Employee-Benefit Plans, 1954–58

by Alfred M. Skolnik*

By the end of 1958, employee-benefit plans were covering 95 million persons—workers and their dependents—under some form of health insurance, 42 million persons under life insurance, and 19 million employees under private retirement insurance. The growth of these plans and the scope and adequacy of the protection provided are analyzed in the following article, which continues the annual series initiated by the Social Security Administration in 1958.

For most types of employee-benefit plans, 1958 was a year of limited growth. Primarily as the result of the economic recession that started in late 1957, the advances made in coverage, contributions, and benefits in 1958 were less than those of previous years. The gains appear more impressive when related to changes in the total employed labor force and in aggregate wage and salary disbursements, but this measure of growth has certain limitations when it is applied to periods of recession, particularly with respect to coverage.[1]

"Employee-benefit plan" is defined here to denote 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). Private plans written in compliance with State temporary disability insurance laws have been included in the series, but workmen's compensation and statutory provisions for employer's liability have been excluded. Also excluded are retirement and sick-leave plans for government employees, where the government in its capacity as an employer pays benefits directly to its employees.[2]

Government employees who are covered by employee-benefit plans that are underwritten by nongovernmental agencies are included, however, whether or not the government unit contributes to the financing of the program. Specifically involved here are plans providing government employees with group life insurance, accidental death and dismemberment insurance, and hospitalization, surgical, regular medical, and major medical expense benefits. The decision to include these plans has been influenced in part by the fact that most of the available data on employee-benefit plans do not readily permit a distinction to be drawn between plans for government employees and those in private industry.

An ever-increasing number of government employees covered by such programs are having their benefits financed in part by government contributions. The movement toward government financial participation received impetus when, in 1954, the Federal Government adopted a group life insurance and accidental death and dismemberment insurance program for its 2 million employees. During 1958, Wisconsin established a group life insurance program covering 16,000 State employees.

In the field of group health insurance, New York City pioneered as early as 1946 with the adoption of a privately underwritten program to which it contributed, affecting 40,000 city employees initially. At the State level, Massachusetts and New York enacted similar programs in 1956 for 33,000 and 88,000 State employees, respectively. The New York program was extended in 1958 to local government units outside New York City having a potential coverage of 300,000 employees. The passage of the Federal Employees Health Benefits Act (Public Law 86-382, approved September 28, 1959), which will go into effect July 1, 1960, is expected to stimulate further this movement among the States.

Highlights of 1958

Major developments in the field of employee-benefit plans in 1958 included the following:

(1) Further liberalization of hospital, surgical, and other health benefit plans, mainly in an effort to keep up with the rising cost of medical care. Fewer changes of this type were made, however, than in previous years. The Bureau of Labor Statistics reports that only 36 percent of a selected group of collective-bargaining settlements negotiated in 1958 provided for changes in health and welfare benefits, in contrast to 40 percent in 1957 and 45 percent in 1956.[3]

(2) Mounting concern over the problem of assuring retirees of adequate retirement income as the purchasing power of the dollar continued to drop. As a result of this concern, some pension plans have been experimenting with variable annuities,

---

* Division of Program Research, Office of the Commissioner.

[1] Coverage estimates are derived from sources that often continue to report persons as covered by employee-benefit plans even after they have left the payroll, whether voluntarily or involuntarily. In normal times no major distortions result, but in periods of recession, with a contraction in the employed labor force, the net effect is generally to show higher-than-usual jumps in the computed proportion of the employed wage and salary labor force covered by employee-benefit plans.

[2] For a discussion of the reasons for including or excluding certain types of "fringe" benefits and private or public plans, see Alfred M. Skolnik and Joseph Zisman, "Growth in Employee-Benefit Plans," *Social Security Bulletin*, March 1958, page 4; and Alfred M. Skolnik and Joseph Zisman, "Growth in Employee-Benefit Plans, 1954–57," *Social Security Bulletin*, March 1959, page 4. The various benefits are described in the latter article, pages 5–8.

[3] Department of Labor, Bureau of Labor Statistics, *Current Wage Developments*, February 1, 1959, No. 134, page 14.

'equity" benefits, or benefits linked to the cost of living. Many have adopted benefit formulas that base pensions on "final-average" earnings and/or increase the percentage of compensation or flat dollar amounts credited for each year of service. The continued preference for trust funds with diversified investment portfolios over insured pension plans, or for a combination of the two through "split-funding," has also been influenced by the desire to provide a hedge against inflation.

(3) Growth of comprehensive or "single-plan" major medical expense insurance, at a rate even faster than that of the supplementary or "corridor" type of major medical insurance. In 1958, 8,400 new comprehensive plans were written, covering three-quarters of a million employees — more than three times the number covered by the 1,220 new plans written in 1956. By way of contrast, the 4,350 new policies written in 1958 for supplemental major medical expense insurance covered about 235,000 fewer employees than were added in 1956. Featuring the growth of major medical expense insurance has been the extension of coverage to small firms. The average size of new groups covered for supplemental major medical expense insurance declined from 391 employees in 1956 to 178 in 1958; for comprehensive major medical expense insurance, the drop was from 179 to 89 employees.[4]

(4) Spread of separation-pay and severance-pay plans providing special payments to workers dropped from the payroll. Though such plans were not new, their development gained impetus as the result of the 1958 negotiations in the automobile and apparel industries. In the former industry, long-term employees permanently laid off were assured of lump-sum payments financed from existing supplemental unemployment benefit funds. In the latter industry, severance-pay funds were established for employees of firms going out of business; the funds are financed through employer contributions of 0.5–1.0 percent of payroll. The research department of the American Federation of Labor-Congress of Industrial Organizations reports that perhaps as many as 25 percent of all agreements in 1959 contained severance-pay provisions, in comparison with 16 percent in early 1956.[5]

(5) Introduction of group long-term disability insurance. This type of protection is generally for key executives and is designed to supplement existing group weekly indemnity and sick-leave plans by providing monthly income to totally disabled persons after their benefits under short-term plans have been exhausted by illnesses of long duration.

