Tracking employee benefits can be more difficult than tracking other economic or labor activities. While news releases of the Bureau of Labor Statistics often highlight a single statistic or concept—for example, the overall unemployment rate or the change in the Consumer Price Index—data on employee benefits don’t easily lend themselves to one number. BLS does report both the employer costs for benefits and the quarterly and annual change in those costs. For instance, private sector benefit costs increased 2.9 percent from December 2009 to December 2010; employer costs for benefits in December 2010 were $8.11 per hour worked for private industry workers. But such numbers provide only one perspective—that of employer costs.

To build a greater understanding of what is in a benefits package, and what employees and dependents derive from their benefits, one has to look at the individual pieces of a benefits package. For the purpose of gathering and reporting statistics on benefits, those pieces must be categorized. Ultimately, a unit of observation is needed; for the BLS National Compensation Survey (NCS), that unit of observation is generally a benefit plan.

Throughout the 32 years that BLS has produced a regular series of statistics on employee benefits, the Bureau has defined a plan by a few basic criteria. One is that a benefit plan must entail some direct employer cost. The other criteria are embodied in the NCS collection documentation’s description of a plan:

...an inseparable set of provisions in a single benefit area offered to one or more employees...

The world of benefits, however, has changed dramatically since 1979 when BLS began its ongoing benefits program and established its definition of a benefit plan. The types of benefits and types of plans offered have expanded, employees are being given more choices, and employees must take more responsibility to ensure that their benefits meet their needs.

As part of this changing landscape, the concept of a benefit plan can be reexamined. Some of the key attributes—employer cost, inseparable provisions, single benefit area (that is, the plan relates to a single topic such as health insurance or retirement income), offered to one or more employees—no longer are easy to identify or may not be appropriate. This article will explore some of the issues involved in identifying and tabulating data by benefit plan, and will offer some insight into how the plan concept may have to
change going forward. In conjunction with a companion article that provides quantitative evidence of the issues related to retirement benefits data, a number of options and flexibilities are suggested that may result in a better understanding of benefit plans from many perspectives.3

**Employer cost**

The National Compensation Survey yields a variety of data, including availability and provisions of employee benefits. Employers are asked a single set of questions, with the responses feeding all NCS outputs: information on benefits, employer costs, and wages paid. One of the drivers of this data collection effort is the need to determine the Employment Cost Index (ECI), which measures the rate of change in employer costs for wages and benefits. In this context, the principle that all benefit plans must have a non-zero cost makes sense; plans without a direct employer cost have no role in the index. From early on, this principle has been carried over to all other NCS employee benefit outputs.

Yet, over time, deviations away from the employer cost concept have arisen as the benefits survey attempted to identify and quantify plans that were available to employees because of their work status, regardless of whether the employer incurred a benefit-related cost. Such plans might be available at group or discounted costs through the employer, such as employee-funded long-term care insurance. Alternatively, such plans may guarantee the employee continued employment, such as unpaid family leave. Among the items that have been included in the benefits survey even though they have no direct employer cost (although some may have administrative costs borne by the employer) are 401(k) plans with no employer contributions, retiree health insurance plans, and flexible spending accounts for health and dependent care expenses. These 401(k) plans provide the benefit of pre-tax contributions and tax-deferred earnings accumulation; retiree health insurance (similar to employee-funded long-term care insurance) provides the benefit of group insurance rates; and flexible spending accounts allow tax-free use of money for specified expenses. While such items generally have not been included in the traditional benefit areas (such as health insurance or defined contribution plans), the NCS program has come to recognize them as benefits. In most instances, these items are placed in their own unique categories, with a limited amount of detail captured.

