Growth in Employee-Benefit Plans, 1954–57

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More than $5.6 billion was paid under employee-benefit plans during 1957 to workers covered by the plans and to their dependents. Because many of the plans supplement government measures for economic security, their operations are of special interest to students of social security and are reported each year in the Bulletin. The following article, in addition to bringing together information on developments during 1954, 1956, and 1957, describes the type of benefits furnished and the methods used to underwrite them.

DESPITE the downswing in the economy in late 1957, employee-benefit plans showed growth for the year as a whole. Coverage under the major types of plans expanded 2–10 percent, aggregate contributions increased 13 percent, and aggregate benefit payments rose 16 percent from 1956 to 1957. These data and other developments in the field of employee health and pension plans are discussed and analyzed in this article, which continues the annual BULLETIN series initiated in 1958.[1]

The term "employee-benefit plan," as used here, denotes 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). For reasons cited in the 1958 article, 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.

This concept of "employee-benefit plan" and the problems posed by inclusion or exclusion of individual items were examined and reviewed by a small group of consultants called together by the Division of Program Research early in 1958. For the most part, the group agreed that the concept used was adequate and useful and that the classifications adopted were probably the most practical since much of the available data do not permit further refinements.

At the suggestion of the group the tables now show separately, wherever possible, data on temporary disability benefits and hospital benefits provided under private plans written in compliance with compulsory temporary disability insurance laws in California, New Jersey, and New York. In this way, persons desiring to limit data on employee-benefit plans to purely voluntary activity can subtract from the totals the private plans under temporary disability insurance laws.

Besides determining whether particular types of private plans are to be classified as social insurance or as employee-benefit plans, decisions need to be made as to what kinds of benefits are properly included as "employee benefits." In general, the intent is to include benefits that are designed to supplement social insurance benefits and add to the economic security of the employee and his dependents by providing payments in cases of premature death, accidents, sickness, retirement, and unemployment. In these plans the risks are generally covered through prepayment arrangements, whereby contributions or premiums are collected in advance to meet the cost of the specified benefits that are provided when the contingency occurs.

The series thus excludes such "fringe" benefits as paid vacations, holidays, and rest periods; leave from work with pay (except sick leave); savings and stock purchase plans; discount privileges; and free meals. One minor inconsistency may be noted—the exclusion of dismissal and separation allowances paid to workers upon discharge from employment. These benefits conceptually might be included under "supplemental unemployment benefits" but have been excluded because there are no reliable estimates as to their magnitude.

The rapid growth of employee-benefit plans in recent years and the increasing reliance of employees and their dependents on these plans for their well-being and security have been accompanied by growing concern on the part of the Federal Government and the States for the sound administration of the plans. As a result the Eighty-fifth Congress enacted the Welfare and Pension Plans Disclosure Act (Public Law 85–836), approved by the President on August 28, 1958. Between 1955 and 1957, six States—California, Connecticut, Massachusetts, New York, Washington, and Wisconsin—also enacted legislation. All these laws require the filing of plans and annual reports on their operations, with copies to be made available for inspection by interested parties and the public. The State laws, in addition, have certain regulatory features. All the States exclude plans that do not involve a trust fund; other exemptions vary from State to State.

The Federal law, which became effective January 1, 1959, covers all plans except those covering 25 or fewer employees, plans administered by

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[1] See Alfred M. Skolnik and Joseph Zisman, "Growth in Employee-Benefit Plans," *Social Security Bulletin*, March 1958.

an agency or instrumentality of the Federal Government or of a State, and plans established and maintained solely to comply with workmen's compensation or temporary disability insurance laws. The law requires that plan descriptions and annual reports must be filed with the Secretary of Labor. The plan description is to include the schedule of benefits, the source of financing, the method of underwriting, claims procedures, and the relationship to collective bargaining agreement. The annual report, to be published within 120 days after the end of the plan's calendar or fiscal year, must show data on amounts contributed, benefits paid, employees covered, assets, liabilities, and underwriting and administrative expenses.

Information of this kind could provide valuable data for the study of characteristics of plans as well as of magnitudes and trends in coverage, contributions, benefits, and related items. Some difficulties in securing uniform and complete data may be encountered, however, since plan administrators are not required to use the forms prepared and made available by the Secretary of Labor. Moreover, the Secretary of Labor has no enforcement or interpretative powers.

Table 1.—*Estimated employee coverage of employee-benefit plans,[1] by type of benefit and method of underwriting, December 31, 1957*

[Numbers in millions]

Type of benefit	Employees covered by plans insured through—							
	Total		Commercial insurance		Blue Cross or Blue Shield		Other	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Benefits for private and public employees:								
Life insurance and death benefits [2]	37.9	100.0	36.0	95.0			1.9	5.0
Accidental death and dismemberment [3]	18.4	100.0	18.4	100.0				
Hospitalization [4 5]	37.1	100.0	18.4	49.6	16.5	44.5	2.2	5.9
Surgical [4]	35.1	100.0	19.0	54.1	13.6	38.8	2.5	7.1
Regular medical [4]	24.9	100.0	11.3	45.4	11.1	44.6	2.5	10.0
Major medical expense [4]	5.1	100.0	5.1	100.0				
Benefits for private employees only:								
Supplemental unemployment benefits [6]	1.9	100.0					1.9	100.0
Temporary disability, including formal sick leave [7]	25.8	100.0	21.4	82.9			4.4	17.1
Retirement [8]	17.7	100.0	4.5	25.4			13.2	74.6

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 (Life Insurance Association of America, *Group Insurance and Group Annuity Coverage*, 1957) 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 Life Insurance Association of America (see footnote 2).

4 Data from *Extent of Voluntary Health Insurance Coverage in the United States* (Health Insurance Council, 1957) and from the Life Insurance Association of America (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 covered by group major medical expense insurance under both supplementary and comprehensive plans.

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

6 Based on trade-union and industry reports. Excludes dismissal wage and separation allowances.

7 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.

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.

Types of Benefits

The types of benefits provided by employee-benefit plans reflect to a large extent the manner in which they are underwritten. Three ways of underwriting are generally used: (1) insurance through commercial insurance carriers; (2) insurance through nonprofit Blue Cross, Blue Shield, and other medical-society-sponsored organizations; and (3) insurance through other organizations or self-insurance by the employers, trade unions, employee mutual benefit associations, or union-management funds providing the benefits (table 1).