(6) First employees' cash indemnity insurance plan for regular dental care reported as negotiated under collective bargaining — between the Oil, Chemical, and Atomic Workers International Union and Helena Rubenstein, Inc. Dental plans previously included under collective bargaining provided for dental services, generally through health centers or group practice clinics operated by

[4] Institute of Life Insurance, *Group Insurance and Group Annuity Coverage*, 1958.

[5] For a description of some representative severance-pay plans, see Harland Fox and N. Beatrice Worthy, *Severance Pay Patterns in Manufacturing* (National Industrial Conference Board, Studies in Personnel Policy, No. 174), 1959.

Table 1.—*Estimated number of wage and salary workers and their dependents covered under employee-benefit plans,[1] by type of benefit, December 31, 1954 and 1956–58*

[In millions]

Type of benefit	1954			1956			1957			1958		
	Total	Employees	Dependents	Total	Employees	Dependents	Total	Employees	Dependents	Total	Employees	Dependents
Benefit for all wage and salary workers:												
Life insurance and death benefits [2]	30.9	29.8	1.1	37.8	35.5	2.3	40.5	37.8	2.7	41.8	39.0	2.8
Accidental death and dismemberment [3]	14.0	14.0	-------	17.3	17.3	-------	18.4	18.4	-------	18.7	18.7	-------
Hospitalization [4 5]	75.3	31.1	44.2	89.0	35.6	53.4	93.9	37.1	56.8	95.0	37.2	57.8
Written in compliance with law	*1.4*	*1.4*	-------	*1.5*	*1.5*	-------	*1.6*	*1.6*	-------	*1.5*	*1.5*	-------
Surgical [4]	66.2	27.8	38.4	82.0	33.2	48.8	87.8	35.0	52.8	89.5	35.2	54.3
Regular medical [4]	38.1	17.0	21.1	54.6	22.7	31.9	60.7	24.9	35.8	63.6	25.7	37.9
Major medical expense [4]	1.9	.8	1.1	8.3	3.6	4.7	12.4	5.1	7.3	16.2	6.3	9.9
Benefits for wage and salary workers in private industry:												
Temporary disability, including formal sick leave [6]	22.9	22.9	-------	25.2	25.2	-------	25.8	25.8	-------	24.9	24.9	-------
Written in compliance with law	*6.7*	*6.7*	-------	*7.1*	*7.1*	-------	*7.2*	*7.2*	-------	*6.9*	*6.9*	-------
Supplemental unemployment benefits [7]	-------	-------	-------	2.0	2.0	-------	1.9	1.9	-------	1.7	1.7	-------
Retirement [8]	14.2	14.2	-------	16.8	16.8	-------	18.2	18.2	-------	19.0	19.0	-------

[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 coverage (Institute of Life Insurance, *Group Insurance and Group Annuity Coverage*, 1954 and 1956–58) and self-insured death benefit plan coverage (based on data for various trade-union, mutual benefit association, and company-administered plans).

[3] Data from the Institute of Life Insurance (see footnote 2).

[4] Data from *Extent of Voluntary Health Insurance Coverage in the United States* (Health Insurance Council, 1954 and 1956–58) and from the Institute of Life Insurance (see footnote 2). In estimating number of employees covered under plans other than group insurance and union and company plans, 75 percent of all subscribers assumed to be employees. Data for hospitalization, surgical, and regular medical coverage include employees and their dependents covered by group major medical expense insurance under both supplementary and comprehensive plans. Comprehensive major medical plans, which include both basic hospital-surgical-medical benefits and major medical expense protection in the same insurance contract, covered 1,960,000 employees and 3,193,000 dependents in 1958.

[6] Includes private hospital plans written in compliance with State temporary disability insurance law in California, shown separately in next line.

[6] Data from the Health Insurance Council (see footnote 4). Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York, shown separately in next line.

[7] Based on trade-union and industry reports. Excludes dismissal wage and separation allowances, except when financed by supplemental unemployment benefit funds.

[8] Estimated by the Division 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; excludes annuitants.

Table 2.—*Estimated total employer and employee contributions* [1] *under employee-benefit plans,*[2] *by type of benefit, 1954 and 1956–58*

[In millions]

Type of benefit	1954	1956	1957	1958
Total	$6,897.4	$8,751.4	$9,899.7	$10,480.1
Benefits for all wage and salary workers:				
Life insurance and death benefits [3]	741.1	994.6	1,103.6	1,282.8
Accidental death and dismemberment [4]	33.5	49.7	56.5	60.9
Hospitalization [5] [6]	1,221.4	1,603.2	1,805.5	1,944.9
Surgical and regular medical [5]	684.2	897.5	1,021.3	1,075.5
Major medical expense [7]	18.0	94.0	169.0	266.0
Benefits for wage and salary workers in private industry:				
Temporary disability, including formal sick leave [8]	759.2	887.8	993.3	1,020.0
Written in compliance with law	*178.2*	*177.9*	*218.9*	*234.3*
Supplemental unemployment benefits [9]	----------	125.0	170.0	150.0
Retirement [10]	3,440.0	4,100.0	4,580.0	4,680.0

[1] Excludes dividends in group insurance, except for 1954 contributions for temporary disability, hospitalization, surgical and regular medical, and major medical expense benefits.

[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 (Institute of Life Insurance, *Group Insurance and Group Annuity Coverage,* 1954 and 1956–58) and self-insured death benefit costs (based on data for various trade-union, mutual benefit association, and company-administered plans).

[4] Data from Institute of Life Insurance (see footnote 3).

[5] Data from "Voluntary Health Insurance and Medical Care Expenditures, 1948–58," *Social Security Bulletin,* December 1959. In estimating contributions for employees under plans other than group insurance and union and company plans, 75 percent of subscription income attributed to employed groups.

[6] Includes private hospital plans written in compliance with State temporary disability insurance law in California; separate data not available for these plans.

[7] Unpublished data from the Health Insurance Association of America. Includes premiums for group supplementary and comprehensive major medical insurance.

[8] Data from "Income-Loss Protection Against Short-Term Sickness: 1948–58," *Social Security Bulletin,* January 1960. Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York, shown separately in next line.

[9] Based on trade-union and industry reports. Excludes dismissal wage and separation allowances, except when financed by supplemental unemployment benefit funds.