Individual Retirement Accounts (IRAs) provide another category of plan that might appropriately be considered for collection by the NCS, despite the fact that most IRAs impose no costs on employers. Traditionally, IRAs are set up by employees without any employer involvement. To be eligible for such a plan, an individual must have earnings from a job. The individual has the right, but also must exercise the responsibility, to fund such a plan. But a new twist on IRAs allows employers to establish what are known as payroll-deduction IRAs, which give their employees the option (and the opportunity) to fund their own IRA with pre-tax contributions. This is no different from an employee establishing his or her own IRA; the employee is still in complete control of the amount of contributions, investments, and distributions. The employer provides the payroll deduction vehicle to help facilitate the process. Such arrangements are looked at as a way for small businesses to encourage employee savings for retirement without businesses making contributions or being saddled with plan administration. Policymakers have identified payroll-deduction IRAs as a possible area to target in the quest to expand access to retirement benefits.3

**Inseparable set of provisions**

The NCS definition of a benefit plan includes the concept of an inseparable set of provisions. For example, an employer-sponsored health insurance plan might include such provisions (or features or characteristics) as coverage for hospitalization, surgery, and physician office visits; a $350 annual deductible and an 80 percent coinsurance rate (the plan pays 80 percent of the cost after covered worker pays the first $350); and a required contribution by the worker of $150 per month for individual coverage and $350 per month for family coverage. This entire package of benefits (set of provisions) is inseparable: the worker cannot choose to be covered for hospitalization but not surgery and cannot choose to pay the required contribution but not the deductible.

But while traditional benefit plans have an inseparable set of provisions, applying the concept of inseparability is more difficult when multiple, separate plans are designed to work together. In health insurance, for example, certain high-deductible insurance plans are designed to be used with a separate medical savings account or health reimbursement arrangement.4 Even with more traditional health insurance plans, pre-tax flexible spending accounts are becoming more common. Thus, a look at a single plan may not tell the whole story of the benefits that the worker obtains through the work relationship. For example, a high-deductible health insurance plan might impose an
individual deductible of $1,500 per year, while a more traditional plan might impose an individual deductible of $400 per year. The individual covered by the high-deductible plan would appear to have greater out-of-pocket expenses. But if the features of related plans (like savings or reimbursement accounts) are taken into consideration, the individual with the higher annual deductible might not end up having the higher out-of-pocket expenses.

A different example can be seen in certain defined contribution plans, such as the Thrift Savings Plan (TSP) offered to Federal employees. The TSP plan has a fixed employer contribution that all participants in the Federal Employee Retirement System (FERS) receive; it also has an employer matching contribution that FERS participants only receive if they choose to make contributions to the plan. Similar multi-tiered plans are offered by some private sector employers. For analytical purposes, as well as policy purposes, there is interest in knowing the proportion of workers who receive the automatic contribution and, separately, knowing the proportion of workers who choose to make contributions and thus receive an employer match. Because different provisions apply to different groups of workers, the concept of an inseparable set of provisions is strained.

The concept of inseparable provisions is further challenged by defined benefit plans that employers organize under one plan heading, but which offer different provisions to different workers. For example, State and local government plans might establish different retirement eligibility requirements for different groups of workers, such as police officers versus teachers.

In each of these cases, policymakers may be interested in the totality of benefit provisions available to workers. For example, in addition to knowing the amount of the deductible in a high-deductible plan, those setting health policy might wish to combine the deductible with the amount provided through a reimbursement account to get a true sense of an employee’s out-of-pocket expenses. Conversely, there may be interest in being able to identify separate counts of workers who are covered by unique provisions.

**Single benefit area**

A single benefit area contains a homogeneous set of benefit plans. For instance, all health insurance plans fall into the “health insurance” benefit area and all life insurance plans fall into the “life insurance” benefit area. There is a clear similarity in focus among plans within a benefit area, and plans in different benefit areas are clearly distinct.

The BLS benefits program identifies many benefit areas, but captures the most detailed data for time-off, insurance, and retirement benefits. A benefit plan is typically offered by an employer to all workers, or separate plans are offered to separate groups of workers, such as union versus nonunion, full-time versus part-time, or production versus office.

But as employers’ benefit offerings become more and more fluid, the classification of plans into separate benefit areas becomes less and less clear-cut. The NCS’s benefit area concept thus has been adapted in both inclusive and exclusive ways: some differences are absorbed within a benefit area with sub-classifications according to “plan type;” other plans are separated into different benefit areas though they may be related in some way.