Commercial carriers underwrite all types of benefits except paid sick leave and supplemental unemployment benefits. Blue Cross and Blue Shield plans underwrite only hospitalization, surgical, and other medical care benefits. The other types of insured or self-insured plans provide all kinds of employee benefits except "accidental death and dismemberment" insurance and "major medical expense" insurance.[2]

Regardless of the method of underwriting, most employee-benefit plans extend protection to dependents of employees for specified types of benefits. Particularly in the field of medical care protection, it is a common practice for the wives and children of employees to be covered for hospitalization, surgical, and other medical benefits, though sometimes their benefits are lower than those of the worker. A small but growing number of dependents are also being covered for life insurance through the employee plan.

2 These terms refer to specified types of insurance contracts. The risks they cover, however, may be self-insured. Major medical expense insurance, for example, is designed to cover, in part, the cost of extended illnesses or injuries. Most group-practice medical prepayment plans provide comprehensive care that covers such illnesses or injuries.

A brief description of the types of benefits and the method of underwriting them follows.[3]

Life Insurance and Death Benefits

About 95 percent of all employees covered through their place of employment against the contingency of death, on or off the job, are protected through group life insurance contracts purchased from private insurance companies by employers, unions, mutual benefit associations, and union-management funds. The remaining 5 percent are protected through self-insurance. The data in tables 1 and 2 slightly overstate the number and percentage of wage and salary workers covered by group life insurance, since some group policies

3 For a more detailed description of employee-benefit plans, see "Voluntary Health Insurance and Medical Care Costs, 1948–55," *Social Security Bulletin*, December 1956, and Joseph Zisman, "Private Employee-Benefit Plans Today," *Social Security Bulletin*, January 1957.

are sold to trade, farm, professional, and other associations that cover their members whether or not they are in the labor force. According to a study by the Institute of Life Insurance, more than 3 percent of the group life certificates held in 1956 were issued to members of such associations.[4] It may be supposed that a similar overstatement exists with respect to coverage data on the group insurances that provide benefits for accidental death and dismemberment and hospital, surgical, regular medical, major medical, and temporary disability benefits.

Group life insurance provides cash benefits to the employee's survivors in the event of his death, whether natural or accidental. The benefits may be in flat amounts, in amounts graduated according to earnings (usually the equivalent of 1 year's salary), or occasionally in amounts related to period of service or class of employment. Most of this insurance is in the form of 1-year, renewable term policies, with no cash-surrender, paid-up, or other nonforfeitable features. In the event of total and permanent disability the contract usually provides for a waiver of premium and frequently for the payment of the face value of the policy either in a lump sum or in installments.

Accidental Death and Dismemberment Insurance

Accidental death and dismemberment insurance, often referred to as "double indemnity" insurance, is generally issued in conjunction with group life insurance. It provides benefits in the event of death or dismemberment caused by external violent and accidental means and customarily covers both occupational and nonoccupational cases. The amount of the benefit is usually the same as under group life insurance, though frequently the maximum is lower.

Hospitalization Insurance

About half the employees having hospital protection through their job are insured through group insurance contracts issued by commercial carriers. These contracts provide cash indemnity benefits—generally in the form of reimbursement of (1) the cost of semiprivate room and board up to a stated amount per day for a specified period and (2) the cost of ancillary services, limited to an amount that is related to the maximum amount of the daily benefit.

Forty-four percent of the employees are covered by group contracts issued by Blue Cross plans and by certain Blue Shield plans. These plans generally provide service benefits; that is, the hospitals are compensated directly by the plan for the full costs of specified hospital care, usually semiprivate room and board for specified periods and stated ancillary benefits.

The remaining 6 percent of the employees with hospital expense protection are subscribers or members of "independent" prepayment plans that usually make their own direct arrangements with hospitals. These plans are sponsored by consumers or communities, operated by physicians engaged in the group practice of medicine, or established by trade unions or employers. Only workers who belong to these plans by virtue of their employment status are included in the data.

Surgical and Regular Medical Expense Insurance

Insurance against surgical and regular medical expenses[5] is provided by the same types of organizations that offer hospital expense insurance. Commercial insurance is the most prevalent—covering 54 percent of all employees with surgical expense insurance and 45 percent of those with regular medical expense insurance. Together, the Blue Shield plans and certain Blue Cross plans cover 39 percent of the employees who have surgical expense insurance and 45 percent of those who have regular medical expense insurance, and the independent plans cover the remainder—7 percent and 10 percent.

For these types of insurance as for hospital expense insurance, commercial carriers provide cash indemnity benefits. The employee is reimbursed for surgical expenses in accordance with a schedule of fees for surgical procedures. For regular medical expenses he is paid a specified allowance per physician's visit at the home, office, or hospital; the allowance is sometimes limited to a fixed amount per day, to a stated number of visits, or to a maximum dollar amount. These amounts do not necessarily cover charges in full.

Blue Shield and a number of Blue Cross plans provide surgical and regular medical expense insurance either on a service or a cash basis. For employees whose income is less than a specified amount, a service benefit is, in effect, often provided; the surgeon or physician is paid directly by the plan under agreements with participating physicians whereby the amount of reimbursement shown in the fee schedule is considered as payment in full for services rendered. When the employee's income exceeds the specified amount, any excess of the surgeon's or physician's charge over the reimbursement provided by the fee schedule is his responsibility.

The independent plans, which are often group-practice plans, tend to provide a broad range of surgeons' and physicians' services both in and out of the hospital, generally on a service basis.

Major Medical Expense Insurance

Major medical expense insurance is one of the newest forms of health insurance to be developed by commercial insurance companies.[6] Two types of group major medical insurance are found—supplemental and comprehensive. The former is designed to supplement the basic protection provided under hospital, surgical, and regular medical expense insurance in cases of extended periods of illness or when large expenses are incurred—for example, when intricate surgical procedures or private day and night nurses are required. Comprehensive major medical expense insurance includes both

[4] *Life Insurance Fact Book*, 1958 edition, page 29.

[5] The term "regular medical expense" refers to medical expense, other than the cost of hospital care and surgery, that does not come under the category of "major medical expense."

[6] Some Blue Cross-Blue Shield plans also offer major medical expense insurance.

the basic and the major medical protection in the same contract. In both types, the insurance generally reimburses in cash for a a fixed percentage (usually 75-80 percent) of all specified medical care expenses up to a maximum dollar limit, after a specified "deductible" amount is initially paid by the insured person. In the data presented in this article, workers with comprehensive major medical expense insurance are counted as having basic hospital, surgical, and regular medical expense protection.

Supplemental Unemployment Benefits

Supplemental unemployment benefits, first introduced on a large scale in 1955 as a result of union-company negotiations in the automobile industry, are designed to supplement the unemployment benefits provided workers through the Federal-State unemployment insurance programs. These plans provide for the establishment of trust funds financed by employer contributions. Commercial carriers do not participate in the underwriting of this risk.

