



SPOTLIGHT: WORKERS IN SMALL BUSINESSES & SOCIAL SECURITY

Today more than 70 million Americans work in private sector firms. Of that number, more than 10 million work in firms with fewer than 100 employees. Generally, the smaller the firm size, the less likely the firm will offer a defined benefit or defined contribution retirement plan to workers. Thus, Social Security benefits are especially important for the retirement income of workers in smaller firms.

Firm Size and Availability of Retirement Plans

According to the Congressional Research Service, only 29.3% of firms with fewer than 25 employees offered retirement plans, compared with 73.5% of firms with more than 100 employees. For firms with 25 to 99 employees, 53.7% of those firms offered retirement plans. Thus, the availability of retirement plans is more limited in smaller firms. In fact, the number of firms with fewer than 99 employees offering plans has declined during the past decade.

Worker Participation in Small Firm Retirement Plans

When employers in small businesses do offer retirement plans, the rate of worker participation in those smaller firms is less than in larger ones. The following chart illustrates firm size, plan sponsorship, and worker participation.

Number of Workers	% with Plans	% of Worker Participation
Fewer than 25	29.3	25.8
25- 99	53.7	45.9
100 or More	73.5	63.6
All Firms	59.0	51.1

In terms of numbers of workers, of the nearly 30 million workers employed in firms with fewer than 99 employees, only 10 million participate in retirement plans. For the remaining 20 million workers, Social Security would be the main, if not the only, retirement system available to them in the workplace. What is more troubling is that while worker participation rates in the plans of smaller firms rose from 1990 to 2000, it has declined to the rates shown above since 2000, according to an analysis by the Congressional Research Service.



Social Security in the Economy

Social Security payments are an important part of the country's economic life, bringing money into large and small businesses. For example, in 2007, the Social Security Trustees projected that all Social Security program payments for 2009 would be \$624.9 billion. In fact, the Trustees later reported that the payments for 2009 were \$675.5 billion, an increase of \$32.6 billion over the earlier projection. Most of this increase, \$24.3 billion, came from retirement benefits payments because more people retired than had been projected in 2007.

During a time of economic recession, like 2009, the availability of Social Security payments not only can reduce the unemployment rate because of retirements, they can also act as a stabilizing force in the economy. In addition, these increased payments come at little cost to taxpayers or the Social Security system because benefits are adjusted according to the age at retirement. So the economic recession affected of the timing benefits take-up, not the cost of lifetime benefits.

Did you know?



In addition to retirement benefits, Social Security provides benefits for workers who become disabled. Smaller firms are less likely to offer private long term disability insurance, which magnifies the importance of the Social Security disability program benefits. The Social Security disability benefits are equivalent to disability insurance worth \$465,000 over a lifetime. In November 2010, disabled worker beneficiaries received an average monthly benefit of \$1,067.



Social Security also provides benefits to the surviving spouses and children of deceased workers. These benefits are especially important for workers whose firms may not provide other insurance benefits. The average monthly benefit for a surviving spouse is \$1,123 and for a surviving spouse with two children it is \$2,391.



Currently, 9 million disabled workers and their dependents receive Social Security benefits and 6.5 million children younger than 18 receive Social benefits as dependents of deceased, disabled or retired workers.