[10] Estimated by the Division 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.

union welfare funds. At the beginning of 1958 an estimated 225,000 employees were covered under these and other prepaid dental care plans sponsored by unions, employees, and/or employers.

(7) Passage of the Welfare and Pension Plans Disclosure Act. This Federal legislation requires that plan descriptions and annual reports on employee-benefit operations be filed with the Department of Labor. (This development was discussed in the BULLETIN for March 1959.)

Trends, 1954–58

Not all the developments listed above are reflected in the statistics presented in tables 1, 2, and 3. Group long-term disability insurance and dental care insurance, for example, are not yet extensive enough to be reported through the sources generally relied upon for data on voluntary insurance. Severance-pay benefits, while fairly widespread, are difficult to estimate because they are generally not funded but paid out of the current revenue of companies. To the extent, though, that severance-pay provisions are linked with supplemental unemployment benefits, their operations are reflected in the tables.

Coverage

In 1958, as in preceding years, more employees and their dependents were covered through their place of employment for hospital expense (95 million) than for any other type of benefit (table 1). More than 89 million persons were protected against the costs of surgery, and 64 million against regular medical expense. When employee coverage alone is considered, however, life insurance was the most common type of protection, covering about 39 million employees, with hospital expense insurance in second place and surgical expense insurance in third.

Primarily as the result of the economic recession, the annual increase in the number of employee participants from 1957 to 1958 was the lowest recorded since the first series estimates were made for 1954. Life insurance and major medical expense plans added the most employees—1.2 million each—from 1957 to 1958, but even this expansion fell short of the 2.3 million and 1.5 million additional employees reported under life insurance and major medical expense plans, respectively, in the preceding year.

Health insurance plans in general showed the greatest slackening in the increase in number of employees protected. Hospitalization insurance covered only 100,000 more employees in 1958 than in 1957, compared with an expansion of 1.5 million in the preceding year. The number of employees in surgical plans increased by only 200,000 in 1958 but by 1.8 million in 1957; the 1958 increase in the number covered under plans affording regular medical expense benefits was 800,000 in contrast to 2.2 million. Employee coverage under temporary disability and formal sick-leave plans actually dropped 0.9 million from 1957 to 1958; in the preceding year there had been a rise of 0.6 million.

Private pension plans fared somewhat better, with a 1958 increase of 800,000 in the number of participants, compared with a 1.4-million increase in 1957. Supplemental unemployment benefit plans continued the decline that started in 1957 after the heavy lay-offs in the automobile and steel industries; no major plans of this type have been adopted since 1956.

Since 1954, the greatest percentage gains in employee coverage have occurred in regular medical expense and major medical expense insurance. The gain in major medical insurance is to be expected because of the low base with which the series started in 1954—fewer than a million employees. Regular medical expense insurance, which covered 17 million employees in 1954, rose 51 percent in the next 4 years. Private pension plans and accidental death and dismemberment policies showed the next highest gains (34 percent each).

It is not surprising that those types of benefit plans with the greatest numerical coverage in 1954 showed the smallest percentage increases in the 4 years 1955–58—hospitalization (20 percent), life insurance (31 percent), surgical expense insurance (27 percent), and temporary disability insurance (9 percent). This may be a reflection of the fact that, as certain broad levels of coverage are achieved, it becomes easier to expand existing employee-benefit programs to include other types of benefits than to initiate new plans among employees who have no fringe benefits whatever.

The growth of coverage in 1958 was more pronounced for dependents than for employees, again reflecting the relative ease with which existing plans can be expanded to include new services or persons. Major medical expense insurance showed an increase in the number of covered dependents equal to the 1957 increase (2.6 million). Other health insurance plans protected 1-2 million more dependents in 1958 than in 1957, a much smaller increase than the 3-4 million rise of the preceding year.

The greatest percentage growth in dependents' coverage obviously took place in the relatively new fields of major medical expense and dependents' life insurance, each of which covered only 1.1 million persons in 1954. By 1958 the former was covering nine times as many dependents, and the latter almost three times as many. In plans covering dependents, as in those for employees, regular medical care protection showed a greater gain (80 percent) from 1954 to 1958 than insurance providing surgical benefits (41 percent) and hospitalization (31 percent).

Contributions

Employer and employee contributions to employee-benefit plans totaled an estimated $10.5 billion in 1958, a 6-percent rise from the 1957 estimate of $9.9 billion (table 2). This rate of increase was the lowest recorded since the series began in 1954. Contributions were lower in 1958 only for plans paying supplemental unemployment benefits. The reduction of work hours in the automobile and steel industries, where these plans are concentrated, had an immediate impact on contributions, which dropped from an estimated $170 million in 1957 to $150 million.

The largest dollar increases in contributions were for plans providing life insurance and hospitalization; percentagewise, the greatest gain was in premiums for major medical expense insurance (57 percent). Except for life insurance, no other type of plan showed an increase from 1957 to 1958 of more than 10 percent. The rate of increase from 1957 to 1958 was greater than that from 1956 to 1957 only for life insurance—16 percent compared with 11 percent.

Of the $10.5 billion paid in contributions in 1958, private retirement plans accounted for $4.7 billion or 45 percent. Next in order of magnitude were premiums for hospitalization, which amounted to $1.9 billion or 19 percent, and premiums for life insurance—$1.3 billion or 12 percent.

These percentages represent some shifting in the distribution of the contribution dollar since 1954. In that year, retirement plans absorbed 50 percent of all contributions, and hospitalization and life insurance took 18 percent and 11 percent, respectively. Other major types of plans consumed about the same proportion of the contribution dollar in 1958 as in 1954, with the exception of major medical expense insurance, where premiums rose from less than 1 percent to 3 percent.

Benefits

Benefits paid under all types of employee-benefit plans increased an estimated 11.5 percent — from $5.6 billion in 1957 to $6.2 billion in 1958 (table 3). This increase was smaller, both absolutely and relatively, than the increase of the preceding year. Accounting for the largest part of the dollar increase in benefit outlays were the hospitalization plans ($179 million), retirement plans ($150 million), and major medical expense plans ($102 million). In 1957, hospitalization and retirement plans also showed the greatest dollar increases, but life insurance ranked third.

