

# Worker Participation in Employer-Sponsored Pensions: Data in Brief and Recent Trends

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## Worker Participation in Employer-Sponsored Pensions: Data in Brief and Recent Trends

This report provides data on the percentage of U.S. workers who have access to, and who participate in, employer-sponsored pension plans. The data are from the National Compensation Survey (NCS), conducted by the Bureau of Labor Statistics (BLS). Employers may offer either or both of two types of pension plans: defined benefit (DB) plans or defined contribution (DC) plans. In DB pension plans, participants receive monthly payments in retirement based on a formula that typically uses either (1) a combination of length of service, accrual rate, and average of final years' salary or (2) a flat dollar amount times the number of months or years the employee worked in the plan. In DC plans—of which 401(k) plans, 403(b) plans, 457(b) plans, and the federal government's Thrift Savings Plan (TSP) are the most common—workers contribute a percentage of their wages to individual accounts established by the employers. Access to DC plans has increased across worker groups over the past several decades, while access to DB plans has decreased. In March 2023, over 70% of all U.S. workers had access to employer-sponsored pensions, and 56% of U.S. workers participated in employer-sponsored pensions. Access and participation rates vary with various worker attributes such as whether the workers are full-time or part-time, whether they work in the private or public sector, and whether or not they belong to a union. The data also classify access and participation rates by the average wages of workers' occupations and the number of employees at workers' places of employment.

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

**Elizabeth A. Myers**  
Analyst in Income Security

**Sylvia L. Bryan**  
Research Assistant

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## Introduction

This report provides data on the percentage of U.S. workers who have access to, and who participate in, employer-sponsored pension plans. The data are from the National Compensation Survey (NCS), conducted by the Bureau of Labor Statistics (BLS).<sup>1</sup>

A pension is a benefit offered by some employers in which employees and employers defer a portion of current wages to receive as income in retirement.<sup>2</sup> Pension plans that meet the requirements specified in the Internal Revenue Code are called qualified plans and receive specified tax advantages.<sup>3</sup> Employers may offer two types of pension plans: defined benefit (DB) plans or defined contribution (DC) plans. Some employers offer both. Among private sector workers, DB pension plans have become less common than DC pension plans.<sup>4</sup>

In DB pension plans, participants receive monthly payments in retirement based on a formula that typically uses either (1) a combination of length of service, accrual rate, and average of final years' salary or (2) a flat dollar amount times the number of months or years the employee worked in the plan. 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 salary during his or her highest-paid five years.<sup>5</sup>

In DC plans—of which 401(k) plans, 403(b) plans, 457(b) plans, and the federal government's Thrift Savings Plan (TSP) are the most common—workers contribute a percentage of their wages to individual accounts established by the employers. 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. Workers determine individually how their account contributions are invested from the options provided by the plan sponsor. The account may accrue investment returns and can then be used as a source of income in retirement.<sup>6</sup>

In March 2023, over 70% of all U.S. workers had access to employer-sponsored pensions, and 56% of U.S. workers participated in employer-sponsored pensions. Access and participation rates vary with various worker attributes such as whether the workers are full-time or part-time, whether they work in the private or public sector, and whether or not they belong to a union. The

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<sup>1</sup> The NCS provides data on employer costs for employee compensation and the availability of employee benefits among U.S. workers. The NCS's website is <http://www.bls.gov/ncs/home.htm>.

<sup>2</sup> For an overview of pension plans, see CRS Report R47119, *Pensions and Individual Retirement Accounts (IRAs): An Overview*.

<sup>3</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 Title 26, Section 401(a), of the *United States Code*. Qualified plans are eligible for favorable tax treatment, such as deferred taxes on contributions and earnings.

<sup>4</sup> For more information, see Sebastian Devlin-Foltz, Alice M. Henriques, and John Sabelhaus, *The Evolution of Retirement Wealth*, Board of Governors of the Federal Reserve System, 2015, <https://www.federalreserve.gov/econresdata/feds/2015/files/2015009pap.pdf>.

<sup>5</sup> A worker with 20 years of service covered by a DB plan that has an accrual rate of 1.5% and whose average of his or her highest five years of salary is \$50,000 would receive a monthly pension benefit of \$1,250 ( $\$50,000 / 12 \times 20 \times .015 = \$1,250$ ). As an example of a flat-rate benefit, a plan might offer a benefit of \$50 per month of service in the plan, so an individual with 20 years (240 months) would receive a monthly pension benefit of \$1,000 ( $\$50 \times 240 / 12 = \$1,000$ ).

