



## Demographic Overview of Illinois Secure Choice

Prepared by the University of Chicago Poverty Lab and the Illinois State Treasurer's Office

### Background on the Illinois Secure Choice Savings Program:

The Illinois Secure Choice Savings Program (Secure Choice) became law in 2015<sup>1</sup> and provides a retirement savings vehicle for private sector workers in Illinois that do not have access to an employer-sponsored plan. Secure Choice enables workers to save their own money easily and safely through a regular payroll deduction without overburdening employers with administrative or managerial costs and responsibilities.

Secure Choice applies to Illinois businesses and nonprofits with 25 or more employees, that have been operating in the state for at least two years, and that do not currently offer a qualified retirement plan. These employers will automatically enroll their employees into Secure Choice. Participants will be enrolled at a default three percent contribution rate into retirement target date Roth Individual Retirement Accounts (IRAs). They will have the option to increase or decrease their contribution rate, select a different fund option, or opt out of Secure Choice entirely. Accounts will be owned by the individual participants, and will be portable from job to job.

Employers' responsibility is limited to facilitating the enrollment of their workers into Secure Choice, setting up the payroll deductions, and ensuring that contributions are remitted in a timely fashion. By law, employers cannot make contributions and they will not have the same administrative and managerial duties that go along with offering and operating a traditional employer-sponsored plan, such as a 401(k). For example, no administrative fees will be charged to the employer and Secure Choice is exempt from the Employee Retirement Income Security Act (ERISA).

Secure Choice is run by a seven-person Board, but the day-to-day management and administration of the Program will be conducted by a private sector firm, to be selected by the Board. The Illinois State Treasurer serves as Board Chair, and additional members include: the Illinois State Comptroller or his/her designee, the Director of the Governor's Office of Management and Budget or his/her designee, and four appointees selected by the Governor. Two appointees must have investment or retirement savings expertise, one appointee represents employers, and one represents employees. All four appointees of the current Board were selected by Governor Rauner in the spring of 2015 and the Secure Choice Board has been meeting since the summer of 2015 to design and implement the Program.

Secure Choice is expected to launch in 2018 and the enrollment of employees into the Program will be phased in over the course of two years. In total, over 1.2 million workers will be

<sup>1</sup> See 820 ILCS 80/ for the complete statute: <http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=3588&ChapterID=68>

impacted by Secure Choice – either through direct enrollment into the Program or because their employer elects to begin offering a qualified plan.

In order to better understand the impact of Secure Choice, and to learn more about the expected pool of participants, the Secure Choice Board consulted with the University of Chicago Poverty Lab (Poverty Lab) in order to conduct a full demographic review of the program.

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### **Findings:**

In order to adequately review the impact that Secure Choice will have on Illinois workers, we used publically available national data on the access rate to employer-sponsored retirement to derive an estimate for Illinois employees that are without a workplace-based retirement option, and would also qualify for Secure Choice<sup>2</sup>—See Table 1.

**Table 1: Employees without access to employer sponsored retirement plan by sector**

Sector	Number without access to employer-sponsored retirement plan	Percent of sector group without access to employer-sponsored retirement plan
11 Agriculture, Forestry, Fishing and Hunting	3,489	41%
21 Mining, Quarrying, and Oil and Gas Extraction	1,335	17%
22 Utilities	714	3%
23 Construction	50,124	43%
31-33 Manufacturing	89,894	17%
42 Wholesale Trade	50,005	20%
44-45 Retail Trade	154,112	30%
48-49 Transportation and Warehousing	37,819	19%
51 Information	11,080	12%
52 Finance and Insurance	20,549	8%
53 Real Estate and Rental and Leasing	22,973	46%
54 Professional, Scientific, and Technical Services	80,566	27%
55 Management of Companies and Enterprises	19,391	20%
56 Administrative and Support and Waste Management and Remediation Services	203,818	56%
61 Educational Services	39,628	31%
62 Health Care and Social Assistance	192,950	31%
71 Arts, Entertainment, and Recreation	43,238	70%
72 Accommodation and Food Services	246,240	71%
81 Other Services (except Public Administration)	58,069	53%
<b>Total</b>	<b>1,325,994</b>	

