

# Employee-Benefit Plans, 1973

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*Some slackening in the growth rate of employee-benefit plans providing income-maintenance and health expense benefits was apparent in 1973, despite continuing inflationary pressures. Group health insurance plans in particular showed moderate rates of increase in contributions and benefits, as the health industry continued to be fully subject to the economic stabilization program during the year. This year's review includes some preliminary data on the distribution of these health plans by size of company, industry, type of worker, method of financing, and collective bargaining status.*

FOR EMPLOYEE-BENEFIT plans in 1973 a basic fact stands out—growth rates were lower despite continuing inflationary pressures. Contributions for employee-benefit plans rose by only 10.8 percent from 1972 to 1973. This growth rate was not only the smallest since 1967, but was also much lower than the growth in wages and salaries during the year. The annual cost to employers and employees of financing voluntary health, welfare, and pension plans reached \$50 billion in 1973. Benefit payments, like contributions, showed a less sharp growth rate in 1973, compared with recent years, but still totaled \$36.0 billion.

An "employee-benefit plan," as defined here, is any type of plan sponsored or initiated unilaterally or jointly by employers or 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 associated with illness or injury.

Government employees who are covered by plans underwritten by nongovernment organiza-

tions 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 civilian 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 for government employees, which are financed and administered directly by government, are excluded from the series.

## OVERVIEW

### Coverage Estimates

Earlier articles in this series have noted that the estimates of employee coverage in group health and retirement plans have been less precise than desirable. Estimates for health insurance, for example, are based on reports of private insurance companies and other nongovernmental agencies. Many of the reports include data for persons who—because of retirement, layoff, sickness, or job shifts—are no longer employed as wage and salary workers. In addition, such establishment reporting leads to an unknown amount of duplication in the coverage of group health insurance, especially that involving working husbands and wives.

Dual coverage is also a critical factor with respect to private retirement plan coverage. In recent years a growing number of employers have installed more than one type of pension or profit-sharing plan for some or maybe all of their employees. Workers are frequently covered by both an insured plan and a noninsured plan, or by a multiemployer plan and a union-sponsored plan. Duplicate coverage also arises from provisions for separate pension plans established for workers earning more than the social security taxable maximum.

Another factor that inflates the usual estimates

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of coverage under retirement plans is the increasing number of workers entitled to vested pensions from a previous employer. Establishment reporting tends to count such workers twice if they are currently covered by a pension plan at the same time that they have deferred vested rights from a previous job.

A survey of pension and health insurance coverage of the labor force (conducted in April 1972) was used to adjust pension and health insurance coverage estimates for 1972.<sup>1</sup> Benchmarks from this estimating procedure were in turn used for 1973 coverage estimates. (See the Sources of Data and Definitions at the end of this article for further details of methodology.)

Group health insurance plans continued to be the most common type of coverage under employee-benefit plans at the end of 1973. The total number of workers covered under such plans (estimated at 56.0 million) was somewhat greater than the total coverage figure under surgical insurance, a closely related protection (table 1). Regular in-hospital medical insurance covered

53.0 million workers, while major-medical expense insurance protected 26.0 million workers in 1973.

Under programs not related to medical care protection, group life insurance was the most common type of protection at the end of 1973, with 55.1 million workers covered. Accidental death and dismemberment plans covering 43.9 million workers ranked next. In private industry, temporary disability plans covered 30.8 million workers. Private retirement plans had an estimated 29.0 million workers covered.

Employee-benefit plans providing medical care protection covered a sizable fraction of the employed civilian labor force in 1972 (table 1). About 7 out of 10 workers had both group hospital and surgical insurance; more than 6 out of 10 had regular in-hospital medical coverage. Major medical plans of commercial insurers were estimated to cover a third of the labor force. The proportions of the civilian labor force with group life insurance plans and accidental death and dismemberment coverage were estimated at almost 70 percent and 55 percent, respectively.

