



PROGRAM

VOL. 2, ISSUE 1

PERSPECTIVES

FEBRUARY 2010

ON BENEFITS BY WAGE LEVEL

Survey finds that employer-provided benefits vary with earnings

The Bureau of Labor Statistics National Compensation Survey: Employee Benefits in the United States, March 2009, shows that workers in low-paid jobs have lower access to employer-provided benefits, when compared with access availability for workers in high-paid jobs. This issue of *Program Perspectives*—the first featuring 2009 data—examines this difference between low-wage and high-wage earners for several individual benefits.

Retirement

Data on retirement plans are provided for both defined-contribution and defined-benefit plans. Defined-contribution plans, such as 401(k) plans, are those for which the method of determining the employer contribution is known but the actual benefit is unknown. Defined-benefit plans, such as traditional pension plans, provide a guaranteed benefit based on a formula.

Thirty-one percent of civilian workers in the lowest 10 percent of the national earnings range had access to defined-contribution retirement plans, compared with 68 percent of workers in the highest 10-percent earnings category. This pattern continues for actual participation in a defined-contribution retirement plan, where 13 percent of the lowest paid workers participated, compared with 55 percent for the highest paid workers. These lower access and participation rates for lower-wage workers mean such workers are less likely to take advantage of defined-contribution plans. The take-up rate (the percentage of workers with access to a plan who participate in the plan) for such plans was 40 percent among the lowest paid workers, compared with 80 percent among the highest paid workers.