We observe from these estimates that sectors with some of the lowest average monthly earnings—Accommodation and Food Services (\$1,745), Arts, Entertainment, and Recreation (\$2,859), Administrative and Support and Waste Management and Remediation Services

<sup>2</sup> Access rate bases on the 2015 National Compensation Survey constructed by the Bureau of Labor Statistics:  
<http://www.bls.gov/ncs/eps/benefits/2015/ownership/private/table02a.pdf>

(\$2,830)—have the highest percentage likelihood of being without access to an employer-sponsored retirement plan—Accommodation and Food Services (71%), Arts, Entertainment, and Recreation (70%), Administrative and Support and Waste Management and Remediation Services (56%).

At the same time, we observe that sectors with higher monthly earnings—Utilities (\$9,030), Finance and Insurance (\$9,266), Management of Companies and Enterprises (\$8,671)—have similarly lower likelihoods of being without access to an employer-sponsored retirement plan—Utilities (3%), Finance and Insurance (8%), Management of Companies and Enterprises (20%).

Therefore, in Illinois, those that are already at greatest risk for lower personal savings have a built-in lower rate of access to employer-sponsored savings. This discrepancy creates a wider gap in the individual long-term net worth between lower-income earners and higher-income earners—creating an environment for lower-income earners to need more public programming to assist them in retirement and a stronger dependence on social security.<sup>3</sup>

As we dive further into the data, we similarly see divisions along demographic lines in earnings and retirement benefits.

We observe clear earnings differences by worker age. 35-44 year-olds make over three times the monthly wages of their 19-24 year-olds peers—see Table 2.

**Table 2: Number employed and average earnings by age and sex**

Age	Male	Female	Total	Average monthly earnings by age
19-24	216,959	233,973	450,932	\$1,588
25-34	475,822	460,535	936,357	\$3,645
35-44	466,799	426,161	892,961	\$5,374
45-54	467,034	434,247	901,281	\$6,183
55-64	345,817	329,413	675,230	\$5,784
65-99	113,067	105,309	218,377	\$4,014
<b>Total</b>	<b>2,085,499</b>	<b>1,989,638</b>	<b>4,075,137</b>	
Average monthly earnings by sex	\$5,836	\$3,574		

We observe that this discrepancy holds—although not to the same degree—when dealing with employer-sponsored retirement savings plans. For Illinoisans in the youngest age bracket, 40 percent are without a workplace-based option. This rate is the lowest of any age bracket, being roughly ten percentage points lower than 35-44 year-olds (31%) and 45-55 year-olds (30%)—see Table 3.

<sup>3</sup> It is important to note that a number of middle income sectors, Mining, Quarrying, and Oil and Gas Extraction (\$6,642) and Manufacturing (\$5,591) specifically, have lower likelihoods of being without an employer-sponsored option—17% for both. It is not immediately clear what is the cause for the divergent benefits for these sectors, compared to their average monthly income. While union coverage is higher than the national average for Manufacturing (10%) and might be a factor in differing benefits, this is not the case for Mining, Quarrying, and Oil and Gas Extraction (6.5%).

**Table 3: Employees without access to employer sponsored retirement plan by age**

Age	Number without access to employer-sponsored retirement plan	Percent of age group without access to employer-sponsored retirement plan
19-24	179,409	40%
25-34	316,820	34%
35-44	281,119	31%
45-54	272,040	30%
55-64	201,543	30%
65-99	75,063	34%
<b>Total</b>	<b>1,325,994</b>	

In terms of gender, while we do observe a discrepancy between male and female worker access to an employer-sponsored retirement option—with women having a higher likelihood of being without access to an option (34% to 32%)—this access gap is nowhere near the gap in earning—where we see women make 61 percent of what Illinois men make on average monthly.

