

Employee-Benefit Plans, 1975

by MARTHA REMY YOHALEM*

Despite the national decline in the number of employed workers in 1975, the number of workers covered under most types of employee-benefit plans increased slightly. Contributions and benefit payments underwent the greatest change. Total contributions increased 17 percent and benefit payments rose 14 percent. In part this change can be attributed to inflation, but it also reflects real growth in contributions and payments for most types of plans, particularly those for retirement and health care benefits. Review of the private pension plans shows that an increasing number were terminated in 1975, but the reason has not been determined, contributions to these retirement plans showed one of the largest annual increases ever.

IN 1975 WORKER coverage for most types of employee-benefit plans increased slightly despite a 2 percent decline nationally in the number of employed workers. By the end of the year an estimated 62.4 million persons were protected for life insurance and death benefits, 58.2 million for some type of health care benefits, and 30.3 million for retirement benefits. These estimates represent an annual growth of 1-3 percent in the number of workers who have such protection, with coverage for life insurance growing most rapidly during the year. Of the major categories of worker benefits, only temporary disability showed a decline in the number covered, which dropped 2 percent to 31.1 million.

The most noticeable changes in 1975 were in the amounts of contributions and benefit payments. Aggregate contributions to employee-benefit plans increased approximately 17 percent to an estimated \$67.3 billion. Total benefit payments are estimated to have risen 14 percent to \$47.9 billion. Although a part of this growth can be attributed to inflation, these changes also reflect a real growth in aggregate contributions and benefits for most categories of benefit plans, particularly for retirement and health care plans, which account for 85 percent of all contributions and 83 percent of the total benefits paid in 1975.

* Division of Retirement and Survivors Studies, Office of Research and Statistics, Social Security Administration

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. The series thus excludes such fringe benefits as paid vacations, holidays, leave with pay (other than formal sick leave), legal aid, savings and stock-purchase plans, discount privileges, and free meals.

Private plans written in compliance with State temporary disability insurance laws are included in the series, but workers' compensation and statutory provisions for employer's liability are excluded. Severance-pay provisions are included only to the extent that they are associated with the supplemental unemployment benefit (SUB) plans.

Government employees who are covered by plans underwritten by nongovernment organizations 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. Those retirement and sick-leave plans for government employees financed and administered directly by government are excluded from the series.

OVERVIEW

Coverage

As table 1 shows, the estimated number of workers covered by most employee-benefit plans

TABLE 1—Estimated number of wage and salary workers covered under employee-benefit plans,¹ by type of benefit, selected years, 1950–75

[In millions]

Type of benefit	1950	1955	1960	1965	1970	1971	1972	1973	1974	1975
All wage and salary workers										
Life insurance and death benefits ²	19.4	28.1	34.2	41.9	51.8	53.1	55.2	57.8	60.6	62.4
Accidental death and dismemberment ³	8.1	15.6	20.9	28.4	38.7	39.2	40.7	42.7	44.3	46.5
Hospitalization ^{4,5}	24.3	32.8	39.3	45.7	53.1	53.2	54.2	56.8	57.6	58.2
Written in compliance with law	1.2	1.4	1.2	3	4	4	4	4	4	4
Surgical ⁴	17.7	30.2	37.4	43.4	51.5	51.7	52.9	55.4	56.1	56.6
Regular medical ⁴	8.2	20.2	28.2	38.2	48.0	48.3	49.4	53.7	54.9	56.1
Major-medical expenses ⁴	-	2.2	8.8	16.6	24.6	25.7	26.4	27.6	28.2	29.6
Wage and salary workers in private industry										
Retirement ⁷	9.8	14.2	18.7	21.8	26.1	26.4	27.5	29.2	29.8	30.3
Temporary disability, including formal sick leave ⁸	20.1	23.5	24.5	24.5	29.7	30.1	31.3	32.0	31.7	31.1
Written in compliance with law	6.6	6.8	6.8	6.4	7.1	6.9	7.1	7.2	7.0	7.0
Long term disability ⁹	-	-	-	1.9	7.0	8.0	9.5	10.6	11.1	11.5
Supplemental unemployment ¹⁰	-	1.0	1.7	2.1	2.2	2.2	2.0	2.1	2.0	1.9

¹ 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.

² Group and wholesale life insurance coverage based on data from American Council of Life Insurance, *Group Life Insurance and Group Annuity Coverages in the United States*, annual issues modified to exclude group plans not related to employment, excludes coverage under servicemen's group life insurance plan. Self insured and unfunded death benefit plan coverage based on 1976 survey of various trade-union, mutual benefit association, and company administered and jointly administered plan reports filed with the Department of Labor under the Welfare and Pension Plan Disclosure Act.

³ Data from Health Insurance Association of America, *Group Health Insurance Coverages in the United States* annual issues.

⁴ Data from "Private Health Insurance in 1975: Coverage, Enrollment, and Financial Experience," *Social Security Bulletin*, June 1977. Health Insurance Association of America (see footnote 3) and Health Insurance Institute, *Source Book of Health Insurance Data 1976-77*. Data modified to exclude participants not actively employed and to allow for duplication resulting from participation in more than one plan, using benchmark data from special household survey of employed workers conducted in conjunction with the April 1972 Current Population Survey. Includes employees covered by group comprehensive major medical expense insurance.

