

# Retirement Benefits in the Jacksonville, FL and Tucson, AZ Construction Industries

Recent test surveys revealed that construction workers in Jacksonville, FL and Tucson, AZ were more likely to have access to, and participate in, defined contribution plans than defined benefit plans. In both cities, there was considerable variation in the incidence and cost of retirement benefits.

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Workers with access to a benefit include those who currently have, or eventually will be eligible for, the benefit. This includes employees who have not yet met an eligibility requirement or who do not make required contributions. For example, an employer may establish a length of service requirement that the employee must satisfy to qualify for a benefit. This employee has access to the benefit. Similarly, an employee may decline to participate in a retirement plan but still have access to the benefit.

Participation is different than access. Workers are considered to participate in a retirement plan when the employee is provided access or enrolled in the plan, or when the employer makes a benefit payment on behalf of the employee.

Participation in a benefit is computed in two different ways. First, participation is calculated as a percent of all employees; and second, it is calculated as a percent of those employees having access to the benefit. The surveys found that the majority of employees with access to a benefit also participated in the benefit.

Benefit data from the Jacksonville and Tucson construction test surveys<sup>1</sup> were published in the following formats:

- Percent of employees with access to a benefit
- Percent of employees without access
- Percent of employees participating in a benefit plan
- Percent of employees with access participating in the plan
- Employers' cost for the benefit per hour worked per participant

In addition, BLS also publishes data on the percent of employees whose access could not be determined.

This is the second of two articles dealing with the results of two test surveys on compensation in the construction industry in the Jacksonville, FL and Tucson, AZ Metropolitan Statistical Areas. It reviews the retirement benefits results of these surveys. The first article, which reviews the earning results, starts on page 8.

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### Costs and incidence rates

The incidence of retirement benefits in Jacksonville, FL for construction workers was higher than in Tucson, AZ. Sixteen percent and 37 percent, respectively, had access to defined benefit plans and defined contribution plans in Jacksonville, whereas the figures were 5 percent and 30 percent, respectively, in Tucson. A lower unionization rate in Tucson may, in part, explain its lower incidence rate. Union workers generally fare better on benefits than do nonunion workers.

While the incidence and cost data published from the Jacksonville and Tucson test surveys are not strictly comparable with other BLS compensation surveys, it is interesting to look at some of the survey results. In 1997, the Bureau's Employee Benefit Survey (EBS) of medium and large private establishments found that 50 percent of full-time, blue-collar and service employees participated in defined benefit plans.<sup>2</sup> This stands in contrast to the data from the Jacksonville and Tucson surveys noted earlier.<sup>3</sup> Similarly, there was less participation in defined contribution plans in the Jacksonville and Tucson test surveys than in the EBS.

The lower incidence rates for Jacksonville and Tucson are probably a result of the differing methodology between the two surveys. The Employee Benefits Survey of medium and large private establishments includes those with at least 100 employees, whereas the two construction surveys included all establishments. Similarly, the EBS data only cover full-time employees, although the Jacksonville and Tucson surveys include part-time employees as well. Because retirement plan participation is highest for full-time employees in large establishments, it is only reasonable that the EBS incidence rates are higher overall.

Employer costs for benefits, per hour worked, also varied by city. Jacksonville employers paid more per hour worked, on average, for defined contribution plans, and Tucson employers paid more for defined benefit plans, as the tabulation shows.

	Jack- son- ville	Tucson
Defined contribution plans .....	\$1.05	\$0.67
Defined benefit plans .....	1.11	1.60

Employers' cost data for providing benefits are calculated by determining the annual cost per participant and then dividing by annual hours worked. Employees not participating in the plan are not included in the cost calculation. A possible reason for the difference could be that employers in Jacksonville provide better, more costly defined contribution plans, while Tucson employers provide better, more costly defined benefit plans.

BLS also has data on national benefit costs from another of its surveys, the Employer Costs for Employee Compensation (ECEC). These data, collected in March 1998, indicate that full-time, blue-collar employees' average cost per hour worked were \$0.46 for defined benefit plans and \$0.22 for defined contribution plans in contrast to those from the two construction surveys.