Defined contribution plans provide a good example of variations within a benefit area. There have been a number of changes to the types of defined contribution plans included in the survey, due largely to changes in the tax code. Over the past quarter century, plans with such unique acronyms as PAYSOP (payroll stock ownership plan), SEP (simplified employee pension), and SIMPLE IRA (savings-incentive match plan for employees’ individual retirement account) have been included in the survey because they were funded at least in part by the employer. Currently, the survey includes savings-and-thrift plans, deferred profit-sharing plans, money-purchase plans, stock bonus plans, employee stock-ownership plans, SIMPLEs, and SEPs. Employers can offer one or a series of defined contribution plans; these plans may work in concert or be completely independent. These plans are treated together by the survey for several reasons:

- Each plan falls under at least some common provisions of the Internal Revenue Code.
- Each plan has the goal of accumulating capital to be used for retirement; this capital generally has a lump-sum account value (as opposed to a periodic annuity payment).
- Each plan has some direct employer cost.

The survey does its best to look at the various types of defined contribution plans both together and separately. As plans within a single benefit area, they can be aggregated to indicate the percentage of workers who are offered at least one defined contribution plan and the percentage of workers who currently participate in at least one plan. Generic questions asked of all plans—is there a required employee contribution and is that contribution
The traditional BLS measure of the count of workers with benefits is known as “participation,” which is the number of workers who are covered by the plan at the time of the survey. To generate this measure, the NCS first captures any plan that is potentially available to all workers and then follows up by determining the number of workers who are actually covered. Access measures are perhaps most interesting for those benefits that typically require employees to contribute in order to participate, such as health insurance and defined contribution plans. Access measures allow for the general tabulation of these data across the entire benefit area. More detailed questions, such as the amount of employee and/or employer contribution, investment options, and distribution options, are unique to plan type. Thus, for example, employer contributions to savings-and-thrift plans are expressed as a matching rate, whereas such contributions to deferred profit-sharing plans are expressed as a percentage of earnings or share of profits.

The defined contribution category also provides an example of the separation of related plans into different benefit areas, as defined contribution is but one component of retirement benefits offered to workers. Indeed, many employers today offer some combination of defined contribution plans, defined benefit plans, and pre-tax savings vehicles that have no employer contribution. But defined contribution and defined benefit plans are denoted as two separate benefit areas in the NCS data, though NCS collectors make a special effort to determine whether such plans are coincident and NCS publications report on their combined incidence. Data on pre-tax savings plans with no employer contributions are captured separately from both. Such plans, which are typically categorized for tax purposes under Internal Revenue Code sections 401(k) or 403(b), are similar to other defined contribution plans in that they are available only to employees. To date, pre-tax savings plans are not included in the NCS defined contribution data because pre-tax plans lack any employer contributions, although they have been included in some special studies looking at the range of retirement data.

### Offered to one or more employees

The construction of NCS access measures is straightforward: all workers in an observed job for which a plan exists are counted as having access, regardless of whether any of the workers actually participate in the plan. For example, if an observed job has 10 workers and 5 workers participate in a health insurance plan, NCS will show 10 workers with access to health insurance; the same would be true even if none of the workers participated. Because the job observations within the NCS are homogeneous, the assumption that all workers have access to the benefit is a reasonable one for a great majority of observations. Even if some of the workers have not yet met service requirements, they still may reasonably be considered to have access because they have an expectation of becoming eligible.

However, there are situations where not all workers have an expectation of becoming eligible for the benefit. The first situation occurs where employees are given a choice of mutually exclusive plans. Below is an actual example taken from the NCS benefit files:

An employer offers a choice of two retirement packages: a 401(k) plan with a match on some employee contributions, or a defined benefit plan. Employees who take the defined benefit plan are eligible to participate in a pre-tax savings plan with no employer contribution as a supplement. This pre-tax plan is mutually exclusive of the 401(k) plan.

