

## Survey shows firm size to be a major determinant of whether they are provided

**T**he Alaska employee benefits survey, conducted in 2001, collected information on the incidence and provisions of selected benefits provided by employers for their employees. The purpose of the survey was to gain an understanding of the types of benefits being offered to Alaska workers and the prevalence of employers offering these benefits. The Research and Analysis Section of the Department of Labor and Workforce Development conducted this survey in cooperation with the Alaska Departments of Health and Social Services, Administration, and Community and Economic Development.

### How the survey was conducted

Employers were first classified by the monthly average number of their employees during the last three quarters of 2000 and the first quarter of 2001. Only firms that reported employment in all four quarters were used as the universe of employers eligible to be surveyed. Sampling was structured using five employee size categories: very small (one to three employees), small (four to nine employees), medium (10 to 49 employees), large (50-249 employees) and very large (more than 250 employees).

The survey questionnaire was mailed to 3,271 Alaska firms. A total of 2,214 private and public sector employers responded. The survey information presented in this article is adjusted, or

weighted, to represent the universe of employers who were eligible to be selected randomly when the sample was drawn. The adjustment addresses differences in the proportion of employers sampled by size class.

Because of space considerations, this report addresses response information by employer or firm. Analysis is at the statewide level. A more detailed study from the 2001 survey will appear in a separate report, *2001 Employee Benefits Survey*, later this year.

### Health benefits

The issue of health insurance benefits is important to employers, employees, and public policy makers. Employers must balance rising health care premiums with their need to control costs and remain competitive. Most employees consider health insurance benefits an important part of their overall compensation plan. National studies find that most of today's working families who have health insurance are covered by employer-sponsored insurance, either through their own job or a family member's job.<sup>1</sup> Public policy makers must make difficult decisions about insurance related issues. They may be asked to reduce the number of uninsured people while facing pressure to minimize government regulations and cost burdens on businesses. These issues create a need to study health insurance benefits in Alaska.

Health insurance benefits normally cover at least part of medical and hospitalization charges. Health benefits may also include coverage for mental health treatment, pharmaceuticals, medical equipment, or other health services. These types of insurance benefits are typically found within what is called comprehensive health insurance coverage.

### Benefits and firm size

The survey revealed that the offering of health care benefits is strongly associated with a firm's size. In the very small size class of firms (1-3 employees), only about one in four employers offer health insurance benefits to their employees. In the small size class of firms (4-9 employees), about one-third of the employers offer benefits. This rate increases to 61 percent among the medium size class of firms (10-49 employees). In the large size class (50-249 employees), 92 percent of employers offer health insurance plans of one type or another. In the very large size class establishments, employers nearly always offer health insurance benefits to their employees. (See Exhibit 1.)

A preliminary examination of employers by industry classification showed firm size to be the more significant factor in whether employers provided health insurance for their employees. The industry itself was found less likely to be a determining factor.

### Premium costs increase

Health insurance premiums increased in 2001 from the previous year, according to the employee benefit survey. In all size classes, more than seven out of ten employers reported paying higher health insurance premiums than they had the prior year. The survey did not ask the amount or percent of premium increases.

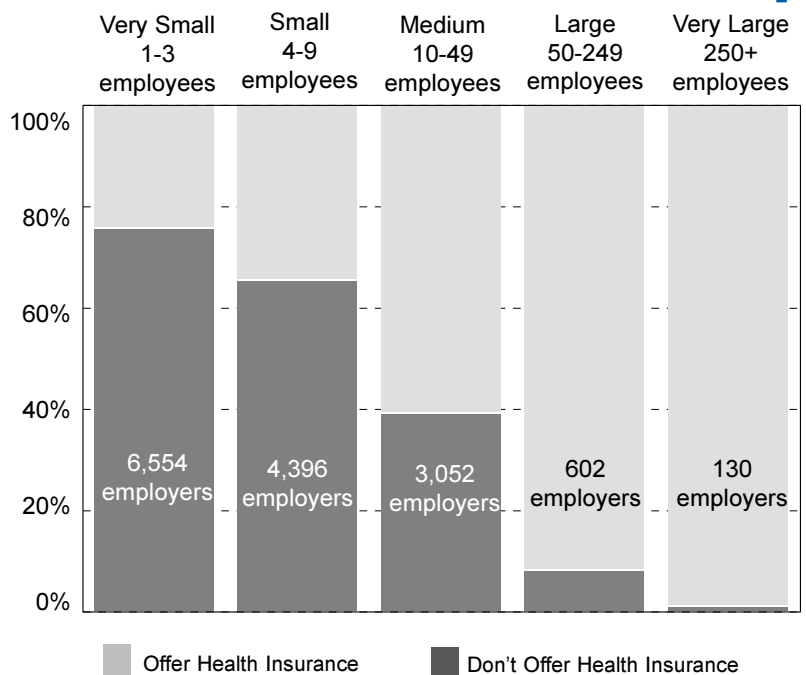
This finding reflects a trend that has been seen in