In private industry, private retirement plans were estimated to reach about 44 percent of wage and salary workers. The proportion of private wage and salary workers with temporary disability protection was slightly higher—almost 47 percent. Long-term disability programs now cover about 16 percent of the private labor force.

<sup>1</sup> Walter W. Kolodrubetz and Donald M. Landay, "Coverage and Vesting of Full-Time Employees Under Private Retirement Plans," *Social Security Bulletin*, November 1973, and Walter W. Kolodrubetz, "Group Health Insurance Coverage of Full-Time Employees, 1972," *Social Security Bulletin*, April 1974.

TABLE 1.—Estimated number of wage and salary workers covered under employee-benefit plans,<sup>1</sup> by type of benefit, end of 1973

Type of benefit	Number of workers covered (in millions)	Percent of wage and salary workers covered <sup>2</sup>
All wage and salary workers		
Life insurance and death benefits .....	55 1	69 1
Accidental death and dismemberment .....	43 9	55 1
Hospitalization .....	56 0	70 3
Written in compliance with law .....	4	
Surgical.....	55 0	69 0
Regular medical .....	53 0	66 5
Major-medical expenses.....	26 0	32 6
Wage and salary workers in private industry		
Temporary disability, including formal sick leave.....	30 8	46 7
Written in compliance with law .....	7 5	11 4
Long-term disability.....	10 7	16 2
Supplementary unemployment .....	2 5	3 8
Retirement .....	29 0	44 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> Coverage of all public and private workers related to average number of private and government full-time and part-time employees—79 7 million in 1973, and coverage of private workers related to average number of private full-time and part-time employees—65 9 million in 1973 (table 6 3 in *Survey of Current Business*, July 1974).

## Contributions

Employer and employee contributions to employee-benefit plans amounted to \$49.7 billion in 1973 (table 2). The 10.8-percent rise was considerably lower than the average rise of 14 percent in the preceding 5 years.

Some of the increase in total contributions was attributable to the continued escalation in health insurance costs. But contributions for group health insurance rose less rapidly in 1973 than in recent years. Nonetheless, as a result of the 10.4-percent rise in the cost of financing health insurance programs, the health insurance bill for employers and employees rose by \$1.9 billion to reach almost \$20 billion during 1973.

Much of the increase in total contributions

TABLE 2—Estimated total employer and employee contributions<sup>1</sup> under employee-benefit plans,<sup>2</sup> by type of benefit, selected years, 1950-73

[In millions]

Type of benefit	1950	1955	1960	1965	1970	1971	1972	1973
Total.....	\$3,937 0	\$7,851 6	\$12,522 1	\$19,892 0	\$34,757 2	\$39,705 4	\$44,832 8	\$40,680 5
All wage and salary workers								
Life insurance and death benefits <sup>3</sup> .....	480 0	880 5	1,416 2	2,233 0	3,522 9	3,837 6	4,345 0	4,406 8
Accidental death and dismemberment <sup>4</sup> .....	18 4	43 4	70 0	116 0	224 0	229 0	272 0	296 0
Total health benefits.....	856 3	2,193 6	4,257 0	7,520 0	13,877 6	15,702 7	17,937 4	19,806 9
Hospitalization <sup>5</sup> .....	562 4	1,385 1	2,504 8	4,332 8	7,569 3	8,587 4	9,617 7	10,166 1
Surgical and regular medical <sup>6</sup> .....	293 9	769 5	1,282 2	2,109 2	3,998 3	4,489 3	5,202 7	5,801 8
Major-medical expense <sup>7</sup> .....		39 0	470 0	1,078 0	2,310 0	2,635 0	3,217 0	3,839 0
Wage and salary workers in private industry								
Temporary disability, including formal sick leave <sup>8</sup> .....	502 3	854 1	1,170 9	1,547 0	3,002 7	3,146 1	3,683 4	3,905 8
Written in compliance with law.....	75 9	178 8	238 8	258 4	417 4	442 8	488 9	544 2
Supplemental unemployment benefits <sup>9</sup> .....		40 0	118 0	118 0	130 0	140 0	155 0	160 0
Retirement <sup>10</sup> .....	2,080 0	3,840 0	5,490 0	8,360 0	14,000 0	16,650 0	18,540 0	21,105 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)

<sup>3</sup> Excludes workmen's compensation required by statute, and employer's liability

<sup>4</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*, October 1974, modified to exclude group plans not related to employment, excludes premiums for the servicemen's group life insurance plan. Self-insured death benefit costs based on data for various trade-union, mutual benefit association, and company-administered plans.