Because there are workers participating in a defined contribution plan, a defined benefit plan, and a pre-tax savings plan with no employer contribution, current NCS coding would identify all workers as having access to all three plans. However, as workers are given a mutually exclusive choice, the NCS calculation of access overstates the true access to these benefits.

The second situation occurs where older plans are not open to new employees, such as frozen defined benefit plans. As noted, NCS captures the number of plan participants and assumes that all workers are offered the plan; no attempt is made to capture a separate count of those actually offered the plan. In the case of frozen defined benefit plans, all workers are counted as having access to the plan, even though such plans are typically not open to new employees. This can overstate the proportion of workers who can reasonably be considered to have access to defined benefit plans.

In an effort to limit the amount of data that must be captured from employers—as their participation in the survey is on a voluntary basis—separate counts of those who have met all plan eligibility requirements are not cur-
rently collected. In addition to skewing the data on frozen defined benefit plans, the lack of information on those actually eligible for a benefit means that plan access may not equal plan eligibility in some cases. This can be especially true in occupations with high turnover—employees may not stay long enough to take advantage of a benefit that is available only after some eligibility period, such as 3 months, has been met. Data on employee length of service have been used by some researchers to adjust the BLS access data to account for those who have not yet met service requirements.11

So what is a plan?—potential revisions

This discussion highlights the many ways in which the traditional definition of a benefit plan in the NCS has become strained as the benefits world has continued to evolve. Several revisions to the definition might therefore be contemplated. For one, the NCS might reconsider its requirement that a plan must entail an employer cost. Various plans have evolved that do not entail a direct employer cost but are still an important part of workers’ compensation packages. One of the chief examples of such plans are the 401(k) plans that rely exclusively on contributions from employees. If the NCS were to explore relaxing the employer-cost element of plan definition, such plans might be the first to gain full-fledged plan status.

If 401(k) plans with no employer contribution were to be incorporated into a traditional benefit area, it would make sense to treat them as a type of defined contribution plan. Indeed, the majority of such plans are similar in many ways to the plans already collected as savings-and-thrift plans. A case can be made that payroll-based IRAs should also be part of the defined contribution benefit area. In fact, some of the plans that the NCS already includes in the defined contribution benefit area are technically IRAs.12 There may be a difference between these IRAs and other defined contribution plans in administration, as some pre-tax savings plans are administered by the employer (and some by third parties), while all IRAs are administered by third parties. Beyond that, there appears to be no difference between the intent behind both types of plans—both build assets intended for retirement and both are available only through the employment relationship.13 A complete count of workers who have some employment-based opportunity to accumulate capital for retirement should include all of these plans.

Multiple plans or plans in multiple benefit areas may provide comparable value to employees, or may provide benefit trade-offs.14 For example, some workers who anticipate modest health expenses may choose to fund a health care spending account with pre-tax money and choose not to make required contributions to a health insurance plan. Another worker might choose just the health insurance plan and a third might choose both the insurance and the spending account. All of these workers are currently identified in the survey as having access to health insurance and to reimbursement accounts. What is not currently identified is the number of workers participating in the various combinations of coverages. Changing the survey to capture participation in these accounts might provide a clearer view of the choices employees make based on the options available to them.

Plans with common features (a single benefit area) can continue to be tracked together, and the survey must continue to track employer costs for such plans where they exist, but more flexibility is needed to tabulate plans that offer similar value to workers, including plans with no direct employer cost. The concept of separate benefit areas can still exist, although a taxonomy that identifies relationships across benefit areas is needed to ensure completeness. Plan classification may be multi-dimensional, allowing tabulations across a variety of plans. For example, all plans that are intended for capital accumulation for retirement should be categorized together, but these plans might also be flagged based on other features, such as having an employer contribution, requiring employee contributions, or providing benefits in the form of an annuity.15

Finally, refinement is needed to ensure that the survey can produce proper tabulations of access to a plan, a benefit area, and a series of related benefit areas. While changes to the collection of worker counts would require significant restructuring of the survey, and would pose additional burden on voluntary survey respondents, the NCS might put one toe in the water on this issue by attempting to capture an additional access estimate for frozen defined benefit pension plans, which by definition are not available to all workers. Given the low incidence of defined benefit plans, the (to date) small proportion of defined benefit plans that are frozen, and the interest in this topic, such a change might be a good test to determine whether more precise estimates of benefit access might be made available.