In general, under the plans in certain mass-production industries, the intent is to ensure that combined State and private plan weekly benefits will be equivalent to 65 percent of the after-tax, straight-time pay, up to a specified maximum. The duration of benefits is related to length of employment. The amount or duration of the benefit, or both, may be reduced in accordance with the financial status of the trust funds.

Temporary Disability Benefits, Including Formal Sick Leave

Protection against loss of earnings during periods of temporary disability may take the form of weekly cash sickness benefits or of paid sick leave. In three States—California, New Jersey, and New York—temporary disability insurance laws make coverage mandatory but permit employers the option of providing protection for their workers through a private plan insured by a commercial carrier or through self-insurance.[7] About 28 percent of the Nation's wage and salary workers with private disability coverage are protected by insured or self-insured private plans under these three State laws (table 2).

More than four-fifths of the employees having private disability protection are covered for weekly cash sickness benefits through group accident and sickness insurance policies purchased from commercial carriers by employers, unions, employee mutual benefit associations, and union-management trust funds. Less than 7 percent of the employees are covered by self-insured plans (excluding sick-leave plans) administered by these groups. Under both insured and self-insured plans, the benefits are designed to replace a portion of

[7] In Rhode Island and the railroad industry, covered employees are compulsorily insured through publicly operated cash sickness funds that do not permit the substitution of private insurance for the government coverage.

Table 2.—*Estimated number and percentage of wage and salary workers and their dependents covered under employee-benefit plans,[1] by type of benefit, December 31, 1954, 1956, and 1957*

Type of benefit	Numbers (in millions)									Covered employees as percent of employed wage and salary labor force [2]		
	1954			1956			1957					
	Total	Employees	Dependents	Total	Employees	Dependents	Total	Employees	Dependents	1954	1956	1957
Benefits for private and public employees:												
Life insurance and death benefits [3]	30.9	29.8	1.1	37.8	35.5	2.3	40.6	37.9	2.7	56.2	62.6	66.3
Accidental death and dismemberment [4]	14.0	14.0	--------	17.3	17.3	--------	18.4	18.4	--------	26.4	30.5	32.2
Hospitalization [5] [6]	75.3	31.1	44.2	89.0	35.6	53.4	93.9	37.1	56.8	58.7	62.8	64.9
Written in compliance with law	*1.7*	*1.7*	--------	*1.9*	*1.9*	--------	*2.0*	*2.0*	--------	--------	--------	--------
Surgical [5]	66.2	27.8	38.4	82.0	33.2	48.8	87.9	35.1	52.8	52.5	58.6	61.4
Regular medical [5]	38.1	17.0	21.1	54.6	22.7	31.9	60.7	24.9	35.8	32.1	40.0	43.5
Major medical expense [5]	1.9	.8	1.1	8.3	3.6	4.7	12.4	5.1	7.3	1.5	6.3	8.9
Benefits for private employees only:												
Supplemental unemployment benefits [7]	--------	--------	--------	2.0	2.0	--------	1.9	1.9	--------	--------	4.1	3.9
Temporary disability, including formal sick leave [8]	22.9	22.9	--------	25.2	25.2	--------	25.8	25.8	--------	49.9	51.4	52.5
Written in compliance with law	*6.7*	*6.7*	--------	*7.0*	*7.0*	--------	*7.2*	*7.2*	--------	--------	--------	--------
Retirement [9]	14.1	14.1	--------	16.3	16.3	--------	17.7	17.7	--------	30.7	33.3	36.0

[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] Coverage of private and public employees related to average number of full-time and part-time employees—53.0 million in 1954; 56.7 million in 1956; and 57.2 million in 1957. Coverage of private employees related to private wage and salary employed labor force—45.9 million in 1954; 49.0 million in 1956; and 49.1 million in 1957. (*U. S. Income and Output, A Supplement to the Survey of Current Business*, 1958, table VI-14.)

[3] Group and wholesale life insurance coverage (Life Insurance Association of America, *Group Insurance and Group Annuity Coverage*, 1954, 1956, and 1957) and self-insured death benefit plan coverage (based on data for various trade-union, mutual benefit association, and company-administered plans).

[4] Data from the Life Insurance Association of America (see footnote 3).

[5] Data from *Extent of Voluntary Health Insurance Coverage in the United States* (Health Insurance Council, 1954, 1956, and 1957) and from the Life Insurance Association of America (see footnote 3). 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 22,000 employees and 29,000 dependents in 1954; 551,000 employees and 862,000 dependents in 1956; and 1,185,000 employees and 1,950,000 dependents in 1957.

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

[7] Based on trade-union and industry reports. Excludes dismissal wage and separation allowances.

[8] Data from the Health Insurance Council (see footnote 5). 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] 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.

weekly pay for a specified number of weeks a year or for each disability, after an uncompensated waiting period—usually 7 days (in case of accident, the waiting period is often waived).

Paid sick-leave plans formally established by employers are estimated to extend to more than one-fifth of all employees with private disability protection; more than half of them supplement benefits provided through group insurance. Paid sick-leave benefits are generally characterized by the continuance of wages or salary in full for a specified number of days or weeks of illness—usually without a waiting period.

Temporary disability insurance is designed to cover disabilities not compensable under workmen's compensation laws. In recent years, maximum benefits paid under workmen's compensation for occupational disability have failed to keep up with either wage levels or benefits for nonoccupational disability under group accident and sickness insurance. As a result, there has been a tendency for the latter to cover also occupational disability. In such cases, the benefits supplement the workmen's compensation payments up to the level provided for nonoccupational disabilities. These benefits are included in the tables under the benefit category "temporary disability, including formal sick leave." As noted earlier, statutory payments under workmen's compensation are excluded from the series.

Retirement Benefits

Although commercial insurance carriers underwrite the majority of pension plans, these insured plans cover only an estimated one-fourth of the employees in pension plans and deferred profit-sharing plans; the noninsured plans cover the remaining three-fourths. The average size of insured plans is smaller than that of noninsured plans because small groups do not lend themselves to self-insurance.

Under an insured pension plan, specified premiums are paid to an insurance company at regular intervals. The insurance company invests the money and guarantees that the reserves thus accumulated will be sufficient to provide the contemplated benefits. Under "deposit administration" plans, premiums are not directly allocated to the purchase of benefits for specific employees but are maintained on deposit in an undivided account. When an employee retires, the insurance company withdraws an amount sufficient to purchase (at the then guaranteed rates) the life annuity to which he is entitled under the plan.

