

## *Employee Tenure, 2006, p. 2*

### *Executive Summary:*

- **Perception vs. reality:** A widely held belief about past generations of American workers was that typical workers held career jobs, staying with the same employer for most of their working years. However, the data on employee tenure—the amount of time an individual has been with his or her current employer—show that career jobs never existed for most workers and have continued not to exist for most workers.
- **Overall tenure unchanged:** The median tenure for all wage and salary workers age 25 or older was virtually unchanged from 1983 (5.0 years) to 2006 (4.9 years). However, the median tenure for *male* wage and salary workers declined from 5.9 years in 1983 to 5.0 years in 2006. In contrast, the median tenure for *female* wage and salary workers increased from 4.2 years in 1983 to 4.8 years in 2006. Consequently, the increase in the median tenure of female workers offset much of the decline in the median tenure of male workers, leaving the overall level essentially unchanged.
- **Public- vs. private-sectors:** The difference between private-sector and public-sector workers' tenure distribution is quite striking. Among *all* wage and salary workers age 20 or older, the median tenure level held steady at 4.0 years or slightly more from 1983 to 2006. The median tenure for *private-sector* workers' also held steady over that period and was 3.9 years in 2006, but for *public-sector* workers it increased from 6.0 years in 1983 to 7.0 years in 2006. Over this two-decade period, median job tenure in the public sector increased significantly relative to the private sector, and currently is about 80 percent higher. Consequently, public-sector employers are facing the retirement of a significant number of their most experienced workers.
- **Policy implications:** This persistence of job changing has important implications for a worker's potential income in retirement:
  - *Defined benefit pensions*—Since most “traditional” defined benefit pensions are based on a formula using tenure and average salary, workers who frequently change jobs may receive little or no pension benefit. Compounding the issue of short tenure is the fact that fewer private-sector employers are sponsoring “traditional” pensions, a trend that will further reduce the number of current workers likely to receive a pension benefit.
  - *Benefit preservation*—A worker who changes jobs must decide what to do with any retirement plan assets he or she has accumulated, a situation that has become more prevalent with the growth in plans that allow a lump-sum distribution. If employees do not retain these assets in some type of savings vehicle for retirement, they may forgo an important source of supplemental income to their Social Security benefits or be forced to remain in the work force.
  - *Public policy*—Enrollments in means-tested welfare programs could increase significantly if large numbers of retirees prematurely exhaust their own savings reserves. Also, the number of experienced public-sector employees will drop during the period when the social programs are about to face tremendous increase in enrollment, so the public sector must work to retain experienced workers or develop more workers to replace those nearing retirement.

## ■ **Employee Tenure, 2006**

By Craig Copeland, EBRI

### **Introduction**

A widely held belief about past generations of American workers was that typical workers held career jobs—staying with the same employer for most of their working years—then retired with the proverbial “gold watch.” In contrast, current American workers are believed to change jobs more frequently, to have less employment security, and to leave without the gold watch.

However, the data on employee tenure—the amount of time an individual has been with his or her current employer—show that career jobs never existed for most workers and have continued not to exist for most workers. Although data on tenure do not measure workers’ *security* (generally defined as the workers’ perception of being able to continue in their current job), they do show *stability* (the actual length of time workers have been with their current employer). Consequently, tenure data show the results, not the perception, of the ability to stay in a current job.

This article updates previous Employee Benefit Research Institute (EBRI) publications that have examined employee tenure data of American workers.<sup>1</sup> The latest data on employee tenure from the January 2006 Supplement to the U.S. Census Bureau’s Current Population Survey (CPS) are examined and compared with the trends from previous CPS publications on employee tenure.<sup>2</sup>

The data for 2006 show that the median tenure of workers—the midpoint of wage and salary workers’ length of employment in their current job—was virtually unchanged from 1983: 4.9 years in 2006, compared with 5.0 years in 1983. Even among older male workers (ages 55–64), who experienced the largest change in their median tenure, the median tenure fell from a level that would not be considered a career—14.7 years in 1963—to a roughly comparable but clearly lower level of 9.5 years in 2006.<sup>3</sup>

### **Overall Tenure**

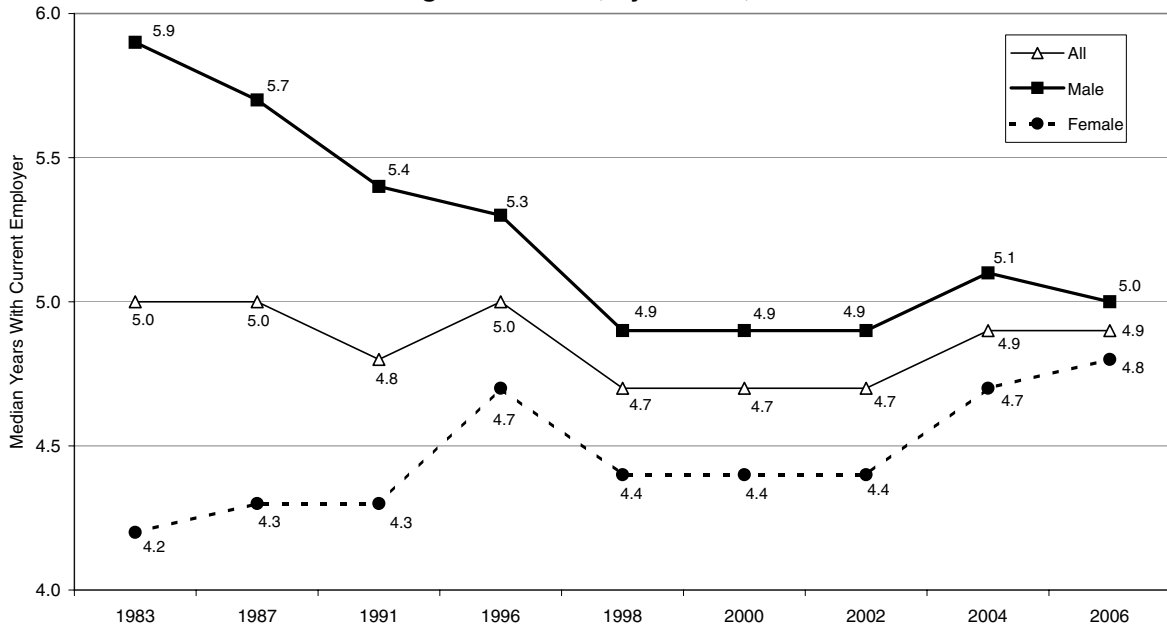
The median tenure for all wage and salary workers age 25 or older was virtually unchanged from 1983 (5.0 years) to 2006 (4.9 years) (Figure 1). However, the median tenure for *male* wage and salary workers declined from 5.9 years in 1983 to 5.0 years in 2006. In contrast, the median tenure for *female* wage and salary workers increased from 4.2 years in 1983 to 4.8 years in 2006. Consequently, the increase in the median tenure of female workers offset much of the decline in the median tenure of male workers, leaving the overall level essentially unchanged.

