

Who Offers Benefits?

A Survey of Montana Private Businesses

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Introduction

Competition among businesses for workers can be intense, especially among businesses that operate in related industries or offer comparable services. Managers faced with these situations will often attempt to attract workers by offering wage and benefit packages that are superior to those offered by their competitors. In order for this strategy to be successful, though, the business community must have access to accurate information. Wage data has long been available through state and national sources; however, data relating to benefit packages offered in Montana has been scarce.

In response to increasing requests for information pertaining to benefit coverage, several states' labor market information agencies, including the Montana Department of Labor and Industry's Research and Analysis Bureau, participated in a pilot survey of private businesses investigating the characteristics of firms that offer benefits. This article summarizes the findings from the 2004 survey. The article will include a brief discussion of the methodology used to conduct the survey, statistical data relating to the percentage of businesses offering retirement, medical, dental, and leave benefits by industry and business size, comparisons to national data, and concluding remarks.

Survey Methodology

Surveys were sent to a sample of 3,420 private businesses, which were drawn from the state's unemployment insurance (UI) files. The UI files exclude self-employed workers and other workers not covered by unemployment insurance, but still cover about 90 percent of Montana's work force. A total of 1,675 businesses responded to the survey, yielding a response rate of 49 percent. The likelihood of a business being chosen for this survey was proportional to its employment size. The survey design ensured a sufficient number of responses from each major industry category to permit comparisons across industries.



Retirement Benefits

The survey asked employers about two basic types of retirement packages: defined benefit plans and defined contribution plans. Defined benefit plans provide a payment based on a predetermined formula set by the company, while defined contribution plans require the employer to contribute a fixed amount to the employee's retirement fund without guaranteeing a specific return on investment.

Table 1 contains data pertaining to retirement plans offered to full-time workers by industry and business size. The table shows that 41 percent of businesses offered defined contribution plans, while

only 8 percent offered defined benefit plans. A majority of businesses offered defined contribution plans in eight of the 18 industries. Defined benefit plans were much less popular; with the exception of firms in the utility industry, very few firms offered these plans. Table 1 also reveals that the likelihood of a business offering a retirement plan increased with size. This suggests that large companies' ability to spread fixed investment costs over a greater number of employees allows them to take advantage of lower average costs per employee when offering retirement plans.

Table 1
Percent of Montana Private Businesses Offering Retirement and Health Care Benefits

	Retirement		Health Care	
	Defined Benefit	Defined Contribution	Medical Care	Dental Care
Total				
Full-time	8.4%	41.5%	55.2%	28.9%
Part-time	4.4%	18.5%	13.2%	7.8%
Industries				
Mining	7.7%	31.4%	54.7%	30.6%
Utilities	40.6%	50.4%	55.7%	40.0%
Construction	1.7%	21.7%	44.8%	16.1%
Manufacturing	7.1%	53.1%	56.0%	30.3%
Wholesale trade	15.0%	53.1%	68.5%	33.3%
Retail trade	10.0%	35.9%	49.2%	29.1%
Transportation and warehousing	1.3%	29.2%	54.0%	32.3%
Information	11.5%	33.1%	50.9%	30.5%
Finance and insurance	11.3%	65.7%	73.8%	41.1%
Real estate and rental and leasing	0.0%	19.0%	32.8%	13.0%
Professional, scientific, and technical services	7.1%	54.1%	64.9%	36.5%
Management of companies and enterprises	10.4%	63.2%	90.1%	73.1%
Administrative support and waste	24.8%	50.4%	62.3%	48.6%
Educational services	7.2%	23.6%	39.0%	17.7%
Health care and social assistance	14.3%	56.7%	52.4%	17.7%
Arts, entertainment, and recreation	4.9%	16.9%	35.8%	19.9%
Accommodation and food services	0.0%	20.0%	39.4%	24.9%
Other services, excluding public administration	7.1%	27.1%	36.7%	18.4%
Size Classes				
Less than 10 employees	7.2%	32.1%	42.4%	18.9%
10 to 49 employees	7.8%	50.7%	70.8%	42.8%
50 to 99 employees	15.7%	63.7%	82.7%	57.0%
100 to 249 employees	16.3%	69.3%	86.1%	72.6%
250 or more employees	21.5%	88.8%	100.0%	89.5%

Source: Montana Department of Labor and Industry, Research and Analysis Bureau.

Health Care Benefits

Table 1 also lists two types of health care benefits: medical and dental. More than half of all businesses surveyed offered medical coverage. A closer examination of Table 1 reveals that in 11 industries more than half of the businesses offered insurance to their employees. In three industries – management of companies and enterprises, finance and insurance, and wholesale trade – more than two-thirds of businesses offered medical coverage. Average wages in these industries are among the highest in Montana, so it is not surprising that these businesses are more likely to offer benefits. Additionally, Table 1 shows a distinct relationship between size of business

and coverage. Larger businesses are much more likely to offer coverage than smaller businesses. In fact, all businesses with more than 250 workers offered medical benefits to their employees.

Data on dental coverage in Table 1 shows fewer businesses offered dental coverage than offered medical benefits. About one-fourth of all businesses offered dental benefits. Management of companies and enterprises was the only industry where a majority of surveyed firms offered dental coverage. Small firms appear to have a significant effect on these averages. Over half of businesses with 50 or more employees offered dental benefits, compared to only 19 percent of businesses employing less than 10 workers.

