



A Paychex Special Report

The Road to Retirement

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Less than half of U.S. employers offer a retirement plan, while nearly 40% of employees participate.

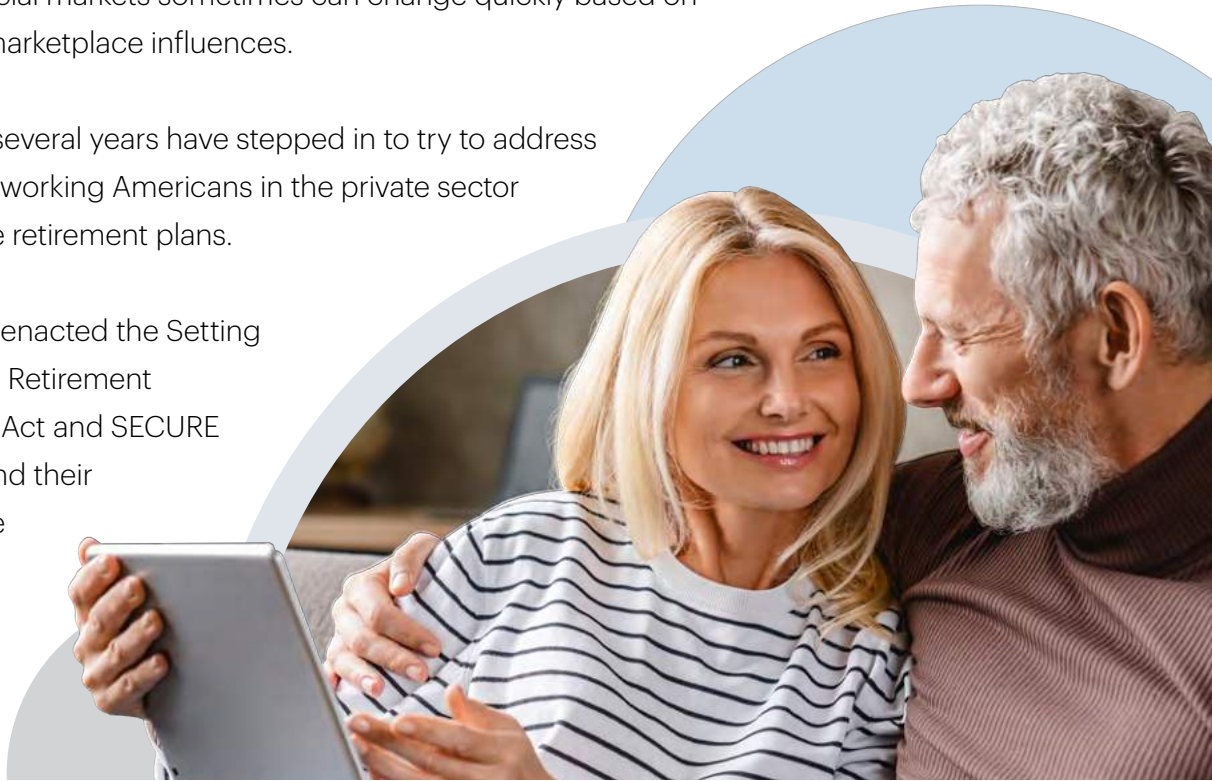
Employers in the U.S. are working to help employees pave the road to saving for a secure retirement, with challenges and solutions ahead.

