

Latinos' Eligibility to Save in a Workplace Retirement Plan

Retirement is a particularly urgent issue for the nation's 58.9 million Latinos*—the nation's largest minority group—projected to compose one in three American workers within the next two decades.¹ Despite having the highest labor force participation rate of any racial or ethnic group (66.4% compared to 62.9% for White workers).²

Hispanic employees, and immigrant workers in particular, are at the greatest risk of not having retirement savings. This is due in part to more than two-thirds of Latino households (69%) having no retirement account assets, compared to 39% of White households.³

Many American workers lack access to any type of retirement savings plan, with access most limited among low-wage workers, women, younger workers, single workers, part-time workers, and workers of color, especially when they are employed by small businesses. Latinos experience a striking gap in access: a little more than half (53.7%) work for an employer that sponsored a retirement plan, compared to 73.4% of White employees.⁴

In addition to disparities in access, inequities in workplace retirement plan eligibility and participation have contributed to persistent retirement savings gaps for all races and ethnicities, but especially for Latinos. This document explores Latinos' eligibility to participate in a retirement savings plan and proposes policy improvements to increase eligibility for Latinos.

* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this statement to refer to persons of Mexican, Puerto Rican, Cuban, Central American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

What is Eligibility?

Employer-sponsored retirement plans are the most important vehicle for providing retirement income to older Latinos, after Social Security. Access to an employer-sponsored retirement savings plan is determined by whether an employer offers a plan to its employees. While an employer may offer a plan, an employee may not be eligible to participate in an employer's plan for several reasons, including the employee's age, the type of job they are employed in, the length of time that they have worked for an employer, or because they work part-time.

In addition to having some of the lowest rates of access to an employer-sponsored retirement plan, Latinos struggle with some of the lowest rates of eligibility to participate in an employer-sponsored retirement plan (Figure 1).

Why is Eligibility Important?

In order to participate in an employer-sponsored retirement savings plan, an employee must have access to the plan and must be eligible to participate in it. Because Latino workers have lower rates of access to a plan and lower eligibility rates, fewer Latinos participate in a retirement savings plan than workers of other races and ethnicities. As shown in Figure 2, a little more than half (51.2%) of Latinos have access to an employer-sponsored retirement savings plan, but only 57% of workers who have access are eligible to participate, resulting in less than one-out-of-three Latinos participating in a workplace retirement plan.

Figure 1:
Percentage of Latino Workers and All Workers Who Are Eligible to Participate in an Employer-Sponsored Retirement Plan

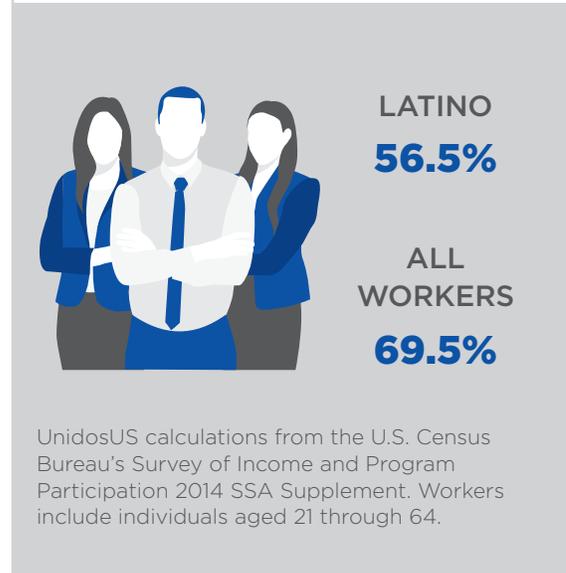
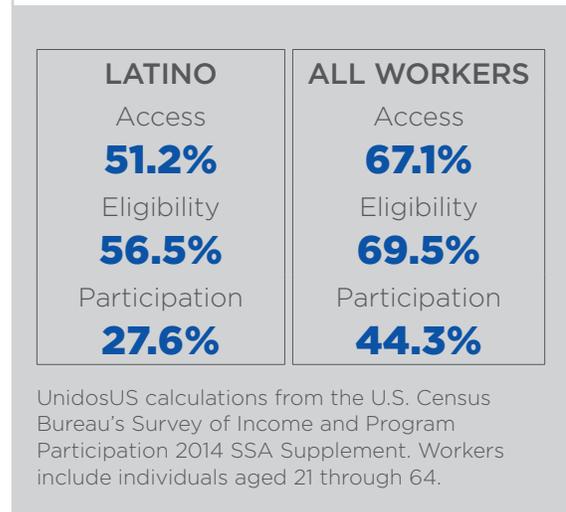


Figure 2:
Access, Eligibility, and Participation Rates for Latino Workers and All Workers in Employer-Sponsored Retirement Plans



Recommendations to Remove Eligibility Barriers:

By removing unnecessary eligibility barriers for all workers, and especially for Latinos, more workers would be able to save for retirement through workplace retirement savings plans. Specifically, we recommend:

- Allowing employees with 500 hours of service to participate in a retirement savings plan, which would allow more part-time workers to participate in a plan.
- Eliminating the one-year service requirement under the Employee Retirement Income Security Act (ERISA) to allow employees to contribute to a plan as soon as they can.

Conclusion

Latinos are a critical segment of the American workforce yet remain the most at risk for not having retirement savings. While Latinos already struggle with lower rates of access to a workplace retirement savings, they also have lower rates of eligibility, which, in combination, affects their ability to participate in an employer-sponsored retirement plan. To ensure that more American workers can save for the future, especially Latinos, policymakers must eliminate the eligibility barriers that prevent workers from participating in an employer-sponsored retirement plan.

About Us

UnidosUS, previously known as NCLR (National Council of La Raza), is the nation's largest Hispanic civil rights and advocacy organization. Through its unique combination of expert research, advocacy, programs, and an [Affiliate Network](#) of nearly 300 community-based organizations across the United States and Puerto Rico, UnidosUS simultaneously challenges the social, economic, and political barriers that affect Latinos at the national and local levels.

For more than 50 years, UnidosUS has united communities and different groups seeking common ground through collaboration, and that share a desire to make our country stronger. For more information on UnidosUS, visit www.unidosus.org or follow us on [Facebook](#), [Instagram](#), and [Twitter](#).

Endnotes

- 1 U.S. Census Bureau. "Hispanic Heritage Month 2018." September 13, 2018. Accessed on July 29, 2019. <https://www.census.gov/newsroom/facts-for-features/2018/hispanic-heritage-month.htm>; U.S. Department of Labor, Bureau of Labor Statistics. "Hispanic Labor Force, Past and Projected: Entrants, Stayers, and Leavers." September, 2018. Accessed on July 29, 2019. <https://www.bls.gov/careeroutlook/2018/data-on-display/hispanic-labor-force.htm>.
- 2 UnidosUS. "Latino Jobs Report: U.S. Employers Add 224,000 Jobs in June." July 5, 2019. Accessed on July 31, 2019. <http://publications.unidosus.org/handle/123456789/1967>.
- 3 Brown, Jennifer, et al. "Retirement in America: Out of Reach for Working Americans?" September, 2018. Accessed on July 29, 2019. https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis_Final.pdf.
- 4 Brown, Jennifer & Diane Oakley. "Latinos' Retirement Insecurity in the United States." 2018. Accessed on July 29, 2019. https://www.nirsonline.org/wp-content/uploads/2018/12/latinoretirement_unidosus_nirs_report_112818_lr.pdf.