<sup>5</sup> Data from Institute of Life Insurance (see footnote 3)

<sup>6</sup> Data from "Private Health Insurance in 1973: A Review of Coverage, Enrollment, and Financial Experience," *Social Security Bulletin*, February 1975, modified to exclude group plans not related to employment

<sup>7</sup> Includes private hospital plans written in compliance with State temporary disability insurance law in California; separate data not available for

these plans.

<sup>8</sup> Unpublished data from the Health Insurance Association of America. Represents premiums for group supplementary and comprehensive major-medical insurance underwritten by commercial insurance carriers

<sup>9</sup> Data from "Cash Benefits for Short-Term Sickness, 1948-72," *Social Security Bulletin*, January 1974, and unpublished Social Security Administration estimates for 1973. Includes private plans written in compliance with State temporary disability laws in California, New Jersey, and New York, shown separately in next line

<sup>10</sup> Based on trade-union and industry reports, and "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969. Excludes dismissal wage and separation allowances, except when financed by supplemental unemployment benefit funds covering temporary and permanent layoffs.

<sup>11</sup> Estimated by the 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.

to employee-benefit plans resulted from the sharp increase in employee and employer contributions to private retirement plans. These contributions amounted to \$21.1 billion in 1973—13.8 percent higher than the 1972 figure. This increase followed a 1972 gain of 11.4 percent.

Although contributions to finance other types of employee-benefit plans were significant in absolute terms during the year 1973, the relative growth rates over a period of time typically were not of the same magnitude as for group health and private retirement programs. For temporary disability and formal paid sick-leave plans in private industry, contributions totaled \$3.9 billion, or 9.0 percent more than in 1972. Contributions for group life insurance and accidental death and dismemberment programs were only 1.9 percent higher in 1973 than in 1972.

When contributions to employee-benefit programs are related to aggregate wage and salary payroll, these plans also show advances during 1973, a continuation of the long-term upward trend. The ratio of contribution to wages and salaries has shown a fairly moderate increase since 1960 for most types of benefits, but it has been expanding sharply in recent years. In 1973, for example, contributions for health benefits equaled 2.9 percent of all wages and salaries,

compared with 2.2 percent in 1968 (table 3). Employer-employee contributions to private retirement plans rose from 3.0 percent of total private wage and salary payroll in 1968 to 3.9 percent in 1973.

## Benefits

An estimated \$36.0 billion was paid out by employee-benefit plans during 1973 (table 4). The 10.6-percent rise over 1972 expenditures was somewhat smaller than that experienced in the preceding 5 years, partly because of a slight slackening in the growth rate of benefits paid under private retirement programs. The estimated \$11.2 billion paid for retirement claims in 1973 represented a 12.2-percent increase over 1972—a substantial drop from the 16.4-percent growth rate registered in the preceding year.

Total health benefit payments of \$18.2 billion in 1973 represented a 10.3-percent increase over 1972. This rise was about the same as the growth rate in the preceding year. The economic stabilization program, which continued to be fully in effect for the health industry in 1973, was undoubtedly a factor here.

