

# Employee-Benefit Plans, 1950-67

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CONTRIBUTIONS and benefit payments under employee-benefit plans in 1967 continued to display the modest rate of growth that was experienced in 1966. Total benefit payments amounted to an estimated \$15.7 billion in 1967 (an increase of 8.8 percent) and contributions rose to a total of \$22.3 billion (a 7.4 percent gain).

Group health benefit payments totaled almost \$8 billion, only 7 percent more than the total a year earlier. The rate of increase was a little higher than the 1966 rate but much lower than the pattern of growth prevailing until 1965. Similarly, the rate of growth in contributions for health care plans was 6 percent—about half the typical rate of growth since 1955. This outcome is not unexpected in light of the impact of a full year of experience of the Federal program of health insurance for the aged (Medicare). In 1967, benefit payments under this program amounted to \$4.5 billion. Retirement plan contributions rose \$790 million, however, and amounted to \$9.2 billion—a 9.4-percent gain over the previous year—and benefit payments rose \$470 million, or almost 13 percent, and totaled \$4.2 billion.

Growth in employee coverage under the types of employee-benefit plans included in the series was substantial, although not of the magnitude experienced in the past. For most types of employee-benefit plans, the 1967 growth in employee coverage exceeded the overall rate of growth in the labor force. For hospital and surgical expense plans, however, there was a decline of coverage in relation to the work force.

As 1967 ended, 132 million persons (employed workers and dependents) had hospital coverage, about 129 million had surgical expense coverage, and 52 million had life insurance protection. About 31 million employees had temporary disability insurance protection, and about 28 million were under private retirement plans.

An "employee-benefit plan," as defined here, is any type of plan sponsored or initiated unilaterally or jointly by employers and employees

and providing benefits that stem from the employment relationship and that are not underwritten or paid directly by government (Federal, State, or local). In general, the intent is to include plans that provide in an orderly, predetermined fashion for (1) income maintenance during periods when regular earnings are cut off because of death, accident, sickness, retirement, or unemployment and (2) benefits to meet medical expenses that are associated with illness or injury.

Government employees who are covered by plans underwritten by nongovernment agencies are included in the series, whether or not the government unit contributes (as an employer) to the financing of the program. Specifically included here are plans providing government employees with group life insurance, accidental death and dismemberment insurance, and hospital, surgical, regular medical, and major-medical expense insurance. Retirement and sick-leave plans in which the government in its capacity as employer pays benefits directly to its employees are excluded.

## HIGHLIGHTS OF 1967

Several major developments in 1967 on the Federal level had an impact on private employee-benefit plans. First, the full year of experience under the Medicare program has resulted in a significant shift in financing health and medical care expenditures from private sources to the public sector.<sup>1</sup> Aggregate private health expenditures (and contributions to health coverage in employee-benefit plans) have not declined, but the rate of growth has experienced a slowdown. A large area of supplementary protection for health and medical care for the aged still remains under voluntary private arrangements. It is estimated that in 1967 almost 50 percent of the aged had private health coverage for hospital care, and

\* Office of Research and Statistics. The material was prepared with the assistance of Barbara P. Sandoval. Earlier reviews of employees-benefit plans have appeared in the March or April issues of the *Bulletin*.

<sup>1</sup> See Ida C. Merriam, Alfred M. Skolnik, and Sophie R. Dales, "Social Welfare Expenditures, 1967-68," *Social Security Bulletin*, December 1968.

about 40 percent had coverage for surgical expense.<sup>2</sup>

The pattern of supplementing Medicare by group efforts has also been more clearly defined. According to an analysis of 98 large negotiated health and welfare plans, for example, more than 3 out of 5 plans have extended health benefits to their retiree members.<sup>3</sup> Most of the plans were structured to coordinate their benefits with Medicare, and this coordination usually meant greater health care protection for the retired worker. About half the plans extending benefits used the "carve out" method under which benefits were the same as (or some variation of) benefits provided active employees, reduced by Medicare benefits. Most of the remaining plans provided benefits supplementing specific Medicare benefits or covered services not included in Medicare. Furthermore, about 85 percent of these plans with extended benefits were financed in full by the employer. Only a small number of the plans required complete financing by the retired worker.

Second, the number of retirement plans submitted for approval to the Internal Revenue Service climbed to new heights in 1967. In that year about 11,300 pension plans and 9,200 profit-sharing plans were approved, a record number for any year.<sup>4</sup> It is estimated that with this surge in plan approvals the net (after adjustments for terminated plans) number of Internal Revenue Service qualified corporate plans at the end of 1967 was more than 150,000 (58 percent of them were pension plans, and 42 percent profit-sharing plans).

In 1967, there also was a spurt of approvals of pension plans for the self-employed, and more than 29,400 plans were approved. As a result the number of plans qualified under the Self-Employed Individual Tax Retirement Act doubled in 1967 and reached 55,700, with three-fifths of them pension plans and two-fifths profit-sharing plans. An estimated 60,000 persons (the self-employed and their employees) were covered at the end of 1967—twice the number a year

earlier. According to the Institute of Life Insurance, there were 29,720 insured plans for the self-employed covering 53,000 persons in 1967.<sup>5</sup> Though meager information is available on the amounts contributed and set aside by these programs for the self-employed, they will probably grow rapidly. In 1966, according to the Internal Revenue Service, self-employed individuals claimed deductions of \$45 million for qualified retirement plans.<sup>6</sup>

Substantial improvements in old-age, survivors, disability, and health insurance benefits under the Social Security Act occurred in 1967. There was a 13-percent rise in the level of cash benefits under the social security program effective in 1968 and a rise also from \$6,600 to \$7,800 in the maximum on earnings taxable and creditable for benefits. As in the past the changes in the Act will probably mean revisions in private pension plans since many of them are tied directly to the benefits payable under old-age, survivors, disability, and health insurance.

Another development at the Federal level that had significance for private pension plans was the work of an Interagency Task Force. This group, toward the end of 1967, made a number of specific proposals to improve protection afforded under private plans in several areas: (1) vesting of accrued pension benefits provided after 10 years of employment; (2) a minimum standard of funding followed by each pension plan, based on the ratio of assets to vested liabilities, with the objective of reaching 100 percent after 25 years; (3) plan termination protection (reinsurance) tied to unfunded vested liabilities. Some transitional rules and alternatives were also specified to provide the flexibility needed in applying standards to the great variation in private pension plans and to reduce cost impact.

An analysis of reported major wage developments shows 1967 as a year of emphasis on economic security and fringe-benefit provisions. Wage improvements in response to rising price levels were, on the average, larger than those in previous years. Changes in health and welfare benefits, however, affected 7 out of 10 of the 4.4 million production workers involved in the bar-

<sup>2</sup> Louis S. Reed and Willine Carr, "Private Health Insurance in the United States in 1967," *Social Security Bulletin*, February 1969.

<sup>3</sup> Dorothy R. Kittner, "Negotiated Health Benefits and Medicare," *Monthly Labor Review*, September 1968.

<sup>4</sup> Treasury Department, Internal Revenue Service, *Determination Letters Issued on Employee-Benefit Plans*, quarterly.

<sup>5</sup> Institute of Life Insurance, *Tally*, May 1968.

<sup>6</sup> Treasury Department, Internal Revenue Service, *Statistics of Income, 1966: Individual Income Tax Returns*, 1968.

gaining over wage rates.<sup>7</sup> Three-fifths of the workers were represented in negotiations improving pension plans, and one-fifth in the liberalization of unemployment benefits.

Leading the 1967 settlements were substantial improvements in employee benefits negotiated by the Auto Workers in the automobile and farm equipment industries. These changes increased the level of normal retirement benefits, liberalized supplemental unemployment benefits (SUB), and expanded health and welfare benefits. In the auto industry, the pension plan improvements to be fully effective in 1969 featured the introduction of pension benefits that vary by hourly rate of pay. The monthly benefit for each year of service provides \$5.50 times years of service for workers with hourly rates less than \$3.41; \$5.75 times years of services for those with hourly rates from \$3.415 to \$3.54; and \$6 times years of service for those with hourly rates above \$3.545. The monthly benefit for each year of service had been \$4.25 regardless of earnings. In addition, benefits for retired workers, survivor benefits, and service-crediting provisions were improved.

The Auto Workers also obtained major improvements in the welfare benefit package that included higher life insurance maximums, an improved hospital-surgical-medical plan that was uniform across the Nation, and establishment of a prescription drug plan.

Under the liberalized SUB benefit formula, the weekly payment (unemployment insurance plus SUB benefits) is equal to 95 percent of take-home pay, with the benefit reduced by \$7.50 because work-related expenses (transportation, lunches, etc.) have not been incurred. The maximum dollar limit on the SUB payments has been eliminated, except under certain conditions. Previously, the plan provided weekly benefits of 62 percent of gross wages up to a maximum of \$50 plus dependents' allowances). Under the revised plan, a new credit-unit base (with "guaranteed annual income credits") is used to determine duration of benefits. Workers accrue SUB credits in the normal manner but, in addition, a worker will be credited with a specified number of guaranteed annual income credits depending on seniority. For a worker with 7 or more years

of seniority, this means that 52 weeks of layoff benefits are guaranteed.<sup>8</sup>

The Rubber Workers settlements with companies in the rubber industry included improvements in all aspects of employee-benefit plans. Pension benefits were increased from \$3.25 to \$5.50 for each year of credited service. In addition, life insurance and weekly sickness and accident benefits were increased. Improvements in health insurance protection included an increase in duration of hospital coverage from 365 to 730 days, higher payments for visiting nurses, and higher surgical fee schedule. The SUB plan benefits were raised to 80 percent of gross wages, with no maximum on company payments. Credit units continue to accrue in the same way as the past, with a maximum duration of 52-208 weeks, depending on seniority. Previously, the benefit was 62 percent of gross wages, up to a maximum payment of \$50, plus dependents' allowances (receiving unemployment insurance benefits) and \$62 plus dependents' allowances (not receiving benefits).

Another key settlement, affecting meat-cutters in the meatpacking industry, raised normal benefits from \$3.25 to \$5 a month for each year of service and provided for retirement with full benefits at age 62 with 10 years of service.

