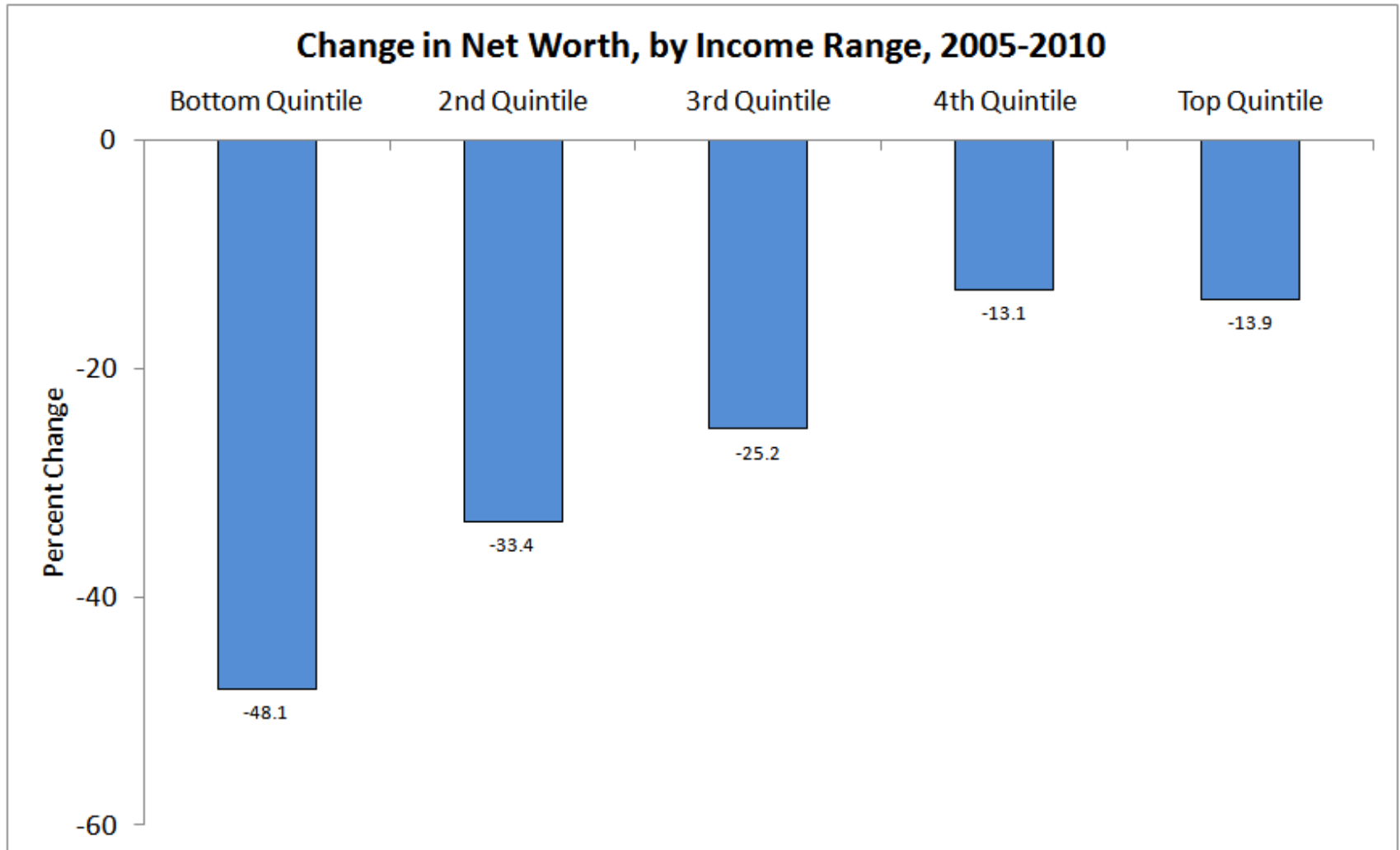
Earnings



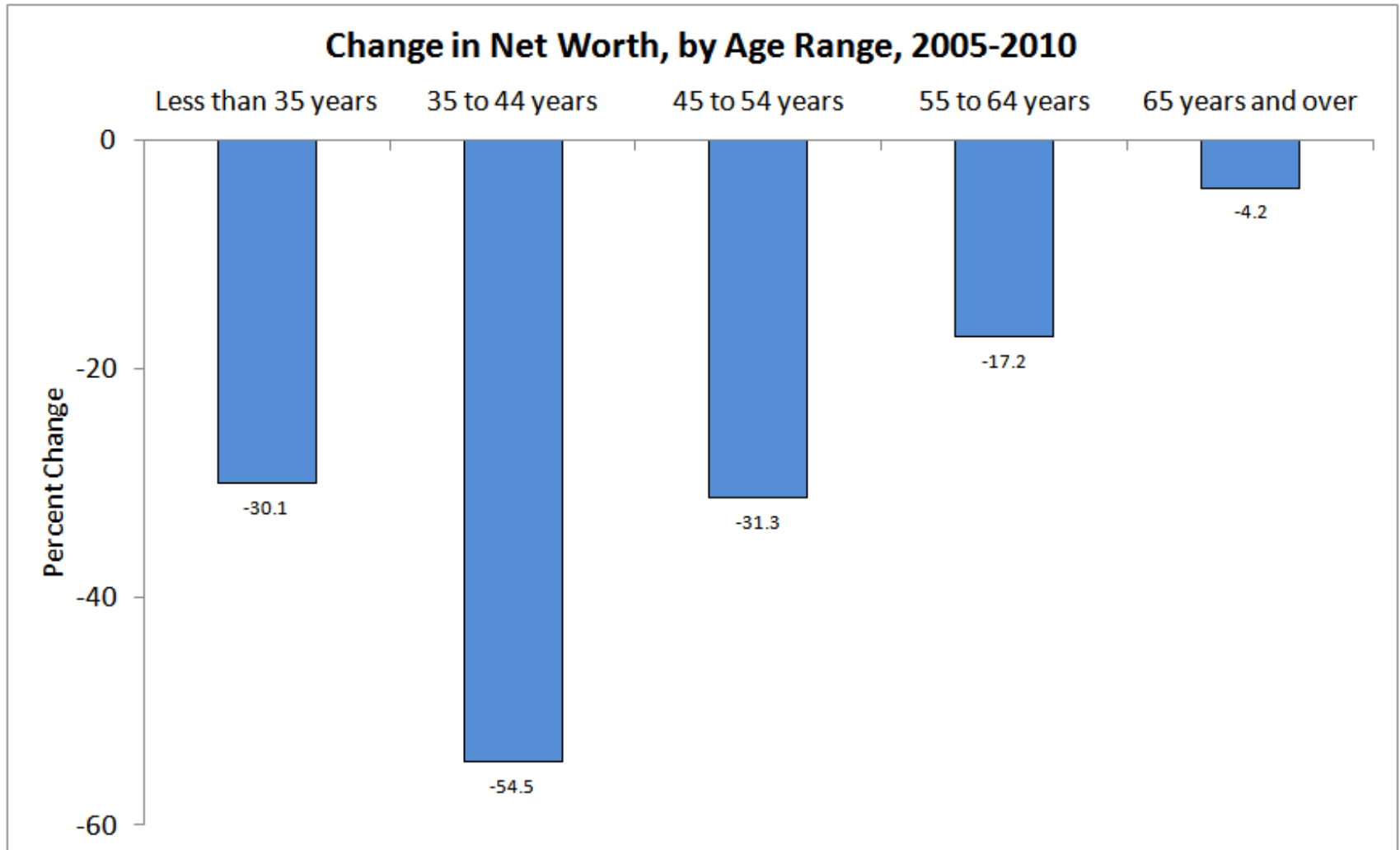
Earnings



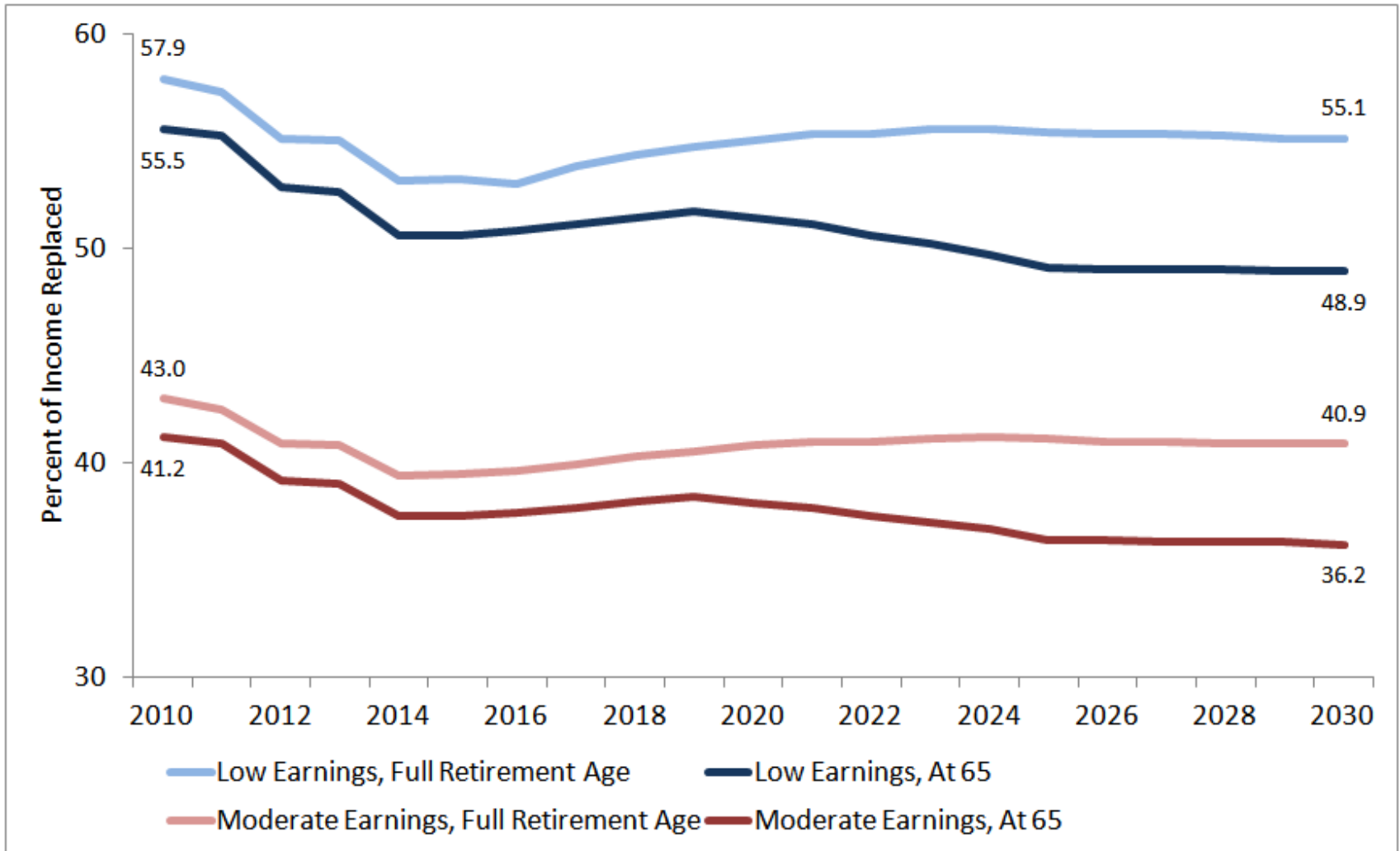
Assets



Assets



Social Security Replacement Rate



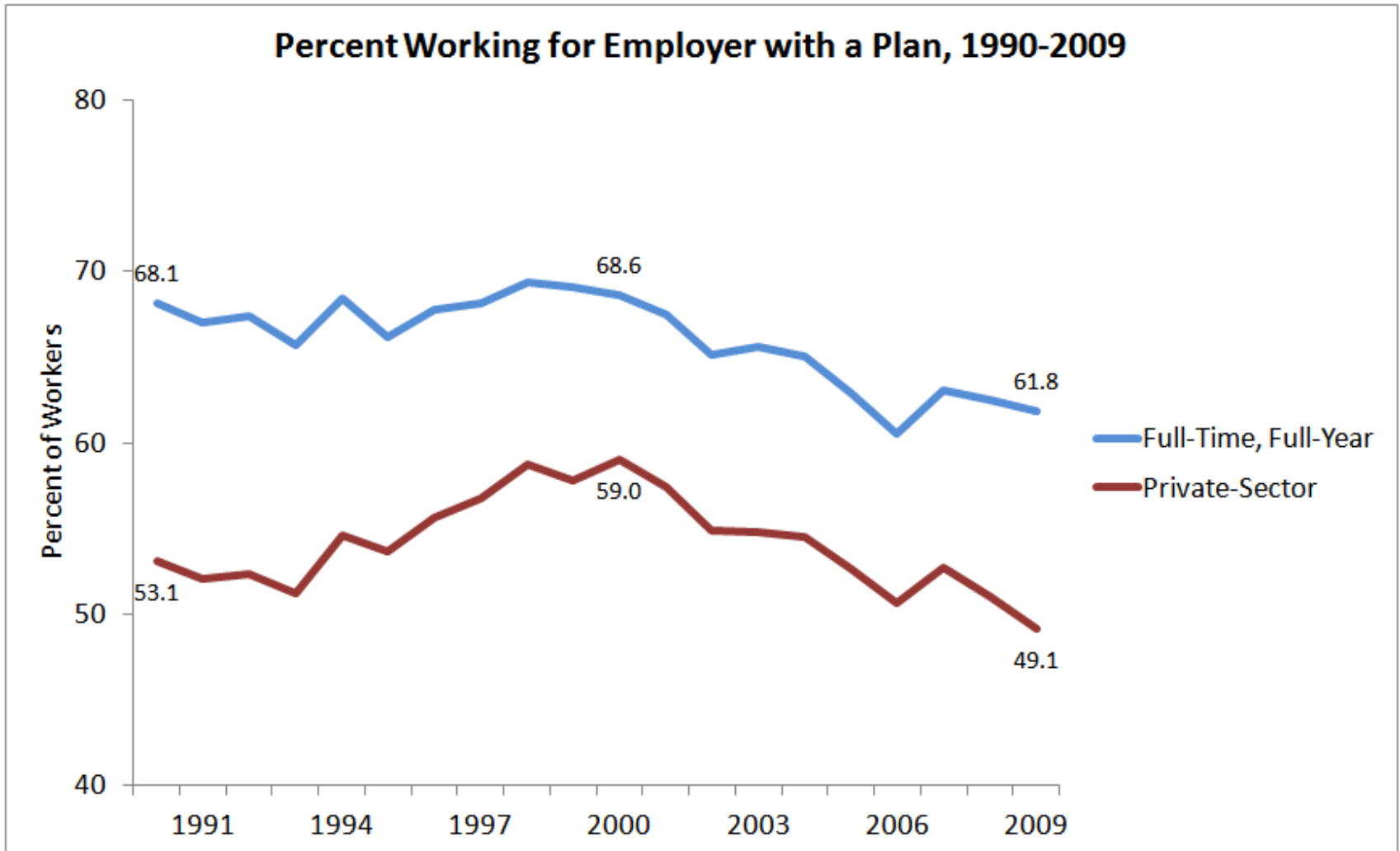
Summary of Trends

- For workers in the bottom 60 percent of incomes
 - few have earnings in retirement
 - net worth has declined since 2005
 - most retire before becoming eligible for full Social Security benefits
 - Social Security will provide less in the future

Employment-based Retirement Savings

- Will be increasingly important as a source for retirement income