**Table 4: Employees without access to employer sponsored retirement plan by sex**

Sex	Number without access to employer-sponsored retirement plan	Percent of sex group without access to employer-sponsored retirement plan
Male	658,862	32%
Female	667,132	34%
<b>Total</b>	<b>1,325,994</b>	

In terms of race, we observe a wide discrepancy between average monthly wages for white Illinoisans and those for minority groups—see Table 5. African American Illinoisans make on average 52 percent of what white Illinoisans earn monthly. Hispanic Illinoisans earn just under 59 percent of the average monthly wages of their white counterparts, and Native American residents earn 61 percent.

**Table 5: Number employed and average earnings by race/ethnicity**

Race, non-Hispanic		Average monthly earnings by race / ethnicity
White alone	2,789,611	\$5,257
Black or African American alone	548,886	\$2,748
Asian alone	211,450	\$5,993
American Indian or Alaskan Native alone	7,147	\$3,232
Native Hawaiian or Other Pacific Islander alone	5,224	\$3,548
Two or More Race Groups	31,776	\$3,605
Hispanic, all races	566,729	\$3,096
<b>Total</b>	<b>4,160,823</b>	

We observe a similar gap when it comes to predicted Secure Choice-eligible Illinoisans and access to an employer-sponsored retirement program. For white Illinoisans, we observe 32 percent are without access to workplace-based retirement, whereas that the rate is 35 percent for African Americans, 35 percent for Hispanics, and 37 percent for Native Americans—see Table 6.

**Table 6: Employees without access to employer sponsored retirement plan by race / ethnicity**

Race	Number without access to employer-sponsored retirement plan	Percent of racial / ethnic group without access to employer-sponsored retirement plan
White alone	891,335	32%
Black or African American alone	194,784	35%
Asian alone	65,553	31%
American Indian or Alaskan Native alone	2,611	37%
Native Hawaiian or Other Pacific Islander alone	2,012	39%
Two or More Race Groups	11,384	36%
Hispanic, all races	200,903	35%
<b>Total</b>	<b>1,368,582</b>	

In total, we find that Secure Choice is well positioned to address a widening benefit gap amongst demographic groups that are already marginalized in terms of base pay. Specifically, minority groups, new workers, and low-income workers should benefit most in terms of long-term benefits as a result of the program.

It is recommended that as Secure Choice is implemented, the Secure Choice Board carefully monitors the closing of this benefit gap, in order to accurately measure the impact of the program and the savings on public benefit spending.

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### **Data Overview:**

Employment and earnings data were derived from public-use data sets published by the US Census Bureau's Longitudinal Employer-Household Dynamics (LEHD) program.<sup>4</sup> The LEHD combines state-reported employment and earnings data, with demographic data from the Social Security Administration's Numident database.<sup>5</sup> The universe of the LEHD database comprises uniquely-identified employee-employer pairs—which originate in a given quarter when an employee earns at least one dollar of unemployment insurance-covered wages from the employer during that quarter<sup>6</sup>—See Table 7.

<sup>4</sup> <http://lehd.ces.census.gov/>

<sup>5</sup> Individuals are matched one-to-one across LEHD (employment and earnings) data and SSA Numident data using SSN as a unique identifier. 97% of individuals in the LEHD database have been linked to individuals in the Numident database. See Abowd, J. M., Stephens, B. E., Vilhuber, L., Andersson, F., McKinney, K. L., Roemer, M., & Woodcock, S. (2005). The LEHD infrastructure files and the creation of the Quarterly Workforce Indicators. *US Census Bureau LEHD Program Technical Paper No. TP-2006-01*.

<sup>6</sup> For information on Illinois UI reporting requirements, see [www.ides.illinois.gov/IDES%20Forms%20and%20Publications/CL1106L.pdf](http://www.ides.illinois.gov/IDES%20Forms%20and%20Publications/CL1106L.pdf).

