Growth in Employee-Benefit Plans, 1950–65

by WALTER W. KOLODRUBETZ*

With the addition of data in this year's article for 1950 and 1955, the employee-benefit series now includes comprehensive statistics on growth in coverage, contributions, and benefits for a 15-year period. The trends revealed by these figures are discussed below along with new developments and innovations in these plans sponsored and underwritten by private organizations to help employees—and their families—meet the economic risks attending old age, death, disability, unemployment, and the cost of medical care.

AS IN THE PAST, employee-benefit plans in 1965 exhibited strong growth in coverage, contributions and benefits. The 1965 contributions and benefits rose substantially over 1964 levels, reflecting changes in the scope of services provided, increasing costs of health care, and rising wages and salaries, as well as broadened participation. Benefit payments amounted to $13.0 billion (10.5 percent more than in 1964), and contributions reached the level of $19.1 billion (about 11 percent more than a year earlier). Coverage gains were smaller than the growth in contributions and benefits. Although all types of benefit plans in the series showed substantial numerical increases in coverage, the increase for most plans about equaled the overall rate of growth in the employed labor force.

When the aggregate data are simply related to year-to-year change, the tremendous strides in private economic security measures in the past 15 years tend to be masked. As 1965 ended, 122 million persons had hospital expense coverage, 47 million had life insurance protection, 28 million had temporary disability protection, and over 25 million had retirement coverage. These impressive totals mark a 15-year period of rapid expansion in which the number of persons covered by hospital insurance, life insurance, and retirement plans has more than doubled, while coverage under surgical, regular medical, and major medical insurance has expanded at an even greater rate. Total contributions for private employee benefits in the same period have risen almost fivefold, and benefit payments were more than seven times the amount at the beginning of the period.

The striking long-run gains made in the coverage of employee-benefit plans are further emphasized when they are related to the growth in the employed labor force. From 1950 through 1965, the proportion of the employed civilian wage and salary labor force with group life insurance and death benefit coverage expanded from nearly two-fifths of the total to more than three-fifths. The proportion of employees with some type of health insurance increased from almost one-half to nearly three-fourths. Retirement plan coverage more than doubled as a proportion of the private wage and salary labor force—from 22 percent in 1950 to 46 percent in 1965.

There has been some slow-down, however, in the rates of growth since 1960. This slackening indicates that under the existing compensation structure, a certain proportion of the labor force—large in the case of retirement plans and somewhat smaller for the health-benefit plans—is having difficulty in securing these basic protections, at least through their place of employment. Still slower rates of growth in coverage for these groups are indicated for the future.

The period since 1950 has also been distinguished by real progress in the types of services provided and the benefits furnished, although some of the gains have been erased by rising living costs, including a sharp increase in medical care costs. Moreover, innovation and experimentation have not been limited to the more affluent industries and employers but have been widespread throughout the economy.

HIGHLIGHTS IN 1965

There were two major developments in 1965 at the Federal level that affect private employee-benefit plans. First, the new dimension of health

* Office of Research and Statistics. Earlier articles on employee-benefit plans have appeared in the March or April issues of the *Bulletin*.

insurance for the aged (Medicare) was added under the Social Security Act, as well as a substantial rise in the level of monthly benefits under the social security program. Second, the report by the President's Cabinet Committee on Corporate Pension and Other Retirement and Welfare Programs, *Public Policy and Private Pension Programs*, recommended certain measures to strengthen the private pension structure, as a supplement to the basic public system.

Enacted in 1965, the Federal health insurance program for the aged authorized the payment of benefits, beginning July 1966, through a basic hospital insurance plan and a voluntary supplementary medical insurance plan. A large number of employee-benefit plans involving active and retired workers aged 65 and over were affected by this legislation, and changes to take the public program into account had to be considered. Since the benefits for the aged under the public program did not begin until mid-1966, the first changes reported for 1965 do not necessarily indicate the approaches now most commonly used in accommodating private plans to Medicare.

From an analysis of reported changes in 1965, it appears that, in general, the following approaches were used by unions, employers, and insurers:[1] First, reliance on the public programs alone to provide health care coverage; second, the use of an "offset" approach under which the existing private plan provided or was amended to provide more generous benefits than the Medicare program, with the benefits payable under the private plan reduced by public program payments; third, the "add-on" or supplementation approach, which involves filling the gaps in the public program. In addition, there was a trend toward employer financing of the premium required under the voluntary supplementary medical program. Since many areas of supplementation were available (the $40 deductible for hospitalization, the $10-a-day coinsurance for the 61st to the 90th day of hospitalization, private-duty nursing, and so forth), a wide variety of benefits were offered by insurers.

The President's Cabinet Committee report on private pensions concluded that private pension plans "should continue as a major element in the Nation's total retirement security program. Their strength rests on the supplementation they can provide to the basic public system." The Committee recommended changes to improve the protection offered by private plans in four areas: (1) A reasonable measure of vesting be provided, (2) a minimum standard of funding be required, (3) inequities in coverage and tax treatment of benefits be removed, and (4) disclosure of the handling and investments of the funds be broadened. The report has stirred considerable controversy and debate leading to searching inquiry by concerned parties on the major issues raised.

Nineteen sixty-five marked a year in which the emphasis on economic security and fringe measures in major negotiated settlements subsided somewhat, in comparison with settlements in recent years. Though a large number of workers were affected by negotiated improvements in health and welfare and pension plans, general wage increases in 1965 tended to reduce the pressure found in previous years.

The settlements in employee benefits in 1965 were highlighted by the United Steelworkers of America negotiations in the steel and aluminum industries that provided substantial increases in the level of normal pensions, as well as substantially improved early-retirement benefits. In the steel industry, to become effective on July 1, 1966, the minimum monthly benefit was increased from the $2.50–$2.60 for each year of service to $5.00 a year of service up to 35 years. In addition, the social security offset applicable to the basic formula of 1 percent of average final pay was reduced from $80 to $60. A supplement of $75 a month was also provided for workers retiring early because of plant closings, disability, or long layoffs (if years of age plus service total 85), until they are eligible for unreduced social security benefits. Moreover, voluntary retirement with an unreduced pension was permitted at any age after 30 years of service.

The Steelworkers also won major improvements in the health insurance package that included an increase in the duration and level of sickness and accident benefits; an increase in the duration of hospital benefits for long-service employers; and full, rather than partial, reimbursement of surgi-

[1] For details of the adjustments reported in 1965, see Kathleen Myers, "First Adjustments of Employee-Benefit Health Plans to Medicare," Research and Statistics Note No. 7 (Social Security Administration, Office of Research and Statistics), 1966. See also Emerson H. Beier, "Adapting Group Health Insurance to Medicare," *Monthly Labor Review*, May 1966.

cal, in-hospital medical, and maternity fees. Employer-financed extended coverage during layoffs or disability was broadened from 26 to 52 weeks.

New pension benefits also were negotiated in the aerospace industry, approximately doubling previous levels, by the International Association of Machinists and the United Automobile Workers. In addition, the contracts called for liberalized early-retirement and disability pensions, improved hospital, surgical, and medical insurance, and group life insurance. Supplemental unemployment benefits plans (replacing the previous extended-layoff benefit plan) were also negotiated by the Automobile Workers.