Retirement Snapshot

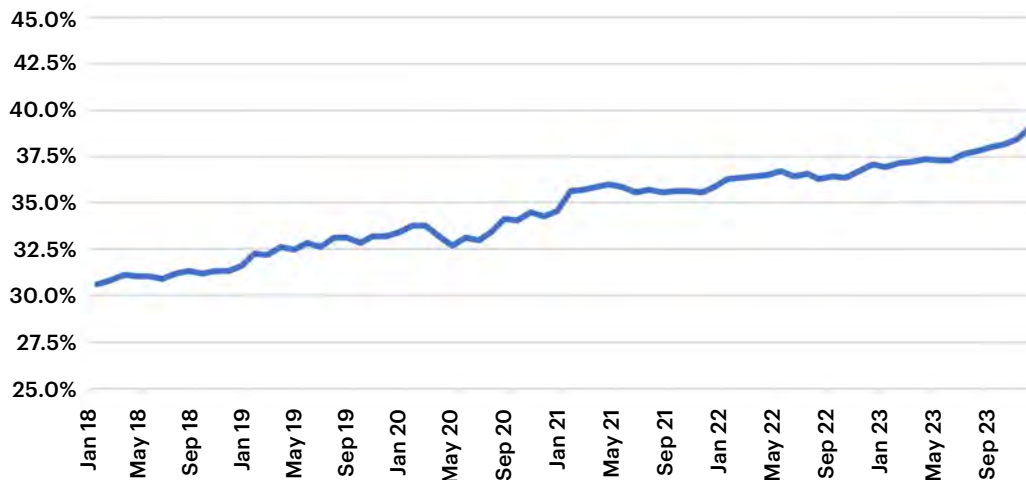
This report features Paychex retirement data from customers and their employees in businesses with 1–49 employees. The 2008 financial crisis brought the retirement readiness of Americans front and center. It pointed to the need for individuals to save more during their working years to maintain their standard of living through retirement — not always an easy task. Higher education has become more expensive, while inflation and available jobs have increased and decreased respectively at times. Individuals spend more now on credit, and financial markets sometimes can change quickly based on unexpected world and marketplace influences.

Some states in the past several years have stepped in to try to address the issue that millions of working Americans in the private sector lack access to workplace retirement plans.

The federal government enacted the Setting Every Community Up for Retirement Enhancement (SECURE) Act and SECURE 2.0 to help businesses and their employees regarding the establishment of and participation in retirement plans.



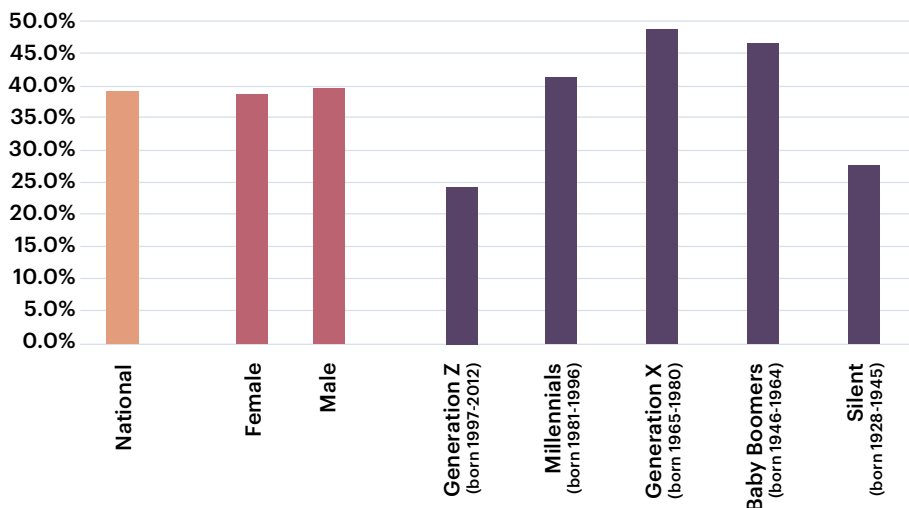
Participation Rates in Paychex 401(k) Plans



This report highlights insights and trends for employers to consider about workplace retirement plans and the benefits for their employees and their businesses.



Participation Rates in Paychex 401(k) Plans



Employee participation has grown steadily in recent years, staying relatively flat following the COVID-19 pandemic, and now starting to climb, reaching 39.1% in 2023, an increase of 2.0% from a year ago. This marks the strongest year-over-year gain in more than two years.

At **39.7%**, male participation is **1.0%** higher than that of females. Among Millennials though, female participation is slightly above that of males, **41.9%** to **41.5%**.

