

Comparing employee benefits in the public and private sectors

The types and characteristics of benefits offered in medium and large firms in private industry and in State and local governments differ; however, the incidence of the benefits is similar

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While employee benefits are an important part of the compensation package for all workers, the characteristics of the benefit programs vary considerably between the private and public sectors. Differing employer and employee needs affect the types and characteristics of benefits received.

This article compares the incidence and administration of employee benefits for full-time employees in the private and public sectors, and examines the characteristics of work schedules and paid leave plans. Accompanying articles appearing in this issue of the *Review* compare other private and public sector benefits—employer-sponsored health and life insurance and disability benefits, and defined benefit pension plans and defined contribution plans (such as savings and thrift, profit-sharing, and stock ownership plans). Taken together, these articles represent a current, comprehensive look at benefits provided to employees in medium and large firms in private industry and in State and local governments.

The data are from the Bureau of Labor Statistics' annual Employee Benefits Survey.¹ They show that:

- Paid vacations are granted to nearly all full-time employees in medium and large firms in private industry, compared with about three-fourths of those employed by State and local governments. Teachers are the least likely of public employees to receive paid vacations;

police and firefighters, the most likely. Private firms generally provide many single-purpose types of leave (such as separate vacation and personal leave plans); State and local governments are more likely to provide a multiple-purpose annual leave plan.

- Defined benefit pension plans for State and local government workers, which are often jointly financed by employers and employees, provide more generous benefits than do plans in the private sector, which typically are financed by the employer only. However, private sector pensions are almost always accompanied by Social Security benefits. In the public sector, approximately one-fourth of pension plan participants work for jurisdictions not in the Social Security system.
- Participation in health maintenance organizations (HMO's) is more prevalent among public employees. Concentrations of public sector employers in metropolitan areas, where HMO's are widely available, may help to explain civil servants' greater participation in these prepaid health plans.

The survey

The Bureau of Labor Statistics' Employee Benefits Survey, begun in 1979, initially looked exclusively at benefits in medium and large firms in private industry. The survey coverage mirrored that of the Bureau's National Survey of Professional, Administrative, Technical, and Clerical Pay (PATC survey), yielding both pay and benefits data. In 1987, for the first time, the Employee Benefits Survey focused on benefits in State and local governments.² For

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both the private and public sector surveys, geographic coverage is limited to establishments in the 48 contiguous States.

The Employee Benefits Survey provides information on the incidence and characteristics of paid leave, insurance plans, defined benefit pension plans, defined contribution plans, flexible benefits arrangements, and work schedules. Eligibility (but not details of plan provisions) for several additional benefits, such as severance pay and employer-subsidized parking, is also provided. With a few exceptions, the survey is limited to benefits financed at least in part by employers. It is constantly revised in an effort to keep abreast of new developments in employee benefits plans.

Private sector survey. During the 1979–86 period, when medium and large firms in the private sector were surveyed, the industrial coverage included manufacturing; mining; construction; transportation, communications, electric, gas, and sanitary services; wholesale trade; retail trade; finance, insurance, and real estate; and selected services.³ The minimum number of employees required for an establishment to be surveyed varied by industry, ranging from 250 employees in mining, construction, and other industries to 50 employees in accounting service firms. The survey covered about 21 million workers.

Employees are grouped into three broad occupational categories—professional and administrative, technical and clerical, and production—to capture possible occupational differences in benefit plan availability and design. The first two occupational groups are often characterized as white collar, while production employees are referred

to as blue collar. The data refer to all employees, unless differences among occupations warrant a more detailed treatment.

Public sector survey. The 1987 survey covered State governments and local governments classified as either administrative units, school districts, health services, or special districts, such as water and sewer authorities and regional transit operations. Minimum employment for local government units was 50 employees. The entire State government was considered a single unit for sampling purposes; thus, both administrative units and other units, such as State university systems and hospitals, were included. The study provides representative data for 10.3 million full-time workers in State and local governments, approximately three-quarters of the State and local government work force.