⁵ Includes private hospital plans written in compliance with State temporary disability insurance law in California, shown separately below.

⁶ Represents coverage under group supplementary and comprehensive major medical insurance underwritten by commercial insurance carriers (see footnote 3).

⁷ Estimated by the Social Security Administration primarily from data compiled by the American Council of Life Insurance, *Pension Facts, 1976*, and the Securities and Exchange Commission, *1975 Survey of Private Non-Insured Pension Funds*. Data adjusted for duplication resulting from participation in more than one plan and the vesting of benefits, using benchmark data from special household survey of employed workers conducted in conjunction with the April 1972 Current Population Survey. 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. Excludes pension plans for Federal, State, and local employees tax sheltered annuity plans, and plans for the self-employed.

⁸ Includes private plans written in compliance with State temporary disability insurance laws in California, Hawaii, New Jersey, and New York, shown separately below. Data from Health Insurance Council, *A Survey of Accident and Health Coverage in the United States, 1950*, and the Health Insurance Association of America (see footnote 3) 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 insured plan coverage. Data for 1950, 1955, and 1960 include group long-term disability.

⁹ Data from Health Insurance Institute (see footnote 4).

¹⁰ Based on trade union and industry reports, "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969, and a 1976 survey of reports filed with the Department of Labor under the Welfare and Pension Plans Disclosure Act. Excludes dismissal wage and separation allowances, except when financed from supplemental unemployment benefit funds covering temporary and permanent layoffs.

increased modestly in 1975 despite a 2-percent decline in that year in the number of employed wage and salary workers. Of the types of benefit plans included in this series, only temporary disability and SUB plans showed a decline in the number of covered employees.

The 1975 estimates of coverage mark a continuation of long-term trends in the growth of employee-benefit plans. In the 26 years for which estimates are available, three patterns have emerged. First, coverage under retirement plans and for the four categories of health benefits increased rapidly for approximately 10 years. In subsequent years, however, the rate of growth in the number of covered workers declined markedly. In recent years the trend in health benefits and for retirement plans apparently has been more toward providing broadened protection to workers already covered than toward expanding coverage to greater numbers of new groups of workers.

Second, coverage under life insurance and accidental death benefits plans has been extended to large numbers of new workers in recent years.

Like retirement and health benefits plans, the most rapid expansion of coverage for these benefits occurred during the first 10 years for which estimates are available.

The coverage growth rates, however—beginning with 1960 for life insurance and accidental death and dismemberment insurance—did not drop off as much in relation to the earlier period as did the rates for retirement and health plans. In the most recent period, 1970–75, coverage for life insurance and accidental death and dismemberment benefits has increased at an average annual rate of 4 percent, compared with 2–3 percent average annual growth rates among retirement and health plans (except for a 4-percent average annual rise in major medical care coverage).

Third, for temporary disability benefit plans, long-term gains in coverage have been moderate. The number of workers covered by SUB plans has been about the same since 1956, fluctuating narrowly over the years.

At the end of 1975 an estimated 62.4 million workers were covered for life insurance and

death benefits, a 3-percent increase over the previous year in the number of covered workers. Since 1972, life insurance and death benefits have become the most common form of employee benefit, with coverage for these benefits exceeding that for hospital insurance for the first time in the years for which estimates are available. Coverage under accidental death and dismemberment insurance plans increased by approximately 5 percent over the previous year to include an estimated 46.5 million employees at the end of 1975.

As noted above, recent trends in health benefits coverage have been more toward providing broadened health care to persons already having some health insurance protection than toward extending coverage to greater numbers of new workers. This pattern remains unchanged in 1975. Hospital and surgical coverage increased approximately 1 percent so that by the end of the year an estimated 58.2 million workers were covered for basic hospital expenses and 56.6 million workers were protected by surgical-expense insurance. Since the early 1970's, regular medical coverage has reached rough parity with hospital and surgical coverage, and in 1975 the number of workers covered for this benefit increased 2 percent to include approximately 56.1 million persons. Major-medical insurance protection is the most rapidly expanding form of health care protection, having risen approximately 5 percent in 1975 to cover an estimated 29.6 million workers.

The number of workers in private industry covered for retirement benefits increased by 2 percent to an estimated 30.3 million employees in 1975. Generally, the growth pattern for these benefit plans is comparable with that for health care benefits—that is, in recent years aggregate coverage estimates have grown modestly. The trend has been toward reducing the minimum service requirements that an employee must meet to qualify for full benefits. A greater proportion of private pension plans have been providing early-retirement, disability, and survivor benefits for covered workers.¹

Coverage for temporary disability and supplemental unemployment benefits declined in 1975. At the end of the year an estimated 31.1 million

employees were covered for temporary disability benefits, a 2-percent drop in coverage from the previous year's estimate. The number of workers covered under temporary disability plans has declined five times in the years for which such data are available. Contrary to this pattern, coverage for long-term disability insurance has increased steadily since it was introduced as an employee benefit in the mid-1960's. By the end of 1975 an estimated 11.5 million workers were protected for these benefits, a 4-percent rise from the estimated number of covered employees in 1974.