**Table 7: Number employed and average earnings by NAICS sector (Illinois)**

<b>Sector</b>	<b>Number employed</b>	<b>Average monthly earnings by sector</b>
11 Agriculture, Forestry, Fishing and Hunting	8,509	\$3,405
21 Mining, Quarrying, and Oil and Gas Extraction	7,856	\$6,642
22 Utilities	23,791	\$9,030
23 Construction	116,569	\$6,194
31-33 Manufacturing	528,787	\$5,591
42 Wholesale Trade	250,026	\$6,509
44-45 Retail Trade	513,707	\$2,509
48-49 Transportation and Warehousing	199,049	\$4,082
51 Information	92,336	\$6,469
52 Finance and Insurance	256,862	\$9,266
53 Real Estate and Rental and Leasing	49,942	\$5,571
54 Professional, Scientific, and Technical Services	298,392	\$8,083
55 Management of Companies and Enterprises	96,953	\$8,671
56 Administrative and Support and Waste Management and Remediation Services	363,962	\$2,830
61 Educational Services	127,831	\$4,191
62 Health Care and Social Assistance	622,418	\$3,716
71 Arts, Entertainment, and Recreation	61,769	\$2,859
72 Accommodation and Food Services	346,816	\$1,745
81 Other Services (except Public Administration)	109,564	\$3,741
<b>Total</b>	<b>4,075,137</b>	

LEHD public-use data are aggregated to the county level and above. Data are extractable by geography across various firm (e.g., industry, age, size) and employee (e.g., age, sex, race) specifications. The data used in this report were extracted at the state level.

While Secure Choice will only directly impact firms with 25 or more employees, the LEHD firm-size categorization does not allow for the specification of 25+ employees, only 20+ employees. Hence all firms with 20+ employees were included in the universe for this report.

Employment for this project was estimated as the total number of jobs on the first day of the reference quarter. For example, a worker is counted as employed by an employer at the beginning of the 3<sup>rd</sup> quarter of 2015 if she has earnings from that employer in the 2<sup>nd</sup> and 3<sup>rd</sup>

quarters of 2015.<sup>7</sup> The employment numbers reported here are averaged over the beginning-of-quarter counts for 2014 Q4, 2015 Q1, 2015 Q2 and 2015 Q3.

Earnings were estimated from the earnings of workers counted as employed on the first day of the reference quarter.<sup>8</sup> LEHD statisticians calculate average monthly earnings by first summing the quarterly earnings of all beginning-of-quarter employees of a given employer, then dividing by the total number of beginning-of-quarter employees of that employer, and finally dividing by three.

### **Data Documentation<sup>9</sup>:**

In Tables 1, 3, 4 and 6, the estimated numbers of workers currently without **access to an employer-sponsored retirement plan** are calculated using sector-level access rates projected by the Illinois Office of the Treasurer.<sup>10</sup>

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### **About the Authors:**

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<sup>7</sup> This measure is similar to a point-in-time employment count such as the Quarterly Census of Employment and Wages (CESW). For more information, see [http://lehd.ces.census.gov/doc/QWI\\_101.pdf](http://lehd.ces.census.gov/doc/QWI_101.pdf).

<sup>8</sup> [http://lehd.ces.census.gov/doc/QWI\\_101.pdf](http://lehd.ces.census.gov/doc/QWI_101.pdf)

<sup>9</sup> See "Documentation on LEHD Data for Estimating Differential Impact of Secure Choice Illinois" for more-detailed documentation (prepared for IL Office of the Treasurer by University of Chicago Poverty Lab, June 2016).

<sup>10</sup> Based on 2015 National Compensation Survey constructed by Bureau of Labor Statistics, see <http://www.bls.gov/ncs/ebs/benefits/2015/ownership/private/table02a.pdf>.