The most notable difference is between members of the same generation, including older Gen Zers born between 1997 and 2002 having a 30.6% participation rate compared to younger Gen Zers born 2003 to 2012 (11.1%). Even members of the Silent Generation (born 1928–1945) are actively participating (27.9%) well past retirement age, perhaps due to the need to stretch retirement funds as a result of longer life spans, taking advantage of the catch-up contribution or a company match to increase their balances.

Trends in Retirement Plans

Portfolio Balances by Gender and Generations

Participation rates between male and female employees of Paychex customers are relatively equal, but a sizable difference exists in portfolio balances. Expected differences in generations are no surprise, with average balances moving from low to high corresponding with increasing age.

The average portfolio balance is **\$58,263** nationally. However, a high percentage of employees with low portfolio balances brings the median down to **\$9,472**.

The average portfolio balance for females is less than two-thirds that of males — **\$43,704** to **\$70,607**.



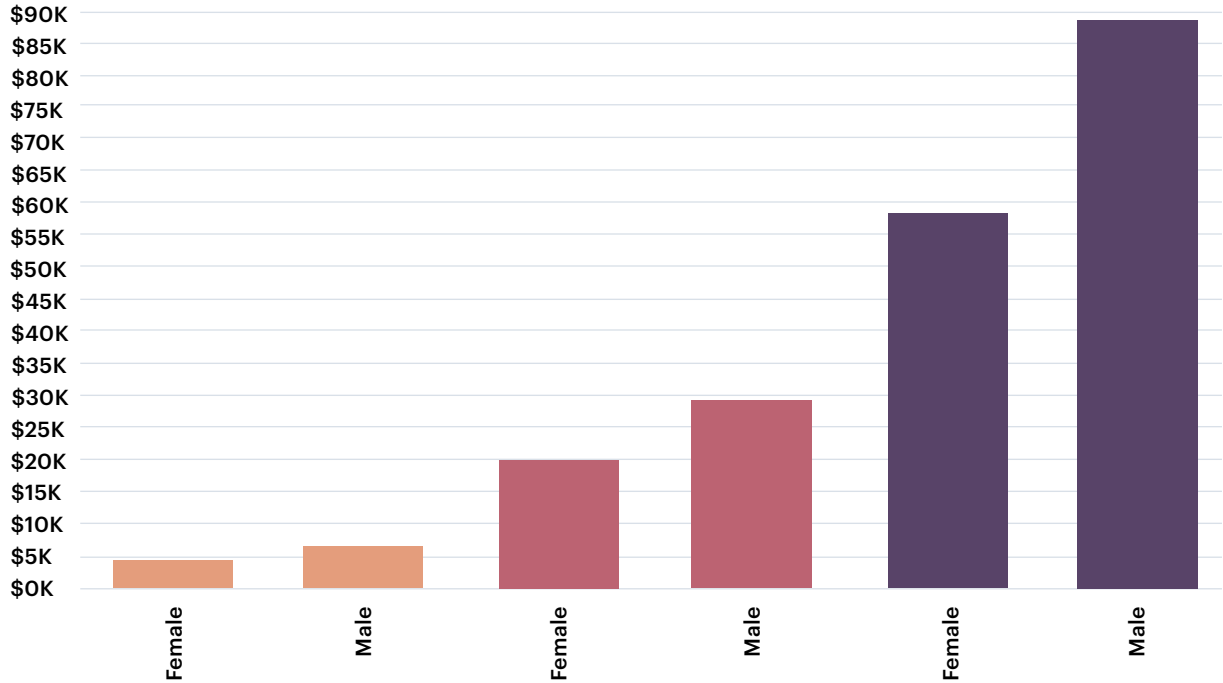
Paychex 401(k) Portfolio Balances by Generation

	Average	Median
National	\$58,263	\$9,472
Generation Z	\$5,303	\$1,886
Born 2003–2012	\$3,503	\$790
Born 1997–2002	\$5,503	\$2,095
Millennials	\$24,924	\$6,865
Born 1989–1996	\$15,417	\$5,151
Born 1981–1988	\$34,026	\$9,434
Generation X	\$74,822	\$16,231
Born 1973–1980	\$57,555	\$13,277
Born 1965–1972	\$92,071	\$20,217
Baby Boomers	\$121,387	\$26,440
Born 1956–1964	\$116,204	\$26,498
Born 1946–1955	\$142,208	\$26,044
Silent	\$151,041	\$17,756
Born 1937–1945	\$144,497	\$18,491
Born 1928–1936	\$235,604	\$12,274