To reflect differences in benefit plans, employees in State and local governments were classified as either “regular” employees, teachers, or police and firefighters. Regular employees are all workers except teachers or police and firefighters. Because of benefit differences among these occupations, the discussion compares the plans available to each group of these State and local government employees.⁴

Incidence of benefits

When comparing benefit practices between public and private sectors, one must consider groups of benefits: whether workers receive a particular benefit often depends upon what other items they are receiving.⁵ For example, only 14 percent of public sector workers receive sickness and accident insurance, but these workers are

Table 1. Percent of full-time employees participating in selected benefits plans, medium and large firms in private industry and State and local governments

Benefit	Private industry, 1986			State and local governments, 1987			
	All employees	White-collar employees	Blue-collar employees	All employees	Regular employees ¹	Teachers	Police and firefighters
Paid time off							
Lunch period	10	3	17	17	10	32	39
Rest time	72	63	82	58	74	16	48
Holidays	99	99	98	81	95	45	93
Vacations	100	99	100	72	93	13	100
Personal leave	25	34	15	38	32	56	36
Funeral leave	88	87	88	56	56	52	75
Military leave	66	73	58	80	85	65	86
Jury duty leave	93	96	90	98	99	97	92
Sick leave	70	93	45	97	97	95	97
Insurance							
Sickness and accident	49	31	69	14	18	5	14
Health	95	95	96	94	94	95	96
Life	96	97	95	85	85	82	91
Long-term disability	48	64	30	31	28	41	18
Retirement							
Defined benefit pension plans	76	78	74	93	92	95	93
Defined contribution plans	47	54	40	9	9	8	13

¹Regular employees are all workers except teachers and police and firefighters.

Table 2. Percent of full-time employees eligible for selected benefits plans, medium and large firms in private industry and State and local governments

Benefit	Private industry, 1985 ¹	State and local governments, 1987			
	All employees	All employees	Regular employees ²	Teachers	Police and firefighters
Severance pay	45	6	6	7	5
Supplemental unemployment benefits ..	8	1	1	(³)	1
Relocation allowance	43	15	20	5	8
Parking	86	73	68	86	73
Subsidized commuting	5	5	5	2	7
Travel accident insurance	52	16	15	19	13
Financial counseling	11	10	11	9	9
Prepaid legal services	3	6	6	5	11
Child care	1	2	2	1	1
Recreation facilities	33	11	11	12	11
Subsidized meals	21	12	10	19	1
In-house infirmary	46	19	19	18	13

¹Data on these benefits were not collected in the 1986 survey of private industry. See text footnote 7.

²Regular employees are all workers except teachers and police and firefighters.

³Less than 0.5 percent.

almost universally covered by paid sick leave, which reduces the need for such insurance.

Health insurance, one of the benefits studied in detail by the Employee Benefits Survey, shows practically no variation by sector. About 95 percent of employees in private industry in 1986, and 94 percent of those in State and local government in 1987 had health insurance coverage.⁶ (See table 1.) Life insurance is provided to 96 percent of private sector employees, while in the public sector, 91 percent of police and firefighters and just over 80 percent of teachers and regular workers are covered. Participants in public sector pension plans are often eligible for lump-sum death benefits, which make up for the lower incidence of life insurance.

Short-term disability coverage is similar in both sectors—94 percent of private sector employees and 97 percent of public sector employees participate. But, as noted earlier, the method of providing benefits differs considerably. Long-term disability insurance is most common among white-collar private sector employees; in contrast, blue-collar private sector employees and public sector employees often have pension plans that provide disability coverage after short-term disability benefits have been exhausted.

Defined benefit pension plans, which specify a formula for determining the recipient's benefit, are provided to more than 9 of 10 workers in State and local governments and to 3 of 4 employees in medium and large firms in private industry. The incidence of these plans in the private sector has declined from 83 percent of employees in 1980. In their place, defined contribution plans (such as

savings and thrift and profit-sharing plans), which specify the contribution of the employer but do not guarantee a benefit, have grown in popularity as a source of retirement income and capital accumulation. Few defined contribution plans are found in the public sector.

Paid time off can range from a few minutes for a coffee break to several weeks of vacation. These benefits vary significantly among occupations and between the private and public sectors; often, unusual work schedules necessitate unique time-off provisions, as for teachers. Paid holidays and vacations are widely provided to all workers except teachers, who are often employed by contract for a fixed number of days, and whose stated pay is based on the contracted days. In contrast, personal leave, available to an employee for any reason, is provided to nearly three-fifths of the teachers; about one-third of the remaining public sector employees and one-third of the white-collar private sector employees receive such leave. Only 15 percent of the blue-collar workers in the private sector have personal leave provisions.

Formal paid rest time is most commonly provided to blue-collar workers in the private sector and regular employees in the public sector; such rest time is least common among teachers, whose daily schedules often do not allow for such a break. Paid lunch time is not usual for any of the worker groups, but is most prevalent among teachers and police and firefighters. Paid time off for jury duty is provided to nearly all employees; military leave is more common among public sector workers, except teachers, and formal paid funeral leave is more common in the private sector.