<sup>6</sup> Except for the TSP, which is sponsored by the federal government, the plans are named for the sections of the Internal Revenue Code that authorize them. Private sector employers sponsor 401(k) plans, public school systems and nonprofit organizations sponsor 403(b) plans, and state and local governments sponsor 457(b) plans. For more information, see Internal Revenue Service, "Types of Retirement Plans," <http://www.irs.gov/Retirement-Plans/Plan-Sponsor/Types-of-Retirement-Plans-1>; or CRS Report R47152, *Private-Sector Defined Contribution Pension Plans: An Introduction*.

data also classify access and participation rates by the average wages of workers' occupations and the number of employees at workers' places of employment.

## Worker Participation in Employer-Sponsored Pensions

**Table 1** contains both access and participation rates combined for workers in either a DB or a DC plan. **Table 1** also shows access and participation rates, on a separate basis, for workers in DB and DC plans. 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 and, where applicable, paid required contributions.

Not all workers who have access to an employer-sponsored pension plan 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 plans to which they have access. Among workers who have access to DB plans, the take-up rate was 79% in March 2023.<sup>7</sup> Among workers who had access to DC plans, the take-up rate was 71%. Reasons for the disparity include 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>8</sup> and (2) DB plans are typically funded entirely by employer contributions while DC plans are typically funded by both employer and employee contributions. Some employees might prefer to receive the money as current wages rather than delay the income until they retire.<sup>9</sup>

<sup>7</sup> In March 2023, the access rate for civilian workers in DB plans was 24%, and the participation rate was 19%, which means that 79% (or 19% / 24%) of workers participated in DB plans to which they have access. (Participation rate differences with the BLS data are due to rounding.) U.S. Department of Labor data for 2011 (the most recent year for which data are available for private sector workers) indicated that among private sector workers who participated in DB plans, 4% were required to make employee contributions to the plans. Among public sector workers who participated in DB plans that year, 79% were required to make employee contributions 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, <http://www.bls.gov/ncs/ebs/benefits/2011/ebbl0048.pdf>. According to 2023 NCS data, 91% of state and local government workers participating in DB plans were required to make employee contributions.

<sup>8</sup> An increasing number of DC plans have automatic enrollment in which new participants are deemed to participate in accessible DC plans unless they opt out. Plan Sponsor Council of America's 64<sup>th</sup> Annual Survey of Profit Sharing and 401(k) plans found that 62% of plans included automatic enrollment features in plan year 2020. Vanguard found that the percentage of DC plans with automatic enrollment features increased from 10% in 2006 to 58% in 2022. See Vanguard, *How America Saves 2023*, <https://institutional.vanguard.com/content/dam/inst/iig-transformation/has/2023/pdf/has-insights/how-america-saves-report-2023.pdf>. Employees who are automatically enrolled may opt out of the plan. Vanguard found that 7% of employees hired from 2014 and before 2017 who were automatically enrolled in DC plans had opted out as of mid-2017. See Jeffrey Clark and Jean Young, *Automatic Enrollment: The Power of the Default*, Vanguard, February 2018, <https://www.vanguardcanada.ca/documents/automatic-enrolment-power-of-the-default.pdf>. In DB pensions, employees are usually automatically enrolled. See Barbara Butrica and Nadia Karemcheva, "The Relationship Between Automatic Enrollment and DC Plan Contributions: Evidence from a National Survey of Older Workers," Center for Retirement Research at Boston College, July 2015, [https://crr.bc.edu/wp-content/uploads/2015/06/wp\\_2015-14.pdf](https://crr.bc.edu/wp-content/uploads/2015/06/wp_2015-14.pdf).

<sup>9</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 potential employer match to the employees' 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," *Review of Economics and Statistics*, vol. 93, no. 3 (August 2011), pp. 748-763.