Noninsured plans include "trusteed" pension plans, "pay-as-you-go" retirement plans, and deferred profit-sharing plans. Under trusteed pension plans, regular payments are paid into a trust—usually held by a bank or trust company, which holds, invests, and pays benefits in accordance with the terms of the trust and the plan provisions. The trustees assume no underwriting function. Most plans have some sort of funding arrangement under which reserves of varying degree are accumulated to meet future liabilities. Those plans that have no funding and meet all benefit payments out of current revenues are often called pay-as-you-go plans.

The deferred profit-sharing retirement plans are financed, in whole or in part, from the employers' profits, with shares apportioned to the participants in a manner that takes their compensation and/or length of service (or participation) into account. Benefits at retirement are the result of the accumulations of the apportionments, the participating employee's contributions (if any), and the earnings thereon.

Most pension plans provide benefits in amounts related to the employee's earnings and service with the employer, although in a growing number the benefit is related to service only and in others the benefit is a flat amount. In determining the benefits to be paid, many plans take into account the benefits payable under the Federal old-age, survivors, and disability insurance program. The benefit normally becomes payable at a specified age—generally 65—and often after a minimum period of service. Some plans pay benefits in the event of total and permanent disability. Many contain vesting provisions that, under certain conditions, protect the benefit rights of employees leaving their employers before retirement age. Multi-employer plans, usually established under collective-barganing agreements and administered jointly by management and trade unions, cover employees of a number of employers in one plan.

Trends, 1954–57

The growth of employee-benefit plans from the end of 1954 through 1957 may be measured in several ways. Employer and employee contributions to such plans during this period increased from $6.9 billion to $9.9 billion or 44 percent. Benefit outlays advanced from $3.5 billion to $5.6 billion or 59 percent. The easiest index of growth to comprehend, however, is that for coverage. In 1957, 66 percent of the Nation's employed wage and salary labor force had life insurance coverage, compared with 56 percent in 1954; 65 percent in 1957 had some form of health insurance coverage in comparison with 59 percent in 1954. During the 3-year period, coverage for temporary disability benefits was extended to more than half the nongovernmental wage and salary labor force and that of private pension plans to more than one-third.

Coverage

According to data for the end of 1957, life insurance had moved forward and become the most common type of employee protection, with hospital expense insurance a close second (table 2). In 1954 the position of these two types of protection had been the reverse. Other types of plans showed no change in their order of prevalence during this period, with surgical expense insurance ranking third and supplemental unemployment benefits, the latest form of protection to be introduced on a large scale, last.

Of all types of plans, life insurance had the greatest increase since 1954 in the number of employee participants—an estimated 8.1 million—bringing the total covered in 1957 to 37.9 million. Contributing to this increase was the extension of protection to some 400,000 employees of the American Telephone and Telegraph Company and the associated operating companies of the Bell telephone system, nearly all of whom first obtained coverage in 1957.

Gains of 7.9 million and 7.3 million registered since 1954 for regular medical and for surgical expense insurance increased the employee coverage of these plans to 24.9 million and 35.1 million, respectively, by the end of 1957. The number of employees in hospitalization plans rose only 6.0 million, thus reducing the gap in coverage between hospital and surgical expense insurance from 3.3 million employees in 1954 to 2.0 million in 1957. This development is not surprising in view of the increased interest of employers and unions in providing workers with more complete medical care protection.

A somewhat similiar situation has developed with respect to the coverage of dependents under employee-benefit plans. Regular medical expense insurance protected some 14.7 million more dependents in 1957 than in 1954; the increase for surgical expense insurance was 14.4 million and for hospital expense insurance 12.6 million. As a result, hospital plans, while still covering more dependents than any other type of program—56.8 million in 1957—exceeded surgical plans in coverage of dependents by only 4 million in 1957 in contrast to 5.8 million in 1954.

In 1957, as in the preceding year, growth in coverage kept ahead of the growth in labor force for every type of employee benefit except supplemental unemployment benefits. The number of employees covered by new supplemental unemployment benefit plans in 1957 was practically negligible. Existing plans, which were concentrated in the industries (automobile and steel) with greater-than-average unemployment, had an estimated drop in the number of employed workers—from 2.0 million at the end of 1956 to 1.9 million at the end of 1957.

In presenting the proportion of the labor force covered by the various employee-benefit plans, table 2 differentiates between plans that include data for government employees and those that do not. For the former, coverage is related to the entire employed wage and salary labor force. For the latter, which include the retirement, temporary disability, and supplemental unemployment benefit plans, coverage is related to the employed wage and salary labor force in private industry.

The greatest increases from 1954 to 1957 in the proportion of the labor force covered were found in regular medical expense insurance and life insurance. Forty-four percent of the wage and salary labor force had regular medical expense protection at the end of 1957, compared with 32 percent in 1954; 66 percent in 1957 and 56 percent in 1954 had life insurance. All other types of benefits (except temporary disability benefits) gained at least 5 percentage points.[8]

Contributions

Private retirement plans are responsible for the largest single share of employer and employee contributions to employe-benefit plans. Of the estimated total of $9.9 billion contributed to all benefit plans in 1957, $4.6 billion was used to finance retirement benefits (table 3). Next in order of magnitude were premiums for hospitalization and for life insurance protection, which took $1.8 billion and $1.1 billion, respectively.

Retirement plans also showed the greatest dollar increase in contributions from 1954 to 1957. Of the $3.0-billion growth in total contributions during this period, retirement plans accounted for the largest share ($1.1 billion), with hospitalization ($0.6 billion) and life insurance ($0.4 bil-

Table 3.—*Estimated total employer and employee contributions[1] under employee-benefit plans,[2] by type of benefit, 1954, 1956, and 1957*

Type of benefit	Amount (in millions)			As percent of aggregate wages and salaries[3]		
	1954	1956	1957	1954	1956	1957
Total	$6,897.4	$8,751.4	$9,908.9	----------	----------	----------
Benefits for private and public employees:						
Life insurance and death benefits[4]	741.1	994.6	1,106.8	0.40	0.46	0.48
Accidental death and dismemberment[5]	33.5	49.7	56.5	.02	.02	.02
Hospitalization[6 7]	1,221.4	1,603.2	1,808.4	.66	.74	.79
Surgical and regular medical[6]	684.2	897.5	1,018.4	.37	.41	.45
Major medical expense[8]	18.0	94.0	169.0	.01	.04	.07
Benefits for private employees only:						
Supplemental unemployment benefits[9]	----------	125.0	175.0	----------	.07	.09
Temporary disability, including formal sick leave[10]	759.2	887.4	994.8	.47	.47	.50
Written in compliance with law	*178.2*	*177.9*	*218.9*	----------	----------	----------
Retirement[11]	3,440.0	4,100.0	4,580.0	2.12	2.17	2.31

[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] Amounts for private and public employees related to private and government wage and salary disbursements—$186.3 billion in 1954, $217.6 billion in 1956, and $228.5 billion in 1957. Amounts for private employees related to private wages and salaries—$161.9 billion in 1954, $189.3 billion in 1956, and $198.0 billion in 1957. (*U. S. Income and Output, A Supplement to the Survey of Current Business*, 1958, table VI-2.)