The disparity between balances likely can be explained by career interruptions for childbirth and childcare; a national gender pay gap that, according to Paychex payroll data, has **women making \$0.81 for every dollar earned by men**; and other factors such as job choice for Baby Boomer and Silent Generation females. Paychex employer data also reveals the ratio is closer to equal for Millennials and Generation Z.



Paychex 401(k) Average Portfolio Balances Comparison: Female vs. Male



- Generation Z
- Millennials
- Generation X

Trends in Retirement

Portfolio Balances by Industry and Employer Size

Industry sector may be a factor in portfolio balances. For example, Financial Activities leads all industries in average portfolio balance (\$74,286) and median balance (\$14,677). Leisure and Hospitality has the lowest balances among industries at \$20,642 (average) and \$2,266 (median).



Paychex 401(k) Portfolio Balances by Industry

	Average	Median
National	\$58,263	\$9,472
Construction	\$45,341	\$8,909
Education and Health Services	\$55,262	\$6,352
Financial Activities	\$74,286	\$14,677
Leisure and Hospitality	\$20,642	\$2,266
Manufacturing	\$63,855	\$13,908
Other Services (except Public Administration)	\$37,946	\$5,762
Professional and Business Services	\$71,594	\$13,879
Trade, Transportation, and Utilities	\$58,103	\$10,162

Participants in employer-sponsored plans working for businesses with 1–4 employees maintain an average balance of \$81,381, compared to the \$51,293 in average balance for participants among employer-sponsored plans with 20–49 employees.

A provision of the SECURE Act went into effect on Jan. 1, 2024, allowing long-time part-time (LTPT) employees to be eligible for a workplace retirement plan once they’ve worked three consecutive years of at least 500 hours in each year. This could impact participation levels in the months and years to come.

A similar provision of SECURE 2.0 takes effect Jan. 1, 2025, that lowers the consecutive years of service to two. This potential influx of participation by eligible LTPT employees could impact contribution balances and discrepancy levels.

Participants at businesses with 1–4 employees have an average balance that is over **\$30K** higher than those at businesses with 20–49 employees.

Trends in Retirement Plans

Employers Offering Plans by Size and Industry



Employers Offering Retirement Plans

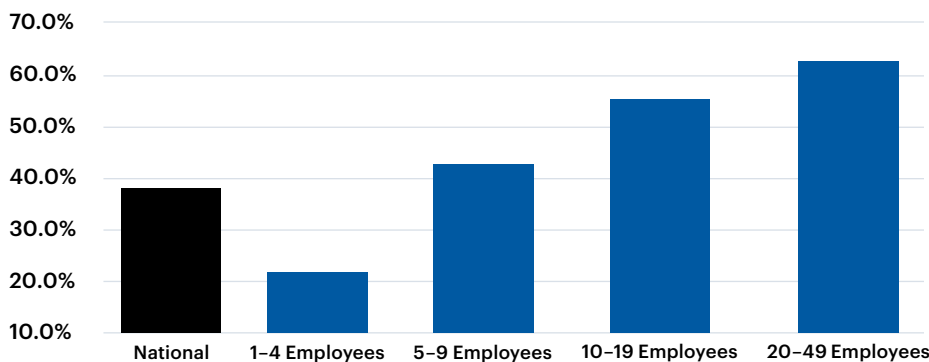


For employees to work on building their retirement portfolio balances, they need access to a retirement plan, often through their employers. Nationally, just over one-third of small-business employers (37.6%) offer some type of plan, a rate showing a steady increase in recent years, up 5.9% from 2018 (31.7%).

Business size also matters, as 21.0% of businesses with the fewest number of employees (1-4) offer a retirement plan, while 62.5% of businesses with 20-49 employees offer plans.