continued inside ►

NATIONAL COMPENSATION SURVEY

www.bls.gov/ebs

Benefit Series

HEALTH

PAID LEAVE

RETIREMENT

BY WAGE LEVEL

SICK LEAVE

DEFINED-BENEFIT PLANS

DEFINED-CONTRIBUTION PLANS

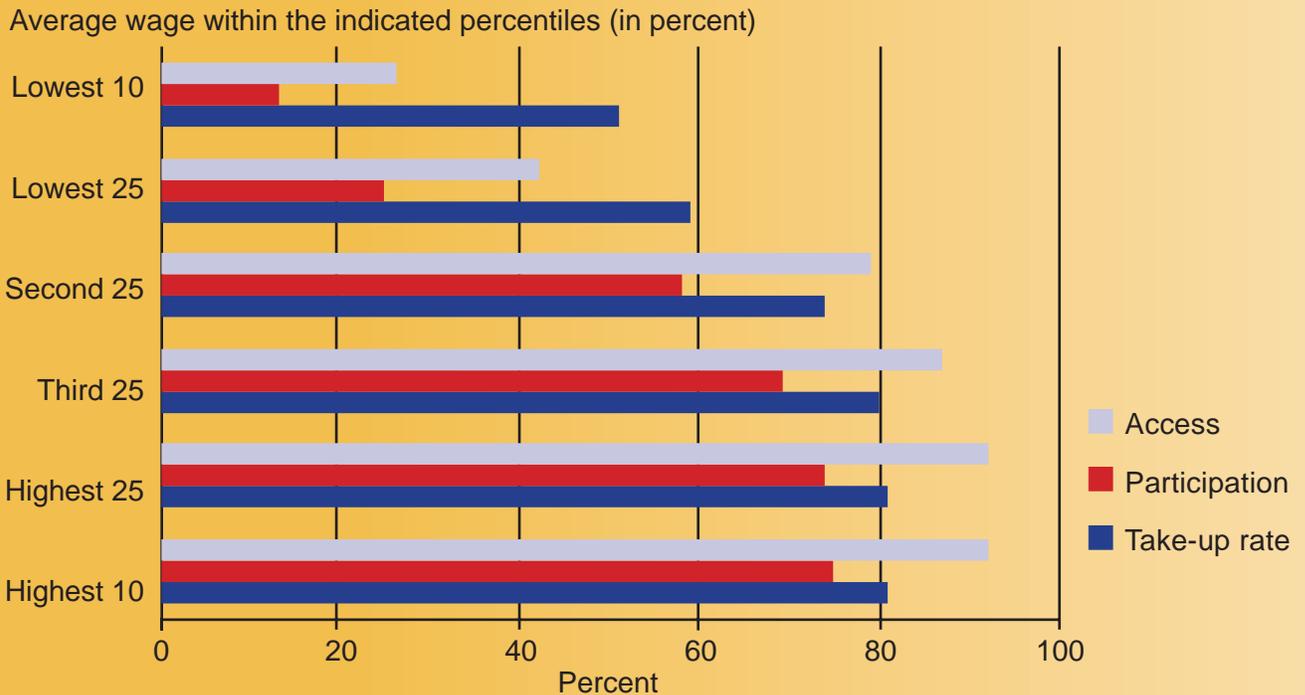
COMBINED BENEFITS

FEE-FOR-SERVICE PLANS

LIFE/DISABILITY INSURANCE

CHART 1

Medical care benefits, civilian workers, National Compensation Survey, March 2009



from cover page ▶

One likely reason for the lower defined contribution take-up rates for lower-wage workers is that such plans frequently require employee contributions. Seventy-two percent of workers in the lowest wage category were required to contribute, compared with 66 percent for the highest wage earners. Employee contributions were usually from pretax earnings—87 percent of the lowest wage earners and 81 percent for the highest wage earners were in plans with such a feature.

Similar patterns exist for defined-benefit retirement plans. Six percent of workers in the lowest wage category had access to defined-benefit plans, compared with 54 percent of workers in the highest wage category.

For participation, 4 percent at the low end participated, while 51 percent at the high end took advantage of the defined-benefit plans offered. Take-up rates were 69 percent for workers in the lowest wage category and 95 percent in the highest category. (See table 1.)

Access to healthcare

Access to healthcare benefits, along with participation and take-up rates, generally followed the pattern shown for retirement benefits—that is, workers with low earnings had low access rates, and workers with high earnings had high access rates. Medical care benefits were available to 26 percent in the lowest wage category, compared with 92 percent in the highest wage category. (See chart 1.) Typically, dental and

outpatient prescription drug coverage were not offered to employees in the lowest wage category but were offered to a majority of employees in the highest wage category. Only vision care was provided to a minority of employees in both low- and high-wage categories (10 percent and 44 percent, respectively).

Healthcare premium costs

The survey also presents data on the share of medical care premiums paid by the employer and employee, and analysis shows that the higher-paid workers paid a smaller proportion of their premium. For single coverage, employers contributed 85 percent of the cost for high-paid workers and 75 percent for the lowest paid. Comparable contributions for family

coverage were 76 and 61 percent.

In medical care plans requiring employee contributions, the information in table 2 shows, in dollars and cents, the difference in employers' and employees' average medical premium contributions for high- and low-paid workers. For example, for single coverage, workers in the top 10 percent of the earnings range paid about \$11 a month less than the lowest paid workers (\$85.47 compared with \$96.89), and the employer contributed nearly \$100 a month more for the highest paid over the lowest paid (\$344.14 compared

with \$248.09). The family coverage estimates provide a starker difference in employer contributions based on earnings, where the monthly worker contribution was about \$60 less for the high paid over the low paid (\$319.72 compared with \$379.53), while the employer contributed an average of about \$280 a month more for the high paid (\$843.06 compared with \$560.24). (See table 2.)

Life insurance

The pattern of low access rates and low participation rates for low-paid workers, and conversely, high

access rates for high-paid workers, also applied to life insurance benefits. Among those with access to a life insurance plan, most did not have to contribute to receive the benefit. Eleven percent for the lowest wage earners and 6 percent for the highest wage earners had to contribute. Most plans determined payout amounts as either a multiple of earnings or a flat-dollar amount. (See table 3.) Plans that offered a multiple of earnings were similar—1.3 times annual earnings for low-wage earners

continued on back page ►

TABLE 1

Access, participation, and take-up rates for defined-contribution and defined-benefit plans and employee contributions for defined-contribution plans, civilian workers, National Compensation Survey, March 2009