There was significant liberalization of benefits in some major multiemployer plans. The improved financial position of the United Mine Workers of America Welfare and Retirement Fund prompted the trustees to reduce the retirement age from 60 to 55 and to increase pension benefits from $75 to $85 and then to $100 a month.

The Ladies' Garment Workers' National Retirement Fund raised pension benefits for retired workers to $60 (previously $50) and for cloak makers in New York to $70 a month (previously $65), effective January 1, 1966. These increases took place about a year after the merger of about 40 individual funds into a national plan estimated to cover about 400,000 workers. Retirement benefits for the Amalgamated Clothing Workers were increased from $50 to $55 a month in 1965. This change affected workers in the shirt and pajama, cotton garment, and outerwear industries.

With the spread of "special" early-retirement provisions in the past few years, attention was focused on the results of the 1964 Automobile Workers agreements that established special early-retirement benefits, effective September 1965. Under these arrangements, amounts payable for early retirement were to be supplemented until the retiree reached age 65. A worker retiring at age 60 with 30 years of service, for example, could receive up to $400 per month or 70 percent of final monthly pay, whichever is smaller.

According to the Automobile Workers, about 9,000 workers in major auto plants retired under the special early-retirement provision in the first 3 months after its effective date, compared with 225 in a similar period in the previous year. These results are in line with the experience under previous liberalization of early-retirement benefits in the automobile and primary metals industries.

The termination of the Studebaker Corporation pension plan because of a plant shutdown in 1964, with final distribution of benefits in 1965, spurred public interest in the security of benefit expectations of workers in private retirement plans. In the Studebaker termination, enough assets were allocated to cover in full the benefits of retired workers and those workers aged 60 and over and eligible for retirement. About 4,500 vested workers who were aged 40-60 received, however, only a small portion of the value of their accrued benefits. This situation stimulated proposals for Federal reinsurance of private pension funds designed to prevent such losses from occurring.

HISTORICAL DATA

Employee-benefit plans have had a long history that antedates the figures presented in this series. Private pension plans were reported as early as 1875, and health and welfare plans go even farther back. In general, however, these plans were not widespread until after World War II, and the rapid growth after this time focused attention on the desirability of developing data on the magnitudes involved. Congressional committees, engaged in hearings and studies in the 1950's on the private employee-benefit plans, developed some basic data on coverage and contributions. These data were later consolidated with data on benefit outlays into an annual comprehensive series published in the BULLETIN. The first article in the series, appearing in March 1958,[2] presented data for 1954 and 1956.

This year, the series on employee-benefit plans includes, for the first time, data for 1950 and 1955; comprehensive data are now available for the 5-year intervals beginning with 1950. Data for 1956 through 1959 are omitted here but are available from the earlier articles in the BULLETIN.

The only changes this year in data previously published are the result of revisions in the national income accounts of the Department of Commerce. These revisions, which concern data on the wage and salary labor force and payroll, have an impact on the series in several ways. First, the

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

data on temporary disability benefits and contributions include sick-leave benefits, which are estimated through a formula correlated to payroll figures. Hence, the data on temporary disability plans from 1962 on have been revised in accordance with the changes in payroll data. Second, data from the national income accounts are used as base indicators for measuring the growth of coverage as a percent of the employed labor force and of contributions as a percent of aggregate wages and salaries. With the revision of these indicators, the percentages shown in table 4 needed also to be revised, beginning with data for 1960.

Coverage

All types of plans registered gains in coverage in 1965, with the increases among health insurance plans the most impressive (table 1). The numeri-

TABLE 1.—Estimated number of wage and salary workers and their dependents covered under employee-benefit plans,[1] by type of benefit, 1950, 1955, 1960–65

[In millions]

End of year	Benefits for all wage and salary workers							Benefits for wage and salary workers in private industry			
	Life insurance and death [2]	Accidental death and dismemberment [3]	Hospitalization [4] [5]		Surgical [4]	Regular medical [4]	Major medical expenses [4] [6]	Temporary disability including formal sick leave [7]		Supplemental unemployment [8]	Retirement [9]
			Total	Written in compliance with law				Total	Written in compliance with law		
	Total										
1950	19.6	8.1	54.7	1.2	38.7	16.9	----------	20.1	6.5	----------	9.8
1955	29.7	15.6	80.9	1.4	72.9	46.3	4.8	23.5	6.8	1.0	15.4
1960	37.3	20.9	103.5	1.2	98.8	74.8	25.6	24.5	6.8	1.7	21.2
1961	39.1	21.3	107.4	1.1	102.3	79.6	31.5	24.6	6.8	1.8	22.2
1962	40.6	22.6	110.7	.9	105.8	82.8	35.1	25.2	6.8	1.8	23.1
1963	42.8	24.7	115.4	.3	110.1	87.2	38.7	25.7	6.2	1.8	23.8
1964	44.9	26.5	118.1	.3	113.0	92.6	42.6	26.4	6.2	1.9	24.6
1965	46.9	28.4	122.0	.3	116.9	96.6	47.3	27.6	6.4	2.1	25.4
	Employees										
1950	19.4	8.1	24.3	1.2	18.3	9.0	----------	20.1	6.5	----------	9.8
1955	28.1	15.6	32.8	1.4	30.0	20.0	2.2	23.5	6.8	1.0	15.4
1960	34.2	20.9	40.4	1.2	38.7	30.0	9.7	24.5	6.8	1.7	21.2
1961	35.5	21.3	42.0	1.1	40.2	32.1	11.6	24.6	6.8	1.8	22.2
1962	36.4	22.6	43.2	.9	41.4	33.2	12.9	25.2	6.8	1.8	23.1
1963	37.8	24.7	44.9	.3	43.0	34.9	14.6	25.7	6.2	1.8	23.8
1964	39.8	26.5	45.8	.3	44.0	36.6	15.6	26.4	6.2	1.9	24.6
1965	41.4	28.4	47.7	.3	45.8	38.3	17.5	27.6	6.4	2.1	25.4
	Dependents										
1950	0.2	----------	30.4	----------	20.4	7.9	----------	----------	----------	----------	----------
1955	1.6	----------	48.1	----------	42.9	26.3	2.5	----------	----------	----------	----------
1960	3.1	----------	63.1	----------	60.1	44.8	15.9	----------	----------	----------	----------
1961	3.6	----------	65.4	----------	62.1	47.5	19.9	----------	----------	----------	----------
1962	4.2	----------	67.5	----------	64.4	49.6	22.2	----------	----------	----------	----------
1963	5.0	----------	70.5	----------	67.1	52.3	24.1	----------	----------	----------	----------
1964	5.1	----------	72.3	----------	69.0	56.0	27.0	----------	----------	----------	----------
1965	5.5	----------	74.3	----------	71.1	58.3	29.8	----------	----------	----------	----------

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

[2] Group and wholesale life insurance coverage based on data from Institute of Life Insurance and Health Insurance Association of America, *Group Insurance Coverages in the United States*, annual issues, modified to exclude group plans not related to employment. Also excludes Servicemen's Group Life Insurance issued to cover 2,780,000 members in the Armed Forces. 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 *A Survey of Accident and Health Coverage in the United States* (Health Insurance Council, 1950) and *Extent of Voluntary Insurance Coverage in the United States* (Health Insurance Council, 1955 and 1960–65) 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 adjusted to include employees and their dependents covered by group comprehensive major medical expense insurance.