the nation as a whole. According to a national study conducted by the Henry J. Kaiser Family Foundation and Health Research and Educational Trust, monthly premiums for employer-sponsored health insurance plans jumped 11 percent from 2000 to 2001, following increases of a little more than 8 percent in 2000 and close to 5 percent in 1999. As rates increase, some employers may opt to reduce benefits, increase co-payments for doctor visits and/or restructure drug benefits.

### Who pays the premium?

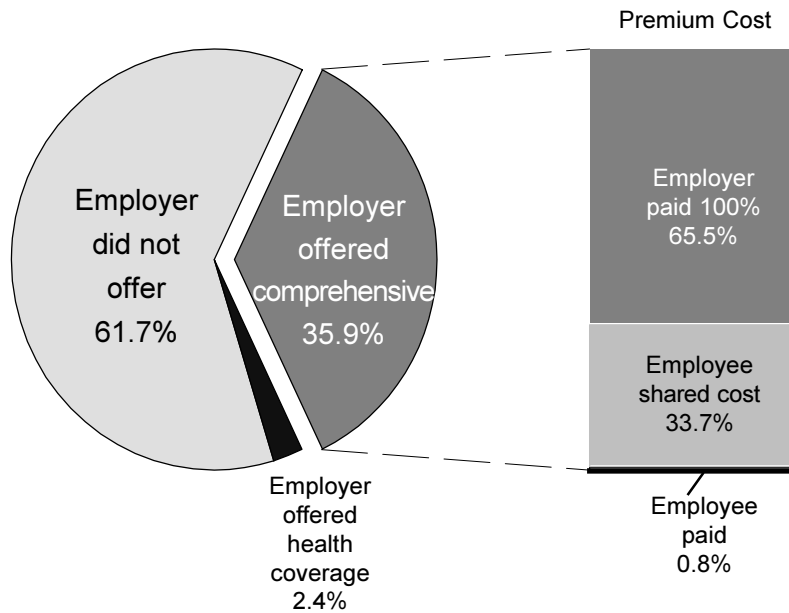
How health insurance premiums are paid largely depends on the type of plan. For full-time employees, about 65 percent of the employers who provide comprehensive health insurance report paying the full cost of the premium. About 34 percent of the employers share the cost with the employee. A very small proportion of

## Firms Offering Health Insurance 1 By size class of firm



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## 2 Health Coverage Offered Full-time employees