The cost data collected during the construction surveys were much higher than those found in the ECEC. The large cost differences are partially explained by the different methodologies used in each survey. For example, the ECEC data represent the average cost per hour worked for all employees (whether they participated in a plan or not), whereas cost-per-hour-worked data from the construction surveys are only for those employees who actually participated in a plan. As such, the expected reported costs should be higher in the construction test surveys than in the ECEC.

### Defined benefit retirement plans

A defined benefit retirement plan provides employees with a specified retirement benefit, usually monthly annuity payments. The benefit formula is predetermined and is commonly based on salary and length of service. The employer contributions are not fixed, except in multi-employer plans. All employers are obligated to provide

enough funds to pay anticipated future benefits, including additional contributions to make up for any investment losses by the pension fund. Common provisions of defined benefit plans are survivor annuities, disability retirement, early retirement, and coordination with Social Security payments.

As shown in table 1, the percent of employees in the construction trades with access to defined benefit retirement plans varied by city. With only a few exceptions, the reduced level of access to defined benefit plans in Tucson was seen across occupations. For example, 47 percent of electricians and 24 percent of plumbers in Jacksonville had access to defined benefit plans, while 21 percent and 7 percent of their respective counterparts in Tucson had access. Even with these differences, the studies found similarities between the two cities. For example, no painter supervisors, painters, or welders in either Jacksonville or Tucson had access to defined benefit plans, whereas truckdrivers and construction helpers had low levels of access.

TABLE 1. Percent of employees with access to defined benefit retirement plans, construction industries by occupation, Jacksonville, April 1998 and Tucson, May 1998

Occupation	Percent	
	Jack- son- ville, FL	Tucson, AZ
All blue-collar occupations .....	16	5
Carpenter supervisor .....	40	0
Carpenters .....	16	4
Construction laborers ...	3	7
Electrician apprentices .....	75	60
Electricians .....	47	21
Heating, air conditioning, and refrigeration mechanics .....	6	11
Helpers, construction trades .....	4	3
Helpers, mechanics and repairers .....	0	14
Painter supervisors .....	0	0
Painters .....	0	0
Plumbers .....	24	7
Roofers .....	11	0
Sheetmetal duct installers .....	66	12
Truckdrivers .....	3	5
Welders and cutters ....	0	0

The percentage of construction employees with access to defined benefit plans also varied by occupational group. Precision production, craft and repair occupations, at 24 percent in Jacksonville and 6 percent in Tucson had the greatest access; transportation and material moving occupations were less likely to have access. The differences in access among the occupations might be explained by such factors as skill level or employer size, but the survey did not examine this issue.

The percent of employees participating in defined benefit plans nearly mirrored the percent of employees with access to the benefit. For example, 7 percent of plumbers in Tucson and 24 percent in Jacksonville had access to, and participated in, the benefit. This was true for every occupation in the surveys with the exception of two: Electrician apprentices and carpenters.<sup>4</sup> Even though electrician apprentices had the highest level of access of any occupation in Tucson, at 60 percent, their participation rate was 54 percent. Similarly, 16 percent of carpenters in Jacksonville had access, but 12 percent participated in the benefit.

The surveys also collected employer cost data on defined benefit plans. These data are tabulated as an average cost per hour worked per participant and, as shown in table 2, varied by occupational group and city.

### Defined contribution retirement plans

Defined contribution plans specify the level of employer contribution to the plan, but not the formula for determining eventual benefits as in defined benefit plans. Instead, personal accounts are set up for participants, and benefits depend on the amounts credited to these accounts, plus investment earnings. Although employers normally guarantee they will make contributions, the employee bears the risk of fluctuation in investment earnings.

As shown in table 3, the percent of

**TABLE 2. Employer cost for defined benefit retirement plans, per hour per participant, construction industries by occupation, Jacksonville, April 1998 and Tucson, May 1998**

Occupation	Employer cost	
	Jacksonville, FL	Tucson, AZ
All blue-collar occupations .....	\$1.11	\$1.60
Precision production, craft, and repair .....	1.16	1.97
Construction trades ...	.93	2.05
Supervisors, construction trades .....	1.47	-
Other precision production, craft and repair .....	2.01	-
Elevator installers and repairers .....	2.37	-

NOTE: Dashes indicate that no data were reported or that data did not meet the publication criteria.