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

[6] Represents coverage under group supplementary and comprehensive major medical insurance underwritten by commercial insurance companies. Comprehensive insurance, which includes both basic hospital-surgical-medical benefits and major medical expense protection in the same contract, covered 4,215,000 employees and 7,066,000 dependents in 1965.

[7] Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York. Date from the Health Insurance Council (see footnote 4) and Health Insurance Association of America (see footnote 2), adjusted to exclude credit accident and health insurance. Data for 1950 modified slightly to adjust for effect of state temporary disability insurance laws on formal paid sick leave and other self-insured plan coverage.

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

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

TABLE 2.—Estimated total employer and employee contributions [1] under employee-benefit plans,[2] by type of benefit, 1950, 1955, 1960–65

[In millions]

Type of benefit	1950	1955	1960	1961	1962	1963	1964	1965
Total	$3,938.0	$7,850.9	$12,505.1	$13,441.5	$14,567.1	$15,543.0	$17,168.2	$19,085.6
Benefits for all wage and salary workers:								
Life insurance and death benefits [3]	480.0	880.0	1,416.2	1,556.6	1,677.1	1,867.0	2,039.0	2,224.0
Accidental death and dismemberment [4]	18.4	43.4	70.0	75.0	80.0	92.0	99.0	116.0
Total health benefits	856.3	2,193.4	4,257.0	4,909.3	5,474.9	5,921.3	6,606.2	7,326.2
Hospitalization [5, 6]	562.4	1,385.1	2,504.8	2,823.3	3,136.2	3,421.7	3,801.2	4,201.7
Surgical and regular medical [5]	293.9	769.5	1,282.2	1,435.0	1,585.7	1,662.6	1,840.0	2,046.5
Major medical expense [7]		38.8	470.0	651.0	753.0	837.0	965.0	1,078.0
Benefits for wage and salary workers in private industry:								
Temporary disability, including formal sick leave [8]	503.3	854.1	1,166.9	1,200.6	1,297.1	1,340.7	1,387.0	1,549.4
Written in compliance with law	*75.9*	*178.8*	*238.8*	*255.3*	*255.4*	*244.4*	*238.1*	*259.3*
Supplemental unemployment benefits [9]		40.0	115.0	120.0	158.0	142.0	147.0	120.0
Retirement [10]	2,080.0	3,840.0	5,480.0	5,580.0	5,880.0	6,180.0	6,890.0	7,750.0

[1] Excludes dividends in group insurance.

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

[3] Group and wholesale life insurance premiums based on data from Institute of Life Insurance and Health Insurance Association of America, *Group Insurance Coverages in the United States*, annual issues, modified to exclude group plans not related to employment, and excludes premiums of $10 million for the Serviceman's Group Life Insurance plan which went into effect in late 1965. Self-insured death benefits 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 "Private Health Insurance: Coverage and Financial Experience, 1965," *Social Security Bulletin*, November 1966. 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. Represents premiums for group supplementary and comprehensive major medical insurance underwritten by commercial insurance carriers.

[8] Data from "Income-Loss Protection Agains Illness," *Social Security Bulletin*, January 1967. Includes private plans written in compliance with State temporary disability 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 covering temporary and permanent layoffs. For the steel industry plans, includes accruals of contingent liability contributions as well as regular contributions.

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

cal increases in employee coverage for hospital and for surgical insurance were the largest recorded since 1960—1.9 and 1.8 million employees, respectively. Major medical coverage[3] was 1.9 million higher, and the increase in regular medical coverage was almost as large (1.7 million). The number of employees with life insurance coverage[4] rose by 1.6 million, and plans furnishing temporary disability protection showed a sizable increase, when compared to growth in previous years. On the other hand, private retirement plans increased by less than 1 million workers to a total of 25.4 million at the end of 1965.

A vigorous expansion in coverage of employee-benefit plans has occurred in the 15 years from 1950 to 1965. Regular medical expense insurance had almost 30 million more employees covered in 1965 than in 1950, and surgical expense insurance had about 28 million more. Somewhat more modest gains were registered by life insurance and hospital expense insurance plans, which added about 22–24 million employees.

Though major medical expense coverage did not increase in such large absolute numbers, the growth is more dramatic since such coverages were first offered after 1950. Plans offering temporary disability and formal sick-leave benefits, on the other hand, reported a small rise of only about 7½ million in the number of employees covered. Retirement plan protection did not have the striking increase registered by other types of employee benefits, and coverage grew from about 10 million in 1950 to more than 25 million in 1965.

A leveling in growth is revealed by comparing percentage increases in employee coverage in successive 5-year periods since 1950. For every type of employee-benefit plan, the strongest growth was in the early fifties, and the percentage change declined in each subsequent 5-year period. Thus, the percentage growth in hospital and surgical insurance in 1950–55 was about 35 percent and 65 percent, respectively, but the increase since the end of 1960 was less than 20 percent. Growth in retirement and life insurance coverage shows a similar pattern. On the other hand, major medical expense coverage increased 80 percent since

[3] Data on major medical expense insurance refer exclusively to plans underwritten by commercial insurance companies and exclude plans of this type (covering about 15 million persons at the end of 1965) under Blue Cross-Blue Shield.

[4] The data on group life insurance in this series exclude the insurance provided members of the Armed Forces under the new program of servicemen's group life insurance enacted by Congress on September 29, 1965. This insurance is underwritten by commercial insurance companies but is excluded here because the series is confined to civilian wage and salary workers.

1960 and regular medical expense coverage rose 28 percent, reflecting continued pressure for broadened health insurance protection.

Contributions

Total contributions (employer and employee) to employee-benefit plans were estimated at about $19.1 billion in 1965, or an increase of more than 11 percent over the 1964 contributions of $17.2 billion (table 2). The rate of increase was slightly higher than that of 1964 and was substantially greater than that for any year since 1960.

The 1965 rise of $1.9 billion was the largest in the historical series, reflecting the broadened coverage as well as benefit improvements and increased costs. Pension plan contributions of $7.8 billion (an increase of $860 million) and total health insurance contributions of $7.3 billion, (a $720 million rise) were new highs for these items in the series and accounted for the sharp rise in total contributions for the year. The substantial growth in contributions for temporary disability insurance also contributed to this upward movement.

The annual rate of increase for retirement plan contributions (12–13 percent) was the highest since 1950. On the other hand, total health insurance contributions were only 11 percent higher—though an increase of 12–15 percent was typical for most years from 1955 to 1964. Life insurance contributions maintained the same rate of growth—about 9 percent—as in 1964. The 12-percent increase in contributions for temporary disability benefits was high compared to the typical growth in previous years.

Despite sizable increases in contributions in all sectors during 1965 both absolutely and percentagewise, the long-term trend shows a definite declining rate of growth, as expansion in coverage slackens. Thus, between 1950 and 1955, contributions to private employee-benefit plans almost doubled, mainly because of the higher amounts for health benefit plans (with a rise of more than 150 percent) and for pension plans (with about an 85-percent increase). Between 1955 and 1960, total contributions increased 59 percent; between 1960 and 1965, they rose only 53 percent. Pension contributions rose about 43 percent in each of the two 5-year periods since 1955, reflecting increased contributions to meet benefit improvements. In the same time periods, however, the rate of increase of health benefit contributions fell from about 95 percent to about 70 percent.