Life insurance and accidental death and dis-

**TABLE 3.—Contributions under employee-benefit plans,<sup>1</sup> by type of benefit in relation to wage and salary payroll, selected years, 1950-73**

Year	Life insurance and death	Accidental death and dismemberment	Hospitalization	Surgical and regular medical <sup>2</sup>	Major-medical expense	Temporary disability, including formal sick leave <sup>3</sup>	Supplemental unemployment	Retirement
	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.....	0 34	0 01	0 40	0 21	-----	0 40	-----	1 67
1955.....	44	02	02	38	0 02	49	0 02	2 19
1960.....	54	03	96	49	18	53	05	2 47
1961.....	58	03	1 06	.54	.24	53	05	2 48
1962.....	59	03	1 11	.58	.26	54	06	2 51
1963.....	.62	03	1 16	.58	.28	.53	06	2 55
1964.....	.63	03	1 21	.58	.30	.51	04	2 70
1965.....	.64	03	1 25	.61	.31	.54	04	2 89
1966.....	.62	03	1 20	.61	.31	.54	04	2 92
1967.....	.62	03	1 16	.63	.32	.55	03	3 00
1968.....	.66	.04	1 24	.65	.36	.62	03	3 03
1969.....	.66	04	1 29	.69	.38	.65	03	3 15
1970.....	.67	04	1 45	.77	.44	.70	.03	3 28
1971.....	.69	04	1 55	.81	.51	.70	.03	3 70
1972.....	.72	04	1 58	.86	.53	.73	03	3 77
1973.....	.66	04	1 52	.86	.57	.72	.03	3 87

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

<sup>3</sup> Includes contributions for long-term disability, data not available separately.

<sup>4</sup> Amounts for private and public employees related to private and government civilian wages and salaries (\$671 0 billion in 1973) from table 6.2 in *Survey of Current Business*, July 1974, and the *National Income and Product Accounts of the United States, 1929-1965 Statistical Tables (Supplement to the Survey of Current Business)*, 1966

<sup>5</sup> Amounts for private employees related to wages and salaries in private industry (\$545 1 billion in 1973) from table 6.2 in source listed in footnote 4.

memberment benefits, which amounted to \$3.4 billion, had a growth rate of around 11 percent—substantially above the increase a year earlier. Temporary disability payments to workers in private industry (including formal paid sick leave) amounted to \$3.1 billion—a moderate rise from

the amount disbursed in 1973. The 8.3-percent increase, however, was much smaller than the rise for 1972.

A gradual broadening of the health insurance benefit structure has emerged in the past 15 years—especially with respect to protection for

**TABLE 4.—Estimated benefits paid under employee-benefit plans,<sup>1</sup> by type of benefit, selected years, 1950-73**

[In millions]

Type of benefit	1950	1955	1960	1965	1970	1971	1972	1973
Total.....	\$1,812 5	\$4,070 9	\$7,804 5	\$13,543 7	\$25,878 1	\$29,077 1	\$32,542 5	\$35,991 1
All wage and salary workers								
Life insurance and death benefits <sup>2</sup> .....	310 0	581 5	1,017 6	1,550 0	2,435 1	2,700 8	2,899 8	3,196 3
Accidental death and dismemberment <sup>3</sup> .....	16 0	26 1	47 3	89 5	151 4	170 6	182 2	211 5
Total health benefits.....	708 7	1,902 9	3,898 2	7,012 1	13,322 7	14,961 6	16,500 2	18,198 2
Hospitalization <sup>4</sup> .....	477 5	1,241 8	2,355 0	4,160 5	7,344 0	8,263 0	8,852 5	9,568 1
Surgical and regular medical <sup>4</sup> .....	231 2	637 1	1,116 2	1,847 6	3,563 7	3,969 6	4,460 7	5,136 1
Major-medical expense <sup>5</sup> .....	-----	24 0	427 0	1,004 0	2,415 0	2,749 0	3,187 0	3,505 0
Wage and salary workers in private industry								
Temporary disability, including formal sick leave <sup>7</sup> .....	407 8	710 4	1,030 4	1,310 1	2,483 9	2,524 1	2,820 4	3,054 1
Written in compliance with law.....	54 3	135 2	196 1	197 6	307 2	310 4	328 5	364 1
Supplemental unemployment benefits <sup>8</sup> .....	-----	-----	91 0	62 0	125 0	130 0	140 0	110 0
Retirement <sup>9</sup> .....	370 0	850 0	1,720 0	3,520 0	7,360 0	8,590 0	10,000 0	11,220 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*, 1974, modified to exclude group plans not related to employment, excludes benefits paid under the service-men's group life insurance plan. Self-insured death benefit costs 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 1973: A Review of Coverage, Enrollment, and Financial Experience," *Social Security Bulletin*, February 1973, modified to exclude group plans not related to employment.

