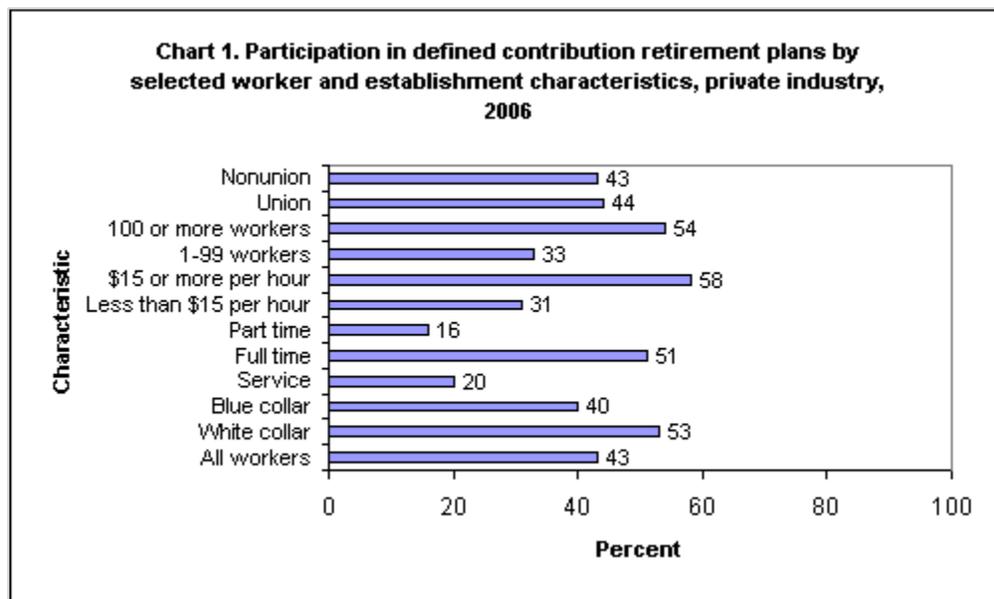


Access, Participation, and Take-up Rates in Defined Contribution Retirement Plans among Workers in Private Industry, 2006

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Employee participation rates for defined contribution retirement plans vary widely among groups of workers and their employers, primarily reflecting how frequently the employers provide access for employees to participate in these plans. Anyone reading the business section of one of the Nation’s major newspapers over the last several years is likely to be aware of the shift that is currently taking place in American private sector employer-provided retirement plans. The transition continues toward less reliance on [defined benefit plans](#) and a much greater emphasis on [defined contribution plans](#).¹ In 1992-93, 32 percent of workers in private industry participated in a defined benefit plan while 35 percent participated in a defined contribution plan.² According to the 2006 [National Compensation Survey benefits data](#),³ the participation rate for private industry workers in defined benefit plans has decreased to 20 percent, while participation in defined contribution plans has increased to 43 percent. As can be seen in chart 1, however, the employee participation rates in defined contribution retirement plans vary widely across worker and establishment characteristics.



The chart also shows that more than half of all workers in white-collar occupations, higher paying jobs (\$15 or more per hour), and those in large establishments (100 or more workers) participate in defined contribution retirement plans. In contrast, 16 percent of part-time workers and 20 percent of workers in service occupations participate in such retirement plans.

Two other statistics that give additional insight to participation rates are *access rates* and *take-up rates*. Access rates measure the proportion of employees who work for employers who offer them a retirement plan. Take-up rates measure the proportion of employees among those with access who choose to enroll in the plans.⁴ Take-up rates differ from participation rates because they reflect the elections of only those workers who actually have access to a retirement plan. Participation rates reflect the status of all workers, including those without access to a retirement plan.

National Compensation Survey data demonstrate that the differences observed in participation rates for defined contribution plans are due more to access rates than to take-up rates. This is true across worker characteristics. While access rates vary

widely among groups of workers, take-up rates are consistently robust. Greater variability in access produces greater variation in participation rates.

Table 1 shows the consistently robust take-up rates and the large differences among worker characteristics in access rates. From a low of 65 percent for service workers and part-time workers to a high of 86 percent for union workers, the data show that if offered a defined contribution retirement plan, the vast majority of private industry workers will opt to enroll. In contrast to the consistently high rate of take-up rates, access rates differ considerably. While only 25 percent of part-time workers have access, 63 percent of full-time workers and 70 percent of workers in establishments of 100 or more workers have access to defined contribution retirement plans.

Access rates have a large impact on participation rates. For example, although workers in small and large establishments elect to enroll in defined contribution plans at similar rates, about half of workers in establishments employing 100 or more workers participate in a plan, compared with about one-third of those in smaller establishments. These differences largely reflect the access rates of workers in the two establishment size classes. (See table 2.)