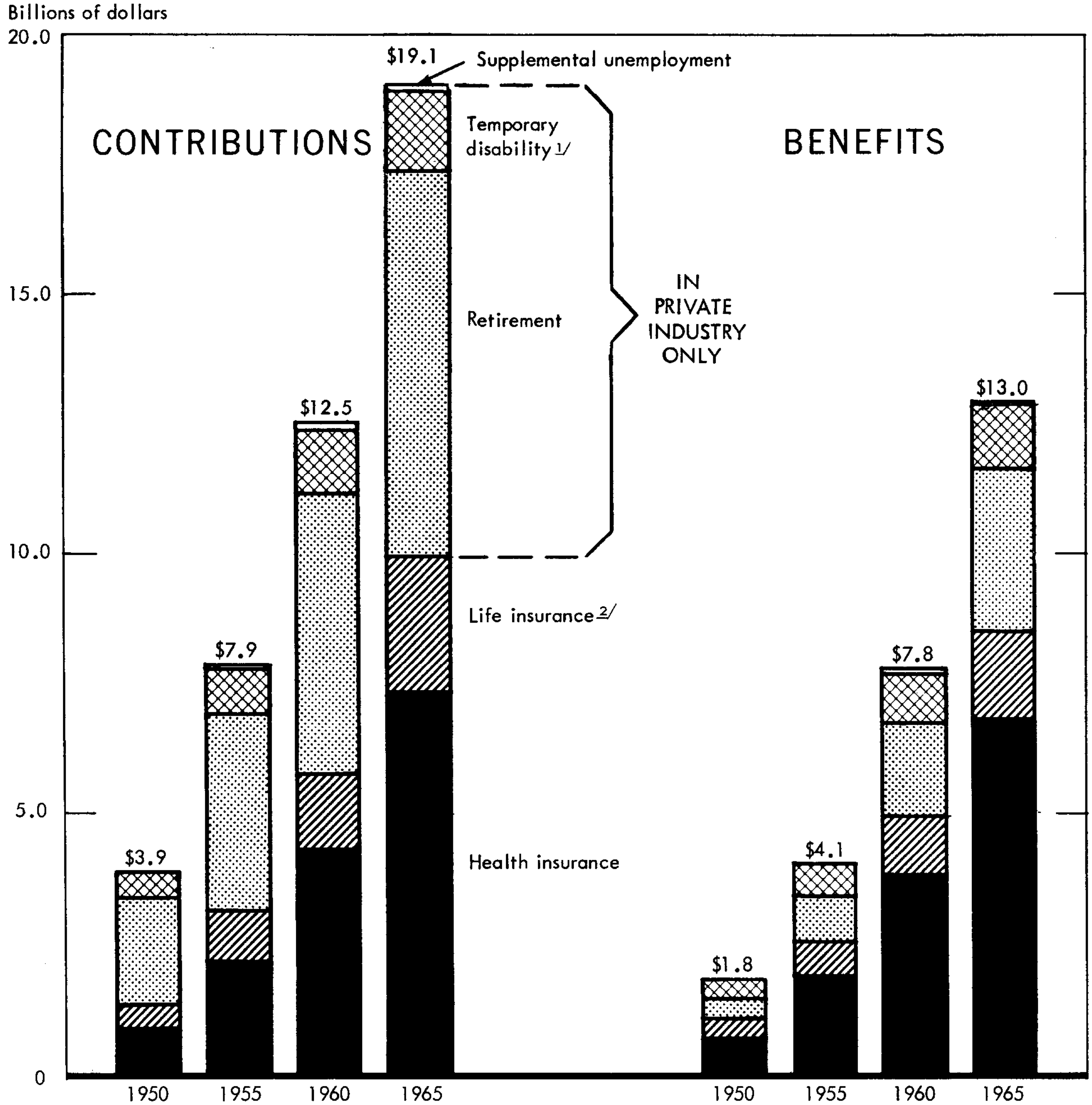
The amount and pattern of employee-benefit plan contributions have also undergone remarkable change in this 15-year period. In 1950, when the total amount contributed was less than $4 billion, more than half went for retirement purposes. The three types of health insurance programs offered at that time—hospital, surgical, and regular medical—accounted for a little over a fifth of the contributions (chart 1). Since that time an increasing proportion of total employee-benefit contributions has gone for health insurance programs and a smaller proportion for retirement programs, with the portions going to the other benefit programs remaining more or less stable. Thus, contributions for health programs reached $7.3 billion or more than 38 percent of aggregate contributions in 1965, while retirement contributions in the same year achieved an impressive $7.8 billion but fell to 41 percent of aggregate contributions.

Benefits

Benefit expenditures were estimated at $13.0 billion in 1965, compared with $11.8 billion in 1964—a rise of more than 10 percent (table 3). Total health benefits accounted for $600 million of the $1.2 billion increase, and expanded retirement benefits accounted for $420 million. Temporary disability payments amounted to $1.3 billion—almost $100 million, or 8 percent, higher than the amount in the preceding year. The increase in death-benefit payments ($116 million) was the largest since the mid-50's, but the percentage rise was lower than that for most preceding years.

A review of the long-term trend shows that total benefits paid under private employee-benefit plans expanded from an annual rate of $1.8 billion in 1950 to $13.0 billion in 1965. Although payments in all sectors advanced, health benefit payments had a greater increase in this period than any other item—an increase accounted for, in large part, by the rapid growth of major medical expense plans. Thus, total expenditure for health benefits were 10 times higher than they were at the beginning of the period, having risen from

CHART 1.—Contributions and benefits under employee-benefit plans, by type of benefit, selected years, 1950–65



[1] Including sick leave. [2] Including accidental death and dismemberment insurance.

$700 million in 1950 to $6.8 billion in 1965. Pension plans engaged in almost parallel growth, with payments advancing from $400 million in 1950 to $3.2 billion in 1965. The other items had striking dollar advances during the same period but were not of the same magnitude, either in dollar amounts or rate of growth, as those for health and retirement benefits.

These broad growth patterns have affected the distribution of payments among the types of benefit included in the series. As with the contribution pattern, the greatest shift has been in health insurance benefits, which accounted for 53 percent of the total in 1965, compared with about 40 percent in 1950. In contrast, temporary disability benefits represented more than 20 percent of the total in 1950 and now account for only 10 percent. Reflecting, in part, the maturing of re-

TABLE 3.—Estimated benefits paid under employee-benefit plans,[1] by type of benefit, 1950, 1955, 1960–65

[In millions]

Type of benefit	1950	1955	1960	1961	1962	1963	1964	1965
Total	$1,813.4	$4,070.9	$7,844.5	$8,739.9	$9,803.3	$10,627.5	$11,772.5	$13,008.3
Benefits for all wage and salary workers:								
Life insurance and death benefits [2]	309.9	581.5	1,017.6	1,122.3	1,236.5	1,341.8	1,426.3	1,541.9
Accidental death and dismemberment [3]	16.0	26.1	47.3	58.0	68.8	82.5	88.0	89.5
Total health benefits	708.7	1,902.9	3,898.2	4,467.9	5,010.8	5,468.9	6,229.0	6,831.3
Hospitalization [4] [5]	477.5	1,241.8	2,355.0	2,666.2	2,983.3	3,264.5	3,650.8	4,036.4
Written in compliance with law	*2.1*	*5.6*	*8.0*	*7.3*	*6.3*	*3.5*	*2.4*	*2.5*
Surgical and regular medical [4]	231.2	637.1	1,116.2	1,239.7	1,360.5	1,452.4	1,709.2	1,790.9
Major medical expense [6]	----------	24.0	427.0	562.0	667.0	752.0	869.0	1,004.0
Benefits for wage and salary workers in private industry:								
Temporary disability, including formal sick leave [7]	408.8	710.4	1,026.4	1,031.7	1,129.2	1,183.3	1,212.2	1,311.6
Written in compliance with law	*54.3*	*135.2*	*196.1*	*201.4*	*204.3*	*198.2*	*191.4*	*197.6*
Supplemental unemployment benefits [8]	----------	----------	105.0	100.0	108.0	91.0	57.0	54.0
Retirement [9]	370.0	850.0	1,750.0	1,960.0	2,250.0	2,460.0	2,760.0	3,180.0