The data in **Table 1** are classified by a variety of attributes that highlight differences in pension plan access and participation rates among groups of workers in March 2023. Some distinctions in the data include the following:

- Among all workers, 73% had access to pension plans. Among part-time civilian workers, 44% had access to pension plans. Among full-time civilian workers, 82% had access to pension plans.<sup>10</sup>
- A greater percentage of *state and local public sector* workers (91%) had access to pension plans compared with *private sector* workers (70%).<sup>11</sup> State and local public sector workers were more likely to have access to DB pension plans (86%, compared with 15% of private sector workers), whereas private sector workers were more likely to have access to DC pension plans (67%, compared with 39% of public sector workers).<sup>12</sup>
- In the private sector, union workers were more likely to have access to pension plans than nonunion workers (94%, compared to 68% of nonunion workers). However, nonunion workers were more likely to have access to DC plans (68%) compared with union workers (63%).
- Access rates were higher for workers in higher-paying occupations. For example, 48% of private sector workers in occupations with the *lowest 25% of average wages* had access to employer-sponsored pensions, whereas 90% of workers in occupations with the *highest 25% of average wages* did.
- Access rates increased as the size of workers' firms increased. For example, 53% of private sector workers in *firms with fewer than 50 employees* had access to employer-sponsored pensions, whereas 91% of workers in *firms with 500 or more employees* did.
- Private sector workers in the South region were less likely to participate in pension plans (49%, compare with 53% of all private sector workers and 57% in the Northeast) even when access rates were the same (69% of private sector workers in the Northeast and South).
- Workers in service occupations were the least likely to have access to (43%) or participate in (25%) a pension plan. Workers in management occupations were the mostly likely to have access to (86%) or participate in (74%) a pension plan.

<sup>10</sup> *Civilian workers* is defined by BLS as all private industry and state and local government workers. Federal government, military, and agricultural workers are excluded. See BLS, "Glossary," <http://www.bls.gov/bls/glossary.htm#C>.

<sup>11</sup> The NCS refers to public sector workers as state and local government workers. Nearly all federal civilian employees are covered by the Civil Service Retirement System or the Federal Employees' Retirement System, which consists of a DB plan and a DC plan (the TSP). For more information, see CRS Report 98-810, *Federal Employees' Retirement System: Benefits and Financing*.

<sup>12</sup> Among the reasons public sectors workers are more likely to have access to DB plans is that, historically, public sector workers were not covered by Social Security. While nearly all private sector workers are covered by Social Security, in 2018, about 28% of state and local government workers were not. See CRS Report R46961, *Social Security Coverage of State and Local Government Employees*.

**Table 1. Access and Participation Rates in Employer-Sponsored Pension Plans, March 2023**

		Either Defined Benefit or Defined Contribution		Defined Benefit		Defined Contribution	
		Access	Participation	Access	Participation	Access	Participation
Civilian Workers <sup>a</sup>	All workers	73%	56%	24%	19%	63%	45%
	Full-time	82%	66%	28%	23%	71%	53%
	Part-time	44%	24%	10%	8%	38%	18%
Private Sector <sup>b</sup> Workers	All private sector workers	70%	53%	15%	11%	67%	49%
	Full-time	79%	63%	17%	13%	76%	59%
	Part-time	44%	22%	7%	5%	40%	19%
	Union	94%	84%	66%	58%	63%	53%
	Nonunion	68%	50%	10%	7%	68%	49%
	Average wage of occupation						
	Lowest 25%	48%	25%	4%	3%	46%	23%
	Second 25%	69%	48%	11%	8%	66%	44%
	Third 25%	81%	65%	18%	14%	77%	61%
	Highest 25%	90%	81%	29%	21%	86%	75%
	Number of employees at place of employment						
	1-49	53%	37%	5%	4%	52%	36%
	50-99	71%	50%	8%	7%	68%	47%
	100-499	83%	61%	16%	12%	79%	55%
	500 or more	91%	78%	38%	27%	85%	71%
	Geographic region						
	Midwest	73%	55%	17%	12%	70%	51%
	Northeast	69%	57%	19%	14%	65%	52%
	South	69%	49%	11%	8%	67%	46%
	West	70%	52%	14%	10%	66%	48%

		Either Defined Benefit or Defined Contribution		Defined Benefit		Defined Contribution	
		Access	Participation	Access	Participation	Access	Participation
Occupation							
	Management, professional, and related	86%	74%	20%	14%	85%	72%
	Service	43%	25%	5%	4%	41%	23%
	Sales and office	73%	51%	11%	7%	72%	50%
	Natural resources, construction, and maintenance	70%	54%	20%	18%	64%	46%
	Production, transportation, and material moving	75%	55%	20%	16%	67%	46%
State and Local Government Workers <sup>c</sup>	All public sector workers	91%	81%	86%	75%	39%	18%
	Full-time	99%	88%	94%	82%	42%	20%
	Part-time	43%	37%	38%	34%	16%	7%
	State government	96%	84%	90%	75%	53%	26%
	Local government	90%	80%	85%	75%	34%	16%

**Source:** March 2023 National Compensation Survey (NCS), <https://www.bls.gov/ncs/ebs/benefits/2023/home.htm#overview>.