Disbursements under supplemental unemployment benefit plans were an estimated $105 million in 1958—more than four times the 1957 amount. They rose rapidly in the first half of 1958, as the automobile and steel industries felt the full brunt of the recession, and continued at a fairly high level for the rest of the year as employment picked up slowly in these industries.

No other type of benefit plan (except major medical expense) increased its benefit outlays by more than 15 percent from 1957 to 1958. Benefits for retirement increased 13 percent, for hospital expense 10 per-

Table 3.—*Estimated benefits paid under employee-benefit plans,*[1] *by type of benefit, 1954 and 1956–58*

[In millions]

Type of benefit	1954	1956	1957	1958
Total	$3,526.5	$4,824.8	$5,599.5	$6,245.5
Benefits for all wage and salary workers:				
Life insurance and death benefits[2]	515.6	662.8	798.2	872.5
Accidental death and dismemberment[3]	25.1	30.5	36.7	42.2
Hospitalization[4] [5]	1,079.9	1,495.4	1,714.1	1,892.7
Written in compliance with law	*5.1*	*6.3*	*6.8*	*8.5*
Surgical and medical[4]	552.6	757.9	876.9	929.1
Major medical expense[6]	10.0	67.0	131.0	233.0
Benefits for wage and salary workers in private industry:				
Temporary disability, including formal sick leave[7]	623.3	796.2	867.6	871.0
Written in compliance with law	*132.0*	*151.2*	*178.2*	*183.7*
Supplemental unemployment benefits[8]	--------	5.0	25.0	105.0
Retirement[9]	720.0	1,010.0	1,150.0	1,300.0

[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 (Institute of Life Insurance, *Life Insurance Fact Book*, 1959, and estimates made by the Social Security Administration) and self-insured death benefits (based on data for various trade-union, mutual benefit association, and company-administered plans).

[3] Unpublished data from the Institute of Life Insurance.

[4] Data from "Voluntary Health Insurance and Medical Care Expenditures, 1948–58," *Social Security Bulletin*, December 1959. In estimating benefits paid to employees under plans other than group insurance and union and company plans, 75 percent of benefit expenditures attributed to employed groups.

[5] Includes private hospital plans written in compliance with State temporary disability insurance law in California, shown separately in next line.

[6] Unpublished data from the Health Insurance Association of America. Includes benefits paid under group supplementary and comprehensive major medical insurance.

[7] Data from "Income-Loss Protection Against Short-Term Sickness: 1948–58," *Social Security Bulletin*, January 1960. Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York, shown separately in next line.

[8] Based on trade-union and industry reports. Excludes benefits held in escrow in States where litigation was pending on the legality of supplementing State unemployment insurance benefits with supplemental unemployment benefits. Excludes dismissal wage and separation allowances, except when financed from supplemental unemployment benefit funds.

[9] Estimated by the Division 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.

cent, and for life insurance 9 percent. Benefits for temporary disability expanded the least—less than 1 percent.

In 1958 as in previous years, hospitalization benefits ($1.9 billion) were the largest single benefit outlay and accounted for 30 percent of all benefits paid. Private retirement benefits of $1.3 billion were next in magnitude and accounted for 21 percent, followed by surgical and regular medical benefits of $0.9 billion, equivalent to 15 percent of the total. Life insurance and temporary disability insurance plans were each responsible for 14 percent. In 1954, benefits for temporary disability ranked third and represented 18 percent of all disbursements.

Measuring Real Growth

Often of more significance than numerical changes in the number of employees covered and in the amounts contributed for various types of benefits is the extent to which these changes represent real advances in terms of the total wage and salary labor force and aggregate payrolls. For those types of benefits for which data for government employees are included, table 4 relates coverage and contributions to all employed wage and salary workers and their payrolls. For retirement, temporary disability, and supplemental unemployment benefits, which exclude data for government workers, coverage and contributions are related to the employed wage and salary labor force and payroll in private industry.

In 1958, growth in coverage kept ahead of the growth in the labor force for every type of employee benefit except temporary disability and supplemental unemployment benefits. By the end of the year, 70 percent of the Nation's employed wage and salary labor force had life insurance coverage, compared with 66 percent in 1957; 67 percent had some form of health insurance coverage, in comparison with 65 percent in 1957. Private pension plans covered 40 percent of the wage and salary labor force in private industry, an increase for the year of 3 percentage points.[6]

Since 1954, all major types of benefits except temporary disability have shown an increase of at least 7 percentage points in the proportion of the labor force covered. Regular medical expense insurance showed the greatest increase (14.0 percentage points), followed by life insurance (13.6 points) and surgical expense insurance (10.5 points).

Table 4 also shows annual increases in contributions as a percent of aggregate wages and salaries for all types of employee benefits except supplemental unemployment benefits. For some benefits the increase in contribution rates was greater in 1958 than in 1957. Life insurance contributions advanced from 48 cents per $100 of aggregate wages and salaries in 1957 to 56 cents in 1958, or 8 cents per $100, in contrast to a rise of 2 cents per $100 from 1956 to 1957. Hospitalization and major medical expense insurance also showed greater increases in 1958 (6 cents and 5 cents per $100) than in 1957 (5 cents and 3 cents per $100).

For other benefits, there was a slackening in the annual rate of increase in contribution rates. Employer-employee contributions to retirement plans increased only 8 cents per $100 of private wages and salaries (from $2.31 in 1957 to $2.39 in 1958), in contrast to the 15-cent rise registered for the preceding year. Contributions for surgical and regular medical benefits rose only half as much in 1958 as in 1957, when measured in terms of payroll.