Coverage for supplemental unemployment benefits is concentrated in the automobile, rubber, and steel industries, and traditionally far fewer workers have been covered for these benefits than for the other categories of employee benefits included in this series. Because of the relatively high rates of unemployment during 1975 in the industries providing supplemental unemployment benefit protection, the number of workers covered under these plans declined to 1.9 million.

The proportion of employed wage and salary workers covered for each category of employee benefits except supplemental unemployment benefits was greater in 1975 than in 1974, as table 2 shows. The yearly gains ranged from 1 percent to 4 percent, with the largest increases in the proportion of workers covered under life insurance and accidental death benefit plans. At the end of 1975, more than three-fourths of the employed labor force had life insurance coverage. Somewhat less than half of the wage and salary workers in private industry had pension coverage, and a similar proportion was protected by temporary disability plans. Seventy-two percent of the employed labor force was covered by some form of health care insurance, and 18 percent had long-term disability protection. Only the proportion of workers covered under supplemental unemployment benefit plans—less than 3 percent of the labor force—declined.

One of the effects of the decline in the employed labor force in 1975 was that for each category of coverage except supplemental unemployment benefits, the proportion of all wage and salary workers with benefit protection rose more rapidly than did the absolute numbers of covered workers. (The rate of increase in the proportion of workers covered ranged from 1

¹ Alfred M. Skolnik, "Private Pension Plans, 1950-74," *Social Security Bulletin*, June 1976.

TABLE 2—Estimated number of wage and salary workers under employee-benefit plans¹ as percent of employed wage and salary labor force, selected years, 1950-75

Type of benefit	1950	1955	1960	1965	1970	1971	1972	1973	1974	1975
Covered employees as percent of all wage and salary workers ¹										
Life insurance and death benefits	38.8	50.8	57.8	63.7	69.0	70.5	71.1	71.2	73.5	77.3
Accidental death and dismemberment	16.2	28.2	35.3	43.1	51.5	52.0	52.4	52.7	53.7	57.6
Hospitalization	48.6	59.3	66.5	69.4	70.7	70.6	69.8	70.0	69.9	72.2
Surgical	35.4	54.6	63.3	65.9	68.6	68.6	68.1	68.3	68.1	70.1
Regular medical	16.4	36.6	47.7	58.0	63.9	64.1	63.6	66.2	66.5	69.5
Major-medical expense	--	4.0	14.8	25.2	32.7	34.1	34.0	34.0	34.2	36.7
Covered employees as percent of wage and salary workers in private industry ²										
Retirement	22.5	29.6	37.2	39.5	42.1	42.6	43.1	43.7	44.0	46.2
Temporary disability, including formal sick leave	46.2	49.1	48.7	44.3	47.9	48.7	49.1	47.9	46.8	47.5
Long-term disability	--	--	--	3.4	11.2	12.8	14.8	15.8	16.4	17.6
Supplemental unemployment	--	2.1	3.4	3.8	3.5	3.6	3.1	3.1	3.0	2.9

¹ 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.

² Coverage of private and public employees related to average number of private and government full-time and part-time civilian employees (80.7 million in 1975) from table 6.7 in *Survey of Current Business*, July 1976, and table

6.7 in *National Income and Product Accounts of the United States, 1929-74*, Department of Commerce, 1977.

³ Coverage of private employees related to average number of wage and salary employed labor force in private industry (65.6 million in 1975) from sources in footnote 2.

percent for temporary disability benefits to 7 percent for accidental death, major-medical, and long-term disability benefits. As noted earlier, the greatest yearly rate of increase in the absolute numbers of covered workers was 5 percent for accidental death and major-medical benefits. Consequently, recent declines in the proportion of the employed labor force covered for hospital and surgical expense insurance and for temporary disability insurance were arrested.

Contributions

Employer-employee contributions to employee-benefit plans totaled \$67.3 billion in 1975 (table 3). This amount was \$9.6 billion, or 17 percent, more than contributions in 1974 and was one of the largest annual increases in contributions to benefit plans. If one adjusts for the effects of inflation as measured by the Consumer Price Index of the Bureau of Labor Statistics, however, the rate of increase was less noteworthy. Expressed in terms of constant dollars, contributions went up 7 percent in 1975, a rate equal to the average annual rate of increase over the preceding 10 years.

Following a pattern set by 1970, the largest current-dollar increases in contributions were for health and retirement benefits. Combined employer and employee contributions for private pensions rose by \$4.8 billion to \$29.8 billion in 1975, health benefits contributions by \$4.0 billion to a total of \$27.1 billion.

Contributions for group life insurance rose to \$5.1 billion in 1975—\$378.8 million more than the

1974 total. Contributions to temporary disability plans increased by \$321.5 million to \$4.7 billion in 1975. During the year \$331.1 million was contributed for accidental death and dismemberment insurance and \$240.0 million was contributed for supplemental unemployment benefits.

Table 4 shows the relation between current dollar contributions to employee benefit plans and total wages and salaries paid during 1975. Again the largest yearly increases in contributions were for health and retirement plans. Viewed as a proportion of all wages and salaries in private industry, contributions to pension plans rose 14 percent to \$4.73 for each \$100 of payroll. Contributions for all health benefits increased 11 percent from the previous year's total to \$3.46 per \$100 of all wages and salaries. Of the four categories of health insurance included in this series, contributions for major-medical insurance rose most rapidly, increasing by 16 percent to 72 cents per \$100. The largest contributions for health benefits, however, were for hospital expense insurance. Contributions to these benefit plans increased 10 percent in the 12-month period to \$1.69 per \$100 of payroll.