**Notes:** Definitions are from the NCS's Glossary of Employee Benefit Terms, available at <https://www.bls.gov/ncs/ebs/national-compensation-survey-glossary-of-employee-benefit-terms.pdf>, and the Bureau of Labor Statistics (BLS) Information Glossary at <https://www.bls.gov/bls/glossary.htm>.

- 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 workers in private households, the self-employed, workers who set their own pay (e.g., proprietors, owners, major stockholders, and partners in unincorporated firms), and family members paid token wages.
- c. Referred to in the NCS as public sector workers, excluding federal workers.



## Recent Trends in Private Industry Employee Participation

Access to pension plans among all private industry workers slightly increased throughout the past 15 years, rising from 67% in 2008 to 70% in 2023.<sup>13</sup> While access to DB plans decreased from 22% to 15%, access to DC plans increased from 62% to 67% during the same period. This reflects a multi-decade shift from DB plans to DC plans.<sup>14</sup>

Increased access to pension plans in aggregate came with increased participation, although the take-up rate has remained steady; 51% of private industry workers participated in a pension plan in 2008, and 53% participated in 2023. In both years the take-up rate was 76%.

Participation in DB plans fell from 20% (91% take-up) in 2008 to 11% (73% take-up) in 2023, while participation in DC plans rose from 43% (69% take-up) to 49% (73% take-up).

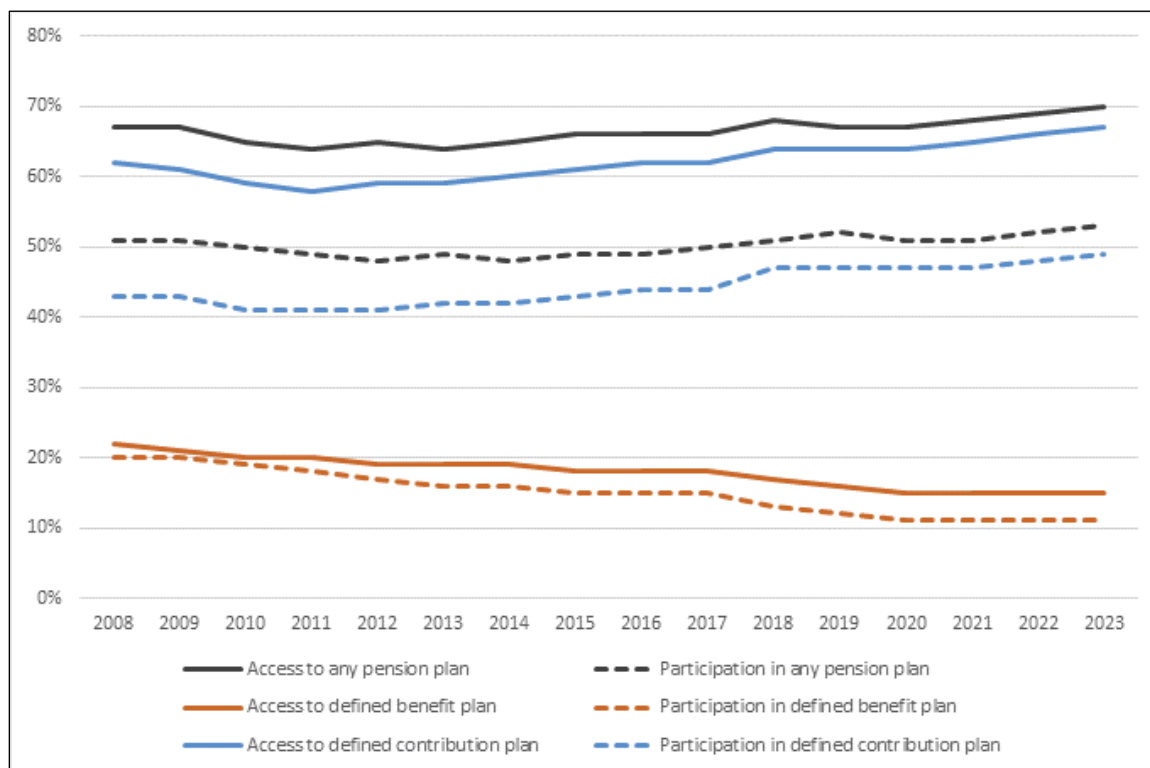
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<sup>13</sup> Under Section 902(f) of the Pension Protection Act of 2006, starting in 2008 employers could automatically enroll their employees in pension plans without written consent, superseding any state laws with written consent requirements. CRS selected 2008 as a start date for the trend analysis to capture all data since this policy change took effect.