A precautionary note must be made here with respect to these measurements of growth. Estimates of coverage, contributions, and benefits are based for the most part on reports by private insurance companies and other nongovernment agencies. The insurance industry generally bases its reports on active participants—a group not necessarily restricted to

Table 4.—*Coverage and contributions under employee-benefit plans,*[1] *by type of benefit, in relation to employed wage and salary labor force and payroll, 1954 and 1956–58*

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[2]						Covered employees as percent of wage and salary workers in private industry[3]		
1954	56.2	26.4	58.7	52.5	32.1	1.5	49.9	----------	31.0
1956	62.5	30.4	62.8	58.5	40.0	6.3	51.3	4.1	34.2
1957	66.0	32.2	64.8	61.2	43.5	9.0	52.2	3.6	36.9
1958	69.8	33.5	66.6	63.0	46.1	11.3	52.1	3.6	39.8
	Employer and employee contributions as percent of all wages and salaries[4]						Employer and employee contributions as percent of wages and salaries in private industry[5]		
1954	0.04	0.02	0.66	[6] 0.37		0.01	0.47	----------	2.12
1956	.46	.02	.74	[6] .41		.04	.47	0.07	2.16
1957	.48	.02	.79	[6] .45		.07	.50	.09	2.31
1958	.56	.03	.85	[6] .47		.12	.52	.08	2.39

[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 employees—55.9 million in 1958. (Table VI-14 in *U. S. Income and Output, A Supplement to the Survey of Current Business*, 1958, and in *Survey of Current Business, National Income Number*, July 1959.)

[3] Coverage of private employees related to wage and salary employed labor force in private industry—47.7 million in 1958 (from table VI-14 in sources listed in footnote 2).

[4] Amounts for private and public employees related to private and government wages and salaries—$229.6 billion in 1958 (from table VI-2 in sources listed in footnote 2).

[5] Amounts for private employees related to wages and salaries in private industry—$196.2 billion in 1958 (from table VI-2 in sources listed in footnote 2).

[6] Data on contributions for surgical and regular medical benefits not available separately.

[6] If government employees covered by Federal, State, or local public retirement systems were included, the proportion of the entire employed labor force covered by retirement plans would have been 45 percent in 1958 and 42 percent in 1957.

wage and salary workers currently employed.

Some group life and health insurance policies are sold, for example, to trade, farm, professional, and other associations, including veterans' groups and credit unions, that include in their membership persons not in the wage and salary labor force. According to a study by the Institute of Life Insurance, more than 3 percent of the group life certificates held in 1956 had been issued to members of such institutions.[7]

Active participants may also include persons who have been temporarily laid off or retired. The practice of continuing the coverage of a retired worker as a member of the existing group is particularly prevalent in group life insurance and is becoming increasingly significant in group health insurance.[8] Many group plans permit a person who is temporarily laid off to continue his group life or health coverage, on payment of premiums, for 3-6 months or even longer.

The treatment of the laid-off worker has special implications for coverage estimates under pension plans. Insurance companies include in their reports persons who may be eligible for deferred paid-up benefits, even though they are no longer working in the establishment that has the plan. Some noninsured plans also report as covered workers those who have left employment after having built up a vested right to a pension. In the steel industry, pension coverage continues during lay-off for as long as 2 years under the terms of the standard pension plans.

No attempt has been made in this series to adjust data on coverage, contributions, and benefits for any overstatement that might result from the inclusion of persons who are laid off, retired, or otherwise not currently employed as wage and salary workers. Conceptually, a good case can be made for including retired and laid-off persons, since it can be maintained that benefits paid to them certainly stem from the employment relationship. Moreover, if the number of retired and laid-off workers does not fluctuate wildly from year to year, the absolute figures lend themselves to trend analysis without too much distortion.

A problem does develop, however, when attempts are made to relate data on number of workers covered and on amounts contributed under employee-benefit plans to total labor-force and payroll data for wage and salary workers. Ratios so computed are bound to be overstated since the numerator of the fraction will include persons who are no longer on the payroll and whose contributions, unless paid or shared by employers, bear little relationship to the Nation's current wage and salary bill. These limitations must be kept in mind when using these ratios or indexes of growth. The problem can be expected to grow in dimension as an increasing number of employee-benefit plans make arrangements to continue coverage for retired or laid-off workers.

Health and Welfare Benefits

To what extent do the increases in aggregate benefits under employee-benefit plans represent a liberalization of benefits that enhances the real value or quantity of the protection received? To what extent do they reflect other factors—the growth in the number of employees and their dependents covered by the plans, for example, or the increased cost of providing the same amount of protection or services?

Hospital Benefits

Hospital benefits (including those paid under major medical expense insurance) increased in the aggregate 85 percent from 1954 to 1958. When measured in terms of benefits per participant, the increase was 47 percent. Of this increase, probably more than half can be attributed to a rise in the cost of hospital care, if the 26-percent increase in hospital-room rates reported in the Bureau of Labor Statistics consumer price index can be considered indicative of hospitalization prices in general. Thus, probably less than one-fourth of the increase in aggregate benefit outlays for hospitalization during the 4-year period can be said to relate to additional services received by insured persons.

An analysis of the data for the 4 years seems to indicate that this increase in protection has been at a steady pace. Benefits expended per participant rose 23 percent from 1956 to 1958 and 19 percent from 1954 to 1956, but the cost of hospital care, as represented by hospital-room rates, also rose more from 1956 to 1958 (14 percent) than in the preceding 2 years (10 percent). The net effect is a real gain of about 9 percent for each period. These measures of growth are rough, since changes in hospital utilization rates—the number of hospital days used per subscriber — during the period studied have not been taken into account.

A real gain in protection is indicated by the extension of maximum duration of stay in hospitals. The Health Insurance Institute survey of 181 insurance companies in 1954 disclosed that 51 percent offered a maximum of 90 days a year and 20 percent offered 120 days or more.[9] A 1958-59 study of 188 companies indicated that about 32 percent would underwrite 120 days or more and that 18 percent would cover hospitalization up to a year. These data refer to individual as well as group hospital policies offered for sale. A Bureau of Labor Statistics study of 90 hospital plans under collective bargaining shows that between late 1954 and early 1958 about 1 out of 4 plans lengthened the period during which full benefits are available.[10]

[7] *Life Insurance Fact Book*, 1959 edition, page 29.

[8] According to Institute of Life Insurance estimates, more than two-thirds of the persons covered by group life insurance plans are under programs that provide for the continuation of coverage after retirement, although for reduced amounts in most cases. A study by the New York State Insurance Department showed that in 1956 about one-third of the employees covered under group hospital expense contracts in the State were in plans that continued benefits of some type after retirement; almost two-thirds of these employees have had this benefit added since 1952 (*Voluntary Health Insurance and the Senior Citizen*, 1958, pages 23-27).