Proportional increases in contributions for other categories of benefits were slight in comparison to retirement and health care plans. Accidental death insurance and supplemental unemployment benefit contributions remained at the same level as the previous year. Contributions to short- and long-term disability plans increased by 2 cents to 75 cents for every \$100 of private industry payroll. Life insurance contributions also increased by 2 cents to 65 cents per \$100 of all wages and salaries.

TABLE 3—Estimated total employer and employee contributions¹ under employee-benefit plans² by type of benefit, selected years, 1950-75

(In millions)

Type of benefit	1950	1955	1960	1965	1970	1971	1972	1973	1974	1975
Total	\$3,940 0	\$7,856 6	\$12 530 1	\$19,918 8	\$34 862 0	\$39,861 1	\$45 428 7	\$50 460 1	\$57,740 5	\$67,301 6
All wage and salary workers										
Life insurance and death benefits ³	480 0	880 5	1,416 2	2 233 0	3,576 5	3 868 9	4 343 2	4,394 3	4 710 6	5 089 4
Accidental death and dismemberment ⁴	18 4	43 4	70 0	116 0	224 0	229 0	283 6	302 8	329 2	331 1
Total health benefits	8-6 3	2,193 6	4 257 0	7,520 0	13 877 6	15 702 7	18 248 2	20 500 2	23,068 1	27 087 0
Hospitalization ⁵	562 4	1 385 1	2 504 8	4 382 8	7,569 3	8 578 4	9 527 5	10 512 0	11,437 2	13 272 8
Surgical and regular medical ⁶	293 9	769 5	1 282 2	2,109 2	3,998 3	4 489 3	5 152 3	5 937 8	7,022 4	8 162 2
Major-medical expense ⁷		39 0	470 0	1,078 0	2 310 0	2,635 0	3,568 4	4,030 4	4 608 5	5 652 0
Wage and salary workers in private industry										
Retirement ⁸	2,080 0	3 840 0	5 490 0	8,360 0	14 000 0	16,640 0	18 540 0	21 100 0	25 020 0	29,850 0
Temporary disability, including formal sick leave ⁹	505 3	859 1	1,178 9	1,573 8	3,074 9	3,226 5	3 749 7	3,938 8	4 382 6	4,704 1
Written in compliance with law	75 9	178 8	238 8	258 4	417 4	442 8	499 3	522 2	517 1	580 2
Supplemental unemployment ¹⁰		40 0	118 0	116 0	109 0	194 0	264 0	224 0	230 0	240 0

¹ Excludes dividends in group insurance

² 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

³ Group and wholesale life insurance premiums based on data from American Council of Life Insurance, *Group Life Insurance and Group Annuity Coverages in the United States* annual issues, modified to exclude group plans not related to employment. Excludes premiums under servicemen's group life insurance plan. Self-insured and unfunded death benefits based on 1976 survey of various trade union, mutual benefit association, and company administered and jointly administered plans filed with the Department of Labor under the Welfare and Pension Plan Disclosure Act

⁴ Data from Health Insurance Association of America, *Group Health Insurance Coverages in the United States*, annual issues

⁵ Data from "Private Health Insurance in 1970 Coverage Enrollment, and Financial Experience," *Social Security Bulletin*, June 1977, and Health Insurance Association of America (see footnote 4). 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 70 percent in 1950-60 to 84 percent in 1975

⁶ Includes private hospital plans written in compliance with State temporary disability insurance law in California, data not available separately

⁷ Represents premium for group supplementary and comprehensive major medical insurance underwritten by commercial insurance carriers (see foot note 4)

⁸ Estimated by the Social Security Administration from data compiled by the American Council of Life Insurance, *Pension Facts, 1976* and the Securities and Exchange Commission, *1975 Survey of Private Noninsured Pension Funds*. Includes pay as you go and deferred profit-sharing plans, plans of non-profit organizations, union pension plans and railroad plans supplementing the Federal railroad retirement program. Excludes plans for Federal, State, and local employees, tax sheltered annuity plans, and plans for the self-employed

⁹ Data from "Cash Benefits for Short Term Sickness," *Social Security Bulletin* July 1976, and, for 1975, unpublished Social Security Administration estimates. Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York shown separately below (data for Hawaii not available). Includes contributions under long term disability policies, not available separately

¹⁰ Based on trade union and industry reports "Financing Supplemental Unemployment Benefit Plans" *Monthly Labor Review*, November 1969 and a 1976 survey of reports filed with the Department of Labor under the Welfare and Pension Plans Disclosure Act. Excludes dismissal-wage and separation allowances except when financed from supplemental unemployment benefit funds covering temporary and permanent layoffs

These contributions data, in conjunction with data on recent trends in worker coverage under employee-benefit plans, suggest an inverse relationship between the cost, as measured by the amount of contributions, of providing employee benefits and expanded growth in the number of workers protected. Estimates of the absolute amounts of contributions to these plans and of the proportion of all wages and salaries paid for employee benefits indicate that contributions for retirement and health care benefits are higher and have been increasing more rapidly than those for the other major benefit categories.

