



PROGRAM

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PERSPECTIVES

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ON DEFINED CONTRIBUTION PLANS

BLS examines popular 401(k) retirement plans

One of the most significant changes to American worker benefits in recent years is the change in employer-provided retirement plans, most notably the wide-spread movement towards defined contribution plans, such as 401(k) and 403(b) that have occurred in private industry and to a lesser extent, in State and local government. Defined contribution plans are retirement plans that specify the level of employer contributions, if any, and place those contributions in individual accounts. The value of an individual account is determined by the amount of money contributed and the rate of return on the money invested over time.

Changes in the availability and usage of defined contribution plans can be measured by access and participation rates. An employee has access to a defined contribution plan if the employee is in an occupation that is offered the plan. In March 2010, 59 percent of private industry workers had

access to a defined contribution retirement plan. Participation is the percent of employees who actually enroll in a benefit plan. In March 2010, 41 percent of private industry workers participated in a defined contribution retirement plan. In comparison, State and local government workers had a 29-percent access rate to a defined contribution retirement plan and a 17-percent participation rate. State and local government workers typically have higher access to and participate in defined benefit retirement plans, as compared with defined contribution plans.

Data in this report are from the *National Compensation Survey: Employee Benefits in the United States, March 2010*, (on the Internet at www.bls.gov/ncs/ebs/benefits/2010 and www.bls.gov/news.release/pdf/ebs2.pdf). This survey produces comprehensive data on the incidence (the percentage of workers with access to and participation in employer-provided

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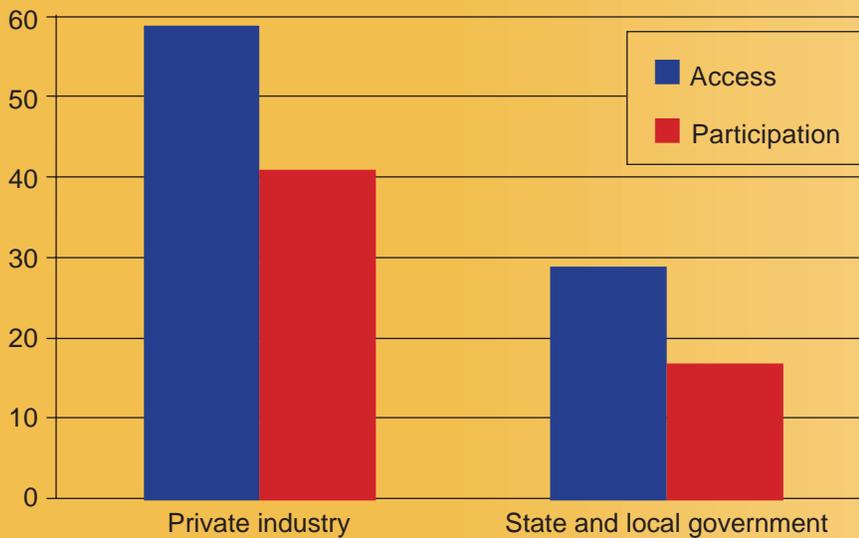
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CHART

Access and participation rates to defined contribution retirement plans, National Compensation Survey, March 2010, in percent



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benefit plans) and provisions of selected employee benefit plans. In this edition of *Program Perspectives*, defined contribution plans will be the focal point.

Information by worker characteristics

Are there differences in coverage between full- and part-time workers? Not surprisingly, access and participation rates for defined contribution plans showed a sharp discrepancy between full-time and part-time private industry workers. Sixty-eight percent of full-time workers had access to defined contribution plans, as compared with 33 percent of part-time workers. The participation rate was 50 percent for full-time

workers and 15 percent for part-time workers. (See table 1.)

Do access and participation rates for State and local government workers display similar relationships? Yes, but at lower relative percentage rates. Access rates for full-time workers were 33 percent, compared with 9 percent for part-time workers. Participation rates for State and local government workers were 19 percent for full-time workers, compared with 5 percent for part-time workers.

What is the difference in access and participation rates for union and nonunion private industry workers? Union workers had an access rate of 55 percent, compared with 59 percent of nonunion workers. Despite this difference, the participation rate for union workers was 44 percent, above the 41 percent for

nonunion private industry workers.