Additional benefits. In addition to providing data on the incidence and characteristics of paid time off, insurance, and retirement and capital accumulation plans, the Employee Benefits Survey gathers information on the incidence of a number of other benefits. The survey measures the number of workers eligible for each of these benefits, whether or not employees actually use the benefits. Twelve benefits were studied in the surveys of medium and large firms in private industry in 1985 and of State and local governments in 1987.⁷ Benefits typical of only one of the sectors—such as sabbatical leave in the public sector or employee discounts in the private sector—are not discussed in this article.

For many of the benefits, incidence is greater in the private sector than in the public sector. (See table 2.) For example, severance pay is available to almost half of the employees in medium and large firms in private industry, but to fewer than 10 percent of State and local government employees. Other benefits occurring more frequently in the private sector include supplemental unemployment benefits, relocation allowances, and travel accident insurance. The incidence of these benefits partly reflects the more uncertain nature of job security in private industry.

compared with State and local governments, and the lack of need to move public employees to different locations, as is done in private firms.

Benefits that attempt to meet employees' personal needs are available to a small number in each sector. Employer-subsidized child care benefits, either an onsite facility or employer reimbursement of costs for an independent facility, are available to 2 percent of public sector employees and 1 percent of private sector employees. Similarly, financial counseling, prepaid legal services, and subsidized commuting are available to about 10 percent or fewer of the employees. There appears to be little difference in the incidence of these benefits between the public and private sectors.

Employer-subsidized parking, either in an employer-provided facility or through reduced rates in a commercial facility, is available to more than 70 percent of employees in both the public and private sectors. However, employers in major metropolitan areas, where parking facilities are scarce, often do not offer subsidized parking. Employer-provided recreation facilities, subsidized meals, and in-house infirmaries are more common among private sector employees than public sector employees.

Amount of paid time off

Paid lunch time is not a common benefit, but is most often given to elementary and secondary schoolteachers, police and firefighters, and private sector blue-collar workers. Teachers are often required to remain on the school premises during lunch, and may even have specific duties, such as monitoring students. Similarly, the private sector blue-collar workers most likely to receive paid lunch time are those who are unable to leave the worksite, such as coal miners. Paid lunch time averaged just more than a half hour in the public sector, and just under a half hour in the private sector. (See table 3.)

Paid rest time includes coffee breaks and cleanup time. This benefit was counted if it was formal; that is, established provisions existed. Informal policies, which may be more common among white-collar workers, were excluded. A majority of private sector employees and regular public sector employees had formal paid rest provisions: usually two daily breaks of 10 to 15 minutes each. Teachers and police and firefighters, because of the nature of their work and unusual work schedules, were less likely to receive formal paid rest time.

Nearly all employees in all occupational groups, except teachers, received paid holidays. Teachers often were paid on the basis of the number of school days in a year, and were not considered by their school system as paid on holidays and other days off. In the private sector, employees most commonly received 10 holidays; public sector workers often received 11 or 12 holidays, the result of State and local observances.

One significant difference between public and private sector paid time-off benefits is in paid vacations. In the public sector, vacations are often considered "annual leave," time available for a variety of uses, including vacations. Annual leave plans often provide more days than do private sector vacation plans. However, annual leave must be used for such personal matters as funerals, while private sector employees are more likely to have vacation and other leave policies.⁸

Employees in establishments that require around-the-clock staffing, such as hospitals, may be part of a "leave bank" or receive "all-purpose leave." These plans often combine holidays, vacation, sick leave, and other leave into one block of time off. Employees then coordinate their leave requests so that adequate staffing is maintained.

In both the private and public sectors, paid vacation days usually increase with length of service. The following tabulation details the average number of days provided at selected service intervals for employees who participated in a vacation or annual leave plan:

	Length of service			
	1 year	5 years	10 years	20 years
Private industry:				
All workers	8.8	12.7	15.8	20.6
State and local governments:				
All workers	12.0	15.0	17.7	21.4
Regular workers	11.8	14.8	17.7	21.4
Teachers	14.3	15.7	16.9	18.7
Police and firefighters	12.6	15.8	18.8	22.7

These data suggest that public sector employees receive more paid leave at fewer years of service than do their private sector counterparts, but the difference narrows as

Table 3. Average length of paid time off, medium and large firms in private industry and State and local governments

Paid benefits	Private industry, 1986	State and local governments, 1987			
	All employees	All employees	Regular employees ¹	Teachers	Police and firefighters
Lunch time (minutes per day)	27	34	36	32	34
Rest time (minutes per day)	26	29	29	28	29
Holidays (days per year)	10.0	10.9	11.1	9.8	11.2
Personal leave (days per year)	3.7	2.7	2.8	2.7	2.6
Funeral leave (days per occurrence)	3.2	3.7	3.6	4.1	3.5
Military leave (days per year)	11.5	17.2	17.1	17.4	17.1

¹Regular employees are all workers except teachers and police and firefighters.