Parallel estimates of the number of employees covered by the plans and of covered workers as a proportion of the employed labor force show that, in recent years, the rates of growth in coverage for health care, except for major-medical plan coverage, and retirement plans have been lower than those for life insurance and accidental death benefits. In fact, the number of workers covered by life insurance plans has surpassed the number protected by hospital expense insurance.

Although the declining rates of growth in coverage under private pension plans are an

indication in part that a high proportion of the most accessible groups of workers already are covered for retirement benefits,² it also appears that, in general, coverage has been expanding in the last several years primarily for those categories of employee benefits that have comparatively lower levels of costs.

Benefits

An estimated \$47.9 billion was paid for all categories of employee benefits in 1975 (table 5). These expenditures exceeded the amount paid during the previous year by 14 percent. In contrast to the relationship shown in 1974, however, the rate of increase in total benefit payments was somewhat less than the proportional increase in total contributions.

The largest yearly increases in benefit expenditures were for health benefits, which rose 17 percent during the year. Hospital payments increased 18 percent in 1975, surgical and medical

² Alfred M. Skolnik, *op cit*

TABLE 4—Estimated total contributions under employee benefit plans¹ as percent of national payroll, by type of benefit, selected years, 1950-75

Type of benefit	1950	1955	1960	1965	1970	1971	1972	1973	1974	1975
Contributions as percent of all wages and salaries ²										
Life insurance and death benefits	0 34	0 44	0 54	0 64	0 68	0 69	0 71	0 65	0 63	0 65
Accidental death and dismemberment	01	02	03	03	04	04	05	04	04	04
Hospitalization	40	69	96	1 24	1 44	1 53	1 56	1 55	1 54	1 69
Surgical and regular medical	21	38	49	60	76	80	84	87	95	1 04
Major medical expense	-	02	18	.31	44	47	58	60	62	72
Contributions as percent of wages and salaries in private industry ³										
Retirement	1 67	2 19	2 46	2 86	3 25	3 66	3 74	3 82	4 14	4 73
Temporary disability, including formal sick leave	41	49	53	54	71	71	76	71	73	75
Supplemental unemployment	-	02	05	04	03	04	05	04	04	04

¹ 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.
² Amounts for private and public employees related to private and government civilian wages and salaries (\$783.4 billion in 1975) from table 6.6 in *Survey of Current Business*, July 1976, and from table 6.6 in the *National Income and*

Product Accounts of the United States, 1929-74 (Department of Commerce), 1977. Data for surgical and for regular medical benefits not available separately.
³ Amounts for private employees related to wages and salaries in private industry (\$630.8 billion in 1975) from sources in footnote 2.
⁴ Includes contributions for long term disability.

benefit payments also rose 18 percent in that year. Benefit payments for major-medical expenses increased at the comparatively lower rate of 11 percent, although coverage and contributions for this form of benefit went up at a noticeably faster pace than they did for other health benefits. At the end of 1975, payments for all four categories of health benefits were estimated to be \$24.9 billion, or slightly more than half of the total expenditures for employee benefits.

Private pension expenditures increased approximately 15 percent to an estimated \$14.8 billion in 1975. This growth rate corresponded closely to the overall rise in benefit payments for

the year and equaled the average annual rate of increase recorded for retirement payments for the preceding 5 years. The proportionate share of total benefit expenditures paid for retirement benefits had been rising gradually during that period, and by 1975 pension payments were approximately one-third of the total benefit expenditures.

Except for supplemental unemployment benefit payments, the percentage increase in expenditures for other categories of benefits included in this series was modest, compared with the rise in health and retirement benefits. Life insurance payments rose 5 percent to \$3.6 billion,

TABLE 5—Estimated benefits paid under employee benefit plans,¹ by type of benefit, selected years, 1950-75

(In millions)

Type of benefit	1950	1955	1960	1965	1970	1971	1972	1973	1974	1975
Total	\$1,815.5	\$4,075.9	\$7,812.5	\$13,566.7	\$26,115.1	\$29,341.4	\$32,872.4	\$36,210.3	\$42,011.9	\$47,886.8
All wage and salary workers										
Life insurance and death benefits ²	310.0	581.5	1,017.6	1,550.0	2,493.1	2,704.2	2,938.8	3,197.2	3,385.2	3,562.8
Accidental death and dismemberment ³	16.0	26.1	47.3	89.5	151.4	170.6	182.2	211.5	255.7	286.2
Total health benefits	708.7	1,902.9	3,898.2	7,012.1	13,322.7	14,961.6	16,539.0	18,266.8	21,880.6	24,929.2
Hospitalization ⁴	477.5	1,241.8	2,355.0	4,160.5	7,344.0	8,253.0	8,871.7	9,646.2	11,059.0	13,064.3
Surgical and regular medical ⁴	231.2	637.1	1,116.2	1,847.6	3,563.7	3,959.6	4,480.3	5,185.3	6,292.6	7,403.6
Major medical expense ⁴	-	24.0	427.0	1,004.0	2,415.0	2,749.0	3,187.0	3,435.0	4,029.0	4,461.0
Wage and salary workers in private industry										
Retirement ⁵	370.0	850.0	1,720.0	3,520.0	7,360.0	8,590.0	10,000.0	11,220.0	12,930.0	14,810.0
Temporary disability, including formal sick leave ⁶	410.8	715.4	1,038.4	1,333.1	2,541.9	2,619.0	2,978.4	3,204.8	3,660.4	3,798.6
Written in compliance with law ⁷	54.3	135.2	196.1	197.6	307.2	310.4	328.5	353.5	381.6	400.9
Supplemental unemployment benefits ⁸	-	-	91.0	62.0	246.0	296.0	234.0	110.0	400.0	500.0

¹ 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.