Substantial improvements in pension benefits were made in some major multiemployer plans. The American Bakery and Confectionary Workers (AFL-CIO) won increased employer contributions to their pension fund to finance higher normal retirement benefits. Another significant liberalization raised the monthly benefit from \$100 to \$115 for more than 70,000 retired miners receiving benefits from the United Mine Workers of America Welfare and Retirement Fund. Widow's and survivors' benefits were also improved.

Several local unions reached agreement on a portable pension program for Retail Clerks members employed in Southern California stores. The plan would permit workers with 5 years of continuous service under any one of the three plans involved (and at least 10 years of service in all plans) to transfer pension credits as they change

<sup>7</sup> Department of Labor, Bureau of Labor Statistics, *Current Wage Developments* (No. 244, Supplement) April 1968.

<sup>8</sup> For a detailed analysis of SUB provisions see Linda Lenfest and Walter W. Kolodrubetz, "Development of Supplemental Unemployment Benefit Plans," (Research and Statistics Note No. 17), Office of Research and Statistics, 1968.

jobs within coverage of the three funds. Agreements of this nature are becoming more common in multiemployer plans.<sup>9</sup>

## Historical Data

This year, the series on employee-benefit plans includes data for 1951-53. Comprehensive data are thus available continuously since 1950. Some data previously published have been revised to reflect small changes in source data used to derive the series. The revisions are relatively minor and do not disturb previous relationships of individual items and aggregates.

## COVERAGE

All employee-benefit plans had reached new highs in membership in 1967, and the gains in employee coverage under major medical, death benefit, and temporary disability benefit plans were the most impressive. Temporary disability coverage now provides short-term sickness and accident protection to more than 31 million workers—a 6.5-percent rise from the 1966 number. Major medical expense is now extended to more than 20 million workers (and about 36 million dependents), an overall rate of increase of 7.7 percent above 1966 coverage. Approximately 2.1 million workers were added to the rolls of programs providing death benefit protection, so that they now cover nearly 45 million workers.<sup>10</sup> Retirement plans added over 1 million persons—a 4.5-percent increase—to reach a total of 27.6 million. Supplemental unemployment plans continue to cover about 2.2 million persons (table 1).

Growth in employee coverage under group health insurance plans in 1967 was smaller than that experienced in the past. Hospital coverage

was half a million higher and totaled 50.6 million employees; and surgical coverage added 1.0 million employees and totaled 49.6 million. Except for the recession years of 1954 and 1958, the percentage increases were the lowest recorded for these items in the series. Regular medical expense coverage rose 1.9 million and included 43.1 million employees. As in the past, group major medical expense insurance continues to show the strongest, though diminishing, growth rate among the major types of employee-benefits. It covered more than 20.3 million employed workers in 1967.<sup>11</sup>

Because of these varying rates of increase, the difference in extension of coverage among various types of health care plans have steadily narrowed. The difference between group hospital and surgical coverage was only about 3 million persons (including dependents) in 1967. The gap in the numbers of persons with group surgical expense coverage and regular medical expense was less than 20 million.

Gains in coverage under selected employee-benefit plans in 1967 are not impressive in all cases when related to aggregate measures such as the number in the employed labor force. For the second successive year, the two most important groups—hospital and surgical expense—had a slight dropping off in relation to the employed wage and salary civilian work force. In 1967 they included about 72 percent and 70.5 percent, respectively, of the employed labor force (table 2). Coverage for regular medical expense and for major medical expense each rose about 1 percent, however, and included 61 percent and 29 percent of the employed labor force, respectively.

Employee coverage under life insurance and accidental death and dismemberment showed sharp increases, so that the percentage of the labor force covered was at the 1965 levels. About 64 percent of the work force had life insurance protection through their place of employment, while 43 percent had accidental death and dismemberment protection.

Private retirement plans covered about 47 percent of the private wage and salary work force—about 1 percent more than the proportion covered

<sup>9</sup> For an analysis of reciprocity agreements in multi-employer plans, see Walter Kolodrubetz, "Reciprocity and Pension Portability," *Monthly Labor Review*, September 1968.

<sup>10</sup> The data on group life insurance in this series exclude the servicemen's group life insurance provided members of the Armed Forces. This insurance is underwritten by commercial insurance companies but is excluded here because the series is confined to civilian wage and salary workers.

<sup>11</sup> Data for major medical expense plans relate exclusively to plans underwritten by commercial insurance companies and exclude Blue Cross-Blue Shield plans of this type (covering 16 million persons at the end of 1967).

TABLE 1.—Estimated number of wage and salary workers and their dependents covered under employee-benefit plans,<sup>1</sup> by type of benefit, 1950-67

[In millions]

End of year	Benefits for all wage and salary workers						Benefits for wage and salary workers in private industry				
	Life insurance and death <sup>2</sup>	Accidental death and dismemberment <sup>3</sup>	Hospitalization <sup>4,5</sup>		Surgical <sup>4</sup>	Regular medical <sup>4</sup>	Major medical expenses <sup>4,6</sup>	Temporary disability including formal sick leave <sup>7</sup>		Supplemental unemployment <sup>8</sup>	Retirement <sup>9</sup>
			Total	Written in compliance with law				Total	Written in compliance with law		
<b>Total:</b>											
1950	19.6	8.1	54.5	1.2	37.5	15.6	-----	20.1	6.6	-----	9.8
1951	21.2	9.5	60.9	1.4	46.9	21.3	0.1	21.7	6.8	-----	11.0
1952	22.9	10.7	65.9	1.5	53.7	26.5	.5	22.4	6.9	-----	11.7
1953	25.0	12.3	72.5	1.5	61.6	34.0	1.0	23.4	7.1	-----	13.2
1954	26.9	14.0	75.0	1.4	65.9	39.1	1.9	22.9	6.7	-----	14.2
1955	29.6	15.6	81.4	1.4	73.1	47.0	4.8	23.5	6.8	1.0	15.4
1956	32.1	17.3	89.4	1.5	81.5	54.0	8.3	24.7	7.1	2.0	16.9
1957	33.9	18.4	94.0	1.6	86.7	59.5	12.4	24.9	7.2	1.9	18.1
1958	34.5	18.7	95.3	1.4	88.5	62.4	16.2	23.8	6.8	1.7	18.8
1959	36.5	19.7	98.1	1.5	92.0	67.0	20.4	24.4	6.9	1.9	19.9
1960	37.3	20.9	103.9	1.2	98.3	73.3	25.6	24.5	6.8	1.7	21.2
1961	39.1	21.3	107.3	1.1	102.3	78.2	31.5	24.6	6.8	1.8	22.2
1962	40.6	22.6	110.9	.9	105.9	82.0	35.1	25.2	6.8	1.8	23.1
1963	42.8	24.7	116.2	.3	111.3	87.2	38.7	25.7	6.2	1.8	23.8
1964	44.9	26.5	119.6	.3	114.0	92.9	42.6	26.4	6.2	1.9	24.6
1965	46.9	28.4	123.9	.3	119.9	99.4	47.3	27.6	6.4	2.1	25.4
1966	49.1	28.5	128.2	.4	124.0	104.2	52.0	29.3	6.6	2.2	26.4
1967	51.8	30.4	131.7	.4	128.5	110.3	56.0	31.2	6.7	2.2	27.6
<b>Employees:</b>											
1950	19.4	8.1	24.3	1.2	17.7	8.2	-----	20.1	6.6	-----	9.8
1951	20.8	9.5	27.1	1.4	21.7	10.7	-----	21.7	6.8	-----	11.0
1952	22.3	10.7	28.8	1.5	24.2	12.8	0.2	22.4	6.9	-----	11.7
1953	24.3	12.3	31.0	1.5	26.0	15.8	.5	23.4	7.1	-----	13.2
1954	25.7	14.0	31.1	1.4	27.8	17.5	.8	22.9	6.7	-----	14.2
1955	28.0	15.6	33.1	1.4	30.2	20.4	2.3	23.5	6.8	1.0	15.4
1956	29.8	17.3	35.4	1.5	32.7	22.3	3.6	24.7	7.1	2.0	16.9
1957	31.2	18.4	37.1	1.6	34.5	24.4	5.1	24.9	7.2	1.9	18.1
1958	31.7	18.7	37.3	1.4	34.8	25.3	6.3	23.8	6.8	1.7	18.8
1959	33.5	19.7	38.3	1.5	36.1	27.0	7.9	24.4	6.9	1.9	19.9
1960	34.2	20.9	40.6	1.2	38.6	29.5	9.7	24.5	6.8	1.7	21.2
1961	35.5	21.3	42.0	1.1	40.2	31.5	11.6	24.6	6.8	1.8	22.2
1962	36.4	22.6	43.3	.9	41.4	32.8	12.9	25.2	6.8	1.8	23.1
1963	37.8	24.7	45.3	.3	43.5	34.9	14.6	25.7	6.2	1.8	23.8
1964	39.8	26.5	46.5	.3	44.8	36.6	15.6	26.4	6.2	1.9	24.6
1965	41.4	28.4	48.5	.3	47.0	39.4	17.5	27.6	6.4	2.1	25.4
1966	42.6	28.5	50.1	.4	48.6	41.2	19.0	29.3	6.6	2.2	26.4
1967	44.7	30.4	50.6	.4	49.6	43.1	20.3	31.2	6.7	2.2	27.6
<b>Dependents:</b>											
1950	0.2	-----	30.2	-----	19.8	7.4	-----	-----	-----	-----	-----
1951	.4	-----	33.8	-----	25.2	10.6	0.1	-----	-----	-----	-----
1952	.6	-----	37.1	-----	29.5	13.7	.3	-----	-----	-----	-----
1953	.7	-----	41.5	-----	34.7	18.2	.5	-----	-----	-----	-----
1954	1.2	-----	43.9	-----	38.1	21.6	1.1	-----	-----	-----	-----
1955	1.6	-----	48.3	-----	42.9	26.6	2.5	-----	-----	-----	-----
1956	2.3	-----	54.0	-----	48.8	31.7	4.7	-----	-----	-----	-----
1957	2.7	-----	56.9	-----	52.2	35.1	7.3	-----	-----	-----	-----
1958	2.8	-----	58.0	-----	53.7	37.1	9.9	-----	-----	-----	-----
1959	3.0	-----	59.8	-----	55.9	40.0	12.5	-----	-----	-----	-----
1960	3.1	-----	63.3	-----	59.7	43.8	15.9	-----	-----	-----	-----
1961	3.6	-----	65.3	-----	62.1	46.7	19.9	-----	-----	-----	-----
1962	4.2	-----	67.6	-----	64.5	49.2	22.2	-----	-----	-----	-----
1963	5.0	-----	70.9	-----	67.8	52.3	24.1	-----	-----	-----	-----
1964	5.1	-----	73.1	-----	70.1	56.3	27.0	-----	-----	-----	-----
1965	5.5	-----	75.4	-----	72.9	60.0	29.8	-----	-----	-----	-----
1966	6.5	-----	78.1	-----	75.4	63.0	33.0	-----	-----	-----	-----
1967	7.1	-----	81.1	-----	78.9	67.2	35.7	-----	-----	-----	-----

<sup>1</sup> Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

<sup>2</sup> Group and wholesale life insurance coverage based on data from Institute of Life Insurance and Health Insurance Association of America, *Group Insurance Coverages in the United States*, annual issues, and *Tally*, August 1968, modified to exclude group plans not related to employment. Also excludes Servicemen's Group Life Insurance issued to cover 3,785,000 members in the Armed Forces. Self-insured death benefit plan coverage based on data for various trade-unions, mutual benefit association, and company-administered plans.