100% = 14,734 employers

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

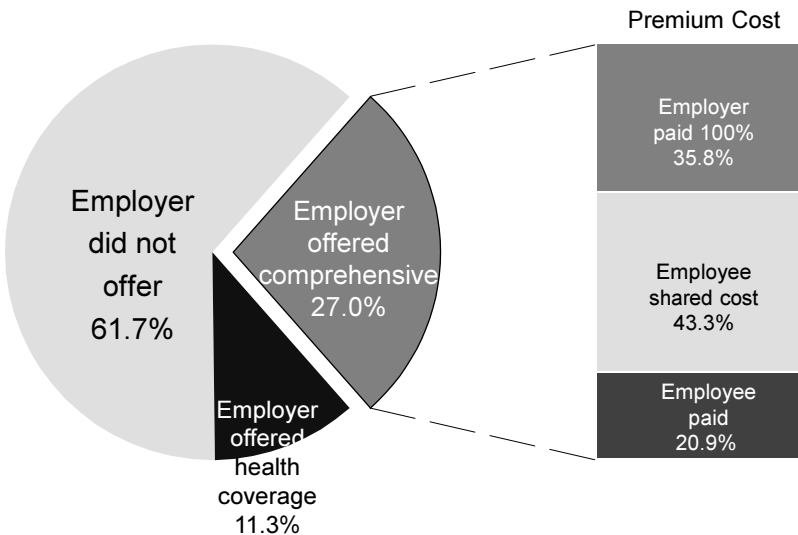
employers, less than one percent, require employees to pay the full premium cost. (See Exhibit 2.)

Employers are less likely to pay the full premium cost for insurance plans for the full-time employees' dependents. More of the costs for insurance coverage for a full-time employee's family were shared or entirely borne by the employee. About 36 percent of employers paid the entire cost of a comprehensive health insurance plan for families of their full-time employees. Shared cost was the most common pattern (43.3%). For about twenty percent of the firms, employees themselves bore the full cost of this benefit. (See Exhibit 3.)

### Reasons for not providing health insurance benefits

In trying to determine why health insurance benefits are not being offered to employees, those employers saying they did not provide benefits were asked to indicate why they did not. "Premiums too high" was by far the reason most often given, followed by "employees are generally covered under another plan." (See Exhibit 4.)

## 3 Health Coverage Offered Full-time employees' dependents



100% = 14,734 employers

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Employers who do not provide health insurance benefits typically do not provide other types of benefits such as paid vacation days, retirement, and profit sharing. In contrast, the survey showed that employers who did report providing health insurance benefits were very likely to provide other types of benefits as well.

### Paid days off

The 2001 employee benefits survey broke paid leave into four major categories identified as holiday, vacation, sick, and personal leave. Based on survey results, holiday and vacation leave are the most common types of paid leave offered to Alaska employees. Approximately three out of four of the employers who provide paid leave offer holiday and vacation leave (75.6% and 73.9% respectively). Sick leave is given 44.6% of the time, and personal leave (a combined vacation and sick leave bank), follows at 41.1%. (See

Exhibit 5.) In all four paid leave categories, part-time employees are less likely to receive the leave as part of their benefits package.

Company size is closely linked with the provision of paid time off. As Exhibit 6 shows, the proportion of firms offering paid leave, to either their full-time or part-time employees, steadily increases with firm size in all four categories of paid leave.

While most firms that provide paid leave to their employees offer paid holidays, the actual number of holidays varies considerably. As Exhibit 7 illustrates, the reported number of annual paid holidays for full-time employees varied from one to four days per year (8.2%) to more than 12 days (8.8%). The number of paid vacation days follows a similar pattern, with weeks per year ranging from one to more than five. (See Exhibit 8.)