*Age and Gender*—A closer examination of age and gender median tenures using a longer time series shows that the median tenure for the oldest working males (ages 55–64) declined steadily from a peak of 15.3 years in 1983 to 9.5 years in 2006 (Figure 2).<sup>4</sup> However, since a male worker of this age with the median level of tenure would not have started this job until he was in his 40s, it would be difficult to consider that a career job. As the age category decreases, the median tenure line becomes flatter, showing a smaller change in the tenure level across time. The 25–34-year-old male tenure line was virtually flat, at three years. For females, the median tenure was flat to increasing across all age groups (Figure 3). The largest increase was among females ages 55–64, whose median tenure increased from 7.8 years in 1963 to 9.2 years in 2006.

*Public vs. Private Sector*—Among *all* wage and salary workers age 20 or older, the median tenure level held steady at 4.0 years or slightly more from 1983 to 2006 (Figure 4). *Private-sector* workers’ median tenure also held steady over that period, at around 3.6 years, with a small rise in 2004 to 3.9 years, where it held steady in 2006. However, the median tenure for *public-sector* workers increased from 6.0 years in 1983 to 7.5 years in 1998 before declining to 7.0 years in 2004, where it remained in 2006. Over this two-decade period, median job tenure in the public sector increased significantly relative to the private sector, and currently is about 80 percent higher than that of the private sector.

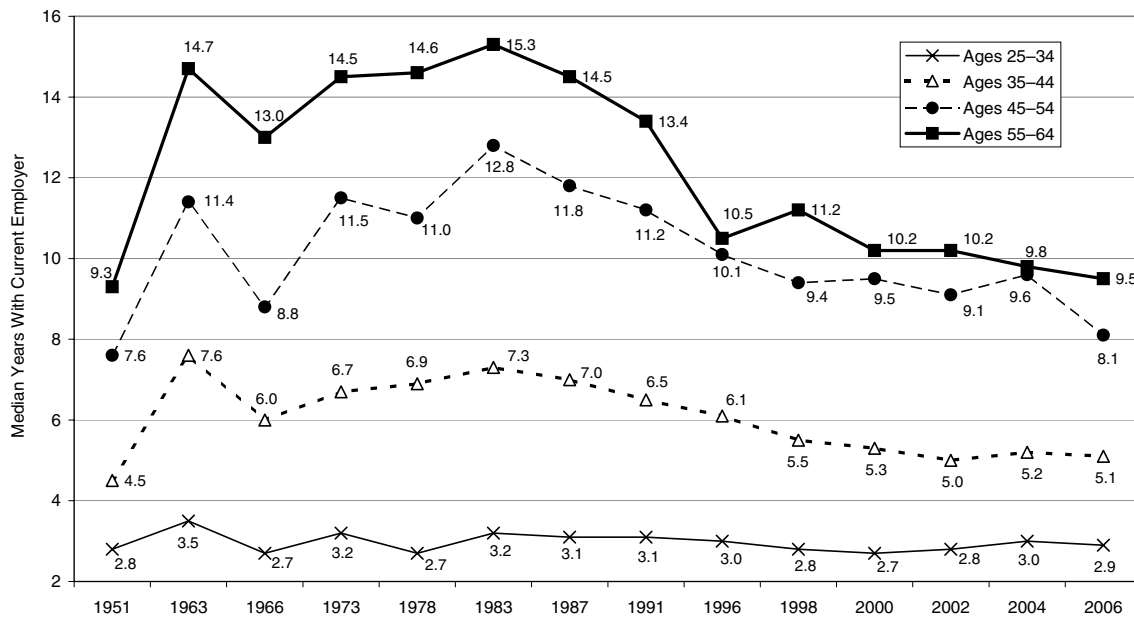
For *male private-sector* wage and salary workers age 20 or older, the median tenure trended slightly downward, from 4.2 years in 1983 to 3.8 years in 2002 before increasing to 4.0 years in 2004 and falling to 3.9 years in 2006 (Figure 5). In contrast, *female private-sector* workers had a slight upward trend in their median tenure, from 3.1 years in 1983 to 3.8 years in 2006.

Figure 1  
**Median Years of Tenure For Wage and Salary Workers Age 25 or Older, by Gender, 1983–2006**



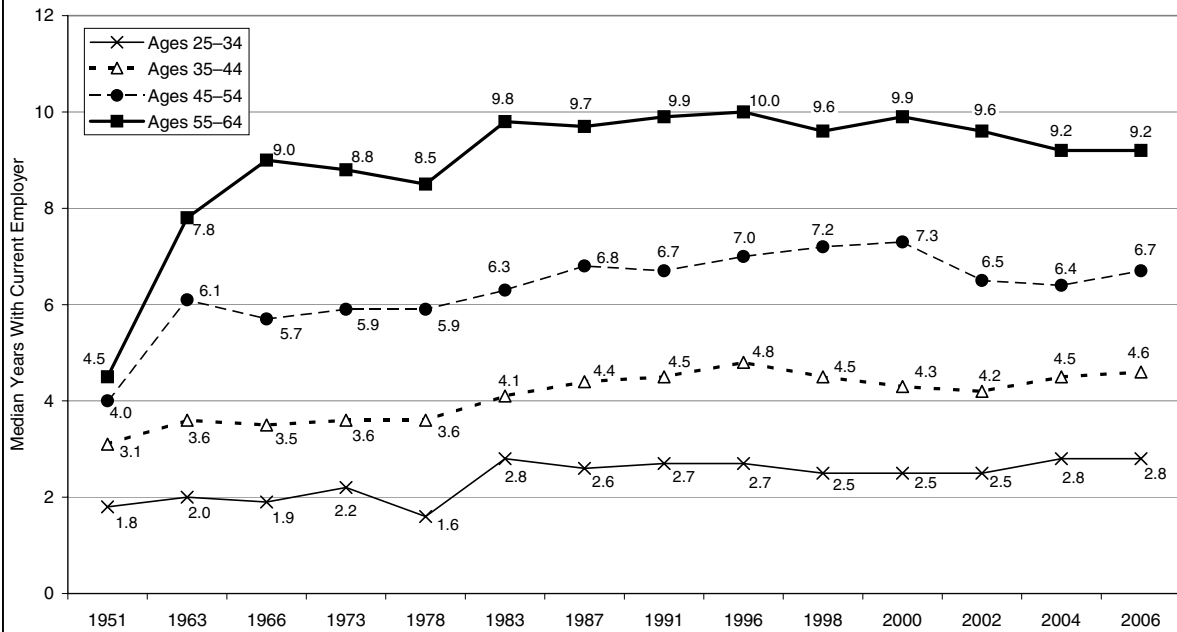
Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," at [www.bls.gov/news.release/tenure.t01.htm](http://www.bls.gov/news.release/tenure.t01.htm) and [ftp.bls.gov/pub/news.release/History/tenure.09192002.news](http://ftp.bls.gov/pub/news.release/History/tenure.09192002.news), viewed Jan. 30, 2007.