[9] *The Eastern Underwriter*, August 21, 1959, page 33.

[10] Dorothy Kittner Greene and Harry E. Davis, "Changes in Selected Health and Insurance Plans, 1954 to 1958," *Monthly Labor Review*, November 1958, pages 1243-1249.

This 4-year period also saw a trend toward higher daily allowances for hospital room and board. The 1954 study by the Health Insurance Institute revealed that 72 percent of the companies surveyed offered policies with hospital benefits of $15 a day or more, about 11 percent offered $20 a day, and 4 percent $25 or more. The 1958-59 review of 188 insurance companies indicated that 93 percent offer maximum daily hospital benefits of $15 or more, 32 percent $20 a day or more, and 17 percent $25 or more.

The Bureau of Labor Statistics study of collectively bargained plans shows that 3 out of every 5 plans providing cash room and board benefits raised benefit amounts — most frequently by $2 a day—between late 1954 and early 1958. According to data gathered by the Institute of Life Insurance, the average daily allowance provided for employees by group hospital plans in force that were underwritten by commercial insurance carriers increased from $9.17 in 1954 to $11.01 in 1958.[11]

It is apparent that these increases in cash allowances for the most part no more than kept pace with the increased cost of hospital care. To the extent, though, that hospital coverage is provided through service benefit plans that compensate hospitals directly for the full costs of specified hospital care, there is no appreciable gap between payments and rising costs. The Bureau of Labor Statistics showed that, during the period 1954-58, six of the 90 collectively bargained plans shifted from a cash basis to a service basis, although a majority (48) still provided cash indemnity.

The increase in allowances for hospital "extras," either fully paid by the plan or coinsured by the employee, parallels increases in the daily allowance for room and board and like them reflects the fact that hospital charges have gone up. The Bureau of Labor Statistics reported that a third of the 90 plans under collective bargaining were revised between 1954 and 1958 to liberalize ancillary benefits. Under many service plans, the kinds of services made available were expanded. Ten of the 48 plans providing cash benefits for room and board increased the maximum amount payable for hospital "extras."

Surgical and Other Medical Benefits

Surgical and regular medical benefit payments, including those under major medical expense policies, increased in the aggregate 88 percent from 1954 to 1958. In terms of benefits per participant the increase was 39 percent, of which perhaps two-fifths can be attributed to the rise in costs, as represented by physicians' and surgeons' fees in the consumer price index. Thus, only a little more than one-fourth of the 1954-58 increase in aggregate benefit outlays for surgical and other medical care may be due to improvements in the scope and adequacy of the benefits.

There is some indication that this improvement may have been more rapid in the second half than in the first half of the 1954-58 period. Although the cost of surgical and other medical care rose faster from 1956 to 1958 than in the preceding 2 years, the benefits expended per participant increased at an even faster pace. The net effect in terms of real improvement in protection is an estimated increase of 8 percent for the first 2 years and 13 percent for the second 2 years. These gains again are based on the assumption that there was no material change in the volume of sickness for which insured medical attention was furnished.

One major source of the increased protection has been the growth of major medical expense plans providing benefits when the basic medical insurance falls short of adequate protection — during periods of extended illness, for example, or when large expenses are necessary for intricate surgical procedures or private day and night nurses. Another source of increased protection has been the addition under regular medical expense contracts of provisions for physicians' services in the home and office for workers and dependents.

Some general increases have also been recorded in the amounts allowed for surgical and regular medical benefits, but these changes have been mainly brought about by the need to keep existing benefits abreast of the increased cost of medical care. The insurance industry reports that the average maximum surgical benefit for employees under group surgical expense insurance rose from $219 in 1954 to $243 in 1958, or 11 percent.

According to the Bureau of Labor Statistics study of negotiated plans, about 2 out of 5 cash indemnity plans between late 1954 and early 1958 increased the maximum schedule allowance for surgery and the maximum amount payable in nonsurgical cases for all treatments—per year or per disability—by physicians in the home, office, or hospital. Comparatively few cash plans, however, increased the allowance payable for each medical treatment, and there was little change reported in the type or number of services provided by plans on a service basis.

Temporary Disability Benefits

According to the Institute of Life Insurance, the average weekly benefit for all group disability insurance policies in force in 1958 was $35.39—17.5 percent higher than the 1954 average of $30.13. Six out of 7 of the collectively bargained plans included in the Bureau of Labor Statistics study showed increases from 1954 to 1958 in weekly payments for nonoccupational disabilities — for plans providing uniform sums, by amounts ranging from $2.50 to $15, but most frequently by $5. Since gross average weekly earnings of production workers in manufacturing industries rose 16.2 percent during the 4 years, it appears that increases in benefit amounts have more than kept pace with advancing wage rates.

Another measure of growth is available through the use of the procedures developed by the Division of Program Research in its annual series on income-loss protection against short-term sickness.[12] Relating the amounts paid under employee-benefit plans to the income lost by covered wage and salary

[11] Institute of Life Insurance, *Group Insurance and Group Annuity Coverage*, 1954 and 1958.

[12] See Alfred M. Skolnik, "Income-Loss Protection Against Short-Term Sickness: 1948-58," *Social Security Bulletin*, January 1960.

workers gives a rough measurement of the extent to which benefits represent real gains in the scope of protection provided. Use of this method shows that cash sickness benefits paid under private plans (including formal sick-leave plans) replaced 29.3 percent of the gross income loss of workers covered by such plans in 1958 and 26.7 percent in 1954.

This index of growth reflects not only changes in weekly benefit amounts but also changes in maximum duration of benefit and in length of waiting period. Private plans under New York's compulsory disability insurance law, for example, had to assure workers of 26 weeks of benefits in 1958, if they were disabled that long, but in 1954 the statutory requirement was only 13 weeks.

The index also reflects the growing influence of formal sick-leave plans, which by generally providing for 100-percent continuance of pay from the first day of sickness can be expected to replace a greater proportion of lost income than insurance plans. From data collected by the Bureau of Labor Statistics in its Community Wage Surveys,[13] it is estimated that the number of employees covered by formal sick-leave plans increased 15–20 percent during 1954–58.

