Preference for Retirement Plans among U.S. Government and Non-government Employees

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This likelihood of participation in employer sponsored retirement plans for government and non-government employees in the United States was estimated using a probit model. The data for this analysis were obtained from the 2005 wave of the Panel Study of Income Dynamics (PSID), a nationally representative dataset comprising of detailed information regarding plan participation, income, and wealth of American households. The findings of this study indicate that the government employees were 44% more likely to participate in defined benefits plans ($p=.003$). Conversely, they were less likely to participate in the defined contribution plans ($p=.012$). Consistent with past studies [Bassett and Rodrigues, National Tax Journal, 1998, pp.263], this research reveals that the population's plan participation in both defined benefit and defined contribution plans increased with age, income, and education level. African Americans ($p=.006$) and Hispanics ($p=.031$), as well as households with a large number of children ($p=.002$) continued to lag behind in defined contribution plan participation. Based on the findings of this study, it is imperative that those with lower educational attainment, minorities, and lower wage earners need special consideration, and greater community-based efforts must be directed toward preparing them for retirement. As the largest cohort in our nation's history—the baby-boomers—approach retirement, it is important that we educate the population to increase participation in their savings plans and take up greater responsibility in saving for their retirement.

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