Workers in lower wage jobs appear to be at a disadvantage when it comes to saving for retirement. According to the report from the Department of Labor's 2006 National Summit on Retirement Savings, not only do lower wage workers generally have less access to defined contribution retirement plans, they also tend to have less money available for savings. The report states that when "low-income workers receive their paychecks, many have already committed all or most of the money to covering [their] day-to-day expenses. Making savings a spending priority by setting aside money in a personal retirement account seems next to impossible."⁵

The apparent disadvantage that workers in lower wage jobs face is exacerbated by the fact that many of the plans offered to them require an employee contribution in order to receive the employer contribution. In 2003, 85 percent of workers in jobs paying less than \$15 per hour and who participated in a defined contribution retirement plan were enrolled in plans that required an employee contribution.⁶

Union workers generally have greater access to most kinds of employer-provided benefits than nonunion workers. One exception is in access to defined contribution retirement plans. Only 50 percent of union workers have access to defined contribution plans, compared with 55 percent of nonunion workers. An explanation for this is that union workers have a long history of maintaining access to defined benefit plans as their primary form of retirement plan. Defined benefit plans predate defined contribution plans by almost a century. When defined contribution plans began to appear, union workers already enjoyed widespread access to and participation in defined benefit plans.

Because many of the worker characteristics are interrelated, the effects that one worker or establishment characteristic might have in depressing or amplifying the access rate in other characteristics were examined. Part-time workers are more prevalent in service occupations, lower wage jobs, and smaller establishments than they are in white-collar and blue-collar occupations, higher wage jobs, and larger establishments. Also, because part-time workers experience the lowest access to defined contribution retirement plans, access rates were compared using only full-time workers as a method to control for work schedule status. The differences diminished but remained quite noticeable. (See table 3.)

The access rate for full-time workers in lower wage jobs was higher (53 percent) than the access rate for all workers in lower wage jobs (43 percent), but it still trailed the access rate for full-time workers in higher wage jobs (72 percent) by a substantial margin. Similarly, at 50 percent, the access rate for full-time workers in small establishments also was higher than the rate for all workers in small establishments, but it still trailed the access rate for full-time workers in larger establishments. Thus, this analysis concludes that while the various characteristics are interrelated, the interrelation does not appear to obscure the basic differences observed in access rates.

NOTE: Standard errors have not been calculated for NCS benefits estimates. Consequently, none of the statistical inferences made in this report could be verified by a statistical test.

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Notes

1 For more information on defined benefit plans and defined contribution plans, see BLS Glossary, available on the Internet at <http://www.bls.gov/bls/glossary.htm#D>.

2 See Stephanie L. Costo, "Trends in retirement plan coverage over the last decade," *Monthly Labor Review*, February 2006; available on the Internet at <http://www.bls.gov/opub/mlr/2006/02/art5full.pdf>.

3 *National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2006*, Summary 06-05 (Bureau of Labor Statistics, August 2006); available on the Internet at <http://www.bls.gov/ncs/ebs/sp/ebsm0004.pdf>.

4 Take up rates from the NCS equal the ratio of employees in surveyed jobs who participate in plans to the employees in surveyed jobs who are offered the plan. Some surveyed jobs are not offered the plan because all workers in the job are ineligible for reasons such as part-time work schedules. Other estimates of take-up rates generally are calculated for the entire establishment reflecting the ratio of all workers in the establishment who participate in the plan to the number who are eligible for the plan.

5 *Saving for Your Golden Years: Trends, Challenges, and Opportunities*, report from the Department of Labor National Summit on Retirement Savings, March 2006; available on the Internet at <http://www.dol.gov/ebsa/pdf/2006background.pdf>.

6 See *National Compensation Survey: Employee Benefits in Private Industry in the United States, 2003*, Bulletin 2577 (Bureau of Labor Statistics, October 2005), table 59, p. 74; available on the Internet at <http://www.dol.gov/ncs/ebs.sp/ebbl0021.pdf>.

Table 1: Access and take-up rates for defined contribution retirement plans among workers in private industry, National Compensation Survey, 2006
[In percent]

Characteristic	Access	Take-up Rate
All Workers	54	79
White Collar	65	82
Blue Collar	53	77
Service	30	65
Full time	63	80
Part time	25	65
Less than \$15 per hour	43	71
\$15 per hour or more	69	85
1-99 workers	41	81
100 or more workers	70	77
Union	50	86
Nonunion	55	78

Table 2: Take-up, access, and participation rates in defined contribution retirement plans by establishment size, National Compensation Survey, 2006
[In percent]

Size of Establishment	Take-up Rate	Access Rate	Participation Rate
1-99 workers	81	41	33
100 or more workers	77	70	54

Table 3: Participation, access and take-up rates for defined contribution retirement plans among full-time workers in private industry, National Compensation Survey, 2006
[In percent]

Characteristic	Participation	Access	Take-up
All Workers	51	63	81
White Collar	60	72	83
Blue Collar	44	57	77
Service	30	45	67
Less than \$15 per hour	39	53	74
\$15 per hour or more	61	72	85
1-99 workers	42	50	84
100 or more workers	59	75	79
Union	47	55	85
Nonunion	51	64	80

Data for Chart 1. Participation in defined contribution retirement plans by selected worker and establishment characteristics, private industry, 2006

Characteristic	Participation
All workers	43
White collar	53
Blue collar	40
Service	20
Full time	51
Part time	16
Less than \$15 per hour	31
\$15 or more per hour	58
1-99 workers	33
100 or more workers	54
Union	44
Nonunion	43