



**Congressional  
Research Service**

Informing the legislative debate since 1914

---

# Worker Participation in Employer-Sponsored Pensions: A Fact Sheet

**John J. Topoleski**  
Analyst in Income Security

March 26, 2014

**Congressional Research Service**

7-5700

[www.crs.gov](http://www.crs.gov)

R43439

This fact sheet provides data on the percentage of American workers who have access to and who participate in employer-sponsored pension plans. The data are from the National Compensation Survey (NCS), which is conducted by the Bureau of Labor Statistics (BLS).<sup>1</sup> The NCS provides data on occupational earnings and the availability of employee benefits among U.S. workers.

## Worker Participation in Employer-Sponsored Pensions

A pension is a voluntary benefit offered by some employers in which employees and employers defer current wages to receive income in retirement. Pension plans that meet the requirements specified in the Internal Revenue Code are called qualified plans and receive specified tax advantages.<sup>2</sup> Employers may offer two types of pension plans: defined benefit (DB) plans or defined contribution (DC) plans. (Some employers offer both.) DC pension plans are more common than DB pension plans.

In DB pension plans, participants receive monthly payments in retirement that are based on a formula that typically uses a combination of length of service, accrual rate, and average of final years' salary. For example, a plan might specify that retirees receive an amount equal to 1.5% of their pay for each year of service, where the pay is the average of a worker's highest five years pay.<sup>3</sup>

In DC plans—of which 401(k) plans, 403(b) plans, 457(b) plans, and the Thrift Savings Plan (TSP) are the most common—workers contribute a percentage of their wages to an individual account established by the employer. Employers may also contribute a match to the DC plan, which is an additional contribution equal to some or all of the worker's contribution. The account accrues investment returns and is then used as a basis for income in retirement.<sup>4</sup>

**Table 1** contains both access and participation rates separately for workers in DB and DC plans (and for either plan). BLS indicates that employees are considered to have access to a benefit plan if it is available for their use and are considered participants if they have fulfilled any applicable service requirements.

Not all workers who have access to a pension plan at work participate in the plan. In addition, the percentage of workers who participate in plans to which they have access differs between DB and DC plans. The take-up rate is defined as the percentage of workers who participate in a plan to which they have access. Because most DB plans are funded entirely from employer contributions,

---

<sup>1</sup> The webpage for the NCS is <http://www.bls.gov/ncs/home.htm>.

<sup>2</sup> For example, a pension plan is qualified if it meets Internal Revenue Code requirements with respect to plan participation, vesting of benefits, and distribution of benefits. See 26 U.S.C. § 401(a). Qualified plans are eligible for favorable tax treatment, such as deferred taxes on contributions and earnings.

<sup>3</sup> A worker with 20 years of service covered by a DB plan that has accrual rate of 1.5% that is based on an average of the worker's highest five years of salary of \$50,000 would receive a pension benefit of  $\$50,000 \times 20 \times .015 = \$15,000$  per year.

<sup>4</sup> Except for the TSP, which is sponsored by the federal government, the plans are named for the section of the Internal Revenue Code that authorizes the plan. Private-sector employers sponsor 401(k) plans, public school systems and non-profit organizations sponsor 403(b) plans, and state and local governments sponsor 457(b) plans. For more information, see <http://www.irs.gov/Retirement-Plans/Plan-Sponsor/Types-of-Retirement-Plans-1> or CRS Report R40707, *401(k) Plans and Retirement Savings: Issues for Congress*, by John J. Topoleski.

among workers that have access to a DB plan, the take-up rate is 93%.<sup>5</sup> Among workers that have access to a DC plan, the take-up rate is 69%. Among the reasons for the lower take-up rates for DC plans compared with DB plans are the following: (1) until recently, workers had to make an active decision to participate in DC plans, which meant that workers might delay (and eventually forget about) the decision to participate<sup>6</sup> and (2) because DC plans are at least partially funded by employee contributions, some workers might prefer to receive the money as current wages rather than delay the income until they retire.<sup>7</sup>

The data in **Table 1** are classified by a variety of attributes that highlight differences in pension plan participation rates among workers. Key distinctions in the data include

- A greater percentage of *full-time* workers participate in pension plans compared with *part-time* workers. Among full-time civilian workers, 65% participate in a pension plan; among part-time civilian workers, 21% participate in a pension plan.<sup>8</sup>
- A greater percentage of *public-sector* workers participate in pension plans compared with *private-sector* workers. Public-sector workers are more likely to participate in DB pension plans whereas private-sector workers are more likely to participate in DC pension plans.<sup>9</sup>
- Participation rates increase as workers' wages increase. For example, 18% of private-sector workers in occupations with the *lowest 25% of average wages* participate in employer-sponsored pensions whereas 75% of workers in occupations in the *highest 25% of average wages* do.
- Participation rates increase as the size of workers' firms increase. For example, 32% of private-sector workers in *firms with less than 50 employees* participate in employer-sponsored pensions whereas 76% of workers in *firms with 500 or more employees* do.