[4] Group and wholesale life insurance premiums (Life Insurance Association of America, *Group Insurance and Group Annuity Coverage*, 1954, 1956, and 1957) and self-insured death benefit costs (based on data for various trade-union, mutual benefit association, and company-administered plans).

[5] Data from Life Insurance Association of America (see footnote 4).

[6] Data from "Voluntary Health Insurance and Medical Care Expenditures: A Ten-Year Review," *Social Security Bulletin*, December 1958. 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.

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

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

[9] Based on trade-union and industry reports. Excludes dismissal wage and separation allowances.

[10] Data from "Income-Loss Protection Against Short-Term Sickness," *Social Security Bulletin*, January 1959. Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York, shown separately in next line.

[11] 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.

[8] The proportion of wage and salary workers having various kinds of group health insurance may be somewhat understated, to the extent that working wives choose coverage through their husband's group plan rather than their own.

lion) ranking second and third. The greatest percentage gain was in the new and expanding field of major medical expense insurance, where contributions amounted to $18 million in 1954 and $169 million in 1957.

Since 1954, however, the proportion of the contributions going for retirement plans has dropped from 50 percent to 46 percent. Offsetting this drop to some extent has been the rise during the period in the proportion of total contributions going for major medical expense insurance —from less than 1 percent in 1954 to 2 percent in 1957. Supplemental unemployment benefits, which were not in existence in 1954, absorbed about 2 percent of contributions in 1957. All other types of plans consumed about the same portion of the contribution dollar in 1957 as in 1954 with the exception of temporary disability plans, which showed a drop from 11 percent to 10 percent.

Contributions to employee-benefit plans have represented an ever-increasing percentage of the Nation's total wage and salary bill. For every major type of benefit, contributions as a percentage of aggregate wages and salaries were higher in 1957 than in 1956 and, except for temporary disability benefits, higher in 1956 than in 1954. In presenting these percentages, the same procedure was followed in table 3 as in table 2; contributions have been related either to all wages and salaries or to wages and salaries in private industry only, depending on whether the type of benefit includes or excludes government employees.

For certain benefits the increase in contribution rates was greater for the single year 1957 than for 1955 and 1956 combined. Employer-employee contributions to retirement plans, for example, advanced from $2.17 per $100 of private wages and salaries in 1956 to $2.31 in 1957, or 14 cents per $100, in contrast to a rise of 5 cents per $100 from 1954 to 1956. An increase of 3 cents per $100 was registered for temporary disability benefits in 1957, but the preceding 2-year period had seen no change.

For other benefits, no slackening in the annual rate of increase of contributions is observable when allowance is made for the use of the 2-year span 1954–56. Contributions under hospitalization plans, for example, absorbed 5 cents more per $100 of aggregate wages and salaries in 1957 than in 1956. From 1954 to 1956 the increase was 8 cents per $100, or the equivalent of 4 cents per $100 at an annual rate. Contributions to other types of medical care plans also showed annual rates of increase that were greater in 1957 than in either of the earlier years. Life insurance plans, however, reported increases of only 2 cents per $100 in 1957, compared with 6 cents per $100 for the preceding 2-year period.

Nationwide data on the distribution of contribution costs between employers and employees are lacking for most types of employee benefits. Some unpublished data, however, are available from the Bureau of Labor Statistics community wage surveys for 1957–58, covering 8,600 manufacturing establishments with about 3 million office and plant workers in 17 major labor-market areas. The study shows that noncontributory arrangements were most prevalent among employees covered by retirement plans. Four-fifths of the workers in firms with such plans had their benefits financed entirely by employers. For employees in firms providing basic hospital-surgical-medical benefits, the proportion in noncontributory plans was 59 percent. For life insurance and accidental death and dismemberment benefits, the proportion was 57 percent, and for temporary disability benefits (excluding sick leave), it was 54 percent. These proportions may be somewhat overstated, however, since plans financed entirely by employees are excluded from the labor-market surveys.

Benefits

While combined employer-employee contributions to employee-benefit plans increased 44 percent from 1954 to 1957, benefit payments jumped 59 percent (table 4). In dollars, however, the increase in benefits aggregated only $2.1 billion, compared with the $3.0-billion increase in contributions. Making up almost half

Table 4.—*Estimated benefits paid under employee-benefit plans,*[1] *by type of benefit, 1954, 1956, and 1957*

[In millions]

Type of benefit	1954	1956	1957
Total	$3,526.5	$4,824.8	$5,602.6
Benefits for private and public employees:			
Life insurance and death benefits [2]	515.6	662.8	804.0
Accidental death and dismemberment [3]	25.1	30.5	33.0
Hospitalization [4 5]	1,079.9	1,495.4	1,714.1
Written in compliance with law	*5.1*	*6.3*	*6.8*
Surgical and medical [4]	552.6	757.9	876.9
Major medical expense [6]	10.0	67.0	131.0
Benefits for private employees only:			
Supplemental unemployment benefits [7]	----------	5.0	25.0
Temporary disability, including formal sick leave [8]	623.3	796.2	868.6
Written in compliance with law	*132.0*	*151.2*	*178.2*
Retirement [9]	720.0	1,010.0	1,150.0

[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*, 1958, 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 Life Insurance Association of America.

[4] Data from "Voluntary Health Insurance and Medical Care Expenditures: A Ten-Year Review," *Social Security Bulletin*, December 1958. 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 Life Insurance Association of America. Includes benefits paid under group supplementary and comprehensive major medical insurance.

[7] 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.

[8] Data from "Income-Loss Protection Against Short-Term Sickness," *Social Security Bulletin*, January 1959. 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] 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.

the dollar increase in benefit outlays were the hospitalization plans ($0.6 billion) and pension plans ($0.4 billion).

All types of plans showed percentage increases in benefit outlays from 1954 to 1957. Benefits under major medical expense insurance were more than 13 times what they had been in 1954, when the program was comparatively new. Supplemental unemployment benefits, first paid in mid-1956 under the automobile plans, jumped to an estimated $25 million—five times the 1956 amount—as the beginnings of the recession were felt and the steel plans commenced payments.

Of the older types of benefit plans, retirement benefits showed the greatest percentage increase from 1954 to 1957—60 percent. Both hospitalization benefits and surgical and medical care benefits advanced 59 percent during this period. Benefits for temporary disability expanded the least—about 39 percent.