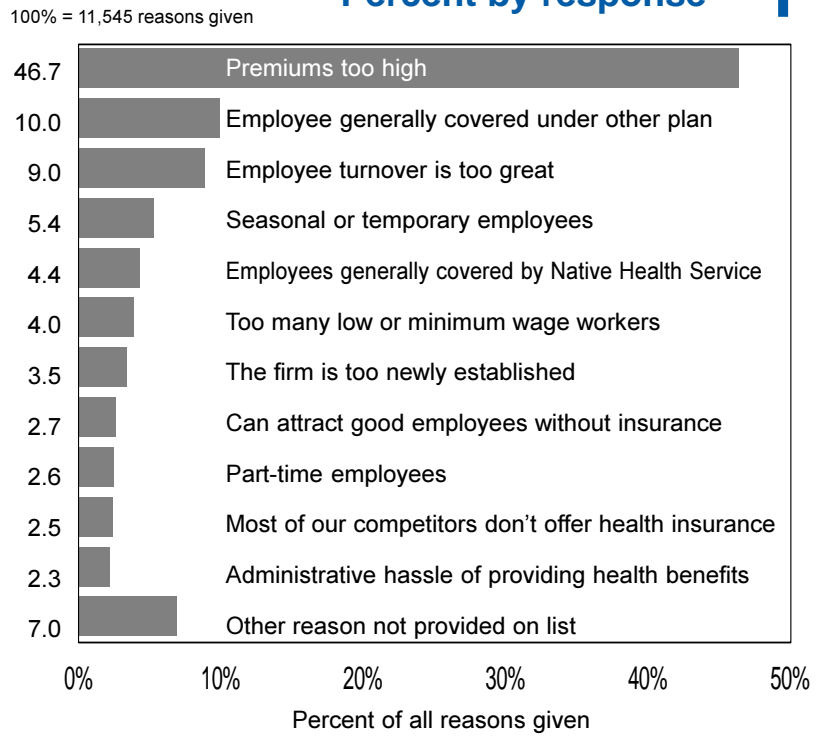
As with holiday and vacation leave, the availability and extent of paid sick leave varies considerably. Less than 20 percent of the small and very small firms that offer some type of paid leave offer paid sick leave to their full-time employees. Of the medium-sized firms, those employing between 10 and 49 workers, more than 27 percent provide paid sick leave. Large and very large companies are far more likely to provide paid sick leave, with over 50 percent of firms with 50 or more employees offering paid sick leave to their full-time workers.<sup>3</sup> Part-time employees are less likely to receive paid sick leave, or other paid leave, than are full-time workers, irrespective of firm size. (See Exhibit 6.)

The number of days of paid sick leave offered to full-time employees varies widely. Nearly 40 percent of employers offer them more than one week and up to two weeks of paid sick leave. More than 28 percent of Alaska employers provide one week or less of paid sick leave to their full-time employees. (See Exhibit 9.)

Personal leave, a combined sick and annual leave accrual, is the paid leave benefit least commonly offered. Relatively few very small or small firms offer this benefit to their employees. More than 50 percent of the very large firms, however,

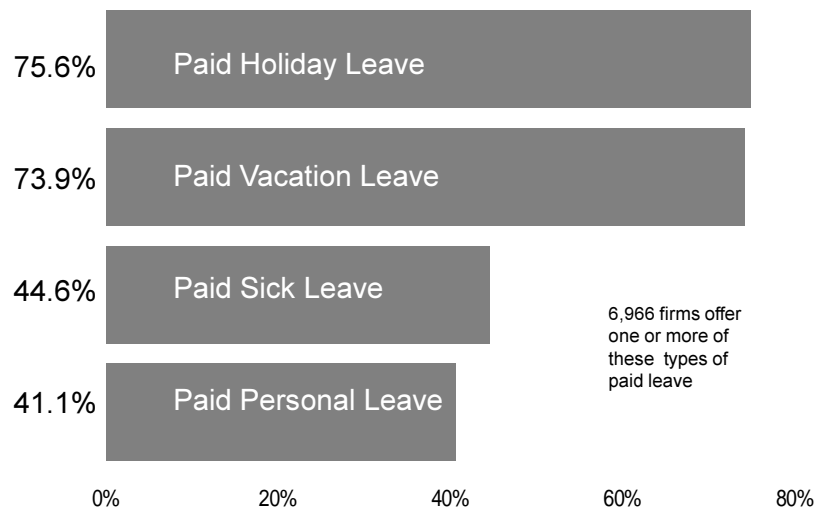
## Reason for Not Having Insurance 4

Percent by response



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Types of Paid Leave Offered full-time employees 5



