

Difference in Public and Private Sector Employee Tenure Has Ramifications for Public Sector Defined Contribution Plans and Programs, According to PRRL Tenure Study

Study also reveals significant shift in the age distribution of public sector employees

WASHINGTON, DC — May 7, 2020 — A significant difference in the tenure of public and private sector employees underscores the need for public sector-specific research on defined contribution plans and programs, according to Trends in Public-Sector Employee Tenure, a new study from the Public Retirement Research Lab (PRRL). The PRRL collects and analyses public sector defined contribution data to provide unbiased, actionable findings to better inform public plan design, management, innovation, and legislation.

The PRRL tenure study found that, on average, the median tenure of all public sector workers was longer than that of private sector workers in each year studied (2000-2018). The largest difference in median tenure is between federal and private sector workers, despite a significant drop in federal worker tenure over the eight-year period; 4.0 years in 2018 and 8.1 years in 2000. On average, the median tenure difference between state and local employees, and private sector workers was 2.7 years for both years (2.5 years in 2018 and 2.9 years in 2000).

In 2018, median tenure was 8.0 years for federal workers, 6.0 years for state workers, 7.0 years for local workers, and 4.0 years for private sector workers. In 2000, median tenure for federal workers was 12.0 years, 6.5 years for state workers, 7.0 for local workers, and 3.9 for private sector workers.

“The significant difference in tenure between public and private sector employees evidences the need for a model other than private sector retirement plans and programs for public sector employees. While this may seem obvious, currently public sector defined contribution plans are largely modelled on private sector 401(k) plans,” stated Matt Petersen, NAGDCA Executive Director.

“Of additional consideration, although not a focus of this study, is the relatively broad availability of traditional defined benefit pension plans for public sector employees, which suggests public sector defined contribution plans hold a different role in public sector employee retirement planning and likely require different features,” Petersen concluded.

The study also revealed a significant change in the age distribution of public sector workers. Specifically, all classes of public sector workers showed a marked decrease in workers in their 40s and a significant increase in workers in their 60s over the eight-year period (2018-2000) studied. The percentage of federal workers in their 40s dropped to 23.7% from 36%, while the percentage in their 60s increased to 14.0% from 6.5%. The same pattern held true for both state and local employees. The percentage of state employees in their 40s fell to 22.4% from 31.5%, while the percentage in their 60s climbed to 13.9% from 6.5%. The percentage of local employees in their 40s decreased to 25.5% from 31.1%, while the percentage in their 60s increased to 15.3% from 7.8%.

“As Millennials are becoming or have become the largest part of the workforce, so on average the public sector workforce will become younger,” stated Craig Copeland, EBRI Senior Research Associate and author of the study.

“It’s safe to assume that this younger population will require different messaging and more robust educational programs focused on financial wellbeing, including elements such as budgeting and student loan programs, as examples, to help them achieve retirement security,” said Lori Lucas, EBRI President and CEO.

The PRRL study findings are based on data derived from the U.S. Census Bureau’s Current Population Survey (CPS), 2000 through the January 2018 Supplement.

Detail of these study highlights may be accessed [here](#). The complete study may be accessed [here](#).

About PRRL

The Public Retirement Research Lab is a retirement industry-sponsored collaborative effort of the Employee Benefit Research Institute ([EBRI](#)) and the National Association of Government Defined Contribution Administrators ([NAGDCA](#)). The PRRL mines data from its Public Retirement Research Database, the first-ever database specific to public sector defined contribution data, to produce research aimed at enhancing understanding of the design and utilization of public sector defined contribution retirement plans. To learn more, visit www.prrl.org.

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