Figure 2  
**Male Prime-Age (25–64) Workers Median Tenure Trends, by Age, 1951–2006**



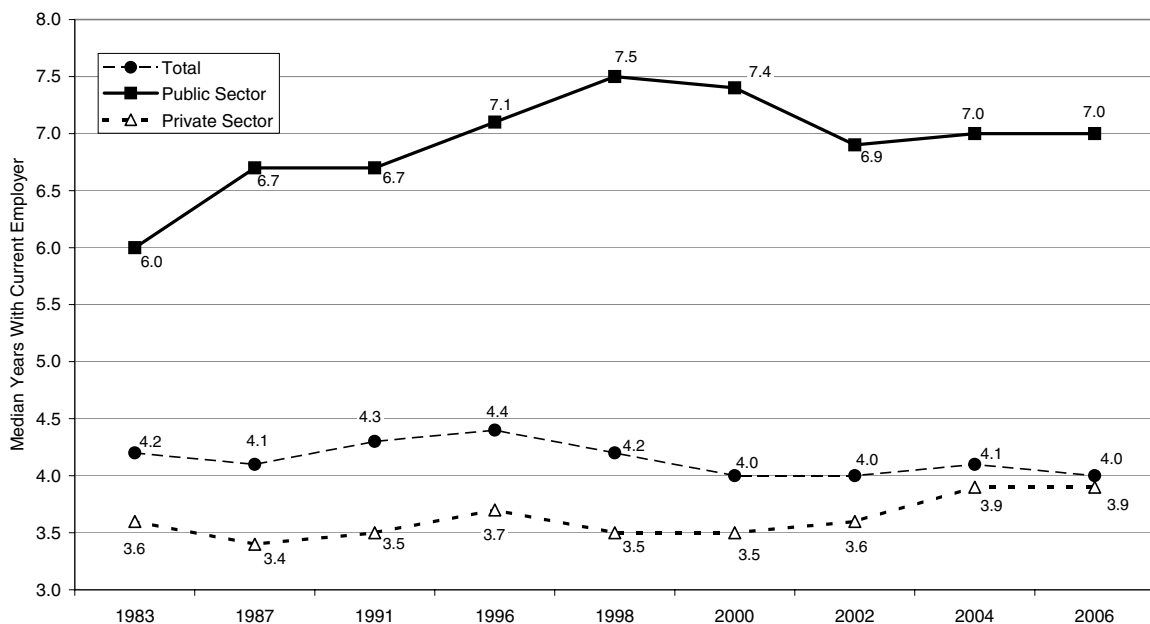
Source: Data (for 1951, 1963, 1966, 1973, and 1978) from the *Monthly Labor Review* (September 1952, October 1963, January 1967, December 1974, and December 1979) and from press releases (for 1983, 1987, 1991, 1996, 1998, 2000, 2002, 2004, and 2006) from the U.S. Department of Labor, Bureau of Labor Statistics.

**Figure 3**  
**Female Prime-Age (25–64) Workers**  
**Median Tenure Trends, by Age, 1951–2006**



Source: Data (for 1951, 1963, 1966, 1973, and 1978) from the *Monthly Labor Review* (September 1952, October 1963, January 1967, December 1974, and December 1979) and from press releases (for 1983, 1987, 1991, 1996, 1998, 2000, 2002, 2004, and 2006) from the U.S. Department of Labor, Bureau of Labor Statistics.

**Figure 4**  
**Median Tenure Levels For Wage and Salary Workers**  
**(Age 20 or Older), by Sector, 1983–2006**



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," and Employee Benefit Research Institute estimates from the January 2004 and 2006 Current Population Surveys.

For *male public-sector* workers, the median tenure had a flat to upward trend from 7.9 years in 1983 to 8.5 years in 2004, before falling back to 8.0 years in 2006. *Female public-sector* workers' median tenure level had an overall upward trend during the 1983–2002 period, reaching a peak of 6.9 years in 1998 before falling to 6.0 years in 2004 and subsequently increasing again to 6.5 years in 2006.

## Tenure Distribution

The distribution of all wage and salary workers age 20 or older across various levels of tenure was quite stable from 1983 through 2006 (Figure 6). The small changes that appeared over the period were a slight increase in the percentage of workers with 20 or more years of tenure, from 8.9 percent to 9.8 percent, and a decrease in the percentage with one year or less of tenure, from 25.7 percent to 22.0 percent. The tenure level categories in between varied within fairly small ranges. In 2006, the trend continued toward 50 percent of workers having at least five years of tenure, reaching 48.7 percent—the highest percentage since 1983.

The constancy of the tenure distribution over time is less pronounced when analyzed by the workers' gender. While the percentage of male workers with the longest tenure (20 or more years) in 2006 (10.8 percent) was about the same as its 1983 level (12.4 percent), there appears to be an upward trend in the percentage of male workers with less than five years of tenure, even with the leveling off of this trend in 2004 and 2006 (Figure 7). In 1983, the percentage of male workers with less than five years of tenure was 49.4 percent, and by 1998 this percentage had increased to 52.5 percent before falling back to 50.9 percent in 2006.

Female workers' tenure distribution had a clearly different pattern, as the percentage with 20 or more years of tenure increased substantially, from 4.9 percent in 1983 to 8.8 percent in 2006 (Figure 8). Furthermore, the percentage of female workers who had 10 or more years of tenure increased by nearly 5 percentage points. Consequently, the percentage of female workers with less than five years of tenure decreased, particularly for those with one year or less of tenure.