- Changing landscape of employment-based retirement savings
 - from defined benefit to defined contribution
 - declining percentages of employers offer a plan
 - fewer workers have access to a plan

Access to a Savings Plan at Work



Access Varies

- Some workers more likely to have access
 - public-sector
 - heavy industries
 - unionized industries
- Some workers less likely to have access
 - high turn-over
 - low-skill
 - non-union

Calculating Access, Methodology

- EBRI analysis of percent of employers within industry with a plan
 - 2 digit industry (NAICS) code
 - national
- Workers in industry
 - 2 digit industry (NAICS) code
 - all private-sector jobs
 - three wage ranges

Example

- EBRI data
 - 49.0 percent of employers in the Retail Trade industry (NAICS 44-45) sponsor a plan
- Employment data
 - 599,149 worker in Illinois are employed in the Retail Trade industry
- 293,583 workers have access (49.0%)
- 305,566 do not have access (51.0%)

Findings

- Over 2.5 million private-sector workers in Illinois (53.4%) do not have access to an employment-based retirement savings plan
 - 315,604 in accommodation and food services
 - 245,392 in admin and support services
 - 357,611 in health care and social assistance
 - 305,566 in retail trades

Policy Implications

- If nothing is done
 - many retirees will face decreased standard of living
 - many adults will need to help support their aging parents
 - government will face increased pressure to bolster the social safety net
 - business will face diminished investment from retirement plans

Policy Recommendation

- Create an automatic employment-based retirement savings plan
 - with opt-out provision
- Portable and immediately vested
 - to deal with more frequent job changes
- Tax advantaged
 - either deductible contribution or tax-free distribution and tax-free accumulation

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