² Group and wholesale life insurance benefits based on data from American Council of Life Insurance, *Life Insurance Fact Book*, 1976, modified to exclude group plans not related to employment, excludes benefits paid under service men's group life insurance plan. Self-insured and unfunded death benefits based on 1976 survey of various trade union, mutual benefit association, and company administered and jointly administered plan reports filed with the Department of Labor under the Welfare and Pension Plans Disclosure Act.

³ Unpublished data from the American Council of Life Insurance.
⁴ Data from "Private Health Insurance in 1975: Coverage, Enrollment, and Financial Experience," *Social Security Bulletin* June 1977.

⁵ Includes private hospital plans written in compliance with State temporary disability insurance law in California; data not available separately.

⁶ Represents benefits paid under group supplementary and comprehensive major-medical insurance underwritten by commercial insurance carriers.

⁷ Estimated by the Social Security Administration from data compiled by

the American Council of Life Insurance, *Pension Facts, 1976*, and the Securities and Exchange Commission, *1975 Survey of Private Noninsured Pension Funds*. 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. Excludes plans for Federal, State, and local employees, tax-sheltered annuity plans, and plans for the self-employed.

⁸ Data from "Cash Benefits for Short Term Sickness," *Social Security Bulletin*, July 1976, and, for 1975, unpublished Social Security Administration estimates. Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York, shown separately below (data for Hawaii not available). Includes benefits under long term disability plans; data not available separately.

⁹ Based on trade-union and industry reports "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969 and 1976 survey of reports filed with the Department of Labor under the Welfare and Pension Plans Disclosure Act. Excludes dismissal wage and separation allowances, except when financed from supplemental unemployment benefit funds covering temporary and permanent layoffs.

temporary disability payments were \$3.8 billion, a 4-percent increase from 1974 outlays. Accidental death payments rose more rapidly (at an annual rate of 12 percent), but total expenditures for this form of worker insurance were less than \$300 million.

Supplemental unemployment benefits in 1975 were a reflection of the high rates of unemployment in those few industries with high concentration of this coverage, particularly the automobile industry, which traditionally accounts for 70-80 percent of the total SUB outlay. In 1975, benefit expenditures for SUB rose 25 percent to an estimated \$500 million. Although this rate of increase is high, it is much lower than the increase in 1974 when the growth was three times what it had been in the previous year.

The combined payments for SUB and life, accidental death, and temporary disability insurance were less than 20 percent of the total annual expenditure for employee benefits. Coverage for life insurance was the most common form of worker benefit, but group life insurance payments accounted for only 7 percent of total benefit payments made in 1975. In the last 10 years, life insurance payments as a proportion of total benefit payments have declined—from 11 percent in 1966 to 7 percent in the most recent estimates.

As with contributions, the annual increases in employee-benefit payments are less noteworthy if one adjusts for the effects of inflation. Expressed in terms of constant dollars, total benefit payments increased by 4 percent in 1975. With price rises taken into account, payments for temporary disability benefits and for life insurance and death benefits were somewhat lower in 1975 than in 1974. Benefit payments for all other categories of employee benefits, however, went up more rapidly than the price increases measured by the Consumer Price Index.

PRIVATE PENSIONS

The number of private pension and profit-sharing plans submitted for approval to the Internal Revenue Service dropped sharply in 1975 while the number of plans that were terminated increased, as the following figures show.

Estimates of the number of workers affected by pension plan terminations are not reported

Year	Pension and profit-sharing plans, number of—		
	Plans approved	Participating employees, approved plans	Plans terminated
1973	59,605	1,541,242	4,130
1974	59,385	1,507,209	4,604
1975	30,039	788,447	8,108

Source: U.S. Department of the Treasury, Internal Revenue Service, Benefit Plan Determination Letters (quarterly).

routinely. An estimate of the proportion of all workers covered under pension plans that were terminated in 1975 can be projected, however, from data reported by the Pension Benefit Guaranty Corporation (PBGC) from a survey of single-employer defined-benefit plans terminating in that year. Approximately half the plans that were terminated in 1975 (3,950 plans) were defined-benefit plans covered under the PBGC termination insurance program. By assuming that the ratio of the number of affected workers to the number of terminating plans is the same for all terminating plans as it is for those surveyed by the PBGC, it can be estimated that less than 1 percent of the 30.3 million employees covered by private pension plans in 1975 were affected by plan terminations in that year.

While the large number of pension plan terminations in 1975 has been the focus of much public concern in recent months, no agreement has been reached as yet on possible explanations for these statistics. Some observers argue that many small plans are closing as a result of the paperwork requirements stemming from the reporting and disclosure provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Others believe that the increase in terminations in 1975 was more a result of general business and economic conditions.