<sup>5</sup> Includes private hospital plans written in compliance with State temporary disability insurance law in California.

<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 "Cash Benefits for Short-Term Sickness, 1973," *Social Security Bulletin*, March 1975. Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York, shown separately in next line. Includes benefits under long-term disability plans, not available separately.

<sup>8</sup> Based on trade-union and industry reports and "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969. Excludes dismissal wage and separation allowances, except when financed from supplemental unemployment benefit funds covering temporary and permanent layoffs.

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

services other than hospitalization and physicians' services. The bulk of total health expenditures by employee-benefit plans, however, still is retained for payments for hospital care and physicians' services.

This pattern is shown by the breakdown of health services in table 5. Benefits paid for medical services, other than hospital and physician care, continued to expand but remained small as a proportion (7.5 percent in 1973) of total health insurance expenditures.

TABLE 5.—Estimated health insurance benefit expenditures of employee-benefit plans, by type of service, 1968 and 1973

Type of service	[In millions]			
	1973		1968	
	Amount	Percentage distribution	Amount	Percentage distribution
Total health benefits.....	\$18,199 2	100 0	\$9,414 6	100 0
Hospital care.....	11,033 1	60 6	5,979 5	63 5
Physicians' services.....	5,807 8	31 9	2,966 9	31 5
Other types of care.....	1,358 3	7 5	468 2	5 0

## PRIVATE PENSION TRENDS

### Contributions

Contributions to private retirement plans grew at an exceptionally strong pace in 1973. Contri-

butions to finance current and future benefit commitments under pension and profit-sharing plans totaled \$21.1 billion—or ten times the 1950 level (table 6). The sharp increase of 13.8 percent above the 1972 contribution level continues the upward trend in contributions to finance private retirement plans. The rise was somewhat higher than that in the previous year—reflecting, in part, the escalation in wages and salaries during 1973.

Employer contributions rose more rapidly during 1973 than those from employees, a pattern that has been evident in the past 10 years. It is estimated that employers paid \$19.4 billion into private retirement plans in 1973; employees contributed only \$1.7 billion. The employer share of total contributions was 92 percent in 1973.

### Benefits and Beneficiaries

Benefits paid out by private pension plans reached \$11.2 billion in 1973. The 12.2-percent increase was substantially lower than the average rise of 16 percent a year in the preceding decade. An estimated 6.1 million persons (retired workers and survivors) were receiving benefits during 1973—a growth of 10.4 percent over the 1972 total.

A rough gauge of improvements in pension

TABLE 6.—Private pension and deferred profit-sharing plans.<sup>1</sup> Estimated contributions, beneficiaries, benefit payments, and reserves, 1950, 1955, 1960–73