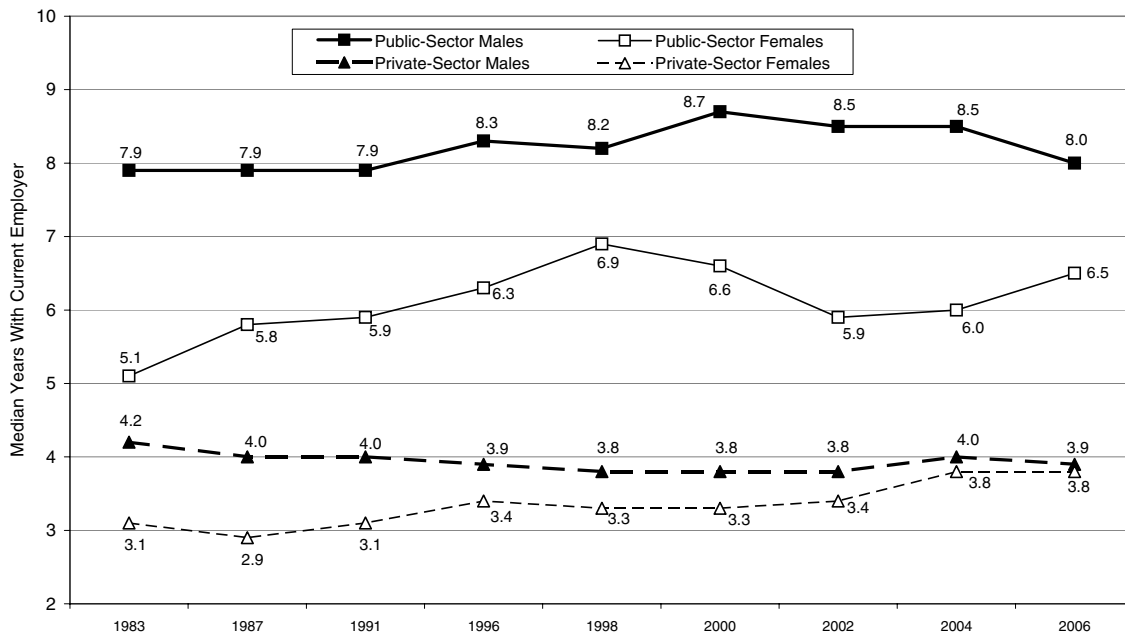
For the older portion of the work force (ages 45–64), male and female workers of this age had different trends in the percentage with 10 or more years of tenure over the 1983–2006 period. Among the *male* age groups examined with 10 or more years of tenure, there was a minimum decrease of more than 12 percentage points; males ages 60–64 experienced the largest decline, from 65.6 percent in 1983 to 48.1 percent in 2006 (Figure 9).

In contrast, the percentage of *female* workers of this age who had 10 or more years in tenure increased for the younger half of this age group and declined for the older half during the 1983–2006 period (Figure 10). The share of female workers ages 45–49 with 10 or more years of tenure went up from 33.0 percent in 1983 to 36.9 percent in 2006, an increase of almost 4 percentage points and the largest change. This trend peaked at 41.4 percent in 2000 before declining to the current 37 percent. On the other hand, among the oldest female workers (ages 55–59 and 60–64), the percentage with 10 or more years of tenure declined from 51.0 percent to 49.1 percent and from 52.6 percent to 48.7 percent, respectively.

Among older workers (ages 45–64), the percentage having 25 or more years of tenure declined from 1983 to 2006, particularly for those ages 55–59 and 60–64 (Figure 11). In 1983, 23.3 percent of wage and salary workers ages 60–64 had tenure of 25 or more years, compared with 16.6 percent in 2006. For those ages 55–59, a similar decline occurred: from 22.7 percent in 1983 to 17.8 percent in 2006. The decline in the percentage of workers ages 45–54 with 25 or more years was much less dramatic: from 12.9 percent in 1983 to 10.6 percent in 2006.

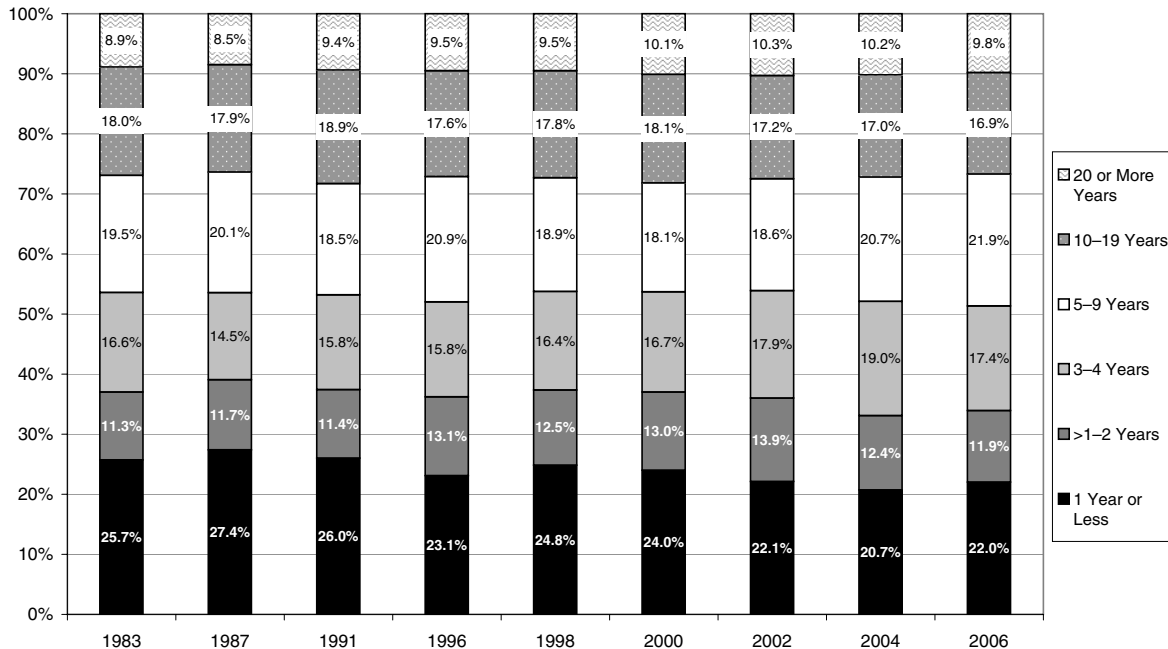
In addition to differences by age and gender, tenure distribution is also significantly different across the employment sectors. Among the *longest-tenure private-sector workers* (25 or more years), the percentage of all workers (both male and female) with this tenure held relatively stable from 1983–2006 (Figure 12). The male private-sector trend with 25 or more years of tenure was downward (from 7.7 percent in 1983 to 5.4 percent in 2006), while the female trend was upward (from 2.6 percent in 1983 to 3.8 percent in 2006), leading to the overall percentage remaining stable at approximately 5.0 percent. However, the percentage of *public-sector workers* (again both male and female) with 25 or more years of tenure increased sharply during this period: Among male workers, the percentage with the longest tenure went from 8.1 percent in 1983 to 12.7 percent in 2004 before falling to 11.7 percent in 2006; the increase was even greater among female workers, with the percentage with 25 or more years of tenure rising from 2.6 percent in 1983 to 8.5 percent in 2006.<sup>5</sup>