<sup>3</sup> Data from the Institute of Life Insurance (see footnote 2).

<sup>4</sup> Data from "Private Health Insurance in the United States, 1967," *Social Security Bulletin*, February 1969 and from sources cited in footnote 2. In estimating number of employees covered under plans other than group insurance and union and company plans, it was assumed that the proportion of subscribers in employed groups increased gradually from 75 percent in 1950-60 to 80 percent in 1967. Data for hospitalization, surgical, and regular medical coverage adjusted to include employees and their dependents covered by group comprehensive major medical expense insurance.

<sup>5</sup> Includes private hospital plans written in compliance with State tem-

porary disability insurance law in California.

<sup>6</sup> Represents coverage under group supplementary and comprehensive major medical insurance underwritten by commercial insurance companies. Comprehensive insurance, which includes both basic hospital-surgical-medical benefits and major medical expense protection in the same contract, covered 4,950,000 employees and 8,331,000 dependents in 1967.

<sup>7</sup> Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York. Data from *A Survey of Accident and Health Coverage in the United States* (Health Insurance Council, 1950) and *Extent of Voluntary Insurance Coverage in the United States* (Health Insurance Council, 1951-67) and from the Institute of Life Insurance (see footnote 2), adjusted to exclude credit accident and health insurance. Data for 1950 modified slightly to adjust for effect of State temporary disability insurance laws on formal paid sick leave and other self-insurance plan coverage.

<sup>8</sup> Based on trade-union and industry reports. Excludes dismissal wage and separation allowances, except when financed by supplemental unemployment benefit funds covering temporary and permanent lay-offs.

<sup>9</sup> Estimated by the Office of the Actuary, Social Security Administration. Includes pay-as-you-go and deferred profit-sharing plans, plans of nonprofit organizations, union pension plans, and railroad plans supplementing the Federal railroad retirement program. Data exclude annuitants.

TABLE 2.—Coverage and contributions under employee-benefit plans,<sup>1</sup> by type of benefit in relation to employed wage and salary labor force and payroll, 1950-67

Year	Life insurance and death	Accidental death and dismemberment	Hospitalization	Surgical	Regular medical	Major medical expense	Temporary disability, including formal sick leave	Supplemental unemployment	Retirement
Covered employees as percent of all wage and salary workers <sup>2</sup>						Covered employees as percent of wage and salary workers in private industry <sup>3</sup>			
1950	38.9	16.2	48.7	35.5	16.4	-----	46.2	-----	22.5
1951	40.4	18.4	52.6	42.3	20.8	.0	48.2	-----	24.4
1952	42.3	20.3	54.6	45.9	24.3	.4	48.9	-----	25.5
1953	45.0	22.8	57.4	49.8	29.3	.9	49.8	-----	28.1
1954	48.2	26.3	58.3	52.2	32.8	1.5	49.7	-----	30.8
1955	50.7	28.3	60.0	54.7	37.0	4.0	49.2	2.1	32.2
1956	52.4	30.4	62.2	57.5	39.2	6.3	50.2	4.1	34.3
1957	54.4	32.1	64.6	60.1	42.5	8.9	50.4	3.8	36.6
1958	56.5	33.3	66.5	62.0	44.9	11.2	49.7	3.5	39.2
1959	58.1	34.1	66.4	62.6	46.6	13.5	49.5	3.9	40.4
1960	58.2	35.5	68.9	65.5	50.2	16.5	49.0	3.4	42.4
1961	60.4	36.2	71.3	68.4	53.6	19.7	49.4	2.6	44.6
1962	60.4	37.4	71.5	68.5	54.5	21.2	49.4	3.5	45.3
1963	61.5	40.2	73.5	70.7	56.7	23.7	49.6	3.5	45.9
1964	63.4	42.1	73.8	71.2	58.3	24.8	49.9	3.6	46.5
1965	63.4	43.5	74.3	72.0	60.3	26.8	50.4	3.8	46.4
1966	62.1	41.5	73.0	70.8	60.1	27.7	51.1	3.8	46.1
1967	63.5	43.2	71.9	70.5	61.2	28.8	53.4	3.8	47.3
Employer and employee contributions as percent of all wages and salaries <sup>4</sup>						Employer and employee contributions as percent of wages and salaries in private industry <sup>5</sup>			
1950	.34	.01	.40	.21	-----	-----	.40	-----	1.67
1951	.33	.01	.45	.26	-----	-----	.45	-----	1.88
1952	.35	.02	.50	.28	-----	-----	.42	-----	1.85
1953	.36	.02	.57	.32	-----	-----	.44	-----	2.00
1954	.39	.02	.65	.37	-----	.01	.48	-----	2.17
1955	.44	.02	.69	.38	-----	.02	.49	.02	2.19
1956	.46	.02	.73	.41	-----	.04	.48	.07	2.23
1957	.47	.02	.79	.45	-----	.07	.51	.09	2.38
1958	.51	.03	.85	.47	-----	.12	.53	.06	2.45
1959	.52	.03	.90	.48	-----	.14	.51	.06	2.52
1960	.54	.03	.96	.49	-----	.18	.53	.05	2.47
1961	.58	.03	1.06	.54	-----	.24	.53	.05	2.47
1962	.59	.03	1.11	.56	-----	.26	.54	.07	2.45
1963	.62	.03	1.16	.56	-----	.28	.53	.06	2.46
1964	.63	.03	1.21	.58	-----	.30	.51	.05	2.56
1965	.64	.03	1.25	.61	-----	.31	.54	.04	2.68
1966	.62	.03	1.20	.61	-----	.31	.54	.04	2.65
1967	.62	.03	1.16	.62	-----	.32	.55	.03	2.73

<sup>1</sup> Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

<sup>2</sup> Coverage of private and public employees related to average number of private and government full-time and part-time civilian employees—70.4 million in 1967 (table 6.3 in *Survey of Current Business*, July 1968) and the *National Income and Product Accounts of the United States, 1929-1965 Statistical Tables (Supplement to the Survey of Current Business)*, 1966.

<sup>3</sup> Coverage of private employees related to wage and salary employed labor

force in private industry—58.4 million (from table 6.3 in source listed in footnote 2).

<sup>4</sup> Amounts for private and public employees related to private and government civilian wages and salaries—\$407.1 billion in 1967 (from table 6.2 in source listed in footnote 2).

<sup>5</sup> Amounts for private employees related to wages and salaries in private industry—\$337.1 billion in 1967 (from table 6.2 in source listed in footnote 2).

<sup>6</sup> Data on contributions for surgical and regular medical benefits not available separately.

in 1966. This proportion had remained more or less static at about 46 percent for about 4 years. The proportion of workers covered by plans providing temporary disability benefits, including formal paid sick leave, climbed to 53 percent—a 2-percent rise from the preceding year. Coverage for supplemental unemployment benefits remained about the same in relation to the labor force.

An examination of the long-term trend in coverage of employee-benefit plans since 1950 shows tremendous growth, usually exceeding the growth in the labor force. Recently there has been a moderating of growth for some types of plans—an indication that a plateau has been reached for some benefits under the existing group

benefit framework. As the result of previous growth patterns, however, coverage for most types of benefits now extends to large proportions of the employed labor force.

More than 7 out of 10 employed civilian workers, for example, had group hospital expense protection in 1967, compared with about 5 out of 10 in 1950. Since the end of 1961, the proportion covered has fluctuated between 71 percent and 74 percent, and has now, in fact, dropped to 72 percent. It appears that little growth may be expected in group hospital coverage through the place of employment in the near future.

The experience for group surgical expense coverage is similar. Coverage doubled during

the period 1950-67 from about 35 percent of the labor force to about 70 percent. Growth in surgical coverage since 1961 has had a better record than that for hospital coverage, but the proportion covered for surgical expense has hovered between 70 percent and 72 percent since 1963.

Other types of health insurance coverage, however, continue to show a strong growth pattern, reflecting the continued emphasis on obtaining comprehensive health care protection. Regular medical expense coverage reached a new high in 1967 and covered 61 percent of the work force, compared with about 16 percent in 1950. Major medical expense also grew rapidly in 1967 to cover about 29 percent of the labor force, contrasted with 4 percent in 1955. Growth has been about 1-2 percent a year since 1961.

Most other types of employee-benefit plans in this series have had a less explosive growth since 1950 than certain kinds of health insurance coverage. For some benefits, when coverage is related to the labor force, the growth has leveled off. For example, about 63 percent of the labor force had life insurance protection in 1967, a ratio that had been about the same for four years. Similarly, accidental death and dismemberment

coverage has remained relatively static for the last five years in the series and included about 43 percent of the civilian force. Coverage under retirement plans increased 1-2 percent a year until 1961; since that time it has stabilized somewhat at about 46-47 percent of the labor force.