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

# 6 Selected Benefits Offered Full-Time and Part-Time Employees

## By percent of employers offering

| Firm Size                             |            | Very Small           | Small            | Medium             | Large               | Very Large        |
|---------------------------------------|------------|----------------------|------------------|--------------------|---------------------|-------------------|
| Number of Employees                   |            | 1-3<br>employees     | 4-9<br>employees | 10-49<br>employees | 50-249<br>employees | 250+<br>employees |
|                                       |            | Percent of Employers |                  |                    |                     |                   |
| Personal Leave                        | Full-time  | 14.2                 | 16.4             | 29.5               | 39.9                | 52.9              |
|                                       | Part-time* | 3.6                  | 3.0              | 7.3                | 17.3                | 29.4              |
| Vacation                              | Full-time  | 25.3                 | 33.7             | 49.3               | 69.2                | 65.7              |
|                                       | Part-time* | 5.4                  | 5.4              | 11.1               | 19.2                | 29.4              |
| Holidays                              | Full-time  | 25.7                 | 31.8             | 52.5               | 77.7                | 83.3              |
|                                       | Part-time* | 6.0                  | 7.5              | 14.3               | 29.9                | 46.1              |
| Sick Leave                            | Full-time  | 15.6                 | 19.9             | 27.4               | 48.7                | 60.8              |
|                                       | Part-time* | 3.2                  | 3.8              | 7.7                | 17.0                | 29.4              |
| Defined Contributions                 | Full-time  | 8.4                  | 10.6             | 22.7               | 37.4                | 44.1              |
|                                       | Part-time* | 1.7                  | 3.0              | 6.8                | 19.2                | 39.2              |
| Defined Benefits                      | Full-time  | 6.1                  | 7.2              | 9.0                | 21.4                | 46.1              |
|                                       | Part-time* | 1.6                  | 2.8              | 3.0                | 10.4                | 31.4              |
| Health Insurance for Future Retirees  | Full-time  | 1.5                  | 1.2              | 2.1                | 8.2                 | 23.5              |
|                                       | Part-time* | 0.3                  | 0.5              | 0.9                | 2.5                 | 15.7              |
| Health Insurance for Current Retirees | Full-time  | 1.5                  | 1.6              | 1.9                | 8.5                 | 28.4              |
|                                       | Part-time* | 0.3                  | 0.7              | 0.8                | 2.5                 | 16.7              |
| Tax-Deferred Savings Plans            | Full-time  | 8.1                  | 8.7              | 17.6               | 42.5                | 59.8              |
|                                       | Part-time* | 2.5                  | 3.3              | 5.3                | 20.4                | 39.2              |
| Education Assistance                  | Full-time  | 9.7                  | 8.2              | 14.6               | 32.1                | 57.8              |
|                                       | Part-time* | 2.8                  | 3.0              | 4.9                | 10.7                | 27.5              |
| Profit Sharing                        | Full-time* | 5.4                  | 6.5              | 12.2               | 18.9                | 14.7              |
|                                       | Part-time* | 1.0                  | 1.2              | 3.0                | 6.9                 | 9.8               |
| Flexible Work week                    | Full-time  | 9.0                  | 9.9              | 11.8               | 21.4                | 28.4              |
|                                       | Part-time* | 3.8                  | 5.1              | 6.8                | 9.1                 | 21.6              |
| Child Care Assistance                 | Full-time  | 0.9                  | 1.0              | 2.3                | 5.0                 | 11.8              |
|                                       | Part-time* | 0.0                  | 0.3              | 1.7                | 2.2                 | 7.8               |
| Elder Care Assistance                 | Full-time  | 0.1                  | 0.0              | 0.2                | 0.6                 | 6.9               |
|                                       | Part-time* | 0.0                  | 0.0              | 0.0                | 0.3                 | 3.9               |
| Employee Assistance Programs          | Full-time  | 4.7                  | 3.0              | 7.7                | 22.0                | 57.8              |
|                                       | Part-time* | 1.5                  | 1.6              | 3.4                | 11.3                | 43.1              |
| Employee Wellness Programs            | Full-time  | 1.2                  | 1.4              | 3.0                | 9.7                 | 21.6              |
|                                       | Part-time* | 0.4                  | 0.5              | 1.1                | 6.9                 | 15.7              |
| Short Term Disability                 | Full-time  | 5.7                  | 2.6              | 10.9               | 31.4                | 49.0              |
|                                       | Part-time* | 1.2                  | 0.5              | 3.0                | 9.4                 | 28.4              |
| Long Term Disability                  | Full-time  | 7.6                  | 4.0              | 12.8               | 36.5                | 62.7              |
|                                       | Part-time* | 1.6                  | 0.9              | 2.6                | 11.9                | 25.5              |

\* Represents the percentage of firms that offer the benefit to part-time workers, but not necessarily the percentage of part-time workers who receive the benefit.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

provide personal leave to their full-time employees. Nearly 30 percent of the very large firms also offer this benefit to their part-time employees. (See Exhibit 6.)