Responsible for the largest single benefit outlay in 1957, as in previous years, were hospital benefit plans. Benefits of $1.7 billion—31 percent of all benefit payments ($5.6 billion)—were disbursed under these plans. Next in magnitude were retirement benefits of $1.2 billion, followed by surgical and regular medical expense expenditures of $0.9 billion, accounting for 21 percent and 16 percent, respectively, of all benefits. In 1954, benefits under temporary disability plans ranked third and represented 18 percent of all disbursements; by 1957, such benefits accounted for less than 16 percent of the total.

Insurance After Retirement and During Lay-Off

Concern about the medical care problems of elderly persons and about the continued relatively high level of unemployment raises the question of what arrangements, if any, are made for continued coverage of the employee when he retires or is laid off temporarily.

In the past, coverage under employee-benefit plans has usually been dependent upon a worker's remaining on the active payroll. Under group life insurance and Blue Cross-Blue Shield health insurance the individual, upon leaving his job, could convert to individual insurance within specified periods, but often at higher rates that he had to pay entirely by himself.[9]

Commercial insurance carriers, though providing extended coverage for conditions arising before termination of employment, traditionally have not offered conversion privileges for group health insurance. Recently some companies have begun to do so. In New York State, under a new law becoming effective July 1, 1959, insurance carriers will be required to offer such privileges.[10]

Continuation of coverage of the retired worker as a member of the existing group is growing in significance.[11] The higher cost of covering older persons, however, presents a problem in financing that is often resolved by a reduction in benefits. In group life insurance—the type of coverage most frequently continued for retired employees—the amount of insurance is usually reduced at retirement on either a gradual or a one-time basis. Though the full cost of life insurance after retirement is most often borne by the employer, the cost is sometimes shared with active or retired employees or is borne entirely by employees. Sometimes the protection takes the form of group paid-up or permanent life insurance that has been purchased during the working years of the employee.

In group health insurance, it is difficult to determine on the basis of existing data the extent to which benefits for retired workers continuing in the group plan are less liberal than those for active employees. In Blue Cross-Blue Shield plans, there would seldom be any difference in levels of benefits. In the other plans, although the level might be the same, a dollar limit on annual benefits or on lifetime benefits is frequently imposed after retirement. With few exceptions, the retired worker must be eligible to receive retirement benefits. In some plans he must also have a specified number of years of service, of years of coverage in the group as an active employee, or both. Other limitations are imposed on coverage of dependents: when an employee dies the plans seldom cover his dependents; in some plans, coverage is provided for the dependent spouse. Another limitation on benefits sometimes found is the practice of charging the benefits paid under health insurance against the group life insurance continued for the retired employee. When this practice is followed a limit is sometimes placed on the amount of life insurance that can be so absorbed.

Available data on the extent to which plans permit continuation of group insurance during temporary periods of unemployment are also limited. The Bureau of National Affairs, in its study of 400 collective bargaining agreements in effect in 1956 (covering some 2 million workers in various manufacturing industries), found that 22 percent of the life insurance plans continued coverage during periods of lay-off; the majority for as long as 6 months.[12] With respect to other forms of insurance, extension of coverage for a "brief period" beyond the usual grace period was found to be provided in approximately 5 percent of the plans having such benefits. Continued coverage for hospital and other medical care benefits was found to be much more common than coverage for temporary disability insurance.

Recent Trends in Retirement Plans

Private retirement programs continued in 1957 the rapid growth they had experienced since World War II. By the end of 1957, 17.7 million employees were covered. Total contributions to finance the plans rose to almost $4.6 billion, reserves to $34.8 billion, the number of beneficiaries to 1¼ million, and benefits to almost

[9] Premium rates for life insurance always go up because conversion must be to a permanent type of insurance.

[10] New York State Department of Labor, *Labor Legislation Enacted in New York State in 1958*, page 27.

[11] See 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, and New York State Insurance Department, *Voluntary Health Insurance and the Senior Citizen*, 1958.

[12] Bureau of National Affairs, *Basic Patterns in Union Contracts*, fourth edition, October 1957.

Table 5.—*Private pension and deferred profit-sharing plans: Estimated coverage, contributions, reserves, beneficiaries, and benefit payments, 1930–57* [1]

Year	Coverage,[2] end of year (in thousands)			Employer contributions (in millions)			Employee contributions (in millions)			Reserves, end of year (in billions)			Number of beneficiaries, end of year (in thousands)			Amount of benefit payments (in millions)		
	Total	Insured plans	Noninsured plans	Total	Insured plans	Noninsured plans	Total	Insured plans	Noninsured plans	Total	Insured plans	Noninsured plans	Total	Insured plans	Noninsured plans	Total	Insured plans	Noninsured plans [3]
1957	17,700	4,500	13,200	$3,900	$1,230	$2,670	$680	$300	$380	$34.8	$14.0	$20.8	1,250	370	880	$1,150	$260	$890
1956	16,300	4,100	12,200	3,490	1,110	2,380	610	290	320	30.3	12.4	17.9	1,130	330	800	1,010	230	780
1955	15,200	3,900	11,300	3,190	1,100	2,090	550	280	270	26.5	11.2	15.3	990	290	700	860	200	660
1954	14,100	3,700	10,400	2,930	1,030	1,900	510	270	240	23.0	9.9	13.1	870	260	610	720	170	550
1953	13,100	3,500	9,600	2,930	1,010	1,920	480	260	220	19.8	8.8	11.0	740	220	520	620	150	470
1952	11,600	3,200	8,400	2,510	910	1,600	430	240	190	16.9	7.7	9.2	640	190	450	540	130	410
1951	10,900	2,900	8,000	2,260	820	1,440	380	210	170	14.2	6.6	7.6	540	170	370	460	110	350
1950	9,800	2,600	7,200	1,750	720	1,030	330	200	130	11.7	5.6	6.1	450	150	300	380	90	290
1945	6,400	--------	--------	830	--------	--------	160	--------	--------	5.4	--------	--------	310	--------	--------	220	--------	--------
1940	4,100	--------	--------	180	--------	--------	130	--------	--------	2.4	--------	--------	160	--------	--------	140	--------	--------
1935	2,700	--------	--------	140	--------	--------	90	--------	--------	1.3	--------	--------	110	--------	--------	100	--------	--------
1930	2,700	--------	--------	130	--------	--------	70	--------	--------	.8	--------	--------	100	--------	--------	90	--------	--------

[1] Includes pay-as-you-go, nonprofit organizations, and union pension plans and deferred profit-sharing plans. Excludes railroad plans, except those supplementing the Federal railroad retirement program. In 1930, private railroad plans covered an average of 1.3 million employees and paid about $30 million in benefits to about 50,000 beneficiaries. In 1935 they covered an average of 1.1 million workers and paid about $40 million to about 60,000 beneficiaries.