Do these private industry patterns carry over for State and local government union and nonunion workers? Yes, the results were similar, as State and local government union workers had a 26-percent access rate to defined contribution plans, compared with 32 percent for nonunion workers. However, State and local governments had higher participation rates for nonunion workers, as compared with union workers in defined contribution plans.

Do access and participation rates in defined contribution plans increase as wages increase? For workers in the lowest 10-percent wage category, the access rate for private industry was 27 percent, and participation was 8 percent. These numbers steadily increased for higher wage categories, reaching an access rate of 81 percent and 68 percent participation at the highest 10-percent level. State and local government workers access and participation for the lowest 10-percent wage category were 20 and 12 percent, respectively; 32 percent of workers in the highest 10-percent wage category had access to defined contribution plans, while 19 percent participated in such plans.

Information by establishment characteristics

Does incidence vary by establishment size for defined contribution plans? Defined

contribution access and participation rates for private industry establishments with 1 to 99 workers were lower than rates for establishments with 100 workers or more. Access and participation rates for establishments with 1 to 99 workers were 47 and 31, respectively, compared with 72 and 54 for the larger establishments with 100 workers or more.

Does geographic location affect the incidence of defined contribution plans for private industry workers? Access to defined contribution plans ranged from 54 percent in the Pacific division to 63 percent in the West North Central division. Participation ranged from 38 percent in the Pacific and East South Central divisions to 46 percent in the West North Central division.

Employee contribution required

Are most employees required to contribute to their defined contribution plans? Yes, employee contribution data are presented in table 2 and shows that for private sector workers, employee contributions were required 63 percent of the time. This compares with 58 percent of the time for State and local government employees. Data also exists for the comparison of full- and part-time workers. Sixty-three percent of full-time private sector workers required a contribution for their defined contribution plans, compared

with 58 percent of State and local government workers. Fifty-nine percent of unionized private industry workers required employee contribution for defined contribution plans, higher than the 43 percent for State and local government workers.

Information by industry sector and ownership

Does the type of industry have an impact upon defined contribution rates for access and participation? For goods-producing industries,

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TABLE 1

Access and participation rates in defined contribution plans, National Compensation Survey, March 2010, in percent

Worker or establishment characteristic	Private industry		State and local government	
	Access rate	Participation rate	Access rate	Participation rate
By industry sector				
Goods-producing	65	49	—	—
Service-providing	58	40	29	17
By wage category				
Lowest 10th	27	8	20	12
Highest 10th	81	68	32	19
By full-/part-time status				
Full-time	68	50	33	19
Part-time	33	15	9	5
By bargaining unit status				
Union	55	44	26	13
Nonunion	59	41	32	20
By establishment size				
1-99 workers	47	31	26	19
100 workers or more	72	54	30	16
By geographic area				
New England	58	43	8	6
Middle Atlantic	59	44	20	10
East North Central	59	42	35	14
West North Central	63	46	32	24
South Atlantic	62	42	46	19
East South Central	56	38	25	15
West South Central	59	39	24	18
Mountain	62	42	21	15
Pacific	54	38	26	23

NOTE: Dash indicates no workers in this category, or data did not meet publication criteria.

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.

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.

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 2

Percent of employees in defined contribution plans required to contribute, National Compensation Survey, March 2010

Worker or establishment characteristic	Private industry	State and local government
All workers	63	58
By full-/part-time status		
Full-time	63	58
Part-time	56	62
By bargaining unit status		
Union	59	43
Nonunion	63	66

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defined contribution private industry worker access rates were 65 percent, with a participation rate of 49 percent. For private industry workers in service-providing industries, the access rate for defined contribution plans was 58 percent, and the participation rate was 40 percent. In comparison, for State and local government workers in service-providing industries, the access rate for defined contribution

plans was 29 percent, and the participation rate was 17 percent.

Defined contribution access and participation vary by government ownership. The defined contribution access rate for State government workers was 43 percent, and the participation rate was 25 percent. Local government workers had lower access and participation rates in defined contribution plans, at 24 percent and 14 percent, respectively. ●

The next *Program Perspectives* will feature **life/disability insurance**.



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