<sup>14</sup> For further information on the shift from DB plans to DC plans, see CRS In Focus IF12007, *A Visual Depiction of the Shift from Defined Benefit (DB) to Defined Contribution (DC) Pension Plans in the Private Sector*.

**Figure 1. Access and Participation Rates in Employer-Sponsored Pension Plans Among All Private Sector Workers**

2008-2023



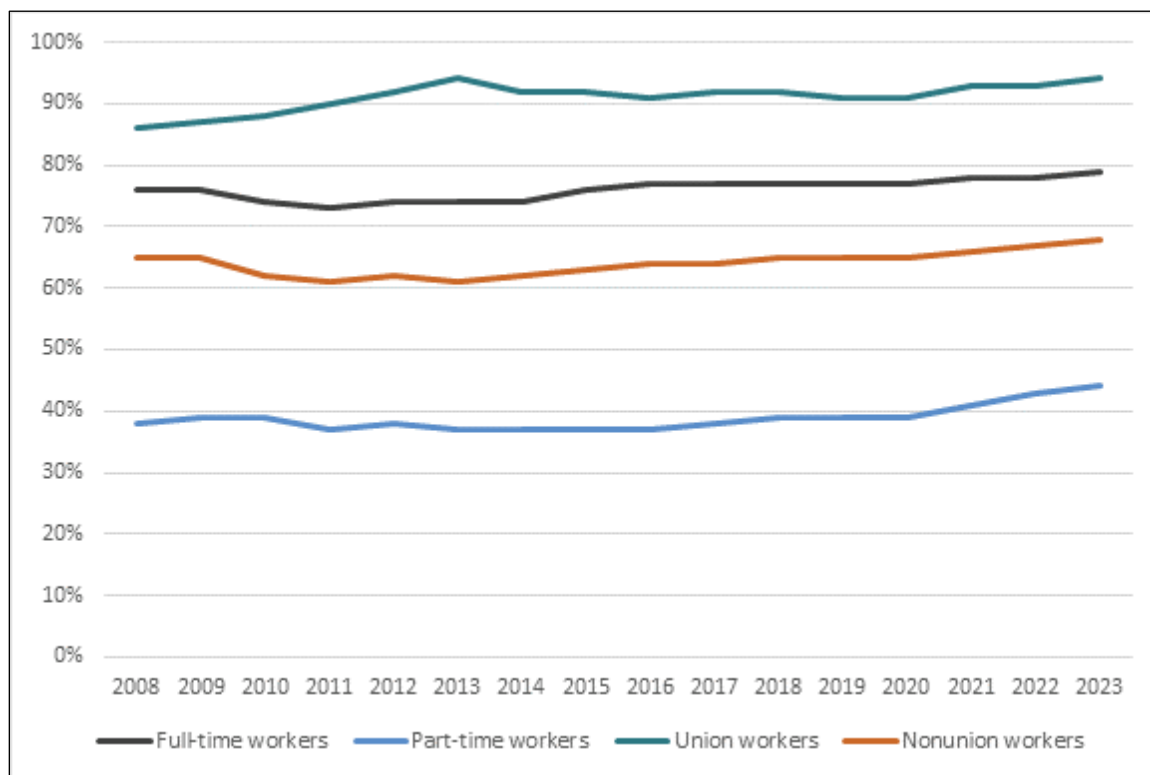
**Source:** CRS presentation of NCS data, 2008-2023. See BLS, NCS Benefits series, “Annual Summaries of Benefit Coverage,” <https://www.bls.gov/ebs/publications/annual-benefits-summary.htm>.