Life Insurance

For group life insurance, the most meaningful measure of changes in real protection is found in the face value of the policies. As reported by the Institute of Life Insurance, these amounts increased in the aggregate by 67.0 percent from 1954 to 1958 for all employee policies in force. In terms of the average amount of insurance per employee certificate, the increase was 25.2 percent — from $3,120 to $3,905. This increase markedly outstripped the 17.3-percent rise in average annual earnings during the 4 years. The greater part of the gain took place in the second half of this period, during which the average amount of insurance per certificate rose 11.3 percent and average annual earnings 6.9 percent.

Negotiated plans studied by the Bureau of Labor Statistics illustrate the advances in this area. More than half the life insurance plans were revised between late 1954 and early 1958. In most cases, the insurance specified under uniform plans was increased by amounts ranging from $250 to $4,500, but most frequently by $500, $1,000, or $1,500. Under graduated plans that increased coverage by realigning wage categories, the effects varied for workers in different wage brackets. For workers earning $4,000 a year, protection was increased in only about a third of the plans revised in this manner. Some of the plans improved coverage by eliminating or revising provisions requiring a reduction in the amount of insurance for workers reaching a specified age.

Recent Trends in Retirement Plans

As would be expected, coverage and contributions under private pension plans did not increase at the same rate in the recession year 1958 as in preceding years. In fact, the 4.4-percent gain in coverage was the smallest since 1950. The 2.2-percent increase in employer-employee contributions was also the smallest for the period (except that for the earlier recession year, 1954). On the other hand, the number of beneficiaries and amount of benefits, representing the fulfillment of earlier obligations, continued to show uninterrupted growth.

Coverage

In 1958 about 800,000 employees were added to the coverage of private pension and deferred profit-sharing plans, bringing the total to an estimated 19 million (table 5). More than three-fourths of those protected under private plans were under noninsured plans, such as "trusteed" funds, multi-employer plans, union plans with no employer participation, pay-as-you-go plans, plans of nonprofit organizations, and deferred profit-sharing plans.[14] The remainder were covered under insured plans underwritten by private insurance companies. These estimates, of course, exclude employees who have not yet met the age and/or service requirements for participation in the plan.

Since 1950, coverage under noninsured programs has more than doubled, and that under insured plans has increased by about three-fourths. The rise in coverage under insured plans has been accompanied by substantial growth in "deposit administration" plans. These plans provide for maintaining premiums on deposit in an undivided account until an employee retires. At that time the insurance company withdraws an amount sufficient to purchase (at the then guaranteed rates) the life annuity to which the employee is entitled. Under other group annuity plans, premiums are immediately and directly allocated to the purchase of benefits for specific employees. In 1950, such plans accounted for 10 percent of insured coverage; by 1958, the ratio was 30 percent.[15]

The coverage estimates for the series have been revised to take more fully into account the number of workers in the railroad industry who are covered by supplementary pension plans. About 3 out of every 10 workers protected by the Railroad Retirement Act are also covered by supplementary railroad pension plans, at least with respect to earnings in excess of the maximum creditable under the act.[16] About one-fifth of the supplementary plans, accounting for 2 out of 5 of the employees covered by these plans, were established before passage of the Federal act in 1937. Other upward revisions in coverage are based on more complete data compiled on multi-employer plans.

The coverage estimates make some allowance for overlap between plans of different types. Many of those covered under trade-union plans, for example, are also members of other plans, especially multi-employer plans. There is also considerable

[13] Department of Labor, Bureau of Labor Statistics, *Wages and Related Benefits, 1953–54* and *Wages and Related Benefits, 1957–58* (Bulletins No. 1157 and No. 1224–20), 1954 and 1959.

[14] See the *Bulletin* for March 1959, page 8, for a description of these types of plans.

[15] Institute of Life Insurance, *Life Insurance Fact Book*, 1953 and 1959 editions.

[16] Railroad Retirement Board, *Supplementary Pension Plans in the Railroad Industry*, 1957.

overlap between deferred profit-sharing plans and pension plans. Employees covered under both insured and noninsured plans have been counted under the former category. The total number under noninsured plans is thus somewhat understated.

Estimates of coverage under insured plans are derived from insurance industry reports that include in their totals inactive as well as active "lives." In other words, the reports include retired workers (annuitants) and persons with deferred paid-up annuities who may be unemployed or who may have changed jobs. The coverage estimates have been adjusted to eliminate annuitants, but no attempt has been made to correct the figures for the second group.

The estimates of coverage under noninsured plans are based on various sources, including the annual reports of industrial concerns, union health and welfare funds, and nonprofit organizations. The data usually exclude pensioners and participants no longer employed by the company, though this exclusion is not always possible, especially with respect to former employees who have acquired vested rights to deferred pension benefits.

Employer and Employee Contributions

Almost $4.7 billion, it is estimated, was contributed in 1958 by employers and employees to finance private retirement plans—approximately $3,970 million by employers and $710 million by employees. The proportion contributed by employers has been virtually the same—about 85 percent—from 1950 to 1958. The employers tend to contribute relatively more for the noninsured plans than for insured plans; in 1958 the proportions were 87 percent and 80 percent.

As would be expected from the greater increase in coverage, total contributions for noninsured plans since 1951 have increased much more (93 percent) than those for insured plans (53 percent). The average employer-employee contribution per employee rose for noninsured plans from $210 in 1951 to $219 in 1958, and that for insured plans declined from $375 to $355.

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

Beneficiaries and Benefits

The number of persons receiving periodic payments from private pension funds at the end of 1958 totaled an estimated 1,410,000. The year's advance of 160,000 was the largest recorded since the series began. The number of beneficiaries under noninsured plans increased 100,000 to a total of 970,000; the number under insured plans went up 60,000 to 440,000. The proportion of beneficiaries under noninsured plans—about 69 percent—has varied little over the years.

Most but not all current beneficiaries are recipients of benefits under the Federal programs of old-age, survivors, and disability insurance or railroad retirement. An estimated 210,000 had worked in noncovered employment or retired before they met the age and/or work requirements to qualify for old-age retirement under these two Federal programs.[17] Included among the beneficiaries under insured plans are a small but indeterminable number of survivors who are receiving periodic benefits based on the retirement credits of deceased employees. Many of these survivors are probably receiving widow's benefits under a Federal program.