Employers Offering Retirement Plans by Business Size



Although small businesses with 20-49 employees are nearly three times more likely to offer plans than small businesses with 1-4 employees, all small business sizes have seen their rate increase over the past three years, with businesses with 10-19 employees up to 54.7% in 2023 from 48.4% in 2020.



Employers Offering Retirement Plans by Industry

	Offering %
National	37.6%
Construction	35.7%
Education and Health Services	45.1%
Financial Activities	36.1%
Leisure and Hospitality	22.2%
Manufacturing	49.5%
Other Services (except Public Administration)	30.6%
Professional and Business Services	41.2%
Trade, Transportation, and Utilities	37.9%

Leisure and Hospitality is lowest among industry sectors with only 1 in 5 offering retirement, but the two-year and one-year increases of **5.3%** and **2.1%**, respectively, are the greatest among the sectors.

Among the industry sectors, Manufacturing tops the list, as nearly half of the small businesses (49.5%) in that sector offer retirement plans, followed closely by Education and Health Services at 45.1%. Leisure and Hospitality is lowest among sectors at 22.2%, significantly below the national average of 37.6%.

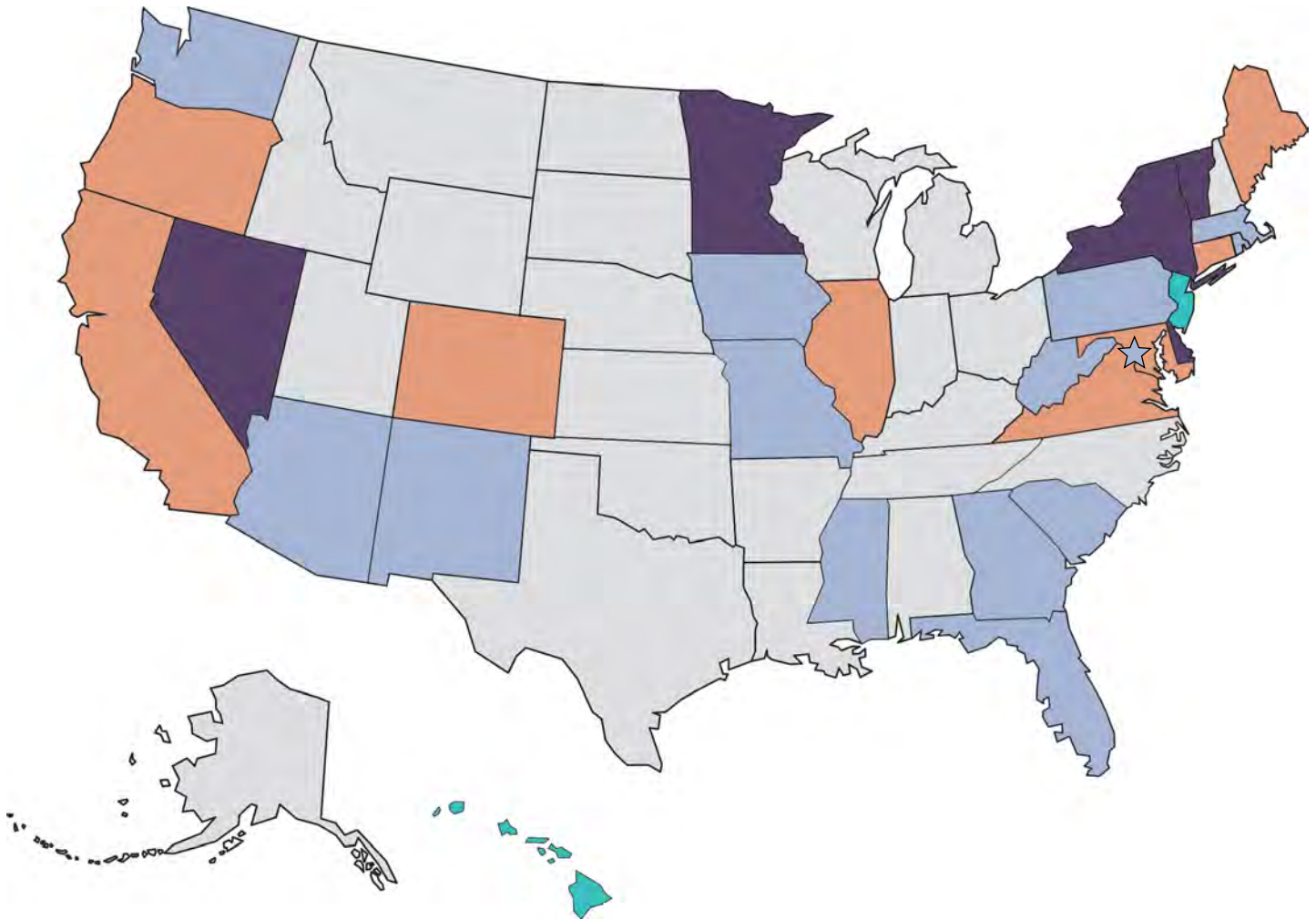
Although the COVID-19 pandemic impacted all industry sectors, it hit Leisure and Hospitality the hardest, which could be one explanation for the lower offering rate.