[2] Excludes pensioners.

[3] Includes refunds to employees; also lump sums under deferred profit-sharing plans.

Source: Social Security Administration, Division of the Actuary.

$1.2 billion. Since 1950 coverage has increased more than 80 percent, contributions 120 percent, the number of beneficiaries 178 percent, and reserves and benefits have trebled (table 5). The data presented in table 5 have been considerably revised for the current article. Data on pension plans operated by trade unions and to which employers made no contributions are included for the first time; additional data with respect to multi-employer plans have made possible improved estimates of coverage, resources, benefits, and number of beneficiaries under such plans; and revised reports by the insurance industry and by the Securities and Exchange Commission have been taken into account. The revised estimates, prepared by the Division of the Actuary, reflect the same trends shown in the data presented last year.

Coverage

In 1957, 1.4 million employees were added to the coverage of private pension and deferred profit-sharing plans, bringing the total to an estimated 17.7 million. Nearly all these employees were also covered under the Federal old-age, survivors, and disability insurance program. Almost 3 out of 4 of those protected by private plans were under noninsured plans, and the remainder were under insured programs underwritten by insurance companies. Though coverage under noninsured programs has gone up since 1951 at a somewhat faster rate (65 percent) than that under insured plans (55 percent), the difference was not sufficiently great to alter appreciably the proportion of employees covered by each type. The increase in coverage in insured plans has been accompanied by a marked growth in deposit administration plans. In 1951, there were only 445,000 employees covered by such plans. By the end of 1957, the number had increased to 1,415,000—a rise of 27 percent from the preceding year and of 70 percent from 1954.[13]

Part of the expansion in coverage is the result of the natural growth resulting from increased employment in some establishments with plans and from the fulfillment by employees of eligibility requirements for coverage. Much of it results from the creation of new plans and the addition of new participating employers to existing multi-employer plans. Trade unions in industries consisting largely of small employers have continued their drive for the establishment of jointly administered multi-employer plans. The International Brotherhood of Teamsters, for example, early in the year reached an agreement with 2,000 food companies in Delaware, southern New Jersey, and Pennsylvania, establishing a new employer-financed pension plan covering 25,000 employees. The International Alliance of Theatrical Stage Employees signed an agreement with 13 motion picture exchanges that provides for the establishment of an industry-wide pension plan covering 6,000 employees working in 34 cities.

Coverage by industry and by area is somewhat uneven, as shown by studies of the Bureau of Labor Statistics. Retirement plans in 1957 covered practically all the nonsupervisory workers in privately operated electric and gas utility systems employing 100 or more workers.[14] In the motor-vehicle-parts manufacturing industry such plans were found in establishments (with 100 or more employees) that employed 85 percent of the production workers and 88 percent of the office workers.[15] On the other hand, only one-sixth of the production workers in footwear manufacturing were employed in establishments (with eight or more employees) that had retirement plans.[16] In the nonelectrical machinery industry, employment in establishments with retirement plans ranged from 20 percent in the Portland (Oregon) area to 91 percent in the Hartford area.[17]

[13] *Life Insurance Fact Book*, 1955 and 1958 editions.

[14] *Monthly Labor Review*, July 1958, page 764.

[15] Ibid., February 1958, page 167.

[16] Ibid., April 1958, page 281.

[17] Ibid., September 1958, pages 997-998.

Employer and Employee Contributions

Almost $4.6 billion was contributed in 1957 by employers and employees to insured and noninsured pension plans—an increase of 12 percent from the preceding year and of 73 percent from 1951. A growing proportion of these sums was contributed to noninsured pension plans during the period—67 percent in 1957, 61 percent in 1951—although, as already pointed out, the total proportion of coverage by such plans has not changed.

The proportion contributed by employers to both insured and noninsured plans has been virtually the same—about 85 percent—from 1951 to 1957. Their contributions averaged about 80 percent of the total for insured plans and about 88 percent for noninsured plans throughout the period.

An average of $269 per employee was contributed by employers and employees in 1957, an increase of only $9 from 1956 and of $14 from 1951, or less than 6 percent for the period. Employer contributions in 1957 averaged $229 per employee, only 5 percent greater than in 1951, and employee contributions, which averaged $40 per employee in 1957, had increased somewhat faster—about 9 percent. In insured plans the average contribution experienced a slow but steady decline (4 percent for employers and 9 percent for employees), and in noninsured plans it increased noticeably (11 percent for employer contributions and 34 percent for employees).

The average employee contributions cited above are obtained by dividing the total annual employee contributions by the average number of employees covered during the year. Actually, only a small proportion of the covered employees make contributions. In its analysis of provisions in effect in the winter of 1957–58, out of 100 plans under collective bargaining the Bureau of Labor Statistics found only 14 contributory plans—that is, plans requiring employee contributions.[18] The 14 plans included only 12 percent of the 3.3 million covered workers. As already noted, unpublished data from community wage surveys conducted by the Bureau in 1957 and early 1958, covering both union and nonunion manufacturing establishments, reveal that 80 percent of the 2.1 million workers employed by firms with pension plans were in establishments reporting noncontributory plans. A study of provisions in effect in January 1957 in 290 large pension plans in New York State (plans covering at least 1,500 employees in that State) shows that one-fourth of the plans were contributory and an additional 4 percent contained both contributory and noncontributory features. In contributory plans, employee contributions generally ranged from 1.5–3.0 percent of the first $3,000, $3,600, or $4,200 of annual wages[19] (depending on when the plans were established or last amended) plus 3–5 percent of the excess.[20]

Employer contributions to pension plans vary, of course, from plan to plan. In employer-administered plans the employer contributes the amount (over and above employee contributions) necessary to provide the benefits contemplated. The cost of past-service credits (credit for service before the plan was established) is almost always financed entirely by the employer. The type of funding, the composition of the covered group, and the benefit provisions determine the cost. The Bureau of Labor Statistics study shows that, in plans jointly administered by employers and trade unions, employer contributions generally range from 5 cents to 15 cents per manhour, or from 2 percent to 5 percent of payroll.