---

<sup>5</sup> The access rate for civilian workers in DB plans is 28% and the participation rate is 26%, which means that 93% (or 26% / 28%) of workers participate in a DB plan to which they have access. U.S. Department of Labor (DOL) data in 2011 indicated that among private-sector workers who participated in DB plans, 4% were required to make an employee contribution to the plans. Among public-sector workers who participated in DB plans, 79% were required to make a contribution to their DB pension plans. See U.S. Department of Labor and U.S. Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States, March 2011* (Bulletin 2771), September 2011, at <http://www.bls.gov/ncs/ebs/benefits/2011/ebbl0048.pdf>.

<sup>6</sup> An increasing number of DC plans have automatic enrollment, in which new participants are deemed to participate in the DC plan to which they have access to unless they opt-out of the plan. Evidence suggests that about 10% of employees opt-out of automatic enrollment DC plans. See, for example, WorldatWork and the American Benefits Institute, *Trends in 401(k) Plans and Retirement Rewards*, March 2013, <http://www.worldatwork.org/waw/adimLink?id=71489>.

<sup>7</sup> Workers who do not participate in DC plans for which they are eligible lose (1) the tax benefits from saving in a 401(k) plan and (2) any up potential employer match to the employee's contributions. See, for example, James J. Choi, David Laibson, and Brigitte C. Madrian, "\$100 Bills on the Sidewalk: Violations of No-Arbitrage in 401(k) Accounts," *The Review of Economics and Statistics*, vol. 93, no. 3 (August 2011), pp. 748-763.

<sup>8</sup> Civilian workers are defined by BLS as all private industry and state and local government workers. Federal government, military, and agricultural workers are excluded. See <http://www.bls.gov/bls/glossary.htm#C>.

<sup>9</sup> Public-sector workers in the NCS refer to state and local government workers. Nearly all federal civilian employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). For more information, see CRS Report 98-810, *Federal Employees' Retirement System: Benefits and Financing*, by Katelin P. Isaacs.

**Table I. Access and Participation Rates in Employer-Sponsored Pension Plans**

		Either Defined Benefit or Defined Contribution		Defined Benefit		Defined Contribution		
		Access	Participation	Access	Participation	Access	Participation	
Civilian Workers <sup>a</sup>	All workers	68%	54%	28%	26%	55%	38%	
	Full time	78%	65%	34%	31%	63%	46%	
	Part time	37%	21%	12%	9%	29%	14%	
Private-Sector <sup>b</sup> Workers	All workers	64%	49%	19%	16%	59%	42%	
	Full-time	74%	59%	22%	19%	69%	51%	
	Part-time	37%	20%	9%	7%	31%	15%	
	Union	94%	86%	72%	68%	55%	44%	
	Nonunion	61%	45%	13%	11%	60%	42%	
	Average Wage of Occupation							
		Lowest 25%	38%	18%	6%	4%	34%	15%
	Second 25%	65%	47%	13%	11%	61%	42%	
	Third 25%	75%	62%	24%	21%	69%	52%	
	Highest 25%	85%	75%	35%	32%	79%	66%	
Number of Employees at Place of Employment								
	1 to 49	45%	32%	7%	6%	43%	30%	
	50 to 99	63%	43%	11%	10%	58%	38%	
	100 to 499	79%	58%	21%	18%	72%	50%	
	500 workers	87%	76%	46%	41%	78%	61%	

		Either Defined Benefit or Defined Contribution		Defined Benefit		Defined Contribution	
		Access	Participation	Access	Participation	Access	Participation
State and Local <sup>c</sup> Government Workers	All workers	89%	85%	83%	78%	32%	15%
	Full time	99%	94%	92%	87%	36%	17%
	Part time	39%	35%	36%	33%	9%	4%
	State government	93%	87%	86%	78%	43%	22%
	Local government	88%	84%	82%	78%	28%	13%

**Source:** March 2013 National Compensation Survey (NCS). Data on civilian workers are available at <http://www.bls.gov/ncs/ebs/benefits/2013/ownership/civilian/table02a.htm>; private-sector workers at <http://www.bls.gov/ncs/ebs/benefits/2013/ownership/private/table02a.htm>; and state and local government workers at <http://www.bls.gov/ncs/ebs/benefits/2013/ownership/govt/table02a.htm>.

**Notes:** Definitions are available in the Glossary of Employee Benefit Terms available at <http://www.bls.gov/ncs/ebs/glossary20122013.htm> and BLS Information Glossary at <http://www.bls.gov/bls/glossary.htm#C>.

- a. Defined by BLS as all private industry and state and local government workers, excluding federal government, military, and agricultural workers.
- b. Referred to in the NCS as private-industry workers, excluding agricultural workers and private households.
- c. Referred to in the NCS as public-sector workers, excluding federal workers.

## **Author Contact Information**

John J. Topoleski  
Analyst in Income Security  
jtopoleski@crs.loc.gov, 7-2290