Year	Employer contributions (in millions)			Employee contributions (in millions)			Number of beneficiaries, end of year (in thousands)			Amount of benefit payments (in millions)			Reserves, book value, end of year (in billions)		
	Total	Insured	Non-insured	Total	Insured	Non-insured	Total	Insured	Non-insured	Total <sup>2</sup>	Insured	Non-insured <sup>2</sup>	Total	Insured	Non-insured
1950.....	\$1,750	\$720	\$1,030	\$330	\$200	\$130	450	150	300	\$370	\$80	\$290	\$12 1	\$5 6	\$6 5
1955.....	3,280	1,100	2,180	560	280	280	980	290	690	850	180	670	27 5	11 3	16 1
1960.....	4,710	1,190	3,520	780	300	480	1,780	540	1,240	1,720	390	1,330	52 0	18 8	33 1
1961.....	4,830	1,180	3,650	780	290	490	1,910	570	1,340	1,970	450	1,520	57 8	20 2	37 5
1962.....	5,200	1,240	3,960	830	310	520	2,100	630	1,470	2,330	510	1,820	63 5	21 6	41 9
1963.....	5,560	1,390	4,170	860	300	560	2,280	690	1,590	2,590	570	2,020	69 9	23 3	46 6
1964.....	6,370	1,520	4,850	910	310	600	2,490	740	1,750	2,990	640	2,350	77 7	25 2	52 4
1965.....	7,370	1,770	5,600	990	320	670	2,750	790	1,960	3,520	720	2,800	86 5	27 3	59 2
1966.....	8,210	1,850	6,360	1,040	330	710	3,110	870	2,240	4,190	810	3,380	95 5	29 3	66 2
1967.....	9,050	2,010	7,040	1,130	340	790	3,410	930	2,480	4,790	910	3,880	106 2	31 9	74 2
1968.....	9,940	2,240	7,700	1,230	340	890	3,770	1,010	2,760	5,530	1,030	4,500	117 8	34 8	83 1
1969.....	11,420	2,930	8,490	1,360	350	1,010	4,180	1,070	3,110	6,450	1,160	5,290	127 8	37 2	90 6
1970.....	12,580	2,860	9,720	1,420	350	1,070	4,720	1,220	3,500	7,360	1,330	6,030	137 1	40 1	97 0
1971.....	15,160	3,840	11,320	1,490	370	1,120	5,100	1,300	3,800	8,590	1,510	7,080	151 4	45 0	106 4
1972.....	16,940	4,200	12,740	1,600	400	1,200	5,550	1,350	4,200	10,000	1,700	8,300	167 8	50 3	117.5
1973.....	19,390	5,020	14,370	1,715	445	1,270	6,130	1,480	4,650	11,220	1,910	9,310	180 2	53 7	126 5

<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. Excludes pension plans for Federal, State, and local government employees as well as pension plans for the self-employed. Insured plans are underwritten by insurance companies, non-insured plans are, in general, funded through trustees.

<sup>2</sup> Includes refunds to employees and their survivors and lump sums paid under deferred profit-sharing plans.

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

levels over the long run can be derived by computing average outlays—that is, by dividing aggregate benefits by the number of beneficiaries (see technical note). Estimates show that the annual outlay per beneficiary averaged \$1,920 in 1973 and \$1,020 in 1960. When discounted for inflation, the increase was 25 percent.

In the short run, however, inflation has had the same adverse effects on private pension benefits as on many other fixed income-maintenance programs. In 1968 the average outlay per private pension beneficiary was \$1,540. With price increases since then taken into account, the adjusted value of this outlay in 1973 dollars was \$1,967—a higher figure than the average outlay in 1973.

### Reserves

Reserves set aside for current and future benefits of private pension plans rose to \$180.2 billion (book value) in 1973—a net addition of \$12.4 billion to reserves during the year. The relatively modest gain of 7.4 percent followed a gain of 10.8 percent in 1972.

In terms of market value, the assets of pension plans dropped off radically in 1973. Noninsured private pension funds reported assets of \$132.2 billion at market value on December 31, 1973, compared with \$154.3 billion the year before. In the past decade, decreases in market value were reported for just two years—1966 and 1969—and these decreases were of modest nature.

### GROUP HEALTH PLANS IN PRIVATE INDUSTRY

In 1974, the Bureau of Labor Statistics conducted a survey of the detailed characteristics of current group health insurance plans in private industry. The collection of data was made under contract with the Social Security Administration, Department of Health, Education, and Welfare. The survey was based on a scientifically selected sample<sup>2</sup> of reports and plan descriptions filed

<sup>2</sup> The Bureau of Labor Statistics analyzed a stratified random sample of plans on file, selected on the basis of industry and size of plan. Data for each sample plan are weighted so that tables show estimates for all health insurance plans filing reports.

with the Department of Labor's Office of Labor-Management Reports, under the Welfare and Pension Plans Disclosure Act.