**Figure 5**  
**Median Tenure Levels For Wage and Salary Workers**  
**(Age 20 or Older), by Sector and Gender, 1983–2006**



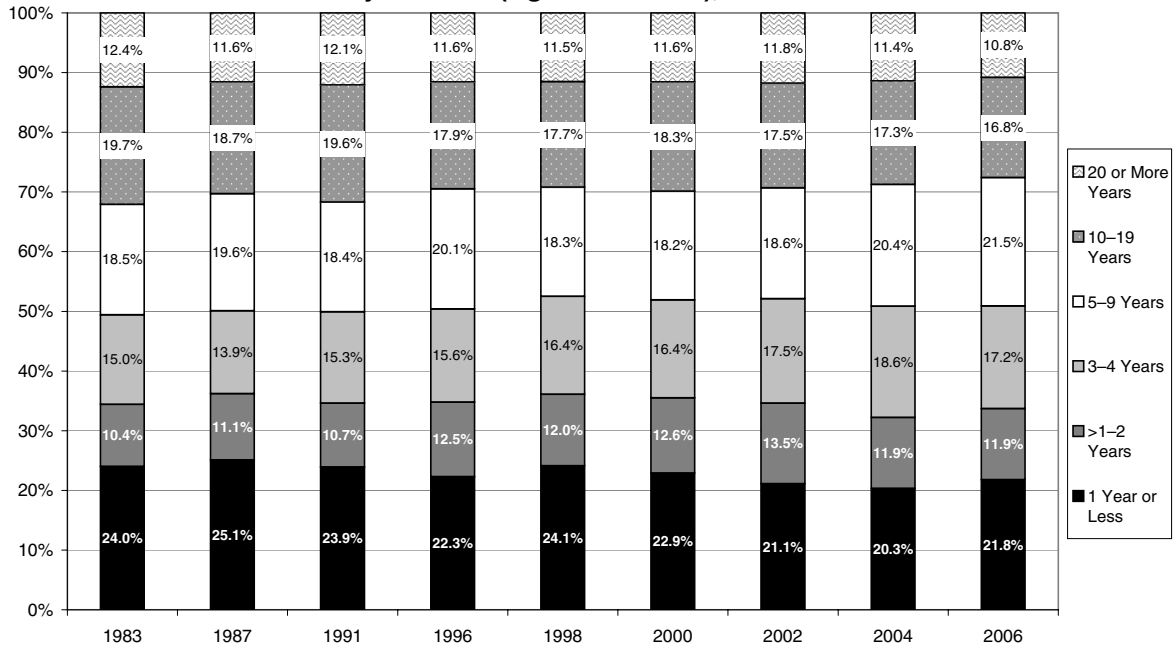
Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," and Employee Benefit Research Institute estimates from the January 2004 and 2006 Current Population Surveys.

**Figure 6**  
**Employee Tenure Distribution: All Wage and**  
**Salary Workers (Age 20 or Older), 1983–2006**



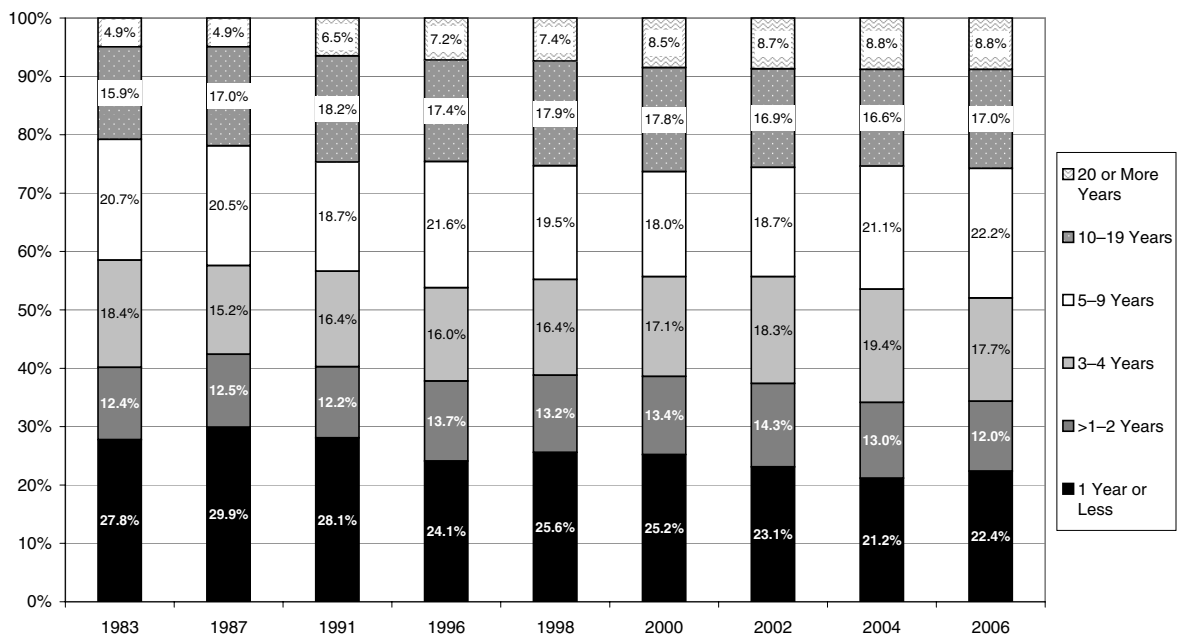
Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," at [ftp.bls.gov/pub/news.release/History/tenure.09192002.news](http://ftp.bls.gov/pub/news.release/History/tenure.09192002.news), [ftp.bls.gov/pub/news.release/History/tenure.09212004.news](http://ftp.bls.gov/pub/news.release/History/tenure.09212004.news), and [www.bls.gov/news.release/tenure.t03.htm](http://www.bls.gov/news.release/tenure.t03.htm), viewed Jan. 30, 2007.

**Figure 7**  
**Employee Tenure Distribution: Male Wage and Salary Workers (Age 20 or Older), 1983–2006**



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," at <ftp.bls.gov/pub/news.release/History/tenure.09192002.news>, <ftp.bls.gov/pub/news.release/History/tenure.09212004.news>, and [www.bls.gov/news.release/tenure.t03.htm](http://www.bls.gov/news.release/tenure.t03.htm), viewed Jan. 30, 2007.