Temporary disability coverage has had a resurgence, however, and has exceeded labor-force growth by 1-2 percentage points for the past 2 years, after a 10-year period of relative stability. This growth could reflect in part the significant number of negotiated settlements for production workers that included paid sick-leave plans for the first time.<sup>12</sup> In 1967, temporary disability plans included 53 percent of the private wage and salary work force, compared with 46 percent in 1950. Supplemental unemployment benefit plans have grown little in relation to the labor force.

## CONTRIBUTIONS

In 1967, total employer-employee contributions to employee-benefit plans were estimated at \$22.3

<sup>12</sup> See Department of Labor, Bureau of Labor Statistics, *Current Wage Developments*, op. cit.

TABLE 3.—Estimated total employer and employee contributions<sup>1</sup> under employee-benefit plans,<sup>2</sup> by type of benefit, 1950, 1955, 1960-67

Type of benefit	[In millions]									
	1950	1955	1960	1961	1962	1963	1964	1965	1966	1967
Total.....	\$3,937.0	\$7,851.6	\$12,509.1	\$13,460.4	\$14,600.1	\$15,615.0	\$17,274.2	\$19,273.3	\$20,778.3	\$22,307.8
Benefits for all wage and salary workers:										
Life insurance and death benefits <sup>3</sup> .....	480.0	880.5	1,416.2	1,556.6	1,677.1	1,867.0	2,037.9	2,220.3	2,355.4	2,509.2
Accidental death and dismemberment <sup>4</sup> .....	18.4	43.4	70.0	75.0	80.0	92.0	99.0	116.0	131.0	142.0
Total health benefits.....	856.3	2,193.6	4,257.0	4,924.2	5,507.9	5,993.3	6,725.7	7,520.0	8,041.5	8,508.8
Hospitalization <sup>5</sup> .....	562.4	1,385.1	2,504.8	2,833.6	3,159.0	3,472.2	3,884.6	4,332.8	4,546.8	4,702.7
Surgical and regular medical <sup>5</sup> .....	293.9	769.5	1,282.2	1,439.6	1,595.9	1,684.1	1,876.1	2,109.2	2,299.7	2,512.1
Major medical expense <sup>7</sup> .....		39.0	470.0	651.0	753.0	837.0	965.0	1,078.0	1,195.0	1,294.0
Benefits for wage and salary workers in private industry:										
Temporary disability, including formal sick leave <sup>8</sup> .....	502.3	854.1	1,170.9	1,204.6	1,297.1	1,340.7	1,374.6	1,547.0	1,722.4	1,844.8
Written in compliance with law.....	75.9	178.8	238.8	255.3	255.4	244.4	238.0	258.4	280.5	310.6
Supplemental unemployment benefits <sup>9</sup> .....		40.0	115.0	120.0	158.0	142.0	147.0	120.0	128.0	113.0
Retirement <sup>10</sup> .....	2,080.0	3,840.0	5,480.0	5,580.0	5,880.0	6,180.0	6,890.0	7,750.0	8,400.0	9,190.0

<sup>1</sup> Excludes dividends in group insurance.

<sup>2</sup> Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

<sup>3</sup> Group and wholesale life insurance premiums based on data from Institute of Life Insurance and Health Insurance Association of America, *Group Insurance Coverages in the United States*, annual issues, and *Tally*, August 1968, modified to exclude group plans not related to employment, and excludes premiums of \$68.5 million for the Servicemen's Group Life Insurance plan in 1967. Self-insured death benefits costs based on data for various trade-union, mutual benefit association, and company-administered plans.

<sup>4</sup> Data from Institute of Life Insurance (see footnote 3).

<sup>5</sup> Data from "Private Health Insurance in the United States, 1967," *Social Security Bulletin*, February 1969. In estimating contributions for employees under plans other than group insurance and union and company plans, it was assumed that the proportion of subscription income attributable to employed groups increased gradually from 75 percent in 1950-60 to 80 percent in 1967.

<sup>6</sup> Includes private hospital plans written in compliance with State tem-

porary disability insurance law in California; separate data not available for these plans.

<sup>7</sup> Unpublished data from the Health Insurance Association of America. Represents premium for group supplementary and comprehensive major medical insurance underwritten by commercial insurance carriers.

<sup>8</sup> Data from "Income-Loss Protection Against Illness, 1948-67," *Social Security Bulletin*, January 1969. Includes private plans written in compliance with State temporary disability laws in California, New Jersey, and New York, shown separately in next line.

<sup>9</sup> Based on trade-union and industry reports. Excludes dismissal wage and separation allowances, except when financed by supplemental unemployment benefit funds covering temporary and permanent layoffs. For the steel industry plans, includes accruals of contingent liability contributions as well as regular contributions.

<sup>10</sup> Estimated by the Office of the Actuary, Social Security Administration. Includes contributions to pay-as-you-go and deferred profit-sharing plans, plans of nonprofit organizations, union pension plans, and railroad plans supplementing Federal railroad retirement program.

billion, an increase of \$1.5 billion over 1966 expenditures (table 3). The relative increase (7.4 percent) in the total amount was about the same as that for 1966. This moderating of growth is mainly the result of the decline in the major element in the series—those for health benefits.

Contributions for health benefits rose less than 6 percent in 1967, though annual increases were 10-15 percent before 1966. The contributions for surgical and regular medical expense plans rose 9 percent (about the same as the 1966 rise), but for hospital expense contributions the rise of 3.4 percent was the smallest increase for any year in the series. The growth in contributions to major medical expense plans was down to 8 percent—again a much lower gain than that in previous years.

The \$0.5 billion rise in contributions for health insurance plans brought the total to \$8.5 billion and these contributions still represent almost \$2 out of every \$5 going to employee-benefit plans. As noted, this slowing in rate of contributions to health insurance reflects the impact of Medicare, in which there has been a shift of financing of some benefits from voluntary programs to the government sector.

The other major element in the series—pension contributions—rose \$790 million, an amount

topped only by the record increase of 1965. With the 9.4-percent gain, retirement plan contributions totaled more than \$9 billion and represented over \$2 out of every \$5 contributed to employee-benefit plans in 1967.

Contributions for temporary disability benefit plans rose 7.1 percent—much less than the 11-percent growth recorded in 1966—and amounted to \$1.8 billion. Life insurance contributions increased 6.5 percent (a higher rate than that for 1966), but the relative increase (8.4 percent) in accidental death and dismemberment was much lower than the 13-percent rise a year earlier. Together, contributions to these two types of plans were \$2.7 billion in 1967.

Reflecting the leveling off of the rate of increase, employer-employee contributions as a percentage of aggregate wage and salary payroll in 1967 declined or stayed at about the same levels as in 1965 or 1966 for all types of benefits except those for retirement benefits (table 2). Contributions to retirement plans in relation to the Nation's aggregate payroll in private industry rose from \$2.65 per \$100 of payroll to \$2.73 per \$100 of payroll. The large decline registered for hospital contributions in relation to aggregate civilian payroll meant that total health contributions equaled about \$2.10 per \$100 of all wages

TABLE 4.—Estimated benefits paid under employee-benefits plans,<sup>1</sup> by type of benefit, 1950, 1955, 1960-67

(In millions)

Type of benefit	1950	1955	1960	1961	1962	1963	1964	1965	1966	1967
Total.....	\$1,812.5	\$4,070.9	\$7,848.5	\$8,757.5	\$9,875.2	\$10,694.8	\$11,773.4	\$13,187.2	\$14,420.4	\$15,686.0
Benefits for all wage and salary workers:										
Life insurance and death benefits <sup>2</sup> .....	310.0	581.5	1,017.6	1,122.3	1,236.5	1,341.8	1,426.3	1,541.5	1,693.1	1,877.8
Accidental death and dismemberment <sup>3</sup> .....	16.0	26.1	47.3	58.0	68.8	82.5	88.0	89.5	97.0	101.4
Total health benefits.....	708.7	1,902.9	3,898.2	4,481.5	5,082.7	5,536.2	6,241.6	7,012.1	7,427.5	7,931.8
Hospitalization <sup>4</sup> .....	477.5	1,241.8	2,355.0	2,675.8	3,004.8	3,312.4	3,730.7	4,160.5	4,312.0	4,526.3
Written in compliance with law.....	2.1	5.6	8.0	7.3	6.3	3.5	2.4	2.5	2.6	2.7
Surgical and regular medical <sup>4</sup> .....	231.2	637.1	1,116.2	1,243.7	1,410.9	1,471.8	1,641.9	1,847.6	1,979.5	2,099.5
Major medical expense <sup>4</sup> .....	.....	24.0	427.0	562.0	667.0	752.0	869.0	1,004.0	1,136.0	1,306.0
Benefits for wage and salary workers in private industry:										
Temporary disability, including formal sick leave <sup>5</sup> .....	407.8	710.4	1,030.4	1,035.7	1,129.2	1,183.3	1,200.5	1,310.1	1,435.8	1,506.0
Written in compliance with law.....	54.3	135.2	196.1	201.4	204.3	198.2	191.4	197.6	208.7	222.4
Supplemental unemployment benefits <sup>6</sup> .....	.....	.....	105.0	100.0	108.0	91.0	87.0	84.0	87.0	119.0
Retirement <sup>7</sup> .....	370.0	850.0	1,750.0	1,960.0	2,250.0	2,460.0	2,760.0	3,180.0	3,680.0	4,150.0

<sup>1</sup> Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

<sup>2</sup> Group and wholesale life insurance benefits based on data from Institute of Life Insurance, *Life Insurance Fact Book*, 1967, modified to exclude group plans not related to employment, and excludes \$62.3 million in benefits paid under the Servicemen's Group Life Insurance plan in 1967. Self-insured death benefits based on data for various trade-union, mutual benefit association, and company-administered plans.

<sup>3</sup> Unpublished data from the Institute of Life Insurance.

<sup>4</sup> Data from "Private Health Insurance in the United States, 1967," *Social Security Bulletin*, February 1969. In estimating benefits paid to employees under plans other than group insurance and union and company plans, it was assumed that the proportion of benefits attributable to employed groups increased gradually from 75 percent in 1950-60 to 80 percent in 1967.

<sup>5</sup> Includes hospital plans written in compliance with State temporary disability insurance law in California, shown separately in next line.

<sup>6</sup> Unpublished data from the Health Insurance Association of America. Represents benefits paid under group supplementary and comprehensive major medical insurance underwritten by commercial insurance carriers.