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

[2] Group and wholesale life insurance benefits based on data from Institute of Life Insurance, *Life Insurance Fact Book*, 1966, modified to exclude group plans not related to employment, and excludes $8.8 million in benefits paid under the Serviceman's Group Life Insurance plan which went into effect in late 1965. 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 "Private Health Insurance: Coverage and Financial Experience, 1965," *Social Security Bulletin*, November 1966. In estimating benefits paid to employees under plans other than group insurance and union and company plans, 75 percent of 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. Represents benefits paid under group supplementary and comprehensive major medical insurance underwritten by commercial insurance carriers.

[7] Data from "Income-Loss Protection Against Illness," *Social Security Bulletin*, January 1967. 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 dismissal wage and separation allowances, except when financed from supplemental unemployment benefit funds covering temporary and permanent layoffs.

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

tirement plans, benefit payments gradually increased as a proportion of total employee-benefit plan expenditures. At the same time contributions to retirement plans, as has been indicated, have declined in relation to contributions to all employee-benefit plans. During the same period, death benefits under life insurance policies dropped from 17 percent to 12 percent of the total. Supplemental unemployment benefits, since they were first established in 1955, have never accounted for more than a small fraction of the total.

Another Measure of Growth

The gains in coverage under employee-benefit plans in 1965 are less striking when they are reviewed in relation to the employed labor force. The two most common types of health insurance—hospitalization and surgical—had modest gains in 1965 and now cover about 73 percent and 70 percent, respectively, of the employed wage and salary civilian work force (table 4). Similarly, regular medical expense coverage had a small gain, but major medical protection had the largest increase—2 percentage points—and now encompasses over a fourth of the civilian labor force. Employee coverage under life insurance showed little change from 1964, but accidental death and dismemberment insurance rose by more than 1 percentage point.

Private retirement plans now cover about 46 percent of the private wage and salary labor force—about the same proportion that was covered in 1964. The proportion of workers covered by plans providing temporary disability benefits rose, however, to more than 50 percent of the total private work force, a proportion greater than that recorded in any previous year.

An examination of the trend since 1950 clearly points up the tremendous growth that has taken place in protection. Since 1950, for most types of employee-benefit plans the annual growth in coverage has exceeded the growth in the labor force. The cumulative effect of this difference has been substantial.

Thus, more than three-fifths of the wage and salary workers had life insurance in 1965, compared with only about two-fifths in 1950. Hospital insurance shows a similar pattern, with coverage of about half the labor force in 1950 and almost three-fourths in 1965. The other components of the health insurance sector demonstrated even sharper gains, as the trend continued toward providing more complete medical care to persons who have basic hospital expense insurance. Surgical and regular medical expense insurance, which

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, 1950, 1955, 1960–65

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]		
1950	38.8	16.2	48.8	36.6	18.0	------------	46.2	------------	22.5
1955	51.0	28.3	59.5	54.5	36.2	4.1	49.3	2.1	32.2
1960	58.1	35.5	68.6	65.8	50.9	16.6	49.0	3.4	42.4
1961	60.5	36.2	71.5	68.4	54.6	19.7	49.4	3.6	44.6
1962	60.4	37.4	71.5	68.5	54.9	21.3	49.4	3.6	45.3
1963	61.5	40.1	73.1	70.0	56.8	23.8	49.6	3.6	46.0
1964	63.3	42.1	72.8	69.9	55.1	24.8	50.0	3.7	46.5
1965	63.4	43.5	73.1	70.2	58.7	26.8	50.5	3.8	46.4
	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]		
1950	0.34	0.01	0.40	[6] 0.21		------------	0.40	------------	1.67
1955	.44	.02	.69	[6] .38		0.02	.49	0.02	2.19
1960	.54	.03	.96	[6] .49		.18	.53	.05	2.47
1961	.58	.03	1.05	[6] .54		.24	.53	.05	2.47
1962	.59	.03	1.10	[6] .56		.26	.54	.07	2.45
1963	.62	.03	1.14	[6] .55		.28	.53	.06	2.46
1964	.63	.03	1.18	[6] .57		.30	.52	.05	2.56
1965	.64	.03	1.21	[6] .59		.31	.54	.04	2.66

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

[2] Coverage of private and public employees related to average number of private and government full-time and part-time civilian employees—65.3 million in 1965 (table 6.3 in *Survey of Current Business*, July 1966) and the *National Income and Product Accounts of the United States, 1929–1965 Statistical Tables* (*Supplement to the Survey of Current Business*), 1966.

[3] Coverage of private employees related to wage and salary employed labor force in private industry—54.8 million in 1965 (from table 6.3 in source listed in footnote 2).

[4] Amounts for private and public employees related to private and government civilian wages and salaries—$346.3 billion in 1965 (from table 6.2 in source listed in footnote 2).

[5] Amounts for private employees related to wages and salaries in private industry—$289.1 billion in 1965 (from table 6.2 in source listed in footnote 2).

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

covered 37 percent and 18 percent of the labor force, respectively, in 1950, reached new highs of 70 percent and 59 percent by 1965. Major medical expense also grew rapidly, from no reported coverage in 1950 to more than a fourth of the labor force in 1965. Under private retirement plans, the proportion of wage workers covered in private industry has increased by 1–2 percentage points a year (except in 1965) since 1950, when the ratio was about 22 percent. Temporary disability and supplemental unemployment benefit coverages had more erratic growth patterns and are the exceptions to the rule of the progressiveness in coverage in all types of employee security plans.

The rise in contributions to new heights in 1965 also raised the proportion that these contributions bore to aggregate wage and salary payrolls (table 4). Employer-employee contributions to retirement plans went from $2.56 per $100 of private wage and salary payroll in 1964 to a new high of $2.66 per $100 in 1965. Much smaller increases were registered for other types of employee-benefit plans, but all major benefits had some gains. Total health benefit contributions increased 6 cents per $100 of all wages and salaries and now equal $2.11 per $100 of payroll. Temporary disability plans had an increase of 2 cents per $100 of private payroll, which brought the contributions per dollar of payroll up to previous levels.

Contributions to employee-benefit plans in relation to compensation show substantial changes since 1950, but the growth for some items has been spotty. Contributions for life insurance rose from 34 cents per $100 of payroll in 1950 to 64 cents per $100 of payroll in 1965, an increase of 30 cents, or a percentage gain of some 90 percent. On the other hand, health benefit contributions were 61 cents per $100 of payroll in 1950 and showed a 250-percent increase to $2.11 per $100 of payroll in 1965. Thirty-one cents of the 15-year advance of $1.50 can be attributed to major medical expense plans.