**Notes:** Until 2009, a worker was considered to have access to a pension plan only if at least one worker in a given occupation category at that firm chose to enroll in the plan. Starting with the 2009 NCS, access was redefined to include workers who were offered a plan even if none enrolled, which increased the access rate. Access and take-up rates were recalculated with the new definition for 2003-2008. CRS used the new definition for 2008 when generating these figures.

There was some variation in access trends depending on worker and establishment characteristics. Increased access was most pronounced among part-time workers (38% to 44%) and union workers (86% to 94%), illustrated in **Figure 2**.

**Figure 2. Access to Any Employer-Sponsored Pension Plan by Worker Status and Union Affiliation**

Private Sector Workers, 2008-2023

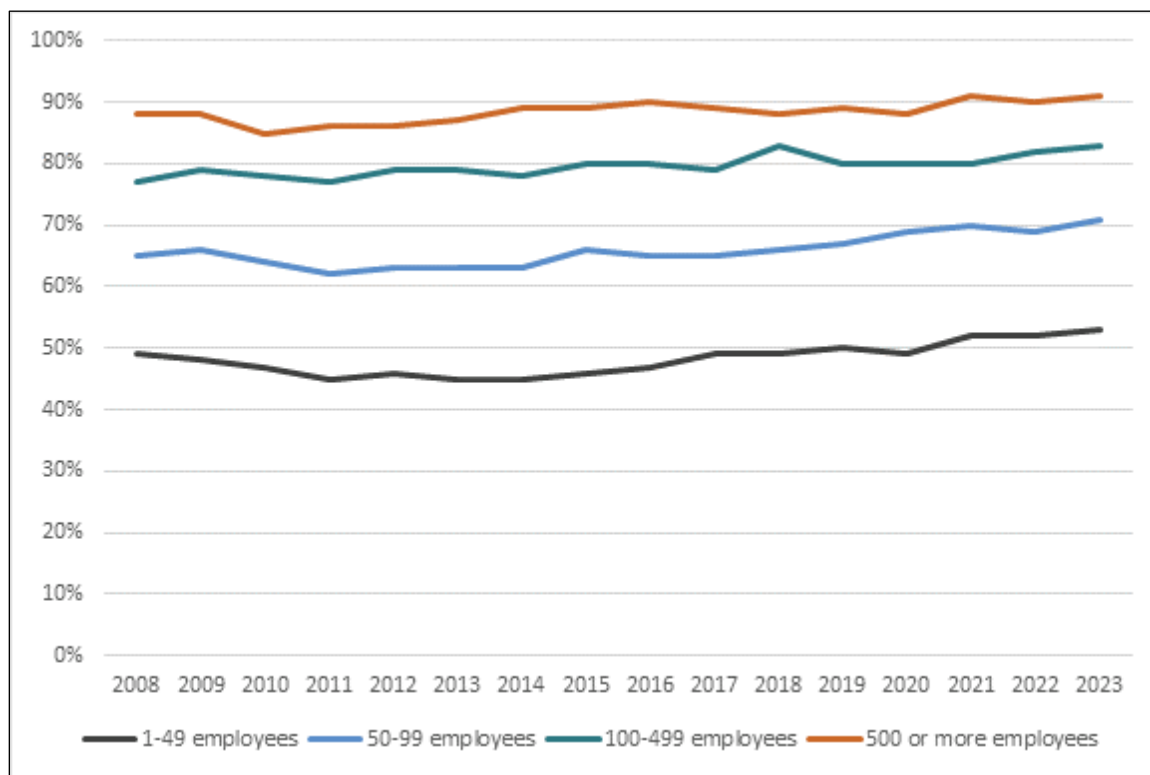


**Source:** CRS presentation of NCS data, 2008-2023. See BLS, NCS Benefits series, “Annual Summaries of Benefit Coverage,” <https://www.bls.gov/ebs/publications/annual-benefits-summary.htm>.

**Notes:** Until 2009, a worker was considered to have access to a pension plan only if at least one worker in a given occupation category at that firm chose to enroll in the plan. Starting with the 2009 NCS, access was redefined to include workers who were offered a plan even if none enrolled, which increased the access rate. Access and take-up rates were recalculated with the new definition for 2003-2008. CRS used the new definition for 2008 when generating these figures.

Increased access was evident for workers at companies of all sizes and to the greatest extent at companies with fewer than 100 employees. As shown in **Figure 3**, access to any pension plan increased from 49% to 53% for companies with fewer than 50 employees and from 65% to 71% for companies with 50-99 employees.