Table 2
Percent of Montana Private Businesses
Offering Paid Leave Benefits

	Vacation	Sick Leave	Holiday
Total			
Full-time	72.6%	37.9%	58.2%
Part-time	23.1%	12.8%	22.6%
Industries			
Mining	71.0%	28.7%	51.2%
Utilities	56.3%	51.7%	57.5%
Construction	44.0%	14.5%	28.2%
Manufacturing	78.3%	23.9%	81.4%
Wholesale trade	82.3%	56.4%	74.6%
Retail trade	71.9%	28.1%	48.9%
Transportation and warehousing	54.0%	22.6%	49.0%
Information	66.9%	52.5%	62.8%
Finance and insurance	83.3%	71.5%	84.4%
Real estate and rental and leasing	68.9%	35.0%	50.0%
Professional, scientific, and technical services	73.7%	48.7%	79.9%
Management of companies and enterprises	84.4%	40.4%	69.8%
Administrative support and waste	61.5%	40.2%	75.0%
Educational services	49.0%	43.2%	44.1%
Health care and social assistance	85.1%	59.9%	70.6%
Arts, entertainment, and recreation	46.6%	17.2%	23.8%
Accommodation and food services	49.6%	12.2%	17.2%
Other services, excluding public administration	65.2%	23.3%	46.4%
Size Classes			
Less than 10 employees	62.2%	31.1%	50.3%
10 to 49 employees	77.0%	42.1%	60.9%
50 to 99 employees	82.6%	47.6%	62.6%
100 to 249 employees	83.9%	54.5%	72.4%
250 or more employees	63.6%	63.2%	54.7%

Source: Montana Department of Labor and Industry, Research and Analysis Bureau.

Table 3
Percent of U.S. and Montana Private Businesses
Offering Retirement and Health Care Benefits

	Retirement		Health Care
	Defined Benefit	Defined Contribution	Medical Care
Total			
U.S.	11.0%	48.0%	63.0%
Montana	8.4%	41.5%	55.2%
Industries			
Goods Producing			
U.S.	12.0%	47.0%	63.0%
Montana	3.2%	29.4%	37.0%
Service Providing			
U.S.	11.0%	49.0%	63.0%
Montana	8.7%	40.0%	54.3%
Size Classes			
Less than 99 employees			
U.S.	10.0%	47.0%	61.0%
Montana	7.6%	37.6%	50.6%
100 or more employees			
U.S.	32.0%	87.0%	96.0%
Montana	17.1%	72.2%	88.2%

Source: Montana Department of Labor and Industry, Research and Analysis Bureau.

Paid Leave Benefits

Paid leave benefits, shown in Table 2, include vacation, sick leave, and holidays. Nearly 73 percent of businesses indicated they provide paid vacation, a higher percentage than offered paid sick leave or paid holidays. Table 2 shows that in four industries – construction; private education; arts, entertainment, and recreation; and accommodation and food services – less than half of businesses offered paid vacation. These industries exhibit seasonal employment patterns that lead to periods of unemployment throughout the year. So it is not surprising that many businesses in these industries do not offer vacation benefits.

Table 2 also shows that nearly 60 percent of businesses offered paid holiday leave. Industries with businesses that were more likely to offer paid vacations also were more likely to offer holiday leave. In contrast to health and retirement benefits, business size appears unrelated to the likelihood a business will offer paid vacation or holiday leave.

A significantly lower percentage of businesses (38 percent) offered paid sick leave. Table 2 shows that a majority of businesses offered sick leave in only five of 18 industries. Unlike vacation and holiday leave, larger businesses appear more likely to offer sick leave benefits.

National Benefits

Table 3 compares the percentage of businesses offering retirement and medical benefits in Montana to corresponding national averages. Limitations in the national data prevent a detailed examination of industry and size classifications. However, several broad comparisons can be made. Table 3 shows that in every industry and size classification, a lower proportion of Montana firms offered benefits than their national counterparts. Nationally, there was little difference in the rate at which goods-producing and service-providing businesses offered benefits. In Montana, however, businesses within goods-producing industries offered benefits at a much lower rate

than those in service-providing industries. Montana's lack of large-scale manufacturing firms could contribute to this gap.

Table 3 also contains data on two broad business size categories: businesses with less than 100 employees and businesses with at least 100 employees. Not surprisingly, for both U.S. and Montana data, businesses are more likely to offer benefits if they employ at least 100 workers. The rates at which Montana businesses offer benefits are consistently lower than the corresponding U.S. rates for all industry and size classes.

Conclusion

The results of this survey provide a preliminary look at the frequency with which Montana businesses

provide benefits to their workers and yield several key conclusions. First, most businesses prefer defined contribution plans to defined benefit plans. Under defined contribution plans, employees bear the investment risks, but also enjoy greater freedom in their investment decisions. Second, the survey indicates that businesses in high-wage industries are much more likely to offer benefits than those in low-wage industries. This is an important point for policymakers, as an exclusive focus on industry wage differences probably underestimates the payoff for working in a high-wage industry.

Third, a greater proportion of large firms offered benefits than did smaller firms. An important relationship exists between business size and employee benefits. Paid vacation and holiday leave were the only benefits where this relationship did not hold true. Finally, businesses in Montana offered benefits at rates consistently lower than the national average. This gap was most pronounced in the goods-producing industries, which is not surprising given the relatively low wages paid to Montana workers in goods-producing industries compared with wages in goods-producing industries at the national level. □

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