In the same period of time, contributions to plans providing temporary disability benefits have had a slow growth when related to private wage and salary payrolls, representing 40 cents per $100 in 1950 and 54 cents in 1965 or a rise of about one-third. Retirement plan contributions, in relation to private industry payroll in 1965, increased by 60 percent from the rate for 1950. However, the growth in the amount contributed has been irregular over this period of time. From a rate of $1.67 per $100 of private payroll in 1950, the ratio rose to $2.19 in 1955 and $2.47 in 1960 and then dropped off slightly until 10-cent increases were registered in both 1964 and 1965.

RETIREMENT PLANS TRENDS

Coverage

The estimated number of persons covered by private pension and profit-sharing plans rose 800,000 in 1965 to more than 25 million (table 5). This increase is typical of increments in the past few years, during which the absolute increase was from 700,000 to 800,000 and the rate of growth was 3–4 percent. For the 15 years since 1950, when pension plans first became a major issue in collective bargaining, the absolute growth amounted to 15.6 million; the last 5 years, however, accounted for only 4.2 million of the increase. The percentage growth since 1950 has shown a similar decline when divided into 5-year intervals: coverage grew by more than 55 percent in the period 1950–55, 38 percent in 1955–60, and only 20 percent in 1960–65.

The proportion of workers covered by noninsured plans increased steadily from 1950 through 1962, but since then has declined. About 500,000 persons were added under noninsured plans in 1965, compared with about 300,000 under insured plans. Thus, by the end of 1965, 19.1 million employees were in noninsured plans (or slightly more than 75 percent of the total coverage) and about 6.3 million were in insured plans (or slightly less than 25 percent of total coverage). The proportion covered by noninsured plans was 77 percent at the end of 1962. The recent increase in the proportion of total retirement plan coverage underwritten by insurers can be attributed in large part to growth of deposit administration funding, as well as legislative and regulatory changes in the past 5 years.

A thorough review* of the coverage estimates for private retirement plans now under way indicates that a downward revision in the series is needed. The estimates appear to be less precise than might be desirable, chiefly because of the problems involved in adjusting for several factors.

First, dual coverage has become increasingly important because a growing number of employers are installing more than one type of pension or profit-sharing plan for some or all of their employees. Workers are frequently covered by both an insured plan and a noninsured plan or by a multiemployer plan and a union plan. Some duplicate coverage also arises from the provision for supplemental coverage for workers earning more than the amount taxable under social security.

Second, the number of workers entitled to vested pensions from a previous employer has been increasing in recent years because of job-changing patterns and liberalized vesting conditions. No real attempt has been made to date to exclude from the series these workers with deferred vesting rights, yet the coverage estimates are intended to be confined to active employees in the labor force. Because of the great public interest in the subject of vesting, it is hoped that any adjustment of the coverage figures for this factor will permit separate estimates of the number of vested workers with and without current attachment to a pension firm.

Finally, since most of the growth in private retirement plans in recent years has been for smaller employers and groups, the data have been influenced by estimates for this sector. It is now believed that such estimates may have overstated the coverage in this category.

A large amount of research is still needed to provide improved benchmarks for correction of the series. Because of this, the estimates appearing in this article are presented in the same way as in the past. It is intended, however, that a special technical note will be prepared within the coming year presenting revised data and explaining the basis for the revisions. At this time it does not appear that the revisions will disturb previously observed trends and relationships, though the absolute levels will be lower.

Contributions

Employer-employee contributions to private retirement plans moved up sharply during 1965, amounting to almost $7.8 billion compared with

TABLE 5.—Private pension and deferred profit-sharing plans:[1] Estimated coverage, contributions, beneficiaries, benefit payments, and reserves, 1950, 1955, 1960–65

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	$370	$80	$290	$12.1	$5.6	$6.5
1955	15,400	3,800	11,600	3,280	1,100	2,180	560	280	280	980	290	690	850	180	670	27.5	11.3	16.1
1960	21,200	4,900	16,300	4,690	1,190	3,500	790	300	490	1,780	540	1,240	1,750	390	1,360	52.0	18.8	33.1
1961	22,200	5,100	17,100	4,770	1,180	3,590	810	290	520	1,910	570	1,340	1,960	450	1,510	57.8	20.2	37.5
1962	23,100	5,200	17,900	5,020	1,240	3,780	860	310	550	2,100	630	1,470	2,250	510	1,740	63.5	21.6	41.9
1963	23,800	5,400	18,400	5,260	1,350	3,910	920	340	580	2,280	690	1,590	2,460	570	1,890	69.9	23.3	46.5
1964	24,600	6,000	18,600	5,900	1,470	4,430	990	370	620	2,490	740	1,750	2,760	640	2,120	77.2	25.2	51.9
1965	25,400	6,300	19,100	6,660	1,680	4,980	1,090	420	670	2,750	790	1,960	3,180	720	2,460	85.4	27.3	58.1

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

[2] Excludes annuitants; employees under both insured and noninsured plans are included only once—under the insured plans.

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

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

$6.9 billion in the previous year. The 12.5-percent increase was the greatest gain in any year in the past decade, and employer contributions accounted for a larger share of the gain than employee contributions.

The dollar growth in contributions to noninsured plans in 1965 far outbalanced that for insured plans, but the percentage growth from the previous year for insured plans outstripped that for noninsured plans for the second time since 1960. This reversal appears to be a break in the historical pattern that emerged in the early fifties. At that time the noninsured-plan approach to funding for new plans became the dominant force in private retirement funding, and the rate of growth in contributions for this sector far exceeded that for insured plans in most years. About 27 percent of total contributions came from insured plans in 1965, marking a 6-year period in which this proportion has remained more or less stable instead of declining.

The sharp increase in aggregate contributions in 1965 to $310 per employee also marked the first year since the beginning of the series in which average annual combined contributions per covered worker were higher than $300. Per capita contributions have fluctuated within a narrow range of about $30—from a low of $256 in 1951 to a high of $285 in 1964. Similarly, since contributions by employers had a large increase in 1965, average per capita employer expenditures rose from the previous high of $244 in 1964 to $266. In the years before 1964, the average ranged between $220 and $240.

Beneficiaries and Benefits

More than $3 billion was paid out to 2¾ million beneficiaries under private retirement plans in 1965. Despite the relative slowing of growth of private retirement plans, this year showed a net gain of 260,000 retirees, an increase of more than 10 percent over the preceding year. Noninsured plans had substantial numerical and percentage increases, but the numerical increase in insured-plan retirements was about the same as in 1964. This condition reflects the slow rate of growth of coverage in insured plans during the 1950's. Despite these growth differences, the distribution of beneficiaries between insured and noninsured plans has maintained a ratio of about 7 to 3, with some small fluctuations, since 1950.

The growth in benefits paid by private retirement plans has typically been greater than the growth in number of beneficiaries resulting from major improvements in the level of benefits promised under all types of retirement plans. Benefit payments grew by $420 million in 1965 and were more than 15 percent greater than in 1964. This increase compares with a growth in contributions of slightly more than 12 percent. For insured plans, the relative increase in benefits (about 12 percent) was much greater than that for beneficiaries (7 percent). Noninsured plan benefits rose about 16 percent, a little higher than the gain in the number of beneficiaries.