**Figure 3. Access to Any Employer-Sponsored Pension Plan by Establishment Size**  
Private Sector Workers, 2008-2023



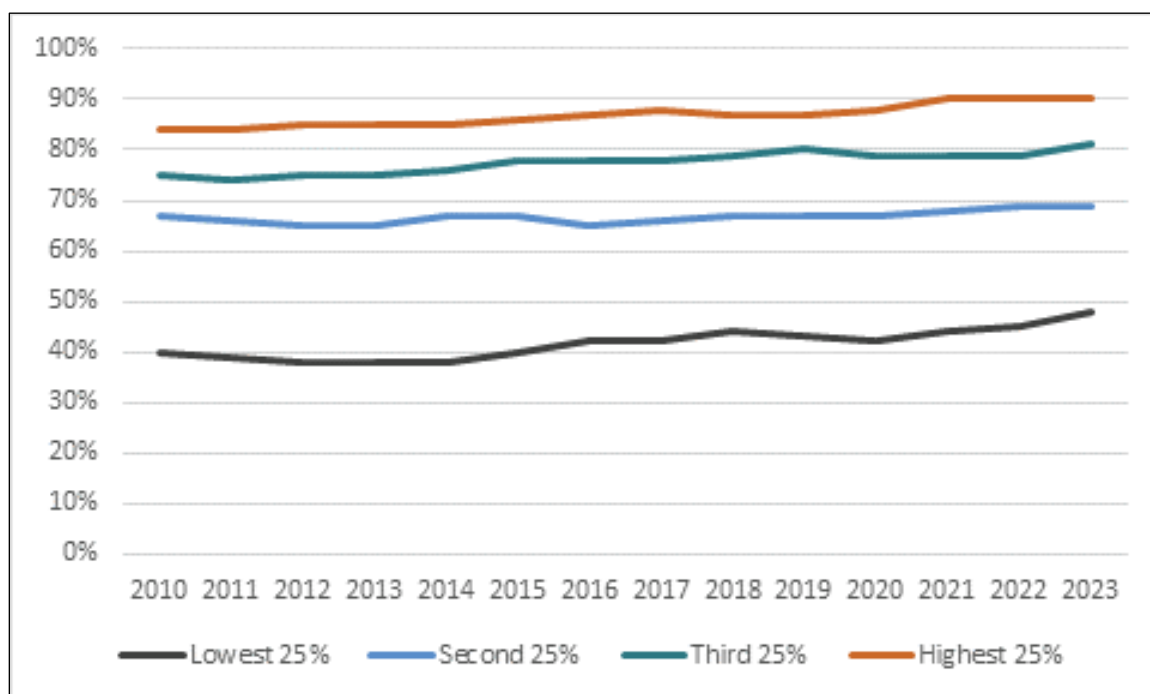
**Source:** CRS presentation of NCS data, 2008-2023. See BLS, NCS Benefits series, “Annual Summaries of Benefit Coverage,” <https://www.bls.gov/ebs/publications/annual-benefits-summary.htm>.

**Notes:** Until 2009, a worker was considered to have access to a pension plan only if at least one worker in a given occupation category at that firm chose to enroll in the plan. Starting with the 2009 NCS, access was redefined to include workers who were offered a plan even if none enrolled, which increased the access rate. Access and take-up rates were recalculated with the new definition for 2003-2008. CRS used the new definition for 2008 when generating these figures.

From 2009 to 2023, access to any pension plan for the lowest 25% of wage earners increased from 43% to 48%. Access increased at similar rates for workers in the third quartile and the highest quartile but remained steady among workers in the second quartile.

**Figure 4. Access to Any Employer-Sponsored Pension Plan by Wage Quartile**

Private Sector Workers, 2009-2023



**Source:** CRS presentation of NCS data, 2008-2023. See BLS, NCS Benefits series, “Annual Summaries of Benefit Coverage,” <https://www.bls.gov/ebs/publications/annual-benefits-summary.htm>.

**Notes:** For this figure, CRS presents data beginning in 2009, because NCS did not break out the lowest and highest 25% of workers in 2008.

## Author Information

John J. Topoleski  
Specialist in Income Security

Sylvia L. Bryan  
Research Assistant

Elizabeth A. Myers  
Analyst in Income Security

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