Another factor could be that this sector employs many workers from younger generations whose benefit focus is more on the here and now in their lives (e.g., flexible hours, remote work). With less emphasis on immediate financial gain from employees, employers might not feel as compelled to implement a retirement benefit.

However, employers should know that some states that mandate workplace retirement programs might have penalties for non-compliance. These penalties vary, ranging from a written warning to fines.

Trends in Retirement Plans

Mandated Offerings by State¹



The federal government continues to promote additional national retirement legislation. Meanwhile, some states have taken the lead on curbing the retirement challenge, passing laws that require small businesses — in some cases, even those with as few as one employee — to offer a qualified workplace retirement plan that satisfies the mandate, or participate in a state-administered plan.

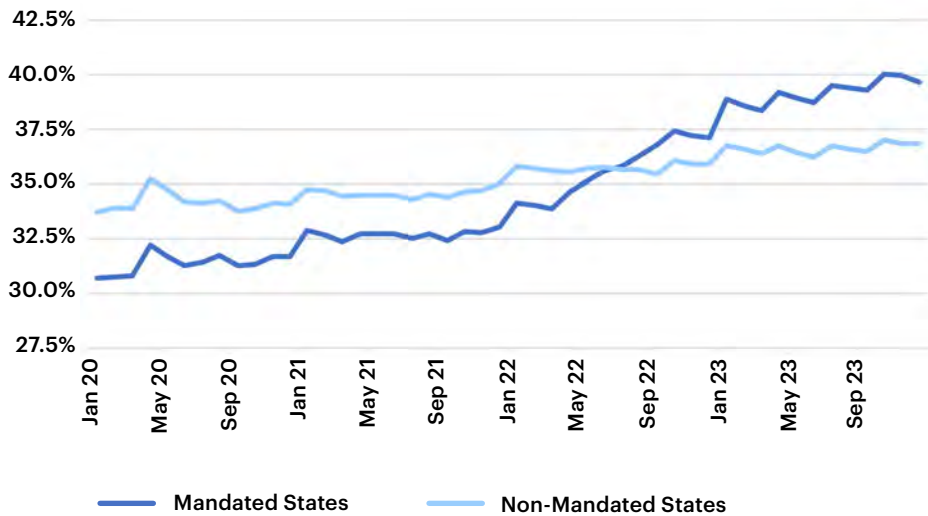
Oregon was the first in the United States, adopting Oregon Saves in 2017. Illinois (Secure Choice) and California (CalSavers) followed. Data shows that a gap has been increasing between states with mandates and the national average in recent years, standing at 2.1% in 2023. In mandated states, 39.7% of employers offer a plan, compared with the national average of 37.6%.