**Retirement benefits**

For the purposes of this analysis, retirement plans are classified into two broad categories—defined benefit or defined contribution plans. In the first, commonly known as pension plans, the earned benefit at retirement is specified and the employer bears the investment risk over the years to fund the benefit. In defined contribution plans, the employer contribution is specified and the benefit at retirement is unknown in advance. The employee bears the investment risk in defined contribution plans.

The type of retirement benefit available to Alaska workers, either defined contribution or defined benefit, varies by employer and is closely linked to firm size. With the exception of very large firms, defined contribution retirement plans are more commonly offered than defined benefit plans for both full- and part-time employees. (See Exhibit 6.)

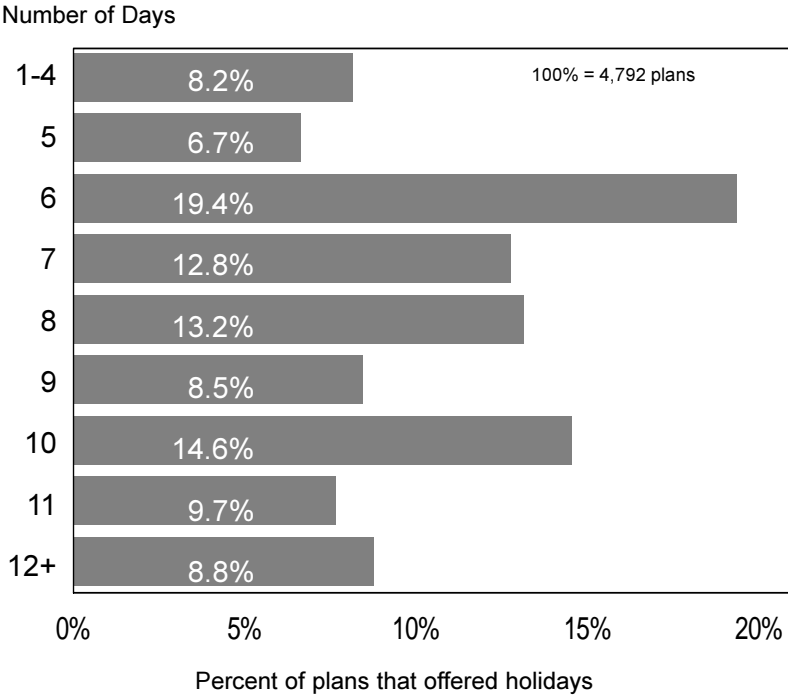
The provision of tax-deferred savings plans is also closely linked to the size of firm. As noted in Exhibit 6, the availability of tax-deferred savings plans, for both full- and part-time employees, increases steadily with firm size.

Health insurance for current or future retirees is also related to the size of the firm. Generally, large firms offering more generous health insurance benefits to their workers are more likely to offer health benefits to current and future retirees.

