Study Snapshot
May 21, 2020

Long-Tenure Workers a Much Greater Force in Public-Sector Plans

Employee tenure is a critically important topic when it comes to designing retirement programs. In an Employee Benefit Research Institute (EBRI) report,[1] data on employee tenure were shown to contradict the belief that individuals in past generations held only one job for their entire career (career jobs). Instead, it revealed that so-called career jobs never actually existed for most workers and still do not today.

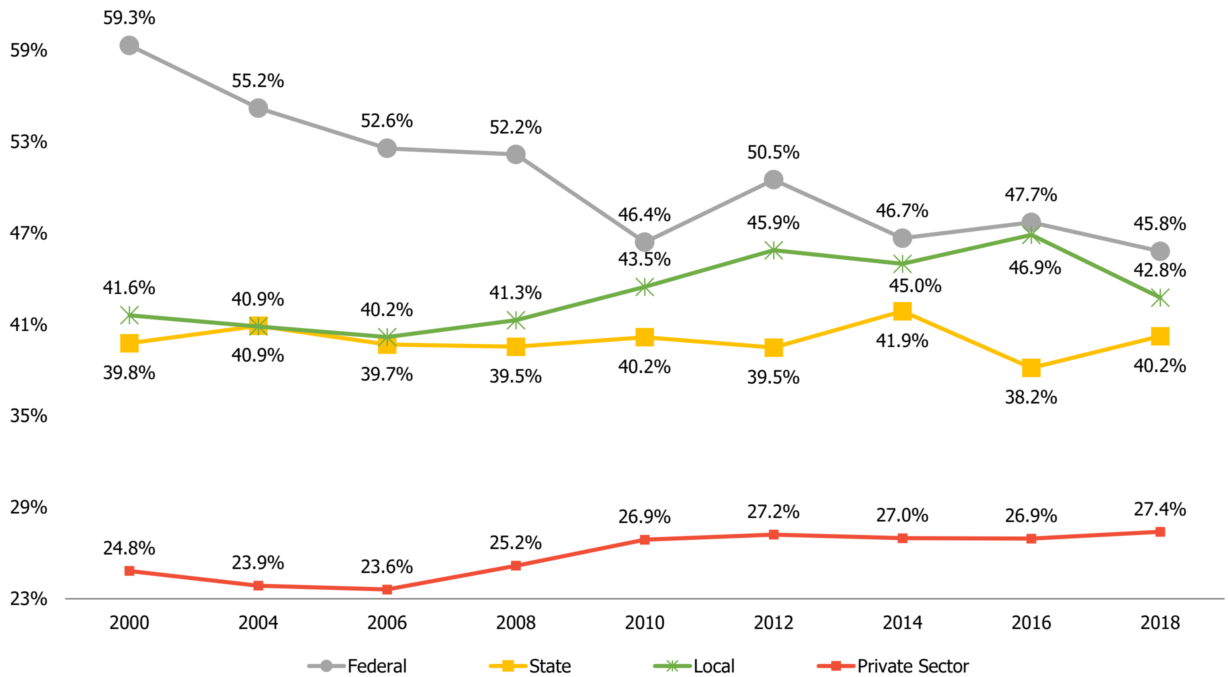
However, workers in the public sector are found to have significantly longer tenures, on average, than those in the private sector, according to a report by the Public Retirement Research Lab (PRRL).[2] Using the latest data on employee tenure from the January 2018 Supplement to the U.S. Census Bureau's Current Population Survey (CPS) along with prior years of this supplement, the PRRL report compared the tenure of private-sector workers with those of federal, state, and local workers to understand the relative differences and trends between these worker classes. By segmenting tenure levels across each level of government, it is possible to show the different challenges various parts of the government face in providing retirement benefits and managing the work force as Baby Boomers retire and Millennials become the largest share of the labor force.

The median tenure of public-sector workers was significantly higher than that of private-sector workers in each year from 2000–2018. Federal workers were the only group with a sizable decline in median tenure during this time, going from 12.0 to 8.0 years. Nonetheless, that remained considerably higher than the median tenure of private-sector workers, which was 4.0 years in 2018. State workers had the shortest median tenure among the public-sector workers at 6.0 years in 2018, compared with 7.0 for local workers. In contrast to federal workers, the tenure trends for private-sector, state, and local workers were relatively flat.

The public sector also had a higher share of workers with long tenure — greater than 10 years — than the private sector. While the proportion of private-sector workers with long tenure ranged between 34 percent and 27 percent since 2000, the share of state workers with long tenure hovered around 40 percent, and the fraction of local workers with long tenure reached as high as 47 percent. The percentage of federal workers with long tenure was consistently the highest over the period and reached as much as 59.3 percent.

While the share of state and local workers with long tenure remained relatively flat, the share of federal workers with long tenure declined significantly over the period. The fraction of local workers with long tenure was 41.6 percent in 2000 and peaked at 46.9 percent in 2016 before declining again to 42.8 percent in 2018. State workers with long tenure started the period at 39.8 percent and peaked at 41.9 percent in 2014 before declining again to 40.2 percent in 2018. In contrast, the share of federal workers with 10 or more years of tenure showed a fairly consistent downward trend: from 59.3 percent in 2000 to 45.8 percent in 2018. Private-sector workers were the only class of workers that saw the proportion with 10 or more years of tenure peak in 2018, reaching 27.4 percent (up from 24.8 percent in 2000).

Percentage of Wage & Salary Workers Ages 20 or Older With 10 or More Years of Tenure at Current Job, by Class of Worker, 2000–2018



Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

However, the fraction of state and local workers who had 10 or more years of tenure remained 1.5 to 1.6 times more than that of private-sector workers. Furthermore, the percentage of state and local workers with 25 or more years of tenure was also 1.5 to 1.6 times that of private-sector workers. State workers' percentage was 8.1 percent in 2018, while 7.6 percent of local workers had this tenure amount in 2018. For comparison, private-sector workers' share was 5.2 percent in 2018.

All of this shows that retirement programs in the private sector are not adequate models for the public-sector retirement programs. This is not just because of the strong continued prevalence of defined benefit (DB) plans in the public sector but also because of the significant differences in tenure between private- and public-sector plans. Defined contribution (DC) plans in the public sector could have different appropriate asset allocation strategies given the guaranteed income coming from the DB plan, which could mean more investment in riskier assets and lesser need for income-generating assets. In addition, because public-sector workers are less likely to change jobs, there are fewer opportunities for leakage and there is more continuous participation. Naturally, COVID-19 could change this. Future PRRL research will explore the potential impact of COVID-19 on public-sector workers' retirement income adequacy.

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[1] Craig Copeland, "Trends in Employee Tenure, 1983–2018," *EBRI Issue Brief*, no. 474 (Employee Benefit Research Institute, February 28, 2019).

[2] Craig Copeland, "Trends in Public-Sector Employee Tenure," *PRRL Research Study*, no. 1 (Public Retirement Research Lab, May 7, 2020).

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 unbiased, actionable research aimed at enhancing understanding of the design and utilization of public-sector defined contribution retirement plans to better inform public plan design, management, innovation, and legislation. To learn more, visit www.prrl.org

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