Based on preliminary data, by the end of 1973 approximately 52,000 plans providing health insurance coverage for 28.4 million workers were on file. The preliminary tabulations exclude plans with fewer than 26 participants and plans of nonprofit organizations, State, local, and Federal government—all of which are included in the Social Security Administration estimates of total health insurance coverage previously described.

This preliminary analysis focuses on the overall view of the health insurance structure for workers in private industry. The analysis shows wide diversity in financing and health insurance coverage arrangements. This diversity has been influenced by a number of factors, including the extent of collective bargaining, the spread of multiemployer plan arrangements, the financial ability and interest of an individual firm or industry, and labor-market forces, etc.

The typical group health insurance plan in private industry is small—85 percent of the plans had more than 25 participants but fewer than 500. These plans cover only 17 percent of all workers (table 7). Three-fourths of the coverage was in plans covering 1,000 or more workers. A third of the total coverage was in large plans—10,000 or more participants in each—with a combined coverage of almost 10 million workers.

TABLE 7.—Group health insurance plans in private industry, by size of plans, 1974

[Preliminary data]

Size of plan (number of workers covered)	Percentage distribution	
	Plans	Workers <sup>1</sup>
Total number.....	51,600	28,375,000
Total percent.....	100	100
25 but less than 100.....	54	5
100-499.....	31	12
500-999.....	7	8
1,000-4,999.....	7	26
5,000-9,999.....	1	14
10,000-24,999.....	1	14
25,000-49,999.....	(3)	6
50,000-99,999.....	(3)	3
100,000 or more.....	(3)	10

<sup>1</sup> Workers in 1973

<sup>2</sup> Less than 0.5 percent

About one-fourth of the plans, covering 55 percent of the workers, were mentioned in collective bargaining agreements between management

TABLE 8.—Selected characteristics of group health insurance plans in private industry, 1974

[Preliminary data]

Characteristic	Percentage distribution	
	Plans	Workers <sup>1</sup>
All plans.....	100	100
Type of employer unit		
Single employer.....	91	72
Multiemployer.....	9	27
Collective bargaining status		
In agreement.....	24	55
Not in agreement.....	74	44
Not determinable.....	2	1
Type of worker covered:		
Salaried and production.....	28	30
Production only.....	14	29
Salaried only.....	11	14
Not determinable.....	48	28
Type of financing		
Employer.....	47	63
Jointly by employer and employee.....	33	25
Employee.....	3	1
Not determinable.....	18	11

<sup>1</sup> Workers in 1973.

and unions (table 8). Variations in the impact of collective bargaining, the spread of multi-employer plans, and other underlying factors in the development of group employee-benefit health insurance plans have resulted in concentrations of coverage in certain industries.

The concentration of coverage in mass production industries, as shown by this study, can be attributed in large measure to the spread of health insurance coverage to unionized workers in both single and multiemployer plans beginning as early as 1945. More than 50 percent of all workers in the group health plans were in manufacturing industries (table 9). An estimated 9 out of 10 full-time workers in manufacturing industries (almost 60 percent in collectively bargained plans) have group health coverage.<sup>3</sup> Similarly, in the communications and public utilities industry, coverage is almost universal. In contrast, significantly smaller proportions of employed workers in retail trade and services are in such plans.

The bulk of the plans studied here—more than 90 percent, with almost three-fourths of the coverage—were single-employer plans established either through collective bargaining or unilaterally by the employer (table 8). The growth and development of negotiated multiemployer group health insurance plans, however, has resulted in heavy concentrations of health insurance

<sup>3</sup> Walter W. Kolodrubetz, "Group Health Insurance Coverage of Full-Time Employees, 1972," *Social Security Bulletin*, April 1974.

coverage in certain industries. Although only about a tenth of all plans were collectively bargained multiemployer plans, they included about a fourth of all workers with coverage. In mining, transportation, wholesale and retail trade, and services, about 40 percent of the covered workers were in collectively bargained multiemployer plans. Of the workers with health coverage in the construction industry, more than 90 percent were in such plans. Within manufacturing, concentrations of such plans were found in the apparel and food products industries.