**TABLE 3. Percent of employees with access to defined contribution retirement plans, construction industries by occupation, Jacksonville, April 1998 and Tucson, May 1998**

Occupation	Percent	
	Jacksonville, FL	Tucson, AZ
All blue-collar occupations .....	37	30
Carpenter supervisor .....	33	11
Carpenters .....	26	24
Construction laborers .....	31	21
Electrician apprentices .....	24	-
Electricians .....	76	35
Heating, air conditioning, and refrigeration mechanics .....	38	51
Helpers, construction trades .....	29	18
Helpers, mechanics and repairers .....	30	53
Painter supervisors ..	-	36
Painters .....	18	12
Plumbers .....	42	42
Roofers .....	12	22
Sheetmetal duct installers .....	-	34
Truckdrivers .....	49	61
Welders and cutters ..	-	19

NOTE: Dashes indicate that no data were reported or that data did not meet the publication criteria.

employees in the construction trades with access to defined contribution retirement plans varied between the two test cities. These differences, however, were less pronounced than the differences seen with defined benefit plans. Thirty-seven percent of the occupations sampled in Jacksonville had access to defined contribution plans, compared to 30 percent in Tucson. Differences in occupations having access were found. For example, 33 percent of carpenter supervisors and 76 percent of electricians in Jacksonville had access to defined contribution plans compared to 11 percent and 35 percent, respectively, in Tucson. Even with these differences, similarities between the two cities were found. For example, 26 percent of carpenters in Jacksonville had access, compared to 24 percent in Tucson.

The percentage of construction employees with access to defined contribution plans also varied by occupation. Transportation and material movement occupations were more likely to have access, whereas machine operators, assemblers, and inspectors

**TABLE 4. Employer cost per hour per participant for defined contribution retirement plans, construction industries by occupation, Jacksonville, April 1998 and Tucson, May 1998**

Occupation	Employer cost	
	Jacksonville, FL	Tucson, AZ
All blue-collar occupations ....	\$1.05	\$0.67
Carpenters .....	.49	.84
Construction trades .	1.23	.77
Electricians .....	1.67	.66
Heating, air conditioning, and refrigeration mechanics .....	.63	.50
Helpers, construction trades .....	1.00	.43
Laborers construction .....	.54	.68
Plumbers .....	.79	.56
Precision production, craft, and repair ....	1.21	.82
Supervisors, construction trades .....	1.37	1.18
Truckdrivers .....	.44	.44

were less likely. The differences in access among the occupations might be explained by such factors as skill level or employer size, but the surveys did not examine this issue.

Unlike the pattern in defined benefit plans, the percent of employees participating in defined contribution plans did not mirror the percent of employees with access to the benefit.

For example, 38 percent of the precision production, craft and repair occupations in Jacksonville had access to defined contribution plans, but 25 percent participated in them. This was true for every occupation in the surveys. A probable barrier to participation is that employees usually are required to contribute to the plan, thus lowering plan participation rates.

In addition to collecting incidence data, the two construction surveys also collected employer cost data on defined contribution plans. These data are tabulated as an average cost per hour worked per participant. The employer cost of defined contribution plans averaged \$1.05 per hour in Jacksonville and \$0.67 in Tucson. As shown in table 4, costs varied by occupation and city. ■

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<sup>1</sup> See Robert W. Van Giezen in this issue for information about the test surveys.

<sup>2</sup> Includes production, craft, repair, laborer, and service occupations.

<sup>3</sup> Several other significant differences exist between the Davis Bacon test surveys and the Employee Benefit Survey (EBS). First, occupational categories between the two surveys are not comparable. The EBS blue-collar category also includes data for service employees while the

Davis Bacon surveys published data on blue-collar workers exclusively. Second, the EBS is a national survey while the Davis Bacon surveys are for specific MSAs. Third, the EBS medium and large private establishment survey only collects data for those establishments with 100 or more employees. The Davis Bacon test surveys did not have a size restriction and thus included smaller establishments that are less likely to provide retirement benefits. Finally, the EBS data are

for full-time employees, while the Davis Bacon test surveys published data for full- and part-time employees.

<sup>4</sup> Apprentices are defined as workers who learn a recognized skill, craft, or trade requiring one or more years of on-the-job training through job experience supplemented by related instruction. Apprentices must be in a formal program with an agreement or contract with the employer to be included in this survey.

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