- **Active programs**
 CA, CO, CT, IL, MD, ME, OR, VA
- **Upcoming launches**
 DE (2025), MN (2025),
 NV (2025), NY (2024),
 VT (2025)
- **Programs in development**
 HI, NJ
- **Proposed legislation**
 AZ, DC, FL, GA, IA, MA, MO,
 MS, NM, RI, SC, WA, WV
- **States with no proposed legislation as of 2023**

¹Information on this page is current as of Feb. 20, 2024



Employers Offering Retirement Plans by State Mandate



Since the end of 2019, mandated states have increased retirement plan offerings **9.5%** compared with a **3.4%** increase in non-mandated states.

51.0%



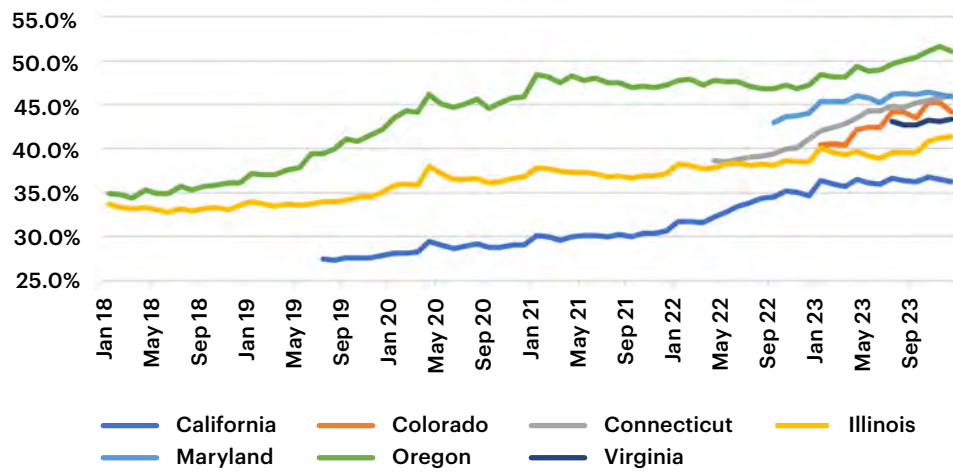
of small businesses in **Oregon** offer a **retirement plan**, the highest ratio in the U.S.

The SECURE Act went into effect Dec. 20, 2019, and included tax credits for starting a retirement plan and implementing auto-enrollment, among other provisions. SECURE 2.0 followed in December 2022, providing additional tax credits for matching contributions along with further incentives.

A jump in employers offering retirement plans was seen in April 2020 (1.4%) and again in January 2023 (1.1%), the latter being the second-highest one-month growth rate since reporting began in 2018.



Employers Offering Retirement Plans by Mandated State



15 states have enacted laws mandating workplace retirement plans

8 states have active programs

5 states will launch plans by 2025



Washington and Massachusetts have voluntary programs.



Trends in Retirement Plans

Employer Match



Paychex 401(k) Plan Employer Match and Contribution Rates by Industry

	Match %	Contribution %
National	65.2%	4.2%
Construction	70.0%	4.1%
Education and Health Services	64.8%	4.0%
Financial Activities	66.3%	4.3%
Leisure and Hospitality	46.4%	4.0%
Manufacturing	65.8%	4.1%
Other Services (except Public Administration)	58.4%	4.4%
Professional and Business Services	70.2%	4.4%
Trade, Transportation, and Utilities	65.8%	4.2%

An employer match is a significant way to help portfolio balances grow more quickly and an excellent tool for recruitment and retention. Nationally, the 65.2% of small businesses that offer a 401(k) plan contribute to their employees' retirement at an average rate of 4.2%. The employer contribution rate has been very consistent since 2018.

Professional and Business Services leads the sectors with the highest match rate (70.2%). Leisure and Hospitality businesses provide matching the least often (46.4%).

In recent years, all industries have seen decreases in the percentage of employers contributing to their employees' retirement. The lowest-wage sectors, especially Leisure and Hospitality, have seen the largest decreases since 2020.

Professional and Business Services and Other Services are tied at the top with a **4.4%** contribution rate.