More than two-thirds of the workers in group health plans for which financing information was determinable were in plans financed by the employer only (table 8). Most of the remaining covered workers were in contributory plans requiring that a portion of the costs be borne by employees. A few union-operated plans are financed in full by the workers.

There is a close relationship between collective bargaining influence in both multiemployer and single employer plans and full employer financing of health benefits. Most collectively bargained multiemployer plans are noncontributory and financed by specified employer contributions to a central fund. As a result, in industries such as construction and mining, where these plans predominate, full employer financing of benefits is most common. Similarly, in mass production manufacturing, where collectively bargained, single-employer plans are prevalent, full employer financing is also common. In industries where the influence of collective bargaining is more limited, on the other hand, there are significant proportions of workers in jointly financed plans.

TABLE 9 —Group health insurance plans in private industry, by major industry group, 1974

[Preliminary data]

Industry	Percentage distribution	
	Plans	Workers <sup>1</sup>
All plans.....	100	100
Mining.....	1	1
Construction.....	4	7
Manufacturing.....	45	53
Transportation.....	4	6
Communications and public utilities.....	2	6
Wholesale and retail trade.....	20	12
Finance, insurance, and real estate.....	7	7
Services.....	14	6
Other.....	4	3

<sup>1</sup> Workers in 1973.

Preliminary data indicate that the number of persons in health plans limited to salaried groups is small and accounts for less than 15 percent of health insurance coverage. A separate plan for other employees is usually made available by the employer or through collective bargaining. About 30 percent of the workers were in plans limited to production or hourly workers. An additional 30 percent of the workers were included in plans covering both salaried and production workers. For the remaining group, type of employee coverage was unknown.

### SOURCES OF DATA AND DEFINITIONS

Estimates of coverage under life insurance, death, and accidental death and dismemberment plans are based, for the most part, on group and wholesale life insurance data from the Institute of Life Insurance, modified to exclude workers in plans not associated with employment. Excluded is servicemen's group life insurance issued to cover members of the Armed Forces.

Estimates on private health insurance coverage of workers are based on data compiled by the Blue Cross Association, the National Association of Blue Shield Plans, and the Health Insurance Association of America. These data are adjusted to exclude workers not actively employed, according to a special survey of group health insurance coverage of employed workers conducted in April 1972.

Coverage estimates for temporary and long-term disability are based on data from the Institute of Life Insurance and the Health Insurance Association of America, adjusted to exclude credit accident and health insurance. These estimates include private plans written in compliance with State temporary disability insurance laws in California, Hawaii, New Jersey, and New York.

Supplemental unemployment benefit coverage estimates are based on trade union and industry reports and exclude dismissal-wage and separation allowances, except when such payments are financed by supplemental unemployment benefit

funds covering temporary and permanent layoffs.

Private retirement plan coverage is estimated by the Social Security Administration from data furnished primarily by the Institute of Life Insurance and the Securities and Exchange Commission. The estimate 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. These data have been adjusted to exclude workers not actively employed, workers with dual coverage, and workers with vested rights, on the basis of benchmark data from a special survey of pension coverage of employed workers conducted in April 1972.

The estimates of contributions and benefits in the employee-benefit plan series are based for the most part on reports by private insurance companies and other nongovernment agencies.

Contributions under insured pension plans are on a net basis, with dividends and refunds deducted. Contributions under noninsured plans are, for the most part, on a gross basis, and refunds appear as benefit payments. For pay-as-you-go (unfunded) plans, contributions have been assumed to equal benefit payments.

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 amounts shown for 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) payment of the unpaid amount 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 benefit amounts cannot be derived.