**Figure 8**  
**Employee Tenure Distribution: Female Wage and Salary Workers (Age 20 or Older), 1983–2006**



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," at <ftp.bls.gov/pub/news.release/History/tenure.09192002.news>, <ftp.bls.gov/pub/news.release/History/tenure.09212004.news>, and [www.bls.gov/news.release/tenure.t03.htm](http://www.bls.gov/news.release/tenure.t03.htm), viewed Jan. 30, 2007.

This result has significant implications for public-sector employers, as a considerable portion of their work force will be approaching retirement in the near future. Thus, at a time of growth in the nation's elderly population (which is more likely to need social services than the nonelderly), the most experienced workers within the state and federal agencies providing these services will be retired or retiring. In contrast, private-sector employers, in general, do not appear to be facing this issue, as they have employed a consistent percentage of long-term workers over the last 20 years.

## Discussion

Over the past 20 plus years, the median tenure of all wage and salary workers age 20 or older declined only slightly. However, the overall trend masks a small but significant decrease in median tenure among men, which was offset by an increase in median tenure among women. Furthermore, the distribution of tenure among these workers has remained relatively constant over this period. Consequently, overall employee tenure has been remarkably stable since 1983, although trends between the genders have moved in opposite directions and the percentage of older workers with the longest tenure has declined, particularly among those ages 60–64.

As for career jobs, the highest median tenure level for any age group (15.3 years in 1983 for males ages 55–64) certainly does not cover an entire lifetime career, as the median worker would not have started his or her current job until after age 40.

The difference between private-sector and public-sector workers' tenure distribution is quite striking. While private-sector employers in general have been able to maintain a fairly constant to declining percentage of long-term employees (25 or more years of tenure), public-sector employers have had an increasing percentage that continued to grow significantly from 2002 to 2004 before a slight drop in 2006. Consequently, public-sector employers are facing the retirement of a significant number of their most experienced workers.

While the tenure levels presented in this article show that *job stability* has remained relatively constant over the last two decades, these data do not measure *job security*. For instance, an increase in workers' median tenure may be interpreted to mean that job security has declined because those with shorter tenures have been let go, leaving the longer-tenured workers less secure. Or the median tenure could decline when workers feel more secure and have an increased ability to find other employment, so more workers switch to better jobs—lowering the median tenure. Conversely, workers who feel more secure in their current job may not be motivated to switch employers due to their security, which could lead to a higher median tenure. Consequently, although tenure is not a good measure of job security, it does provide insight into how long workers choose to—or are allowed to—remain with their current employer.

These tenure results indicate that, historically, most workers have repeatedly changed jobs during their working careers, and all evidence suggests that workers will continue to do so in the future.

This persistence of job changing has important implications for a worker's potential income in retirement:

*Defined Benefit Pensions*—Since most “traditional” defined benefit (DB) pensions are based on a formula using tenure and average salary, workers who frequently change jobs will not receive the maximum benefit from a DB pension because they do not remain with their same employer for an extended period; in fact, short-tenure workers (with less than five years in a job) may not qualify for any pension benefit at all. Since the median length of employment for all wage and salary workers is currently just 4.9 years, current American workers who are likely to receive a significant benefit from a defined benefit pension are in the minority. Compounding the issue of short tenure is the fact that fewer private-sector employers are sponsoring “traditional” DB pensions, a trend that will further reduce the number of current workers likely to receive a pension benefit in retirement.

*Lump-Sum Distributions*—A worker who changes employers must decide what to do with any retirement plan assets he or she has accumulated, a situation that has become more prevalent with the growth in plans that allow a lump-sum distribution (LSD).<sup>6</sup> Thus, benefit preservation becomes an important concern for these employees as well as for their plan sponsors. If employees do not retain these assets in some type of savings vehicle for retirement, they may forgo an important source of supplemental income to their Social Security benefits or be forced to remain in the work force. Without this source of income, many workers may face financial difficulties in retirement as health care costs continue to rise and both Medicare and Social Security are experiencing long-term financing issues.

*Public Policy*—These decisions on LSDs and benefit preservation also have important implications for public policy, as enrollments in means-tested welfare programs could increase significantly if large numbers of retirees prematurely exhaust their own savings reserves.<sup>7</sup> Furthermore, the number of experienced public-sector employees will drop during the period when the social programs are about to face a tremendous increase in enrollment, so the public sector must work to retain experienced workers or develop more workers to replace those nearing retirement.

## **Endnotes**

<sup>1</sup> See Paul Yakoboski, “Debunking the Retirement Policy Myth: Lifetime Jobs Never Existed for Most Workers,” *EBRI Issue Brief*, no. 197 (Employee Benefit Research Institute, May 1998); Paul Yakoboski, “Male and Female Tenure Continues to Move in Opposite Directions,” *EBRI Notes*, no. 2 (Employee Benefit Research Institute, February 1999): 1–4; David Rajnes, “Update on Employee Tenure,” *EBRI Notes*, no. 3 (Employee Benefit Research Institute, March 2001): 1–8; Craig Copeland, “Employee Tenure,” *EBRI Notes*, no. 3 (Employee Benefit Research Institute, March 2003): 1–10; and Craig Copeland, “Employee Tenure: Stable Overall, but Male and Female Trends Differ,” *EBRI Notes*, no. 3 (Employee Benefit Research Institute, March 2005): 1–10.

<sup>2</sup> The updated data come from the January 2006 Supplement to the Current Population Survey, a monthly survey of approximately 60,000 households on demographics, labor force status, and other characteristics of the civilian noninstitutionalized American population. The U.S. Census Bureau conducts this CPS supplement for the U.S. Department of Labor’s Bureau of Labor Statistics (BLS). Tenure levels for previous years come from various other supplements to the CPS. For a further discussion of the data sources, see the Bureau of Labor Statistics’ “Employee Tenure Technical Note,” at [www.bls.gov/news.release/tenure.tn.htm](http://www.bls.gov/news.release/tenure.tn.htm), viewed Jan. 31, 2007. Results of research from BLS and EBRI are compiled in this article to present various trends in employee tenure. See the EBRI publications, *op. cit.*, and the Bureau of Labor Statistics’ “Employee Tenure” at [www.bls.gov/news.release/tenure.toc.htm](http://www.bls.gov/news.release/tenure.toc.htm), viewed Jan. 31, 2007.

<sup>3</sup> Job tenure estimates from 1951 show male median tenure at levels nearly identical to those reported for 2006—9.3 years in 1951, compared with 9.5 years in 2006. The median tenure subsequently jumped to 14.7 years by 1963 and remained at around 14 years until dropping to 10.5 years in 1996.