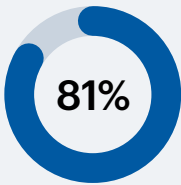
SECURE 2.0 can help move the needle for businesses to increase matching:

- One provision of the law provides a tax credit to eligible businesses with up to 100 employees, based on their employee matching or profit-sharing contributions. The credit is capped at \$1,000 per employee and phases down gradually after five years.
- Student loan debt impacts 45 million Americans, so beginning in 2024, employers can make matching contributions to an employee's 401(k) when the employee makes a qualified student loan repayment. For these participants, debt would go down while retirement savings go up.

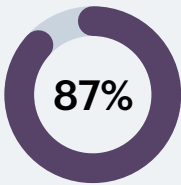
There are additional tax credits available to employers who implement workplace retirement plans.

What Does This Mean for **Businesses?**

Now that you have a snapshot of the retirement landscape in the U.S. — employer and employee participation, states with mandates, and differences among generations and industries — here are some additional points of reference for business owners to consider about a workplace retirement benefit.



81% of employers say retirement savings and planning are an important benefit, second among categories to only health benefits (89%).*



87% of employees value retirement benefits as part of a workplace benefits package.*

- States that have implemented a mandated workplace retirement program now have auto-enrollment.
 - Nearly half (49.3%) of small businesses that offer 401(k) plans had auto-enrollment in 2023. This percentage has increased every year and is up more than 20.0% from five years ago (28.4% in 2018).
- 12 states and the District of Columbia proposed legislation in 2023 and 2024 to develop state-facilitated workplace retirement programs.
- Employee contribution rates have declined since 2018, including a 1.1% decrease since 2021 to 8.6% in 2023.
 - Females have a slightly lower contribution rate (8.5%) than males (8.6%), except among Generation X.



Give Yourself **Credit**

Tax credits under the SECURE Act are available for employers:

Maximum credit

for establishing a new retirement plan is

\$5,000

per year for the first three years



Additional Credit

for implementing auto-enrollment is

\$500

in each of the first three years



Available Credit

to help offset the administration costs of a 401(k) and SIMPLE IRA plan is

\$16,500

for the first three years

Additional **Resources**

The Paychex Knowledge Center is a content resource library with articles, podcasts, webinars, and videos that can help employers and HR personnel seeking information on a variety of topics. Here are some samples on retirement for you to review:

Articles

- [SECURE Act](#)
- [SECURE 2.0](#)
- [What Is a 401\(k\) Plan?](#)
- [Employer Benefits of 401\(k\) Plans](#)

Advocacy

Paychex discovered that businesses with 1–9 employees would not qualify for enough tax credits under SECURE 2.0 to cover plan implementation fees. We reached out to identify sponsors on Capitol Hill to introduce the RISE Act.

- [RISE Act](#)

State Retirement Plans

- [What's happening in your state?](#)



Interested in learning more about retirement plans?

Visit our website: paychex.com/retirement-services.

About this **Paychex Special Report**

Leveraging Paychex payroll and retirement data, this retirement special report contains historical data and analysis from January 2018 through December 2023. Data for employers offering retirement services comes from the payroll system and includes all retirement plan services, whether Paychex is the provider or not. For an employer to be flagged as offering, at least one employee must be participating. The data for employer and employee participation and contribution percentages, as well as portfolio balances, was pulled from Paychex 401(k) plan data. For the purpose of this report, portfolio balances of less than \$200 were excluded. The results represent a subset of Paychex payroll clients with 1–49 employees. This special report offers geographical results at a national and state level. Employer size results are based on active employee counts at the time of the analysis. Industry results are also available at the NAICS super-sector level. Age and gender information is reported by Paychex clients and employees.

About the **Paychex Small Business Employment Watch**

The Paychex Small Business Employment Watch is released each month by Paychex, Inc., a leading provider of payroll, human resource, insurance, and benefits outsourcing solutions for small- to medium-sized businesses. Focused exclusively on business with fewer than 50 workers, the monthly report offers analysis of national employment and wage trends, as well as examines regional, state, metro, and industry sector activity. Drawing from the payroll data of approximately 350,000 Paychex clients, this powerful industry benchmark delivers real-time insights into the small-business trends driving the U.S. economy. For more information, visit www.paychex.com/employment-watch.



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