<sup>7</sup> Data from "Income-Loss Protection Against Illness, 1948-67," *Social Security Bulletin*, January 1969. Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York, shown separately in next line.

<sup>8</sup> Based on trade-union and industry reports. Excludes dismissal wage and separation allowances, except when financed from SUB funds covering temporary and permanent layoffs.

<sup>9</sup> Estimated by the Office of the Actuary, Social Security Administration. Includes benefits paid under pay-as-you-go and deferred profit-sharing plans, plans of nonprofit organizations, union pension plans, and railroad plans supplementing Federal railroad retirement program.



and salaries in 1967, compared with \$2.12 per \$100 in 1966 and \$2.17 per \$100 in 1965. All of the 1967 decline was attributable to a drop in contributions to hospitalization expense plans. Small increases were registered for surgical-medical and major-medical expense plans. Temporary disability contributions increased by 0.01 percent to 0.55 percent of private wage and salary payroll; life insurance, accidental death and dismemberment, and supplemental unemployment benefit contributions remained at the 1966 levels.

## BENEFITS

Benefit expenditures in 1967 were estimated at \$15.7 billion, an increase of \$1.3 billion over the \$14.4 billion in benefit payments distributed in 1966 (table 4). This 8.8-percent rise was the smallest percentage increase since 1950 (except for that in 1963).

Health benefit payments accounted for \$500 million of the rise, and retirement benefits represented about \$470 million. The total amount for health benefit payments rose about 7 percent—a slight gain over the 6-percent increase in 1966 but still much lower than the typical gain of 10–12 percent since 1950. A 15-percent rise in payments under major medical expense plans accounted for much of the new growth. Retirement payments were almost 13 percent higher than the 1966 level but this growth rate was much smaller than that of the 2 preceding years.

Among the other types of employee benefits, death benefit payments (together with accidental

death and dismemberment payments) showed a sharp gain of \$190 million and totaled almost \$2 billion. Temporary disability benefits (including formal paid sick leave) amounted to \$1.5 billion—about 5 percent higher than the 1966 total but the rate of increase was much lower than that for the 2 previous years.

## Retirement Plan Trends

An estimated 27.6 million employed workers were covered by private pension and deferred profit-sharing plans at the end of 1967—a gain of some 1.2 million over 1966 (table 5). This growth was a little more than the 3.9-percent rise from 1965 to 1966 and was greater than the usual year-to-year gain in the period since 1960, when absolute increases have been about 700,000–900,000.

Insured plans increased their coverage by 800,000, reaching a total of 7.8 million at the end of 1967; membership of noninsured plans grew only by 400,000, to a total of 19.8 million. This is a continuance of the trend in the early sixties when the proportionate increases in the coverage of insured plans far outstripped those in noninsured plans. The proportion of all workers covered by insured plans was about 28.3 percent in 1967, compared with 23.1 percent in 1960, and is greater than the proportion in 1950.

The distinctive patterns in coverage, contributions, benefits, and reserves that have emerged with respect to insured plans, in comparison with

TABLE 5.—Private pension and deferred profit-sharing plans: <sup>1</sup> Estimated coverage, contributions, beneficiaries, benefit payments, and reserves, 1950, 1955, 1960–67

Year	Coverage, <sup>2</sup> end of year (in thousands)			Employer contributions (in millions)			Employee contributions (in millions)			Number of beneficiaries, end of year (in thousands)			Amount of benefit payments (in millions)			Reserves, end of year (in billions)		
	Total	In-sured	Non-insured	Total	In-sured	Non-insured	Total	In-sured	Non-insured	Total	In-sured	Non-insured	Total <sup>3</sup>	In-sured	Non-insured <sup>3</sup>	Total	In-sured	Non-insured
1950.....	9,800	2,600	7,200	\$1,750	\$720	\$1,030	\$330	\$200	\$130	450	150	300	\$370	\$80	\$290	\$12.1	\$5.6	\$6.5
1955.....	15,400	3,800	11,600	3,280	1,100	2,180	560	280	280	980	290	690	850	180	670	27.5	11.3	16.1
1960.....	21,200	4,900	16,300	4,690	1,190	3,500	790	300	490	1,780	540	1,240	1,750	390	1,360	52.0	18.8	33.1
1961.....	22,200	5,100	17,100	4,770	1,180	3,590	810	290	520	1,910	570	1,340	1,960	450	1,510	57.8	20.2	37.5
1962.....	23,100	5,200	17,900	5,020	1,240	3,780	860	310	550	2,100	630	1,470	2,250	510	1,740	63.5	21.6	41.9
1963.....	23,800	5,400	18,400	5,300	1,390	3,910	880	300	580	2,280	690	1,590	2,460	570	1,890	69.9	23.3	46.5
1964.....	24,600	6,000	18,600	5,950	1,520	4,430	940	320	620	2,490	740	1,750	2,760	640	2,120	77.2	25.2	51.9
1965.....	25,400	6,300	19,100	6,720	1,740	4,980	1,030	360	670	2,750	790	1,960	3,180	720	2,460	85.4	27.3	58.1
1966.....	26,400	7,000	19,400	7,380	1,830	5,550	1,070	370	700	3,110	870	2,240	3,680	810	2,870	93.9	29.4	64.5
1967.....	27,600	7,800	19,800	8,040	2,010	6,030	1,150	390	760	3,420	940	2,480	4,150	910	3,240	103.8	32.0	71.8

<sup>1</sup> Includes pay-as-you-go, multiemployer, and union-administered plans, those of nonprofit organizations, and railroad plans supplementing the Federal railroad retirement program. Insured plans are underwritten by insurance companies; noninsured plans are, in general, funded through trustees.

<sup>2</sup> Excludes annuitants; employees under both insured and noninsured plans are included only once—under the insured plans.

<sup>3</sup> Includes refunds to employees and their survivors and lump-sums paid under deferred profit-sharing plans.

Source: Compiled by the Office of the Actuary, Social Security Administration, from data furnished primarily by the Institute of Life Insurance and the Securities and Exchange Commission.

those of noninsured plans, can be accounted for, in large part, by differences in methods of accumulating funds and in restrictions on investments. Insured plans take a number of forms. Under the traditional deferred group-annuity contract, specified premiums are paid to the insurer and paid-up annuities are purchased each year for each worker. Benefits upon retirement are the sum of these paid-up units. The insurer invests the money and guarantees that sums accumulated will provide contemplated benefits. Under a group annuity plan of the deposit administration type, premiums are not directly allocated to individual workers but are maintained in an undivided account. The employer therefore has more flexibility in making contributions. On the retirement of an employee, accumulated funds are used to purchase an annuity at the going rate (in accordance with plan provisions) to which he is entitled. In a variation of these deposit plans, under which the fund participates immediately in the benefits arising from increasing investment yields, mortality, and expenses, an employer bears part of the risk. The plan must maintain enough funds to provide benefits for retired workers in full. Under an individual-policy pension trust, individual policies (usually also providing life insurance benefits) are held by a trustee, who conducts all the operations of the plan. Plans administered by the insurance companies could not, until recently, separate pension fund reserves from other assets when they were making investments. Since 1962, a number of States have permitted separate accounts for pension reserves with wider latitude on investments.

Traditional deferred group annuities were at one time the most common type of insured coverage, but since the fifties the deposit administration plan has outstripped them in importance. It is estimated that in 1967 about 57 percent of group insured coverage was in deposit administration plans and 25 percent in the deferred group annuity plans; in 1950, these proportions were 10 percent and 71 percent, respectively. Though the most widely used type of insured plan in 1967 was the individual policy pension trust (accounting for two-thirds of the total), such plans included only about 11 percent of all persons in insured plans—about the same proportion as in 1950.

Under a noninsured (trusteed) plan, amounts

are paid into a trust fund—usually managed by a bank or trust company—which holds, invests, and pays benefits in accordance with plan provisions. Most plans have some type of advance funding arrangements under which regular contributions are made to build up reserves to meet past and future liabilities. The employer has, however, a great deal of leeway in the timing of contributions to the fund and the investment policy to be followed.

## CONTRIBUTIONS

Employer-employee contributions to private retirement plans were \$0.79 billion greater in 1967, and the total amount reached \$9.2 billion; it was \$8.4 billion in 1966. The 9.4-percent gain was one percentage point higher than the increase during 1966, reflecting a number of influences, including the expansion of coverage and effects of liberalization of benefit provisions of major plans in 1966 and 1967.

Employer contributions were \$8 billion in 1967, and \$1.2 billion was contributed by employees. The proportion of total contributions made by employers rose slightly in 1967, to 87.5 percent. Since 1960, for both insured and noninsured plans, the proportion of the total contributions represented by employer payments has been edging upward, with fluctuations in some years because of higher-than-usual employer contributions. Before that time the proportion was more or less stabilized, ranging from 85-86 percent. In noninsured plans, however, the proportion of employer payments to total contributions has always been greater than it has been in insured plans—89 percent and 84 percent, respectively, in 1967.

As the result of the growth in contributions, average contributions per employee stood at about \$340 in 1967, compared with \$324 in 1966. Employer per capita contributions also rose in 1967; they were about \$15 higher per covered worker and amounted to almost \$300 per employee. The average total amount contributed to insured plans dropped below that under noninsured plans in 1967 for the first time in the series, and per capita contributions in insured plans were lower than they were in 1966.

Per capita contributions by employees who make contributions can only be roughly deter-

mined. It is estimated that 25 percent of the participants in pension plans contribute some part (all in certain union plans) of the cost of the plan. If this proportion is applied to total active coverage, per capita contributions by employees in contributory plans rose 11 percent from 1960 to 1967; they were \$170 in 1967 and \$154 in the earlier year. Per capita employer contributions showed a 30-percent rise during the same period.

## BENEFITS AND BENEFICIARIES

In 1967, benefit payments from private retirement funds exceeded \$4.0 billion for the first time. Of this record amount, noninsured plans accounted for \$3.24 billion (or 78 percent) and insured plans paid out the remainder. The 1967 increase of \$470 million, however, was not as high as the 1966 record increase in disbursements, and the percentage increase (13 percent) also fell below those of the 2 previous years.