The Chamber of Commerce of the United States in its study of 1957 fringe costs illustrates the wide variations by industry in the expenditures for pension plans. In the 827 firms studied, employer payments ranged from an average of 2.6 percent of payroll in the wholesale and retail trade to 8.6 percent in the petroleum industry.[21] An illustration of how employer costs vary within a single industry is found in the experience of plans negotiated by employers in the steel industry and the United Steel Workers of America.[22] These plans covered more than 950,000 members in 1956, almost 78 percent of whom were in bargaining units with 1,000 or more members. All the plans are noncontributory. Although the plans vary somewhat, 75–80 percent of the covered workers are under the "typical plan" that provides standard benefits. Some employers have complete discretion as to the method of funding. The vast majority, however, make contributions in amounts necessary to pay current pensions and to provide (in various degrees) advance funding of future pensions. Contributions for 83 percent of the covered members are paid into pension trusts. Insured plans and the partly insured and partly trusteed plans cover 11 percent, and the remainder are in unfunded plans. The average employer contribution per employee for the most recent fiscal year (usually the year ended December 31, 1957) was more than $258. The average was less than $50 for about 6 percent of the members; they were in the small nonfunded plans, some of which had no pensioners. More than $400 per employee was contributed with respect to almost one-third of the workers covered, $100–$200 for almost 35 percent, and $200–$300 for about 38 percent.

Reserves

As of the end of 1957, $34.8 billion was accumulated in reserves maintained by insured and noninsured private retirement programs—an increase of $4.5 billion from 1956. Since 1951 the reserves had more than doubled.

Approximately 54 percent of the 1951 reserves, compared with 60 percent in 1957, was accumulated by

18 Walter W. Kolodrubetz, "Characteristics of Pension Plans," *Monthly Labor Review*, August 1958, page 845.

19 These amounts correspond to the minimum earnings base for both contributions and benefits under old-age, survivors, and disability insurance in the original Social Security Act and successive amendments.

20 New York State Department of Labor, *Pensions: Larger Plans in New York State, 1957* (Special Bulletin No. 232).

21 Chamber of Commerce of the United States, *Fringe Benefits 1957*, page 18.

22 United Steelworkers of America, *Special Report on Insurance, Pensions and Supplemental Unemployment Benefits*, Ninth Convention, September 15, 1958, pages 21–27.

noninsured plans. During the same period the average reserve per covered employee rose from about $1,000 to $1,638 for noninsured plans and from $2,400 to $3,255 for insured plans. These increases reflect not only the additions to reserves resulting from liberalization of benefits, maturing of the plans, and improved funding arrangements but also to efforts—especially in noninsured plans—to improve the earnings of the funds held in reserve. A recent Securities and Exchange Commission report indicates, for example, that the proportion of the total of corporate pension fund assets that is invested in U. S. Government securities dropped from 30 percent in 1951 to 10 percent in 1957.[23] The proportion held in corporate bonds increased only from 45 percent to 54 percent and fluctuated between 52 and 54 percent in the period 1954–57. Preferred stocks, which constituted less than 4 percent of the total assets in 1951, amounted to about 3 percent in 1957. Common stocks, on the other hand, rose from less than 12 percent of the total assets in 1951 and from about 19 percent in 1954 to almost 25 percent in 1957. In dollar amounts, their book value rose from $812 million to $4,770 million. While the total assets of the funds trebled from 1951 to 1957, common stock holdings went up to almost six times what they had been. The Commission states that the increase in the average rate of earnings of corporate pension funds, from 3.58 percent in 1955 to 3.84 percent in 1957, reflects the shift to higher-yielding investments and the generally upward trend in interest rates.

Beneficiaries and Benefits

At the end of 1957, about 1¼ million pensioners were on the rolls of private plans—an increase of 131 percent from 1951. By far the largest number were beneficiaries of noninsured programs. Since 1951 there has been an increase of 138 percent in the number of beneficiaries under such programs. In insured plans the increase was 118 percent.

Benefit payments in 1957 amounted to $1,150 million, compared with $1,010 million in 1956 and $460 million in 1951. The bulk of these sums—more than three-fourths—was paid under noninsured programs in all 3 years. For almost nine-tenths of the 1957 beneficiaries, these benefits supplemented the benefits they received under the Federal old-age, survivors, and disability insurance program. An estimated 165,000 had worked in noncovered employment or retired before they had met the age or work requirements to qualify under the Federal program. The benefits under noninsured plans include refunds of employee contributions to individuals who withdraw from the plans before retirement and before accumulating vested deferred rights, payments of the excess of employee contributions to survivors of pensioners who died before they had received in retirement benefits an amount equal to their contributions, and lump-sum payments made under deferred profit-sharing plans. The nature of the available data does not permit the separation of these lump-sum payments from the amounts representing monthly retirement benefits. The average monthly retirement benefit, therefore, cannot be derived.

Few private pension plans appear to have been modified as a result of the 1956 amendments to the Social Security Act providing benefits to totally and permanently disabled employees aged 50 or over, according to a 1957 study of the National Industrial Conference Board.[24] Of 98 companies with pension plans without disability benefit provisions in 1955, only four added such a provision after the enactment of the 1956 amendments and another nine were planning to do so. Most of these 13 companies had negotiated plans. Of 66 companies with plans that had disability provisions in 1955, practically none had changed or planned to change them to conform with the amended law. Almost half the 66 companies had provisions for offsetting the Federal disability benefits against their disability benefits, although only one-third had such provisions with respect to age-retirement benefits.

Provisions for retirement before the "normal" retirement age at the option of the employee seem to be increasing—especially in negotiated plans. Thus the Bankers Trust Company in its 1956 survey of 240 employer-administered retirement plans[25] reported that, of the plans with early retirement provisions, only 43 percent of the 43 "pattern plans" (all negotiated plans) and about 33 percent of the other 175 plans with such provisions permitted early retirement at the employee's option. The Bureau of Labor Statistics study reports that in 75 percent of the plans with early retirement provisions such retirement was at the employee's option.[26]

Few instances are known in which retirement age for women was lowered following the 1956 amendment to the Social Security Act providing optional retirement at age 62 for women in covered employment. In the spring of 1957, the Executive Board of the International Ladies' Garment Workers Union proposed to its locals, joint boards, and departments that negotiations be undertaken to lower the retirement age for women from 65 to 62 in pension plans covering their members. In March 1957 the pension plan negotiated by the Textile Workers Union and the Berkshire-Hathaway Mills was amended to make such a reduction in the retirement age for women.

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[23] Securities and Exchange Commission, *Corporate Pension Funds, 1957* (Statistical Series Release No. 1553), June 8, 1958.

[24] Harland Fox, "Company Disability Pensions and Federal Disability Benefits," *Management Record*, September 1957, pages 320–322.

[25] Bankers Trust Company, *A Study of Industrial Retirement Plans*, 1956 edition, pages 12, 14.

[26] Walter W. Kolodrubetz, op. cit., page 846.