Wage earner category	Defined-contribution plans (in percent)					Defined-benefit plans (in percent)		
	Access rate	Participation rate	Take-up rate	Employee contributions required	Employee contributions from pre-tax earnings	Access rate	Participation rate	Take-up rate
Low	31	13	40	72	87	6	4	69
High	68	55	80	66	81	54	51	95

TABLE 2

Access rates, employer share of premiums, and average monthly premium costs for employees and employers for health benefits, civilian workers, National Compensation Survey, March 2009

Wage earner category	Access rates (in percent)				Employer share of premium (in percent)		Average monthly premium contributions in plans requiring employee contributions			
	Medical care	Dental coverage	Outpatient prescription drug coverage	Vision care	Single coverage	Family coverage	Single coverage		Family coverage	
							Employee	Employer	Employee	Employer
Low	26	14	24	10	75	61	\$96.89	\$248.09	\$379.53	\$560.24
High	92	70	91	44	85	76	85.47	344.14	319.72	843.06

GLOSSARY

Access. An employee has access to a benefit plan if the employee is in an occupation that is offered the plan. By definition, either all employees in an occupation have access to a benefit, or none has access. Access is the measure used for leave benefits (vacation, holidays, and sick leave). If a plan exists, the participation/access defaults to 100 percent, even though not all employees may be eligible or actually use the benefit.

Civilian workers. Civilian workers include those in private industry and in State and local governments. The survey excludes agricultural establishments, private household workers, the self-employed, and Federal Government workers.

Participation. Participation is the percent of employees who actually enroll in a benefit plan. A plan may be a contributory plan, which requires employees to contribute to the plan's cost to participate, or it may be a noncontributory plan, where the employer pays 100 percent of the cost of the benefit.

Take-up rate. The take-up rate is the percentage of workers with access to a plan who participate in the plan.

Defined-benefit plan. A defined-benefit retirement plan provides employees with guaranteed retirement benefits that are based on a benefit formula. A participant's retirement age, length of service, and preretirement earnings may affect the benefit received.

Defined-contribution plan. A defined-contribution retirement plan specifies the level of employer contributions and places those contributions into individual employee accounts. Retirement benefits are based on the level of funds in the account at the time of retirement.

TABLE 3

Access rates for life insurance, holidays, and vacations; and related items for life insurance, civilian workers, National Compensation Survey, March 2009

Percentile (in percent)	Access rates (in percent)			Life insurance		
	Life insurance	Holidays	Vacations	Employee contribution required (in percent)	Payout level determinant (in percent)	
					Multiple of earnings	Flat-dollar amount
Lowest 10	17	37	43	11	45	46
Lowest 25	32	54	56	9	48	47
Second 25	66	84	83	7	51	43
Third 25	74	89	88	6	53	41
Highest 25	82	80	77	5	58	33
Highest 10	84	77	74	6	60	33

from page 3 ►

and 1.5 times annual earnings for high-wage earners.

Holidays and vacations

Access to holidays and vacations followed the same pattern for low-paid workers, but deviated slightly for workers at the upper end of the earnings range. For example, civilian workers in the

second 25 percent category had higher access rates for holidays and vacations than those in the highest 25 percent. (See table 3.)

Full results of the March 2009 benefits survey can be accessed at www.bls.gov/ebs/benefits/2009/ebb10044.pdf.

For information about wage percentiles, see www.bls.gov/ncs/ncswage2008.htm. ●

The next *Program Perspectives* will feature sick leave.

For additional assistance on benefits, contact one of our information offices:

NATIONAL: WASHINGTON, DC



(202) 691-6199



TDD: (800) 877-8339



NCSinfo@bls.gov



www.bls.gov/ebs

REGIONAL:
ATLANTA
(404) 893-4222

BOSTON
(617) 565-2327

CHICAGO
(312) 353-1880

DALLAS
(972) 850-4800

KANSAS CITY
(816) 285-7000

NEW YORK
(646) 264-3600

PHILADELPHIA
(215) 597-3282

SAN FRANCISCO
(415) 625-2270

