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News in Brief: [Young Employees Eschew Health Care, 401\(k\)s](#)

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Young Employees Eschew Health Care, 401(k)s

Employers need to think about the long run.

September 6, 2005

Young Employees Eschew Health Care, 401(k)s

As this year's wave of college graduates joins the workforce, employers have to make a more concerted effort to teach them the importance of participating in their companies' 401(k) and health care plans, according to a survey by the Employee Benefit Research Institute.

The survey shows that only 45 percent of employees ages 21 to 24 are covered by their employer's health insurance plan, with 19 percent of those being carried as dependents. Sixty-one percent of workers ages 25 to 34 are covered by health insurance, and 70 percent of workers ages 35 to 44 are covered, the study shows.

"I think employers need to reach out to younger workers and explain that health insurance isn't just about getting sick," says Paul Fronstin, director of the health research program at the Employee Benefit Research Institute. "It's about insurance. Anyone can get hit by a bus." Fronstin says that most employers want to cover young workers because they are generally healthy, and by adding them to the plan the costs are spread over a larger group of employees and thus the average health care costs per person are lower.

The research shows that young employees' participation in their companies' 401(k) programs is even worse. Only 9 percent of workers ages 21 to 24 participate in their 401(k) plans, versus 29 percent of workers 25 to 34 and 34 percent of workers 35 to 44.

"Employers need to think about the long run," Fronstin says. "If 30 to 40 years from now we end up with a lot of people retiring poor, the implications for employers could mean new mandates and higher taxes."

—[Jessica Marquez](#)

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