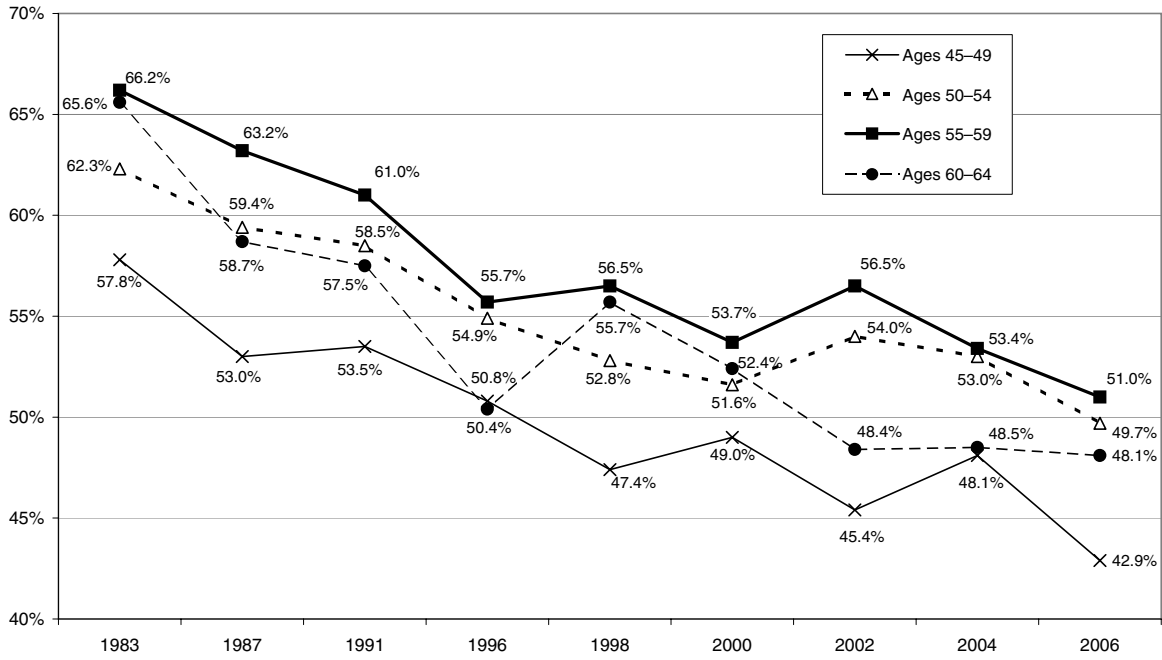
<sup>4</sup> BLS reports that the results prior to 1983 are not directly comparable with those in 1983 and after. See “Employee Tenure Technical Note,” *op. cit.*, for a discussion of the issue. The results from those prior years are presented here to give an idea of the best estimate for tenure during that time. The tenure questions were again changed in 1996, so while the 1983 questions are similar, the most consistent numbers across years start in 1996. The 2006 release in tenure from BLS updated numbers going back to 1996, making some very minor changes in some of the numbers that were previously published.

<sup>5</sup> It is important to differentiate this result from the previous result for workers with 25 or more years of tenure. In the result in the previous paragraph, the percentage of workers with the 25 or more years of tenure declined. However, the result here shows that the percentage of all workers in the public sector with longer tenure has increased. The age demographic (age 45 or older) able to have 25 or more years of tenure is a larger segment of the work force today than it was 20 years ago. Consequently, despite a smaller percentage of that age group actually having 25 or more years of tenure, the percentage of all workers age 20 or older with 25 or more years of tenure has increased.

<sup>6</sup> See Jack VanDerhei and Craig Copeland, “The Changing Face of Private Retirement Plans,” *EBRI Issue Brief*, no. 232 (Employee Benefit Research Institute, April 2001) for a presentation of the increased reliance of retirees on assets from defined contribution plans. The *Issue Brief* also discusses the growth of cash balance plans, which typically allow retirees to take lump-sum distributions. Also, see Jack VanDerhei and Craig Copeland, “ERISA At 30: The Decline of Private-Sector Defined Benefit Promises and Annuity Payments? What Will It Mean?” *EBRI Issue Brief* no. 269 (Employee Benefit Research Institute, May 2004) for an analysis of changes in defined benefit plans on retirees’ ability to maintain a similar lifestyle throughout retirement.

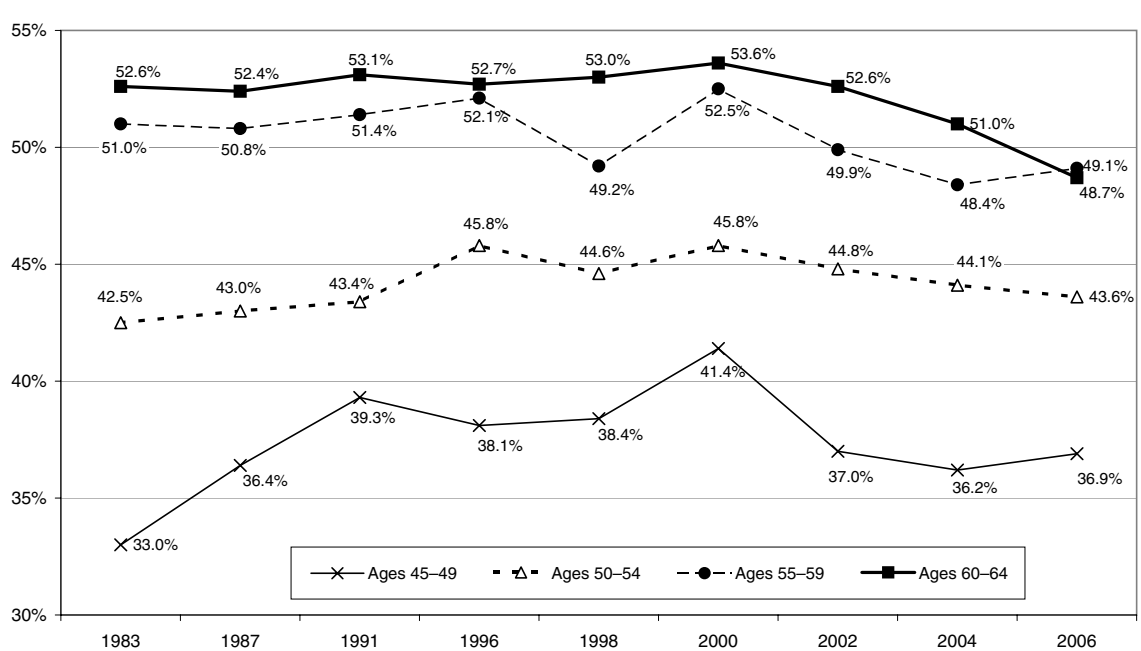
<sup>7</sup> See Craig Copeland, “How Are New Retirees Doing Financially in Retirement?” *EBRI Issue Brief*, no. 302 (Employee Benefit Research Institute, February 2007) for examination of how the first generation of retirees is faring in managing their wealth as they start their retirement years.