Under provisions of the ERISA legislation, any person not covered by a qualified private pension, profit-sharing plan, or public employee retirement plan can establish an individual retirement account (IRA) and thus enjoy the same tax advantages as self-employed persons and employees covered by retirement plans.³ Preliminary data from the Internal Revenue Service indicate that about 1¼ million persons adopted IRA's in 1975, the first year that IRA arrangements were available. Survey data from the

³ Alfred M. Skolnik, "Pension Reform Legislation of 1974," *Social Security Bulletin*, December 1974.

PBGC show that few defined-benefit plan terminations in 1975 involved changeovers to IRA's

Contributions

Employer and employee contributions to retirement plans were \$29.8 billion in 1975, an increase of \$4.8 billion from the total in the preceding 12 months. Both in current dollar amounts and after adjustment for price increases, this increase is one of the larger annual rises in contributions in recent years (a 19-percent increase in current dollar payments, and a 9-percent increase with contributions adjusted for inflation).

Employers paid 92 percent of the total contributions to retirement plans in 1975. Until recently, employers were paying increasingly larger proportions of the total contributions to pension plans. In 1973-75, however, the employer share of the contributions has remained at 92 percent.

As noted previously, contributions to retirement plans have been increasing more rapidly than has coverage under these plans. This trend is illustrated by the increasing amounts of contribution payments made for each covered worker. In 1975, combined employer and employee contributions per covered worker were \$993, up from \$848 in 1974. In 1970, contributions per worker were \$535. When these amounts are adjusted for inflation, the rate of increase in contributions per covered worker from 1974 to 1975 was 7 percent.

Benefits and Beneficiaries

Retirement benefit expenditures were an estimated \$14.8 billion in 1975—\$1.9 billion more than pension benefit payments for 1974. This yearly rate of increase equaled the 15-percent average annual growth rate recorded since 1970. During this period, it is estimated that the number of pension beneficiaries increased at an average rate of 8 percent annually. By the end of 1975, approximately 7.1 million persons were receiving benefits from private pension plans.

A rough indication of recent changes in the levels of pension benefits can be derived by dividing the total amount of annual benefit payments

shown in table 6 by an estimate of the average number of persons receiving benefit payments during the year (midyear estimates).⁴ Using this method, it can be estimated that the annual outlay per beneficiary was \$2,204 in 1975, compared with an average payment of \$2,074 in 1974. In 1970, estimated average benefit payments were \$1,650. When recent price increases are taken into account, however, the value of average benefit outlays shows a decline in each of the past 3 years. Expressed in terms of 1975 dollars, the adjusted value of the average benefit payment in 1970 was \$2,287, a higher average benefit than that paid in 1975.

Reserves

Reserves set aside for current and future pension benefit commitments rose to \$212.6 billion (book value) in 1975, a net addition of \$20.9 billion to reserves during the year. The addition is the largest absolute increase recorded since this series began and is the largest relative annual increase (11 percent) recorded since 1968.

The market value of all pension fund assets rose \$33.9 billion in 1975, following a \$20.5 billion decline in the previous year. Noninsured pension funds reported assets of \$145.6 billion in market value on December 31, 1975, compared with \$111.7 billion the year earlier.

SOURCES OF DATA AND DEFINITIONS

Estimates of coverage under life insurance plans are based on group and wholesale life insurance data from the American Council of Life Insurance, modified to exclude group plans not related to employment. Servicemen's group life insurance issued to cover members of the Armed Forces also is excluded.

Estimates of coverage, contributions, and benefits under self-insured and noninsured death benefits plans are included with the estimates for life insurance plans reported in this series. These estimates are derived from a recent Bureau of

⁴These estimates are not precise and overrepresent the average amount of monthly or annual benefit payments. Estimates of total benefit payments are derived from data that include lump-sum payments under noninsured plans. Beneficiary data exclude those persons receiving lump-sum payments during the year.

TABLE 6—Private pension and deferred profit-sharing plans¹ Estimated coverage, contributions, beneficiaries, benefit payments, and reserves, selected years, 1950-75

Year	Coverage, ² end of year (in thousands)			Contributions						Number of benefici- aries, end of year (in thousands)			Amount of benefit payments (in millions)			Reserves, book value, end of year (in billions)		
				Employer (in millions)			Employee (in millions)											
	Total net	In- sured, gross	Non- in- sured, gross	Total	In- sured	Non in sured	Total	In- sured	Non- in- sured	Total	In- sured	Non- in sured	Total ³	In- sured	Non- in sured ⁴	Total	In- sured	Non- in- sured
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. ---	14,200	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. ---	18 700	4 900	16,300	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
1965. ---	21,800	6 200	19,100	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
1970. ---	26,300	8,900	22,000	12,580	2,860	9,720	1,420	350	1,070	4,750	1,220	3,520	7,360	1 330	6,030	137 1	40 1	97 0
1971. ---	26,400	9 000	22,800	15,150	3 830	11,320	1 490	370	1,120	5 180	1 300	3 880	8 590	1,510	7 080	151 4	45 0	106 4
1972. ---	27 500	9,500	24,000	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. ---	29,200	10 200	25,600	19 390	5 020	14,370	1,710	440	1 270	6 080	1,480	4 600	11,220	1 910	9,310	180 2	63 7	126 5
1974. ---	29,800	10 800	26 200	23,020	6 050	16,970	2,000	540	1,460	6,390	1 550	4 840	12,930	2,190	10 740	191 7	58 0	133 7
1975. ---	30,300	11,600	26 800	27,560	7,730	19 830	2 290	690	1 600	7,050	1,690	5,360	14 810	2,480	12 330	212 6	67 4	145 2