It is estimated that 3.4 million retired workers (or their survivors) were receiving these benefits in 1967—a net increase of 310,000 from the number in the preceding year. The relative increase (10 percent) was lower than that for 1966 (a reflection of the high employment rate), but it was still higher than the rates in the early sixties. Thus, the relative growth in benefits paid under these plans continues to outstrip the growth in the number of beneficiaries.

Average outlays per beneficiary rose to \$1,271, up from the average payment of \$1,256 last year. An examination of the relationship of aggregate benefits under private plans to prices since 1950 shows that rising price levels have eroded the value of the higher benefit levels of private plans prevailing in recent years. For all beneficiaries, average annual expenditures in 1967 dollars were about 9 percent greater than in 1951 (about \$1,170 in 1951 and \$1,271 in 1967). Therefore, for those receiving benefits under private plans, three-fourths of the increase was wiped out by inflation.

Social security benefits are exposed to the same inflationary pressures, but retired-worker beneficiaries under social security have fared better than those under private plans. On an aggregate basis, average monthly benefits for retired workers in 1967 were 95 percent greater than they were in

1950. When these amounts are converted to constant 1967 dollars, the real gain is 43 percent.<sup>13</sup>

The ratio of covered active workers to beneficiaries has changed radically in the past 18 years, but, as expected, there has been some leveling off in recent years. In 1950 there were 22 active workers for each retired participant, and by 1967 the ratio had dropped to 8-1—about the same as in 1966. The ratio for insured plans since 1950 has always been lower than for noninsured plans, but in 1967 the ratios for the two kinds of plans were the same for the first time—a reflection, among other influences, of the gradual maturing of the large noninsured pension plans set up in the early fifties.

The relationship between benefit payments and total contributions in private pension plans is another rough indication of the gradual maturing of the system. Despite the rapid extension of coverage in new plans, the natural growth in the number of covered employees, and other changes in existing plans in the past 20 years, the ratio of benefits to contributions went from about 18 percent in 1950 to about 32 percent in 1960. During the sixties, this ratio has continued to grow and now stands at 45 percent.

Insured plans have had a lower ratio of benefits to contributions. It was \$1 in benefits for every \$12 contributed in 1950, and in 1960 it was about \$1 for every \$4. At the end of 1967, this ratio had gone to almost \$2 in benefits for every \$5 contributed. For noninsured plans, on the other hand, in 1950 the ratio was \$1 in benefits for every \$4 contributed, and in 1967 it was almost \$1 for \$2. These patterns reflect, among other factors, the distinctive methods of accumulating funds under insured and noninsured plans. The emergence of deposit administration plans in the fifties, for example, tended to increase the ratio of benefits to contributions. Investment earnings in insured plans have been much lower than those in noninsured plans because of State legislation restricting their investment until recently. The higher yields in noninsured plans, and more flexible funding methods, have permitted the ratio of benefits to contributions to rise to very high levels.

<sup>13</sup> For a detailed analysis, see Daniel N. Price, "OASDHI Benefits, Prices, and Wages: Effect of 1967 Benefit Increase," *Social Security Bulletin*, December 1968.

When returns on investments are considered together with contributions, the percentage factors change, but the relationships remain. Benefit payments were equal to about 30 percent of total pension fund income in 1967, compared with 16 percent in 1951. While the ratio for insured plans has been about 25 percent since 1960, for non-insured plans the ratio has gone from 25 percent in 1960 to 32 percent in 1967. Thus, on an aggregate basis the investment performance of non-insured plans has had a direct relationship to the contributions and benefits paid. As the rate of return has increased, the growth in contributions has slowed down; at the same time the growth in benefits has remained robust.

### RESERVES

Reserves set aside for present and future benefits by private retirement plans, spurred by a record increase in investment income, realized capital gains, and a substantial increase in contributions climbed to over \$100 billion book value (defined as cost value for most funds) by the end of 1967. A record amount of almost \$10 billion was added to plan reserves, and the 10.5-percent rise was slightly above that recorded in the preceding 5 years, though still below the higher growth rates before 1960. Total reserves of noninsured plans stood at \$71.8 billion and for insured plans at \$32 billion. It may also be noted that beneficiaries and benefit payments from retirement programs during 1967 did not exhibit the same expansive growth of the past few years, and this drop accounts in part for the spurt in reserves of pension funds.

The assets of both insured and noninsured plans had a higher rate of increase than they did in 1966, but the rate was lower for insured plans than for noninsured plans (8.8 percent and 11.3 percent, respectively). This difference is accounted for, in part, by the greater payouts under insured plans in relation to assets and contributions and by their lower investment yields as well. The proportion of total reserves that is represented by insured plans has therefore continued to decline and now stands at 30.8 percent; it was 46.3 percent in 1950.

The average reserve per covered active worker (about \$3,760) represented a substantial increase

from the average at the end of 1966. The average reserve per employee in insured plans dropped below that in 1966, but the average in noninsured plans showed a sizable rise. The reserves averaged about \$4,100 in insured plans and \$3,600 in non-insured plans. This almost 1 to 1 ratio may be compared with the ratios of more than 2 to 1 in 1951 and a little less than 2 to 1 in 1960. These crude averages reflect a number of influences that have affected funding in both insured and non-insured plans. Insured deposit administration plans do not require as great accumulations as those of a deferred group annuity or other types of insured plans that were the predominant form before 1950. For noninsured plans, it is clear that there has been a strong increase in funding, reflecting both consistently higher levels of contributions (at least, in the past 5 years) and higher returns on assets.

The high yields on investments in noninsured plans are the result of the shift in investment policies in these plans over the past 20 years, as the reports of the Securities and Exchange Commission indicate.<sup>14</sup> Assets of noninsured corporate funds have shifted drastically from large holdings in U.S. Government securities and corporate bonds to common stock and other high-yield investments (table 6). In 1967, private noninsured pension funds investments in common stock of \$33.9 billion represented as much as 47 percent of total assets (book value), compared with 32 percent in 1960 and only 12 percent in 1950. Common stocks replaced U.S. Government securities as the second largest type of holdings of pension funds by 1955 and displaced corporate bonds as the largest type of holdings in 1964 and 1965. The amount invested in mortgages, though small in relation to the whole, increased from 1.6 percent of total assets in 1950 to more than 5.5 percent in 1967.

As common stock and mortgage investments have become a more important element in pension funds, the proportion of other types of investments held has suffered a marked decline. Holdings in U.S. Government securities declined from about 30 percent of total holdings in 1950 to 8 percent in 1960. The decline continued, and only 3 percent of all noninsured pension funds were

<sup>14</sup> Securities and Exchange Commission, *Corporate Pension Funds*, annual series.

TABLE 6.—Assets of noninsured private pension funds (book value) at end of selected years, 1950–67

[Amounts in millions]

Type of asset	1950		1955		1960		1965		1967	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total.....	\$6,452	100.0	\$16,140	100.0	\$33,135	100.0	\$58,087	100.0	\$71,818	100.0
Cash and deposits.....	264	4.1	415	2.6	546	1.6	941	1.6	1,184	1.6
U.S. Government securities.....	1,966	30.5	2,932	18.5	2,683	8.1	3,096	5.3	2,246	3.1
Corporate bonds.....	2,828	43.8	7,856	48.7	15,699	47.4	22,703	39.1	25,527	35.5
Preferred stock.....	304	4.7	612	3.8	776	2.3	750	1.3	975	1.4
Common stock.....	802	12.4	3,354	20.8	10,733	32.4	24,451	42.1	33,853	47.1
Mortgages.....	102	1.6	321	2.0	1,301	3.9	3,324	5.7	3,935	5.5
Other assets.....	186	2.9	591	3.6	1,399	4.2	2,822	4.8	4,098	5.7

Source: Securities and Exchange Commission, *Private Noninsured Pension Funds*, annual series.

in U.S. Government securities by 1967. Similarly, investments in corporate bonds have had a sharp decrease—from about half of all holdings in 1955 to about 35 percent in 1967, or a 40-percent drop in 12 years. Holdings in preferred stock have also become less important, although they have not been significant in pension fund investments.

A study<sup>15</sup> of the 100 largest retirement plans filed under the Welfare and Pension Plans Disclosure Act reveals a similar pattern of change in investment behavior from 1960 to 1966 although the data are not directly comparable with the Securities and Exchange Commission surveys. According to this study, the holdings of the 100 largest retirement plans in common stock represented 47 percent of the total in 1966, and were about 36 percent in 1960. Other investment assets (chiefly mortgages and real estate) made up 11 percent of total assets in 1966, and they were about 7.6 percent in 1960. Government securities made up 6.5 percent of total holdings in 1960 and 4.4 percent in 1966. Nongovernment bonds showed a similar decline, from almost 46 percent in 1960 to 34 percent in 1966.

Financial data filed for noninsured pension plans under the Welfare and Pension Plans Disclosure Act show the same shifts as those shown by the Securities and Exchange Commission surveys. Between 1960 and 1964, common stocks rose from 30 percent of total assets of pension plans on file to 41 percent.<sup>16</sup> Government security holdings declined, however, from 11 percent in

1960 to less than 6.5 percent in 1964, and non-government bond holdings dropped from 46 percent in 1960 to 33 percent in 1964.

Studies of collectively bargained plans established on a multiemployer basis show somewhat different investment behavior than that of corporate noninsured plans,<sup>17</sup> although they are tending toward a similar distribution of assets. In 1964, multiemployer funds had greater portions of assets in cash (6.2 percent), U.S. Government securities (14.8 percent), and mortgages (19.2 percent), and smaller portions in corporate obligations (about 56 percent). There has been, however, a substantial shift since 1959. During this period, a similar trend as that for corporate noninsured plans is evident: an increase in the proportion of holdings in corporate securities (especially common stock) mostly at the expense of U.S. Government security holdings. The major difference in holdings of multiemployer funds and noninsured corporate funds is the continued emphasis in the former on mortgages, which made up almost 20 percent of total holdings in 1964 and about 12 percent in 1959.

Finally, there have been some discernible shifts in asset holdings (including in 1967 \$32 billion in pension reserves, accounting for 18 percent of the \$177.4 billion in insurance company assets) of insurance companies. The proportion of the assets of all insurance company reserves invested in U.S. Government securities was 2.6 percent in 1967; it had been about 7 percent in 1957.<sup>18</sup> Their holdings in utility bonds dropped

<sup>15</sup> Department of Labor, Labor-Management Services Administration, *The 100 Largest Retirement Plans, 1960–66*, 1968.