NOTE: Computation of averages excludes workers receiving unspecified numbers of days.

length of service increases. For the small percentage of teachers receiving a paid vacation, the number of days varied only slightly as years of service increased.

Paid personal leave allows employees time off for a variety of purposes. Teachers are the most common recipient of this benefit, perhaps because they seldom receive paid vacations. Personal leave plans typically provide 1 to 5 days per year. The average of 3.7 days per year in the private sector is about 1 day more than that of the public sector.

Separate formal funeral leave plans are more common in the private sector; public sector workers without such a plan may use annual leave for this purpose. Where plans are available, they most commonly provide 3 days of funeral leave per occurrence in both the public and private sectors. About 23 percent of private sector employees and 17 percent of those in the public sector were in plans that varied the number of days according to the relationship of the employee to the deceased.

Paid military leave was available to a majority of all employees in both sectors. On average, State and local government employees could receive just over 3 weeks of paid leave, while private sector employees could receive just over 2 weeks.

Paid time off for jury duty was almost universally provided to all employees. These plans usually provided leave as needed, rather than specifying a fixed number of days.

Work schedules

For many years, employees worked 40 hours a week, usually in 5 days, with relatively few departures from this pattern.⁹ However, this schedule is gradually becoming less common, as flexible work hours and the need to have services provided at different times have reduced uniformity in working patterns. In the private sector, the 5-day, 40-hour week is still the most common, applying to 82 percent of all employees, including 90 percent of production workers. Those not on a 40-hour schedule generally work fewer hours; 13 percent of technical and clerical workers, for example, work 37.5 hours per week—7.5 hours per day.

In the public sector, two-fifths of the employees work fewer than 40 hours per week. Elementary and secondary schoolteachers and regular public sector workers were generally scheduled for 5 days, 35 or 37.5 hours. Scheduled hours for teachers often included preparation and grading time. Private sector workers were more likely to work a standard 5-day, 40-hour week. The survey did not collect data on work schedules for college and university teachers because they often do not work fixed schedules.

Police and especially firefighters were more inclined to have unusual work schedules. A firefighter might work 24 hours, then have 24 hours off, work another 24 hours, and, finally, have 72 hours off. This cycle would then repeat. For the survey, this type of schedule was adjusted

Table 4. Percent of full-time employees participating in selected benefits plans, by plan sponsor, medium and large firms in private industry and State and local governments

Sponsor	Health insurance	Life insurance	Sickness and accident insurance	Long-term disability insurance	Defined benefit pension
Private industry, 1986					
All employees:					
Single employer	96	97	87	100	96
Multi-employer	4	3	2	0	4
Employer association	(¹)	(¹)	0	(¹)	0
Mandated benefits ²	0	0	11	0	0
State and local governments, 1987					
All employees:					
State sponsored	33	35	57	48	85
Local sponsored	67	65	43	52	15
Regular employees: ³					
State sponsored	39	41	58	51	83
Local sponsored	61	59	42	49	17
Teachers:					
State sponsored	24	27	(⁴)	46	95
Local sponsored	76	73	(⁴)	54	5
Police and firefighters:					
State sponsored	13	16	43	22	62
Local sponsored	87	84	57	78	38

¹Less than 0.5 percent.

²Mandated temporary disability insurance plans.

³Regular employees are all workers except teachers and police and firefighters.

⁴Data were insufficient to show teachers separately.

NOTE: Because of rounding, sums of individual items may not equal totals.

to determine the average number of days and hours worked in 7 days. For example, the above schedule yields a workweek of 2.3 days and 56 hours, a common schedule for firefighters.¹⁰

Plan sponsors

The Employee Benefits Survey also develops data on sponsors of insurance and pension plans. (See table 4.) For private sector employees, benefits are sponsored by single employers, a multi-employer trust, or an employer association.¹¹

Public employees, on the contrary, are under plans sponsored by either State or local governments. The only benefit plan found in both surveys is the mandated temporary disability insurance plans in New York and New Jersey. (These plans are tabulated as sickness and accident insurance plans; they appear in table 4 as mandated benefits in the private sector and State-sponsored benefits in the public sector.)