The 1958 increase of $150 million in benefit payments was unequaled during the period under review except in 1956, when the same advance was registered. Of the total of $1.3 billion expended from private pension funds in 1958, $1.0 billion or 77 percent was paid under noninsured plans. This ratio has shown little change since 1950.

The benefits under noninsured plans include (1) refunds of employee contributions to individuals who withdraw from the plans before re-

[17] This figure includes perhaps as many as 35,000 persons under age 65 who were receiving disability insurance benefits under the Federal programs.

Table 5.—*Private pension and deferred profit-sharing plans:*[1] *Estimated coverage, contributions, beneficiaries, benefit payments, and reserves, 1950–58*

Year	Coverage,[2] 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	Insured	Noninsured	Total	Insured	Noninsured	Total	Insured	Noninsured	Total	Insured	Noninsured	Total[3]	Insured	Noninsured[3]	Total	Insured	Noninsured
1950	9,800	2,600	7,200	$1,750	$720	$1,030	$330	$200	$130	450	150	300	$380	$90	$290	$11.7	$5.6	$6.1
1951	11,000	2,900	8,100	2.260	820	1,440	380	210	170	540	170	370	460	110	350	14.2	6.6	7.6
1952	11,700	3,200	8,500	2,510	910	1,600	430	240	190	650	200	450	540	130	410	16.9	7.7	9.2
1953	13,200	3,400	9,800	2,930	1,010	1,920	480	260	220	750	230	520	620	150	470	19.8	8.8	11.0
1954	14,200	3,600	10,600	2,930	1,030	1,900	510	270	240	880	270	610	720	170	550	23.1	10.0	13.1
1955	15,400	3,800	11,600	3,190	1,100	2.090	550	280	270	990	300	690	860	200	660	26.5	11.2	15.3
1956	16,800	4,000	12,800	3,490	1,110	2,380	610	290	320	1,110	340	770	1,010	230	780	30.3	12.4	17.9
1957	18,200	4,400	13,800	3,900	1,230	2,670	680	300	380	1,250	380	870	1,150	260	890	34.8	14.0	20.8
1958	19,000	4,500	14,500	3,970	1,270	2,700	710	310	400	1,410	440	970	1,300	300	1,000	39.3	15.5	23.8

[1] Includes pay-as-you-go, multi-employer, and union-administered plans and 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.

[2] Excludes annuitants.

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

Source: Social Security Administration, Division of the Actuary.

tirement 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 data from which the estimates have been developed does not make it possible to distinguish between these lump-sum benefits and the amounts representing monthly retirement benefits, average monthly or annual retirement benefit amounts cannot be derived.

Changes in existing pension plans in 1958 mainly dealt with improvements in the benefit formula, liberalizations of disability benefits, and increased provisions for vesting. In the automobile and related industries, changes were patterned after the agreement between the United Automobile Workers and the Ford Motor Company. This agreement raised the benefit rate for normal retirement on a gradual basis from $2.25 for each year of credited service to $2.50 a year and for disability and early retirement (at the employer's option) from $4.50 a year to $5.00. The latter rate reverts to the rate for normal retirement when the beneficiary attains age 65 or becomes eligible for Federal old-age, survivors, and disability insurance benefits. Under the old contract, benefits under the Federal program were deductible from the disability benefit payable by the company. Workers retired before the agreement received a somewhat smaller increase in benefits—to $2.35 a month for each year of service.

One exception to the trend toward improved pension benefits was the action taken by the United Mine Workers Anthracite Health and Welfare Fund. As a result of declining tonnage in coal mined, the trustees of the fund were forced in 1958 to reduce monthly pension benefits for 16,000 pensioners from $50 to $30. Until 1954 the payment had been $100 a month.

Vesting provisions that transfer to the employee who is separated before retirement the right to the accrued pension resulting from his employer's contributions were found in an increasing number of pension plans in 1958, according to reports of negotiated settlements. The Bureau of Labor Statistics study of 300 selected pension plans shows that almost 3 out of 5 plans in late 1958 had such provisions.[18] An earlier Bureau study of 300 plans in effect in 1952, including 219 common to both studies, revealed only 25 percent of the plans with vesting provisions.

In a recent study of vesting provisions made by the Bureau of Old-Age and Survivors Insurance,[19] based on a review of various surveys, it is estimated that about half the employees covered by pension plans in 1958 were members of plans that provided for vesting. Studies for 1950–54 showed a range of 13–40 percent in the proportion of employees covered by plans that had vesting provisions. It was also concluded that perhaps as many as one-fourth of all employees with pension coverage in the late 1950's could obtain vested rights, with no more than 10 years of service, at age 40 or less or regardless of age.

Reserves

At the end of 1958, an estimated $39.3 billion was accumulated in reserves maintained by insured and noninsured private retirement programs — $4.5 billion more than in 1957. Although the rate of increase (13 percent) was the lowest since 1950, the increase in absolute dollars equaled that of 1957 and was the highest for any year.

Approximately 39 percent of the 1958 reserves, or $15.5 billion, was held by insured plans; in 1950 the proportion was 48 percent. This drop, and the corresponding rise in the proportion of reserves accumulated by the noninsured plans, is attributable to the fact that many noninsured plans are relatively new. As they grow older, their assets grow in significance.

The average reserve per employee is much larger under insured plans than under noninsured plans. Two possible reasons are that noninsured plans often operate on less than full actuarial reserves and that the newer plans (with less time to build reserves) are found in the noninsured group. The relative difference is narrowing somewhat. In 1951 the average reserve per employee covered by insured plans was $2,400 or almost two and one-half times the $993 average under noninsured plans. In 1958 the average amount under insured plans ($3,483) was only slightly more than twice that under noninsured plans ($1,681).

[18] Department of Labor, Bureau of Labor Statistics, *Pension Plans Under Collective Bargaining, Late 1958*, Bulletin No. 1259, July 1959, page 4.

[19] Joseph Krislov, *Vesting in Private Pension Plans*, Bureau of Old-Age and Survivors Insurance, Division of Program Analysis (Analytical Note No. 102), January 1960.