This article is a companion piece to an empirical investigation of these issues as they relate to employment-based retirement plans. The recommendations presented here are being considered as part of an ongoing effort to ensure that the BLS compensation survey reflects current compensation practices. All such changes must consider
whether scarce resources can and should be directed toward implementing the change, whether data are readily available, and whether voluntary respondents will agree to provide additional data.

Notes

1 BLS has captured data on employee benefits since the early part of the 20th century, including through both one-time studies and supplements to occupational wage studies. The more comprehensive and continuous studies of benefit costs, availability, and provisions began in the 1970s. Details on previous studies of employee benefits may be found in William J. Wiatrowski, “Family-related benefits in the workplace,” Monthly Labor Review, March 1990, pp. 28–33.


3 For more information on payroll-deduction IRAs, see United States Government Accountability Office, Retirement Savings—Automatic Enrollment Shows Promise for Some Workers, but Proposals to Broaden Retirement Savings for Other Workers Could Face Challenges, GAO-10-31, October 2009.


5 The Federal Thrift Savings Plan (TSP) was introduced in 1987, at the same time that the Federal Employees Retirement System (FERS) was introduced. Federal employees who were hired before FERS was created had the choice of retaining their benefits under the system previously in place (the Civil Service Retirement System, or CSRS); if they chose to stay in the CSRS they may contribute pre-tax funds to the TSP but are not eligible for any employer contribution to their TSP account—neither the automatic contribution nor the matching contribution. This is another example of a plan having different provisions for different workers.

6 A PAYSOP, or payroll stock ownership plan, was a type of employee stock ownership plan (ESOP) that provided a tax credit to participating employers. It was established by the Economic Recovery Tax Act of 1981 and repealed by the Tax Reform Act of 1986. SEPs (simplified employee pensions), SIMPLEs (savings-incentive match plans for employees), ESOPs, and all other retirement plan types currently identified in the NCS are defined under the “types of plans” entry in the glossary of employee benefit terms at http://www.bls.gov/ncs/ebnr0016.pdf (visited July 13, 2011).


8 Information on plan eligibility requirements are captured as part of the plan features for health and retirement plans, but is not used in calculating the number of plan participants. For plans with no employee contribution, all workers are counted as participants even though some may not have met the time-in-service requirements. For plans with employee contributions, which include most health insurance and defined contribution plans, only workers who are currently making contributions are counted as participants.

9 See, for example, BLS News Release USDL-10–1044, “Employee Benefits in the United States—March 2010,” http://www.bls.gov/ncs/cbs/sp/chnr0016.pdf (visited July 13, 2011). Table 1 shows private industry access and participation rates for retirement plans to be 65 and 50 percent, respectively, and table 2 shows private industry access and participation rates for medical care plans to be 71 and 51 percent, respectively.

10 It may be difficult to remedy the situation described in this example, because all workers do indeed have access to each of the plans; they just can’t choose to participate in all of the plans simultaneously.


13 There is at least one exception to the requirement that you must work in order to set up an IRA: spouses who file a joint Federal tax return can each have their own IRA accounts even if only one spouse is working. For more information on IRAs, see IRS Publication 590, Individual Retirement Arrangements (IRAs), February 3, 2011, http://www.irs.gov/pub/irs-pdf/p590.pdf (visited July 13, 2011).

14 Formal “cafeteria plans” are an example of employers providing benefit trade-offs. While such plans are not prevalent, they allow employees to select from different types and levels of benefits consistent with their personal circumstances (such as age and presence of dependents).

15 Defining a future classification system also provides a starting point for identifying the specific questions to be asked of employers and the specific categories into which to place employer responses.