Data on plan sponsors reveal that single-employer plans dominate in the private sector, while public sector plans vary between State and local sponsors. Defined benefit pension plans for public employees are frequently State-sponsored; local governments either may be required to join these plans, or may choose to join rather than establish their own plans. Conversely, health and life insurance benefits for local government employees are

more likely to be sponsored by the local governments.

Employers may provide benefits to employees either individually or through a flexible (package) arrangement. The Employee Benefits Survey included the incidence of two types of flexible arrangements: flexible benefits (or cafeteria) plans and reimbursement (or flexible spending) accounts. Flexible benefits plans allow employees to choose between plans in two or more benefit areas, such as health, life, and disability insurance, and added vaca-

tion days. Reimbursement accounts provide funds to pay for expenses often not included in benefit packages, such as health insurance deductibles and coinsurances,¹² and employee child care costs. Flexible benefits packages were available to 2 percent of employees in medium and large firms in private industry, and to 5 percent of State and local government employees, most commonly teachers. Reimbursement accounts were available to 5 percent of all employees surveyed. □

—FOOTNOTES—

¹Survey data are published annually in a Department of Labor news release and a Bureau of Labor Statistics bulletin. In addition, articles providing greater detail on survey findings are published periodically in the *Monthly Labor Review* (see, for example, Donald Schmitt, "Today's pension plans: how much do they pay?" December 1985, pp. 19-25). This series of articles is the first to compare findings in the private and public sectors.

The most recent bulletin containing data on medium and large firms in private industry is *Employee Benefits in Medium and Large Firms, 1986*, Bulletin 2281 (Bureau of Labor Statistics, 1987). Data on State and local governments are in *Employee Benefits in State and Local Governments, 1987*, Bulletin 2309 (Bureau of Labor Statistics, 1988).

²The 1988 Employee Benefits Survey is being conducted in private industry, with an expanded scope that includes all service industries and firms employing 100 employees or more. Future plans for the survey include expansion into small private firms, a rotating schedule of private and public sector surveys, and the publication of benefits data for the entire civilian economy, excluding farms, households, and the Federal Government.

³The "selected services" were limited to advertising; credit reporting and collection agencies; computer and data processing services; research and development laboratories; commercial testing laboratories; management and public relations services; engineering and architectural services; noncommercial research organizations; and accounting, auditing, and bookkeeping services.

⁴For further details on the Employee Benefits Survey, see Robert Frumkin and William Wiatrowski, "Bureau of Labor Statistics takes a new look at employee benefits," *Monthly Labor Review*, August 1982, pp. 41-45.

⁵Comparison of the incidence and characteristics of benefits explores only one aspect of differences in public and private sector compensation. Judgments about overall compensation should not be made without also looking at wage and salary data. For recent information on public and private sector pay, see Richard E. Schumann, "State and local govern-

ment pay increases outpace five-year rise in private industry," *Monthly Labor Review*, February 1987, pp. 18-20.

⁶Participants are defined in the survey as all employees covered by a benefit plan that does not require an employee contribution, and all workers electing to pay their share of the cost of plans that require an employee contribution.

⁷Data on these benefits were not collected in the 1986 survey of medium and large firms in private industry. Items are added and deleted from the list of these additional benefits periodically, reflecting current benefits trends. For the most recent data collected in the private sector, see *Employee Benefits in Medium and Large Firms, 1985*, Bulletin 2262 (Bureau of Labor Statistics, 1986), pp. 81-82.

⁸Where annual leave plans were encountered, the provisions were calculated as paid vacation days and were not included in other benefits, such as funeral leave.

⁹For historical data on average weekly hours, see *Handbook of Labor Statistics*, Bulletin 2217 (Bureau of Labor Statistics, 1985), table 70. Today, workweeks of less than 40 hours are more common in nonmanufacturing industries than in manufacturing industries.

¹⁰Paid leave items, such as vacations and holidays, were adjusted for employees with unusual work schedules. For example, a firefighter who received five 24-hour shifts off for vacation would be credited with 15 days paid vacation in the survey, based on a traditional 8-hour workday.

¹¹Sickness and accident insurance is mandated by law for some workers. The Railroad Unemployment Insurance Act provides short-term sickness and accident insurance benefits to railroad employees. State temporary disability insurance plans in New York and New Jersey mandate benefits for employees in covered establishments. Similar plans in California and Rhode Island are excluded from the surveys because they are financed entirely by employee contributions.

¹²Deductibles are required to be paid by a plan participant before benefits are paid by the plan; coinsurance is the percentage of benefits, after the deductible is met, that is paid by the plan.