<sup>16</sup> Department of Labor, Labor-Management Services Administration, *Financial Statistics for Employee Welfare and Pension Benefit Plans—1959–1964*, June 1968.

<sup>17</sup> H. Robert Bartell, Jr., and Elizabeth T. Simpson, *Pension Funds of Multiemployers, Industrial Groups, Unions, and Nonprofit Organizations*, National Bureau of Economic Research, New York, 1968.

<sup>18</sup> Institute of Life Insurance, *Life Insurance Fact Book*, 1968, page 65.

from 15.1 percent in 1957 to 9.6 percent in 1967, while industrial bond investments climbed from 22 percent to over 25 percent. Mortgages continue to be the largest holding, representing 38.1 percent of the total in 1967 and 34.8 percent in 1957. Stock holdings have showed a modest increase, from 3.3 percent in 1957 to 6.1 percent in 1967.

Legislation in most States now permits life insurance companies to establish separate investment accounts for pension plans. It is estimated that assets in these separate accounts represent \$1.2 billion of the \$32.0 billion in insured pension reserves in 1967, compared with less than \$100 million at the end of 1964. More latitude in investment is permitted in such accounts than other life insurance assets, but information on the proportions held in various types of securities is not available.

The large magnitudes involved and the spectacular growth in private pension assets, as a result of the substantial excess of contributions and earnings over benefit payments, tend to obscure the risks involved in the individual pension plan. According to Internal Revenue Service data on qualified corporate pension plans, 602 pension plans and 704 profit-sharing plans were terminated in 1967.<sup>19</sup> If the entire IRS series is considered, about 11,200 corporate plans were terminated between 1948 and 1968 (about 52 percent of them pension plans and 48 percent profit-sharing).

A study of terminated qualified plans by the Bureau of Labor Statistics and the Internal Revenue Service showed that, between 1955 and 1965, 4,260 pension plans affecting about 225,000 workers were terminated.<sup>20</sup> Close to 25 percent of the plans (with about 38,000 persons) were dissolved because of financial difficulties of the employer, and 18 percent of the plans (with 43,000 persons) because of dissolution of the business. Though the data from the IRS do not indicate whether covered employees lost some equity because of insufficient assets for promised benefits, analysis of experience from other sources indicates that some workers do suffer losses. A similar study of profit-sharing plans indicated that 3,655 plans affecting 242,000 workers were terminated between 1955 and 1965.

<sup>19</sup> Internal Revenue Service, *op. cit.*

<sup>20</sup> Emerson H. Beier, "Terminations of Pension Plans: 11 Years' Experience," *Monthly Labor Review*, June 1967.

## Cost and Financing

Recent rapid increases in the Consumer Price Index of the Bureau of Labor Statistics with medical care costs leading the way,<sup>21</sup> has raised growing concern about the benefit costs associated with employee-benefit plans. Overall contributions to employee-benefit plans were analyzed in relationship to the Nation's aggregate wage and salary income earlier in this article. In this section, the cost of employee benefits is analyzed on a more realistic basis in terms of the expenditures of employers with such plans.

### Per Capita Cost

One useful rough measure of increased costs is derived by relating the average number of persons with commercial insured group coverage to premiums in the same year (table 7). These averages relate primarily to currently employed wage and salary workers and their dependents, but the data included some persons whose group protection continues during retirement, temporary layoff, sickness, or shift in jobs. Such data are useful for indicating trend and for comparing the costs of the various classes of employee-benefit plans. This analysis does not take into consideration additional or improved benefits that may be added at extra cost. Generally, employee benefits are established on a modest scale, and they are expanded as conditions and circumstances change. This situation has been particularly true for health insurance benefits.<sup>22</sup>

Except for deferred group annuities (including deposit administration coverage) which had a per capita cost of about \$333 in 1967, the most expensive type of group insurance now is comprehensive major-medical expense, with costs averaging about \$72 per worker in 1967. Life insurance, temporary disability, and hospital insurance were the next most expensive with average costs ranging from \$37 to \$51. The least costly types were supplemental major-medical, surgical expense, regular medical expense, and accidental death

<sup>21</sup> See Dorothy P. Rice and Loucele A. Horowitz, "Medical Care Price Changes in Medicare's First Two Years," *Social Security Bulletin*, November 1968.

<sup>22</sup> See Health Insurance Institute, *Group Health Insurance Policies Issued in 1967, 1968 and preceding annual editions.*

and dismemberment coverage—in declining order of cost.

The relationships between per capita costs among the types of benefits showed some changes between 1957 and 1967. In dollar amounts, all the group insurances but group annuities have shown increases in average premium payments per participant. The largest increase was for hospital expense, which rose by almost 90 percent in the 10-year period. This growth is not surprising in light of the sharp increase in hospital (and other medical) prices reported in the consumer price index during the past decade.

Other benefits also had increased per capita costs, with those providing health protection growing fastest. For life insurance and temporary disability, the increased premium cost per participant reflects primarily the higher amounts of insurance now afforded workers. For health care expenses, on the other hand, much of the increase can be attributed to rising costs of providing the services.

Group annuity per capita cost has fluctuated during the period under consideration. In 1967 it averaged about \$333 and \$338 in 1957. These fluctuations resulted from Federal and State legislation that made reduction in premium rates possible by lowering taxes on insured pension business and permitting separate accounts for insured pension reserves. In addition, as has been noted, there has been a shift in the mix in the group pension contracts. These savings are partially offset, however, by increasing benefit levels of insured plans.

The average annual premiums for dependents (adults and children) are lower (except for surgical expense) than those for the average employee. Since the usual practice is to charge one premium rate regardless of number of dependents, or perhaps, a two-tier system, there is no clear relationship between premiums and number of dependents. Any average would be affected by the inclusion of large families. For life insurance, the lower average cost per dependent is a function of the smaller amounts of death benefit coverage usually afforded dependents. For most dependents, the amounts of insurance provided are a token payment as death or funeral benefits (\$500, for example); for the workers, the policies frequently have face value equivalent to 1 or 2 years' salary.

Estimates of per capita contributions can also be derived from the private pension plans series developed by the Social Security Administration's Office of the Actuary. For insured plans, the overall data follow the trend described above. Total employer-employee contributions per worker were high in the years before 1960, with a drop in 1960-62, and they have been fluctuating since then. The average combined contributions were about \$358 in 1957, \$294-\$307 in the period 1960-62, and about \$325 in 1967. It may be noted that these averages differ from those described in the previous analyses (see table 7) because the items are compiled on a different basis in the two series.

For noninsured plans, there was little change, but some fluctuation, in average employer-employee contributions from 1957 to 1963. Average contributions ranged from \$233 to \$254. Following that period, stepped-up contributions brought the averages for 1966 and 1967 to about \$322 and \$346, respectively.

### Cost in Relation to Payroll

To determine the burden of employee-benefit plans for the employer, costs are not too meaning-

TABLE 7.—Average annual amount of gross premiums paid per participant under group insurance plans, by type of insurance, selected years, 1957-67

Type of insurance	1957	1963	1965	1967
For employee coverage <sup>1</sup>				
Life.....	\$27.56	\$43.78	\$48.05	\$50.60
Accidental death and dismemberment.....	3.17	3.89	4.23	4.82
Hospital expense.....	19.77	27.79	37.10	37.37
Surgical expense.....	7.16	9.86	10.80	11.19
Regular medical expense.....	6.36	7.57	8.38	8.71
Major medical, supplemental.....	11.96	16.91	17.08	14.83
Major medical, comprehensive.....	43.73	60.04	69.55	71.90
Temporary disability <sup>2</sup> .....	30.05	35.69	39.11	41.30
Group annuities <sup>3</sup> .....	338.11	328.57	351.74	332.91
For dependents' coverage <sup>4</sup>				
Life.....	2.79	3.94	4.55	4.26
Hospital expense.....	17.54	25.45	28.22	30.98
Surgical expense.....	9.18	10.91	11.55	12.44
Regular medical expense.....	2.95	3.71	4.05	4.60
Major medical, supplemental.....	8.31	9.71	9.43	9.57
Major medical, comprehensive.....	36.96	46.77	53.12	56.62

<sup>1</sup> Includes currently employed wage and salary workers, and some persons who are not currently employed because of retirement, temporary layoff, sickness, or shift in jobs; for group life insurance modified to exclude group plans not related to employment.

<sup>2</sup> Excludes group credit accident and health insurance.

<sup>3</sup> Computation excludes annuities.

<sup>4</sup> Average annual premium per dependent (adult or child).

Source: Derived from Institute of Life Insurance and Health Insurance Association of America, *Group Insurance Coverages in the United States*, annual editions, and Institute of Life Insurance, *Tally*, August 1968.

ful unless related to payrolls. Such data are available on a limited basis from studies conducted by the Chamber of Commerce of the United States and by the Bureau of Labor Statistics.

Table 8 shows employer cost of selected employee benefits as a percentage of gross payroll for a group of manufacturing and nonmanufacturing companies studied by the Chamber of Commerce in its biennial studies of fringe benefits. The percentages refer only to those companies with reported expenditures for the specific type of employee benefit. Employer payments are computed as net amounts after deducting any dividends or credits returned to the employer.

A review of the table reveals contrasting trends developing from 1957 to 1967. For health benefits, life insurance, temporary disability (weekly accident and sickness) and accidental death and dismemberment insurance benefits in all industries the combined cost as a percentage of payroll rose steadily during this period, with a substantial increase in the amount expended in 1963 and a steady rise after that time. In 1967, contributions for these purposes accounted for 3.2 percent of gross payroll for all industries, compared with 2.3 percent in 1957. The cost of retirement plans, on the other hand, showed a decline in terms of

TABLE 8.—Average payments <sup>1</sup> for selected employee benefits as percent of gross payroll for manufacturing and nonmanufacturing firms paying such benefits, selected years, 1957-67

Type of benefit	1957	1963	1965	1967
All industries				
Insurance and welfare <sup>2</sup> .....	2.3	2.9	3.0	3.2
Paid sick leave.....	1.2	1.3	1.3	1.3
Supplemental unemployment <sup>3</sup> .....	1.4	1.3	1.3	1.0
Retirement <sup>4</sup> .....	5.1	4.6	4.4	4.8
Manufacturing				
Insurance and welfare <sup>2</sup> .....	2.3	3.2	3.3	3.6
Paid sick leave.....	1.0	.9	.9	1.0
Supplemental unemployment.....	1.8	1.3	1.2	1.0
Retirement <sup>4</sup> .....	3.9	3.7	3.4	3.9
Nonmanufacturing				
Insurance and welfare <sup>2</sup> .....	2.0	2.4	2.4	2.7
Paid sick leave.....	1.6	1.5	1.5	1.7
Retirement <sup>4</sup> .....	7.0	6.1	6.0	6.0

<sup>1</sup> Net amounts after deducting any dividends and credits returned to employer by the insurer.