As private pension plans mature, they are taking on a more important role in income maintenance for the aged. According to a study by the Social Security Administration of OASDHI aged beneficiaries, 20 percent of the beneficiary couples (with at least one member aged 65 or over) and 7 percent of the nonmarried beneficiaries aged 65 and over had private pension income in 1962.[5] The proportion has undoubtedly risen since that time. For those beneficiary couples having private pensions, more than 25 percent of their income was provided through private pensions, and, for nonmarried beneficiaries with private pensions, almost 30 percent of income came from such sources. For both these groups, OASDHI benefits represented roughly 45 percent of aggregate income. The study noted that "receipt of private pensions is associated with a much lower employment rate and a virtual absence of need for public assistance."

Reserves

Reserves for present and future benefit payments by private retirement plans, sparked by the advance in contributions and investment yields, rose to $85.4 billion (book value) at the end of 1965. Although a record $8.2 billion was added to private plan reserves, the percentage increase (10.6) was only slightly higher than that in 1964 and substantially lower than the relative growth before 1960.

The assets of insured plans rose at a lower rate in 1965 than those of noninsured plans (8.3 percent and 11.9 percent, respectively), apparently as the result of relatively greater payouts and lower investment yields. The proportion of total reserves attributable to insured plans continued to decline and now stands at 32 percent. Only 15 years earlier, the distribution was 46 percent for insured plans and 54 percent for noninsured plans.

The average reserve, of course, also rose substantially in 1965, to $3,362 per employee. For insured plans the average reserve has been higher than for noninsured plans, though this difference has narrowed in the past 5 years. Thus, in 1965 the average reserve for workers in insured plans was about $4,300 and for workers in noninsured plans it was slightly more than $3,000, or about 70 percent of that for insured plans. This is a change, however, from the position in 1950, when the average noninsured reserve was only 42 percent of the insured reserve, and from 1960, when it was 53 percent. These averages, of course, are affected by a variety of forces and factors, but it is apparent from the comparison that funding in noninsured plans has increased noticeably over the past decade.

RESPONSIVENESS OF PLANS TO CHANGE

Private health, welfare, and retirement plans have been characterized by great diversity in the types of benefits provided, in level and scope of protection furnished, and in provisions dealing with eligibility and financing. This diversity is a reflection of the flexibility and latitude that employers and unions involved in private plans enjoy in tailoring provisions to meet special needs and conditions in their firm or industry. This flexibility is especially evident when changes become necessary because of economic factors, collective bargaining pressures, and modifications in public programs. Some examples of the responsiveness of employee-benefit plans to changing conditions are discussed below.

Health Benefits

Health plans have been modified greatly since the 1940's in providing protection against the risks of illness. From limited hospitalization and surgical expense coverage, the plans have generally been expanded to meet almost all types of health care expenditures. Although there are no data measuring the extent to which rising group health-benefit payments are meeting employee medical care bills, there are data available covering the entire population. In 1965, insurance payments met 32.6 percent of consumer expenditures for personal health care, more than two and one-half times the 12.1 percent computed in 1950.[6] The annual increment in the rate, however, is becoming smaller, and it may be that larger proportions of the year-to-year increases in benefit payments are now being absorbed by increases in medical care prices. The trend shown in this series

[5] *Income Status of OASDHI Beneficiaries With and Without Private Pensions*, Research and Statistics Note No. 17 (Social Security Administration, Office of Research and Statistics), 1966.

[6] Ruth S. Hanft, "National Health Expenditures, 1950–65," *Social Security Bulletin*, February 1967, table 7.

for the entire population is undoubtedly similar to that for plans serving employees and their dependents, since group health plans account for 75 to 80 percent of all insurance payments for medical care.

Illustrative of the changes that have contributed to meeting a higher portion of employee expenditures for medical care are lengthened duration of benefits, increased cash allowances, and switches away from cash indemnity plans. According to a recent Bureau of Labor Statistics study of negotiated plans, for example, most of the 100 health insurance plans studied in 1966 raised allowances for hospital benefits since 1962, and a few plans switched from cash (indemnity) to service benefits.[7] The duration of benefits was extended in some plans, and the most common full-benefit period now is 365 days per disability compared with 120 days in 1962.

Similarly, the study reported significant upward revisions in the surgical fee schedule in more than half the plans and increased allowances for regular medical care expense in more than a third of the plans. Furthermore, a few plans switched from a schedule of cash allowances for surgical procedures to payment of all reasonable and customary charges, as in the health insurance program for the aged.

The flexibility of private employee-benefit plans in adapting to changing attitudes toward health care coverage is exemplified by the explosive growth of comprehensive and supplementary major medical expense insurance.[8] The BLS study reported, for example, that supplemental major medical insurance continues to be the benefit most frequently added to negotiated health and insurance plans. In early 1966, supplemental major medical benefits were included in 32 of the plans in the study; 4 years earlier, only 19 plans had them.

Comprehensive major medical expense insurance is also growing rapidly, though such growth is more pronounced among nonnegotiated plans. Mention must also be made of the growth in the companion extended-benefit and supplemental major medical contracts of Blue Cross-Blue Shield plans.

Typically, group major medical policies cover all types of medical care expense other than dental care and nursing-home care, and sometimes nursing-home care is covered. The extended-benefit and supplementary major medical contracts of Blue Cross-Blue Shield plans have more variation than the plans offered by insurance companies, but increasingly they are offering some coverage of outpatient care, physician service in the office and home, visiting and private-duty nursing, drugs, and to a lesser extent nursing-home care.

An indication of the broadening of services covered by voluntary health insurance is the growth in coverage for dental-care service and nursing-home care. In 1965, the numbers covered by these plans (including persons outside of group plans) were 3.1 million (dental care) and 9.9 million (nursing-home care).[9]

Growing interest in these broadened forms of protection are also revealed in the BLS study of 100 negotiated plans. Post-hospital care in nursing or convalescent homes had been introduced in many plans by 1966. From 1962 to 1966, dental care was added in five of the plans studied and vision care was added in six, bringing the totals for plans with such benefits to six and 12. Out-of-hospital psychiatric treatment was paid in full in some of the negotiated plans in the study.

Perhaps as important as obtaining initial coverage under a group health insurance plan is the continuation of coverage when the employee loses or leaves his job. Because group coverage has traditionally been linked to employment, interruption of the employment relationship because of retirement, layoff, or termination usually meant loss of protection.

The Federal program of health insurance for the aged has largely taken care of the problem of providing basic protection for the worker aged 65 and over. As has been indicated, however, pri-

[7] Robert C. Joiner, "Changes in Negotiated Health and Insurance Plans, 1962–1966," *Monthly Labor Review*, November 1966.

[8] Comprehensive major medical is the term applied to those broad plans that provide a wide range of health services both in and out of the hospital, up to a maximum amount. Characteristically, under these plans the insured pay a deductible amount for initial costs and, thereafter, for a portion of remaining costs under the coinsurance features. Supplemental major medical policies are designed to go beyond the existing basic hospital-surgical-medical insurance, paying out benefits only after benefits under the basic plan are exhausted and, typically, after a specified deductible amount is paid by the insured.

[9] Louis S. Reed, "Private Health Insurance: Coverage and Financial Experience, 1965," *Social Security Bulletin*, November 1966.

vate employee-benefit plans in many instances will continue to play a role by providing supplemental protection.