**Figure 9**  
**Percentage of Male Wage and Salary Workers Ages 45–64**  
**Who Had 10 or More Years of Tenure, by Age, 1983–2006**



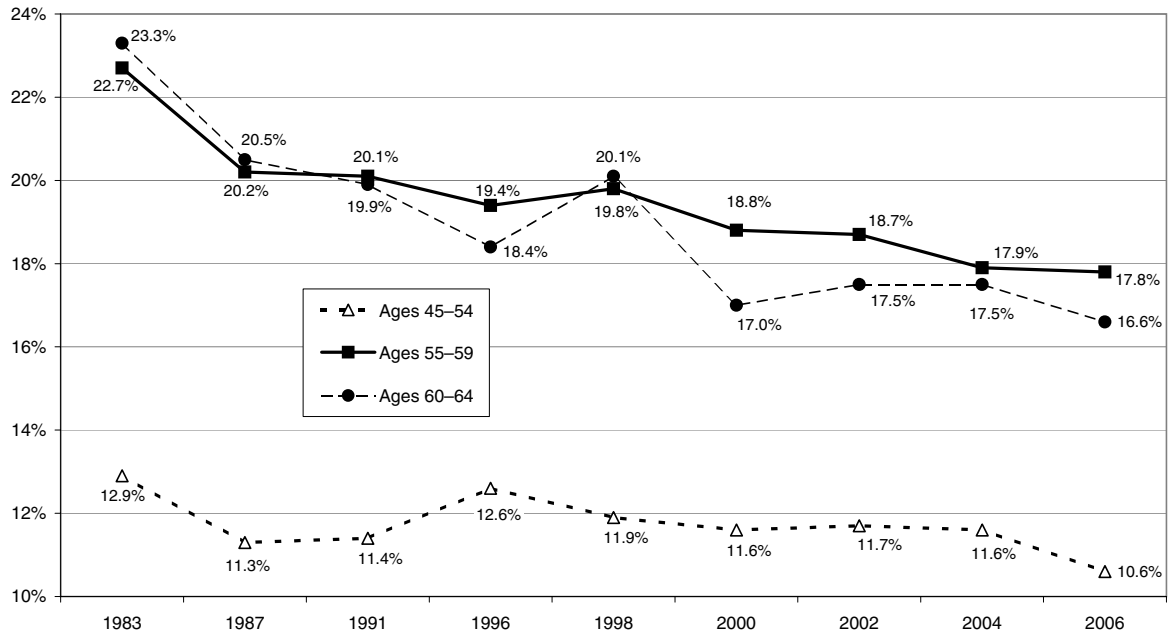
Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," at <ftp.bls.gov/pub/news.release/History/tenure.09192002.news>, <ftp.bls.gov/pub/news.release/History/tenure.09212004.news>, and [www.bls.gov/news.release/tenure.t03.htm](http://www.bls.gov/news.release/tenure.t03.htm), viewed Jan. 30, 2007.

**Figure 10**  
**Percentage of Female Wage and Salary Workers Ages 45–64**  
**Who Had 10 or More Years of Tenure, by Age, 1983–2006**



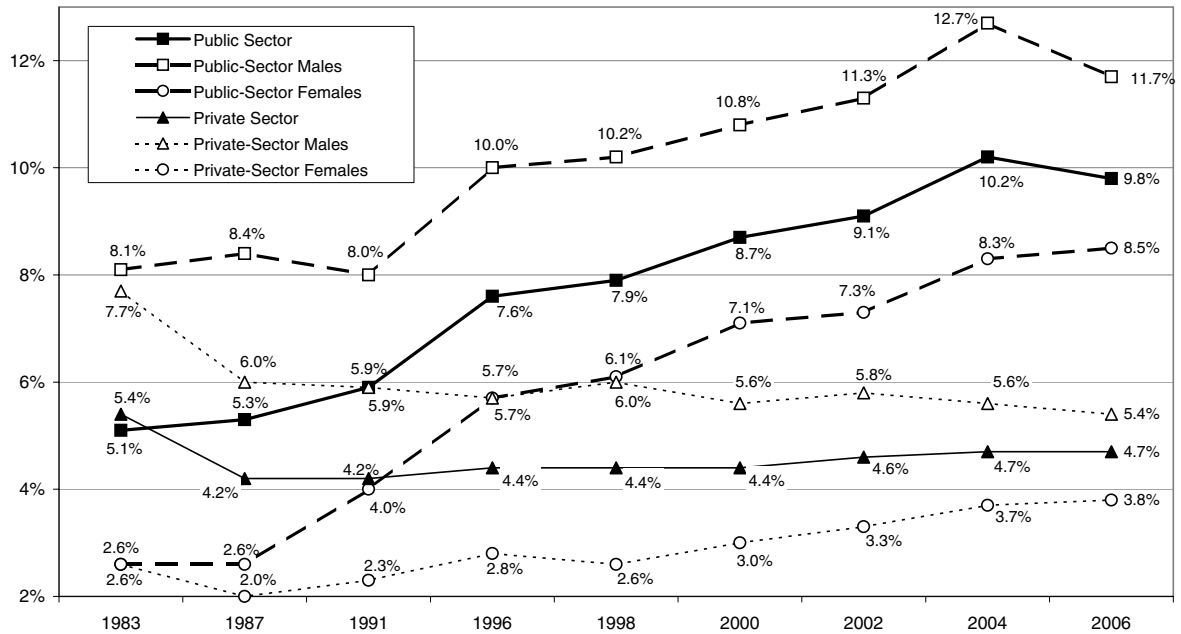
Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," at <ftp.bls.gov/pub/news.release/History/tenure.09192002.news>, <ftp.bls.gov/pub/news.release/History/tenure.09212004.news>, and [www.bls.gov/news.release/tenure.t03.htm](http://www.bls.gov/news.release/tenure.t03.htm), viewed Jan. 30, 2007.

**Figure 11**  
**Percentage of Wage and Salary Workers Ages 45–64**  
**Who Had 25 or More Years of Tenure, by Age, 1983–2006**



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," and Employee Benefit Research Institute estimates from the January 2004 and 2006 Current Population Surveys.

**Figure 12**  
**Percentage of Wage and Salary Workers (Age 20 or Older)**  
**With 25 Years or More of Tenure, by Sector and Gender, 1983–2006**



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," at [www.bls.gov/news.release/tenure.toc.htm](http://www.bls.gov/news.release/tenure.toc.htm), viewed Jan. 24, 2002, and Employee Benefit Research Institute estimates from the January 2004 and 2006 Current Population Surveys.

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