**Other benefits**

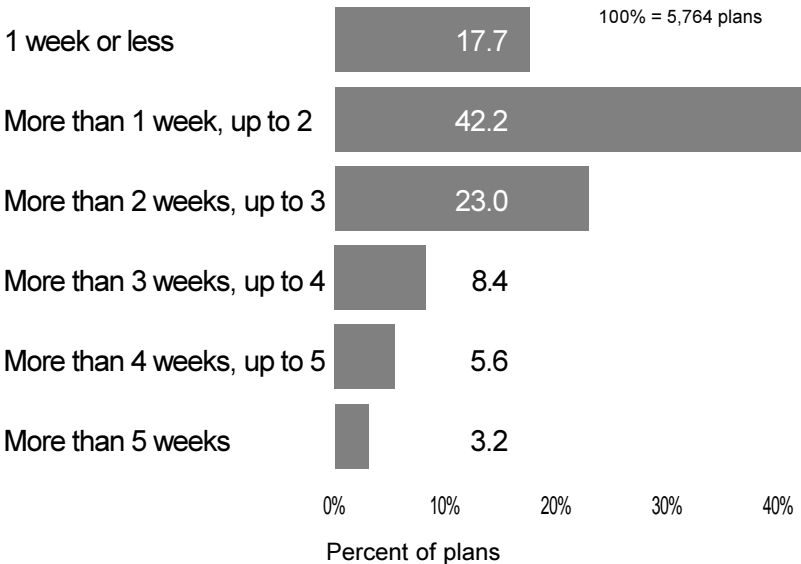
Employers responded to a list of other benefits that they may or may not provide. Education assistance was offered to full-time employees in very small firms nearly ten percent of the time. This rate increased by size class to where the largest size

**Paid Holidays per Year** **7**  
For full-time employees



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

**Firms Offering Paid Annual Vacation** **8**  
For full-time employees



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

employer group reported the benefit nearly 60 percent of the time. Very small and small size employers offered employees a flexible workweek about ten percent of the time, whereas employers of large and very large size firms reported offering this benefit about 25 percent of the time. Other benefits such as long term disability and short term disability were much more prevalent in larger companies than small, as were employee assistance programs. Childcare assistance and elder care assistance are the least common benefits for which information was provided across all size categories.

### Summary

This survey was conducted to gain an understanding of the types of benefits being offered in Alaska's workplace and the prevalence of employers' providing them. Employee benefits are considered an important aspect of job quality.

This study shows that the offering of health care benefits is strongly associated with size of firm. Medium-size and larger firms generally provide more medical and other types of benefits than small firms employing fewer than 10 workers. Very large firms with 250 or more employees

offer benefits most consistently. Employers provide more generous leave and insurance benefits to their full-time employees than to their part-time employees.

Most employers reported their health insurance premiums increased in 2001 from the previous year. Within all size-class categories, premium increases were reported in approximately seven out of ten cases. Employers were found to pay the premiums for their full-time employees about 65 percent of the time; however, only 36 percent of the employers pay the entire cost of a health insurance plan for families of their full-time employees.

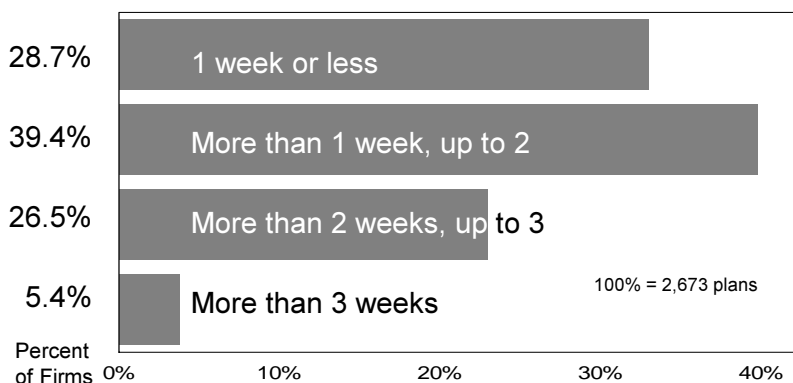
Holiday and vacation days are the types of paid days off received most frequently by full-time employees. Sick leave and personal leave, a combined vacation and sick leave, were the next most offered types of paid leave. Large size employers were once again the most consistent in offering employees paid leave.

1 Health Insurance, the Uninsured: How the New Labor Market is Squeezing Workforce Health Benefits. James L. Medoff, et.al. The Commonwealth Fund. June 2001.

2 The survey sample when drawn was stratified by size class and area; therefore, industry analysis may not meet a 95% confidence level for each sector.

3 Large firms are more likely to offer personal leave, a combined sick and vacation leave bank. Since personal leave was reported separately from both vacation and sick leave, the incidence of sick and vacation leave may be understated.

## 9 Paid Annual Sick Leave For full-time employees



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section