<sup>2</sup> Includes life, sickness, accident, surgical, medical care, and hospitalization insurance, as well as death, accident, and surgical and medical care payments not insured. Excludes workmen's compensation costs and contributions to temporary disability insurance plans where required by State law.

<sup>3</sup> Includes a few nonmanufacturing companies, not shown separately.

<sup>4</sup> Insured and noninsured pension plans.

Source: Chamber of Commerce of the United States, *Fringe Benefits*, 1957, 1963, 1965, and 1967 surveys.

TABLE 9.—Average employer expenditures <sup>1</sup> in establishments reporting selected employee benefits for production workers in manufacturing industries, selected years, 1959-67

Type of expenditure	1959	1962	1966
Percent of payroll			
Insurance and welfare <sup>2</sup> .....	2.3	2.9	-----
Paid sick leave <sup>3</sup> .....	1.0	.9	-----
Retirement <sup>4</sup> .....	3.6	3.5	-----
Cents per hour paid for			
Insurance and welfare <sup>2</sup> .....	5.4	7.3	10.0
Paid sick leave <sup>3</sup> .....	2.3	2.5	3.0
Retirement <sup>4</sup> .....	9.0	9.3	12.0

<sup>1</sup> Net expenditures after deducting any rebates, refunds, and dividends returned to employer by insurance carrier.

<sup>2</sup> Includes life, sickness, accident, surgical, medical care, and hospitalization insurance, as well as death, accident, and surgical and medical care payments not insured. Excludes workmen's compensation costs and contributions to temporary disability insurance plans where required by State law.

<sup>3</sup> Excludes payments made by the company directly to the worker in compliance with a State temporary disability insurance law.

<sup>4</sup> Includes insured and noninsured pension and profit-sharing plans.  
Source: Bureau of Labor Statistics, *Employer Expenditures for Selected Supplementary Remuneration Practices for Production Workers in Manufacturing Industries, 1959* (Bulletin No. 1368), 1962, *Employer Expenditures for Selected Supplementary Compensation Practices for Production and Related Workers and Composition of Payroll Hours, Manufacturing Industries*, (Bulletin No. 1428), 1962, and *Employee Compensation in Selected Industries, 1966*, (BLS Report 352) 1968.

payroll from about 5 percent in 1957 to 4.4 percent in 1965. In 1967 the trend was reversed, but the proportion did not reach the 1961 level. A number of factors account for the fluctuations. This steady rise reflects the constantly growing costs in health and welfare benefits, as well as improvements in employee-benefit plan provisions. The increase was particularly pronounced in the manufacturing sector, which reflects the impact of the negotiated increases prevalent for the past 10 years.

Paid sick-leave costs as a percent of payroll have remained relatively stable during 1957-67. The year-to-year fluctuations for sick leave that appear in the manufacturing sector are not too significant because of the relatively small number of manufacturing companies that had such plans in the sample.

The Bureau of Labor Statistics has conducted three comprehensive studies in measuring employer costs of employee-benefit plans for production workers in manufacturing industries. The 1959 and 1962 studies provided data on average expenditures by employers with such plans as a percentage of gross payroll and as cents per paid hour (table 9). As in the Chamber of Commerce surveys, expenditures for health, disability, and death benefits as a percentage of gross payroll showed an upward movement from 1959 to 1962. The cost of paid sick leave and retirement plans



remained relatively stable from 1959 to 1962.

The 1966 BLS study presents data on cents per paid hour for establishments with such expenditures that can be compared with the data in the 1959 and 1962 studies. As expected, the data show that the cost of benefits in terms of cents per hour paid for has risen substantially, with health benefits providing a significant spurt to the total. Thus, insurance and welfare rose from 5.4 cents per hour paid for in 1959 to 10 cents in 1966. Furthermore, retirement accounted for 9 cents per hour in 1959, remained about the same in 1962, and jumped to 12 cents per hour paid in 1966. Sick leave amounted to 2.3 cents per hour paid for in 1959 and rose to 3 cents per hour in 1966. The 50-percent increase in employer expenditures for private welfare and pension plans from 1959 to 1966 can be compared with the 25-percent increase in average hourly earnings during the same period.

The 1966 BLS study also pointed up the increasing importance of employee benefits as part of the total compensation package. In 1959, employer expenditures for private pension and welfare represented 4.5 percent of total compensation for production workers in manufacturing industries; in 1966 they represented 5.6 percent. In 1959, expenditures for health and welfare plans accounted for 2 percent of total compensation, and the proportion rose to 2.8 percent by 1966. Similarly, retirement plans expenditures increased from 2.2 percent of total compensation in 1959 to 2.5 percent in 1966.

### Distribution of Costs

Financial data for plans filed under the Welfare and Pension Plans Disclosure Act show that in 1964 employers or groups of employers paid 77 percent of the total contributions for employee-benefit plans (covering 100 or more employees).<sup>23</sup> This ratio has remained relatively constant since 1959 when plans were first filed. The ratio at that time was also 77 percent for plans covering 25 or more workers.

For pension plans filing financial data under the Act, employers contributed about 84 percent of the total in 1964—a slightly larger proportion

increase over the 83-percent in 1959. This growth is consistent with the estimates in table 5, which indicate that employers are contributing a slightly higher proportion to pension plans today than in the past, although the shift has been small on a year-to-year basis.

For welfare benefit plans, the aggregate data for plans filing financial data shows little shift in the proportion of the total contributions paid by employers. From 70.4 percent in 1959, the proportion increased to 73.5 percent during 1962 and in 1964 dropped back almost to the earlier levels.

About 37 percent of the welfare and pension plans filed in 1968 were noncontributory—full employer-financing—compared with about 38 percent in 1959.<sup>24</sup> The proportion of pension plans that are employer-financed was about the same in 1959 and 1968—73 percent. Similarly, there was little change in the financing of welfare benefit plans. The proportion of plans supported by joint employer-employee contributions was about 50 percent in 1959 and 1968.

A BLS study of a sample of pension plans filed under the Welfare and Pension Plans Disclosure Act also showed a slight shift in the methods of financing pension plans between 1962 and 1967.<sup>25</sup> In 1962, 73 percent of the 16,000 plans (covering about 15.8 million or three-quarters of all workers) were financed in full by the employer. All but a small fraction of the remaining plans and workers were in plans with shared employer-employee contributions. In 1967, these proportions changed slightly, chiefly because growth in new plans was mainly of the noncontributory type. Of the 17,500 plans in the study, the proportion of plans with full employer financing rose to 74 percent and included 76 percent of the workers.

Employer-employee contributions for voluntary group health insurance have been steadily mounting as a proportion of total premium payments for medical care. As table 10 shows, in 1967 contributions to employee-benefit plans accounted for three-fourths of all voluntary health insur-

<sup>24</sup> Department of Labor, Labor-Management Services Administration, *Characteristics of 157,700 Plans on File April 1, 1968, Under the Welfare and Pension Plans Disclosure Act.*

<sup>25</sup> Donald M. Landay and Harry E. Davis, "Growth and Vesting Changes in Private Pension Plans," *Monthly Labor Review*, May 1968

<sup>23</sup> Department of Labor, Labor-Management Services Administration, *op. cit.*

TABLE 10.—Proportion of total private health insurance paid through employee-benefit plans, selected years, 1950–67

Year	Total voluntary premiums (in millions)	Employer-employee contributions to employee-benefit plans	
		Amount (in millions)	Percent of total
1950	\$1,291.5	\$856.3	66.3
1955	3,149.6	2,193.6	69.6
1960	5,841.0	4,257.0	72.9
1965	10,001.3	7,520.0	75.2
1966	10,564.1	8,041.5	76.1
1967	11,105.3	8,508.8	76.6

ance premiums. In 1950, the ratio was two-thirds. Though no specific estimates of the amount that employers pay toward these health care contributions are available, on the basis of the fragmentary data available, they probably paid for about 65 percent of group health benefits or about \$4.2 billion in 1964; the proportion was about 47 percent in 1954. Since the trend appears to be toward greater participation by the employer in paying the cost of health insurance, the percentage is probably higher than 65 percent in 1967.

#### TECHNICAL NOTE

Estimates of coverage, contributions, and benefits are based for the most part on reports by private insurance companies and other non-government agencies. Many of the reports include data for persons who are no longer currently employed as wage and salary workers because of retirement, temporary layoff, sickness,

or shift in jobs. No attempt has been made to adjust the data for any overstatement that might result from their inclusion. The coverage estimates for pension plans, which have been adjusted to eliminate annuitants, provide the one exception.

Contributions under insured pension plans are on a net basis, with dividends and refunds deducted. Those under noninsured plans are, for the most part, on a gross basis. For pay-as-you-go (unfunded) plans, contributions have been assumed to equal benefit payments. Estimates of per capita contributions are derived by dividing total annual contributions by the average number of employees covered during the year.

The number of beneficiaries under pension plans relates to those receiving periodic payments at the end of the year and thus excludes those who received lump sums during the year. The retirement benefits under noninsured plans do include (1) refunds of employee contributions to individuals who withdraw from the plans before retirement and before accumulating vested deferred rights, (2) payments of the excess of employee contributions to survivors of pensioners who die before they receive in retirement benefits an amount equal to their contributions, and (3) lump-sum payments made under deferred profit-sharing plans. Because the source of the data from which the estimates have been developed does not permit distinction between these lump-sum benefits and the amounts representing monthly retirement benefits, precise data on average monthly or annual retirement benefits amounts cannot be derived.