¹ Includes pay as you-go, multiemployer, and union administered plans, nonprofit organization plans, and railroad plans supplementing the Federal railroad retirement program. Excludes pension plans for Federal, State, and local government employees, pension plans for the self-employed, and IRA (individual retirement accounts) plans under the Employment Retirement Income Security Act. Insured plans are underwritten by insurance companies,

noninsured plans are, in general, funded through trustees

² Excludes beneficiaries

³ Includes refunds to employees and their survivors and lump sums paid under deferred profit-sharing plans

Source: Data furnished primarily by the American Council of Life Insurance and the Securities and Exchange Commission

Labor Statistics survey of plan reports filed with the Department of Labor in accordance with the reporting provisions of the Welfare and Pension Plans Disclosure Act

Coverage estimates for accidental death and dismemberment insurance plans are based on data from the Health Insurance Association of America

Estimates on private health insurance coverage are derived from reports of gross enrollment by the Health Insurance Association of America, the Blue Cross Association, the National Association of Blue Shield Plans, and independent health plans. These figures are adjusted by the Social Security Administration to exclude workers not actively employed and to allow for duplication resulting from participation in more than one plan, using benchmark data from a special household survey of employed workers made in conjunction with the April 1972 Current Population Survey of the Bureau of the Census

Coverage estimates for temporary and long-term disability are based on data from 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.

The coverage estimates of private retirement plans are based on gross figures for insured and

noninsured plans, adjusted—on the basis of benchmark data from a special survey of pension coverage of employed workers conducted in April 1972—to exclude workers not actively employed, workers with dual coverage, and workers with deferred vested rights from a previous job. Estimates for subsequent years are based on trends indicated by the financial data and worker-beneficiary relationships reported by the American Council of Life Insurance and the Securities and Exchange Commission

Estimates of coverage, contributions, and benefits under supplemental unemployment benefit plans have been revised for the years since 1968. These new estimates are based on data from a 1976 Bureau of Labor Statistics survey of SUB plan reports, filed for the years 1968-73, under the Welfare and Pension Plans Disclosure Act. Estimates for 1974 and 1975 were projected by the Social Security Administration from this survey data, supplemented by data from the National Income Accounts of the Department of Commerce,⁵ and by materials from trade-union and industry sources. Estimates for the years before 1968 are based on a previous Bureau of Labor Statistics survey of SUB plan reports.⁶ The estimates reported here exclude dismissal-

⁵ See the *Survey of Current Business*, July 1976, table 6 13

⁶ See Emerson H. Beier, "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969

wage and separation allowances except when such payments are financed by SUB funds covering temporary and permanent layoffs

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. Data on contributions, benefits, and reserves under insured plans are adjusted to exclude tax-sheltered annuities and the self-employed

The number of beneficiaries under pension plans refers to only those persons receiving

periodic payments at the end of the year. The retirement benefit amounts under noninsured plans include (1) refunds of employee contributions to individuals withdrawing 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 receiving retirement benefits equal to their contributions, and (3) lump-sum payments made under deferred profit-sharing plans. Because the data for these estimates do not permit distinction between such lump-sum benefits and monthly retirement benefits, precise data on average monthly or annual retirement benefit amounts cannot be derived. Estimates of per capita contributions are derived by dividing total annual contributions by the average number of employees covered during the year

Notes and Brief Reports

Dual Receipt of Disabled-Worker Benefits Under OASDHI and Workers' Compensation*

Since a number of social insurance programs to protect workers against income loss because of work-related disabilities have been established at different times, through a variety of government and private auspices, certain overlapping of benefits, gaps, and other problems have developed between the programs. The focus of considerable attention over the years has been the simultaneous receipt of benefits under the old-age, survivors, disability, and health insurance (OASDHI) and workers' compensation programs. At both the Federal and State level, attempts have been made to deal with the issue, preserving the rights of the individual worker to

* Prepared by Daniel N. Price, Division of Retirement and Survivors Studies, Office of Research and Statistics, Social Security Administration. Adapted from a paper presented before the Southern Association of Workmen's Compensation Administrators in San Antonio, Texas, July 20, 1977.

benefits for income loss and at the same time preventing unwarranted duplication of benefits. This note reviews the background and present status of Federal and State laws and discusses some of the recent experience under them.

HISTORY AND CURRENT STATUS OF OFFSET PROVISIONS

Federal Law

The Social Security Act first dealt with the wage losses associated with disability in 1954. At that time, periods of disability were excluded from a worker's earnings record for purposes of computing retirement and survivor benefits. In 1956, when cash disability benefits were established under the OASDHI program for workers aged 50 or older who were permanently and totally disabled, they were reduced dollar for dollar for workers' compensation payments. This offset provision, however, was eliminated in 1958.

In 1960 the disability insurance program was broadened to include workers under age 50, and a new offset provision was instituted in 1965. Several subsequent amendments to the Social