



UNIVERSITY OF CALIFORNIA, BERKELEY



Center for Labor Research and Education  
Institute for Research on Labor and Employment  
2521 Channing Way  
Berkeley, CA 94720-5555  
*An affiliate of the Miguel Contreras Labor Program*

Office (510) 642-0323  
Fax (510) 642-6432  
<http://laborcenter.berkeley.edu>

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CONTACT:  
Rebecca Graham, 510-642-9187  
[rgraham@berkeley.edu](mailto:rgraham@berkeley.edu)

## Californians' Retirement Prospects Grim, Forecasts New Research

**Berkeley** — Nearly half of California workers will retire in or near poverty, shows a new study released by the University of California, Berkeley's Center for Labor Research and Education, "California Workers' Retirement Prospects."

While retirement security is and will be a problem in the whole of the nation, the situation is worse in California, because California workers have less access to employer retirement plans than workers in the United States as a whole, according to the study authors.

They found that retired people across the state rely overwhelmingly on Social Security income, a trend that could worsen as future workers retire without employer-sponsored benefits. Two-thirds of retirees in poverty are women, who are significantly more likely than men to be poor.

The paper, lead-authored by UC Berkeley researchers Sylvia Allegretto and Nari Rhee, is part of a new collection of papers, "[Meeting California's Retirement Security Challenge](#)," a volume released today (Monday, Oct. 3) by the UC Berkeley Center for Labor Research and Education. With contributions from nationally recognized scholars on the subject, the volume provides new research into the retirement income challenges facing workers in California.

Some key findings from the paper include:

Social Security serves overwhelmingly as the retirement income foundation for most California retirees, with employer-sponsored retirement plans far behind as their second income source. Social Security provides 79.1 percent of income for the bottom 25 percent of retirees by income, and 70.3 percent for the middle 50 percent.

Employer-sponsored pensions provide the next largest source of retirement income, at 15.5 percent, for the middle 50 percent of workers.

Only 52 percent of California workers work for companies that offer a retirement plan, compared to 58 percent for the United States as a whole. Of those who participate in an employer-sponsored retirement plan in California, 61 percent are in a defined-contribution plan such as a 401(k).

Using data from the Survey of Income and Program Participation 2008 panel, the researchers projected that 46.7 percent of California workers age 25-64 will have retirement incomes below 200 percent of the federal poverty threshold for individuals (i.e. \$22,322/year).

There is significant variation in the proportion at risk across age groups: A strikingly large proportion of workers age 25-44 (54.9 percent) are at risk for serious economic hardship in retirement.

“Our research shows how important Social Security is to the middle class,” explained Nari Rhee of the UC Berkeley Center for Labor Research and Education, “and in order for today’s workers to retire in dignity, they also need access to a supplemental plan that can provide secure income in retirement.”

“Today’s retirees are living in a world that is, in a very real sense, already gone: a world of widespread retirement security created by public and private policies that pooled a substantial amount of risk across workers and generations,” Yale University political scientist Jacob Hacker wrote in the Introduction to the publication.

Unfortunately, Hacker said, those retirees’ children and grandchildren “are coming of age in a fundamentally different world—one that involves much greater individual risk and responsibility and which promises much more unequal retirement prospects. With limited savings and less secure benefits, younger workers face a new world of retirement (in)security.”

Sylvia Allegretto, a research economist with UC Berkeley’s Center for Wage and Employment Dynamics, said that “there is greater income inequality among retirees in California than in the U.S. as a whole,” continuing, “This will have significant long-term ramifications for individuals, families, and all levels of government in the decades to come.”

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**SOURCES:**

**Nari Rhee:** (510) 642-9316 or [nari.rhee@gmail.com](mailto:nari.rhee@gmail.com)

**Sylvia Allegretto:** (510) 289-9146 or [allegretto@berkeley.edu](mailto:allegretto@berkeley.edu)