The problems posed by workers who leave their employment because of voluntary or involuntary job loss and plant shutdown, however, still remain. Some progress has been reported in the practice of providing health insurance coverage during periods of unemployment. According to a 1965 study of the Bureau of Labor Statistics, about a tenth of employees under group health insurance plans are now protected by some provisions for extension of coverage during unemployment.[10]

These provisions are found mainly in collectively bargained plans in manufacturing industries (primary metals, transportation equipment, rubber products, food products, and electrical equipment). Typically, the extended coverage provides hospital, surgical, and medical protection for the employee and his dependent for a specified period of time after the layoff, typically 2 or 3 months, although longer periods are found in some plans. For example, the Automobile Workers plans provide employer-financed health benefits coverage for up to 13 months after the month of layoff, Similarly, the Steelworkers have negotiated for employer-financed continuation of health insurance benefits for up to 52 weeks after layoff.

In addition to employer-financed protection for health care during layoff, Blue Cross-Blue Shield plans and, more recently, many insured plans give the individual leaving his job (and group health coverage) the privilege of converting to individual coverage within a specified time. The Health Insurance Institute, which annually makes sample studies of new group commercial polices issued during the year, found that 86 percent of the employees covered by health insurance plans in the 1965 study had this option of conversion, compared with about 45 percent in the 1960 study.[11] Since the individual must, however, pay for protection himself, typically at much higher rates than those under a group plan, the option is not exercised frequently.

Welfare Benefits

Group life insurance and temporary disability insurance plans have also been undergoing changes, but the changes are mainly of the "keeping pace" type. These wage-replacement programs are especially sensitive to the need for keeping benefit levels abreast of rising wage levels.

The BLS study of changes in 100 negotiated plans showed that about one-half the life insurance plans and two-thirds of the temporary disability (accident and sickness) plans were revised between 1962 and 1966. The changes in life insurance plans consisted mainly of raising the insurance amounts and, in a few plans, substituting benefits graduated to wages for uniform benefits. Changes in temporary disability benefits primarily took the form of increases in the amount of weekly benefit payments or in the maximum amount payable.

A few plans, however, extended the duration of disability benefits from 26 weeks to 52 weeks. In some plans negotiated by the Steelworkers, benefits for long-service employees were extended to periods as long as 260 weeks, thus giving blue-collar workers the type of protection more often provided white-collar workers under long-term disability benefits.

The Health Insurance Institute annual studies of new group commercial policies give some evidence of the growth of long-term disability protection. In the 1965 survey, 19.8 percent of the employees covered by newly written wage-replacement policies were protected by policies that provided benefits for 5 or more years for accident and illness, compared with 6.8 percent in the 1963 study.

Retirement Plans

The private pension movement has been particularly dynamic. Constant revisions in benefit formulas to take into account rising living costs and wage levels have typified activity in this area. There has been a sharpening of interest in developing ways to expand coverage so that more workers will build up pension credits and qualify for eventual pensions through vesting and portability arrangements. With the maturing of plans, the scope of protection has been broadened to include provisions to meet needs in addition to those

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[10] Walter W. Kolodrubetz, "Health Insurance Coverage for Workers on Layoffs," *Monthly Labor Review*, August 1966.

[11] Health Insurance Institute, *Group Health Insurance Policies Issued in 1965*, 1966 and preceding annual editions.

for normal retirement benefits. Finally, the interrelationship of pension-plan policies and labor-force problems has led to innovations such as special early-retirement provisions.

Some rough impression of changes in retirement benefit levels may be derived from the aggregates of benefits and beneficiaries in table 5, which show that the average annual amount of payments per beneficiary have moved from about $800 in 1950 to more than $1,200 in 1965. Changes in benefit levels, however, are more strikingly illustrated by viewing improvements in employer-financed negotiated plans since 1950.

Auto Workers plans in 1950 typically provided, for workers retiring at age 65 with 25 years of service or more, a $100 monthly pension reduced by any social security benefit to which the worker was entitled. The benefit was reduced proportionately for workers with 10 years of service but less than 25 years. The result is a private pension of $20 a month for a worker with 25 years of service and entitled to a social security benefit at the maximum primary amount at that time. The typical Auto Workers' pension plan now provides a benefit of $4.25 times years of service or, for a worker with 25 years of credited service, $106.25 a month (which is not subject to offset for any social security benefit).

In the primary metals industry, the typical plan negotiated by the Steelworkers in 1950 called for a monthly pension, for workers with 15 years or more of service at age 65, based on the larger of two computations: (1) 1 percent of average monthly earnings in the 120 months before retirement times the years of service or (2) $4 times years of service up to 25—both to be reduced by the full amount of the social security benefit. Under this formula, the average 25-year worker earning the maximum wage taxable under the social security program would receive $20 a month from the plan. Today, the formula in the typical Steelworker contract provides that the social security offset be fixed at $60 and a minimum pension of $5 per year of service up to 25 years (excluding any social security benefit) be provided. Thus, the private plan provides $125 for a 25-year man earning the maximum social security benefit.

Since 1950, the benefit formulas of the telephone company plans have been revised by reducing the social security offset as well as improving the minimum pension amounts. The basic benefit formula in 1950 was 1 percent of average monthly earnings in the 10 years before retirement times years of service, reduced by one-half the amount of the retired-worker benefit under the social security program. The minimum pension at age 65 for a worker with 20 years of service was $100 (also offset by one-half the social security benefit). Now the minimum benefit at age 65 with 20–29 years of service is $115, and with 30–39 years of service it is $120 (and $125 with 40 years of service) offset by one-third of the social security benefit, as is the basic 1-percent formula.

Some large multiemployer plans have not changed benefits to any large degree since 1950, but these are plans that are not directly coordinated with the amount of the social security benefit that the worker may receive. Plans of three major unions—the United Mine Workers, Amalgamated Clothing Workers, and Ladies' Garment Workers—that pay uniform flat benefits for qualified workers have made little or no change in the amount provided in 1950. A number of newer multiemployer plans have, however, made impressive advances, especially those in the motor and water transportation industries. The Central States Teamsters Plan, established in 1955, initially provided $90 a month for the first 60 months and $22.50 a month thereafter for workers retiring with 20 years of service at age 60. The plan now permits retirement at age 57 with 20 years of service and pays up to $250 a month for the first 60 months and $110 a month thereafter. In the water transportation industry, the Masters, Mates, and Pilots pension plan in 1958 provided a benefit of $5 a year of service for workers with 20 years of service at age 65. The plan now gives $15 for each year of service up to 20 years for workers retiring at age 65 with 15–20 years of service. Workers with 20 years of service or more may retire at any age with a pension of $300 a month.

Changes in benefit formulas have not been restricted to negotiated plans. One study of changes in 50 pension plans covering salaried workers shows that the benefit formulas were improved in 21 of the plans between 1963 and 1965, prompted in some cases by changes in negotiated production-worker plans of the same firm.[12] These changes included revisions in the basic formula

[12] Robert C. Joiner, "Changes in Pension Plans for Salaried Employees," *Monthly Labor Review*, April 1966.

in 11 plans, the minimum formula in four plans, and both formulas in six plans. Under the illustrative benefits computed in the study, however, these revisions raised benefit levels in only 10 plans, typically less than 25 percent (for retirement at age 65 with 20 and 30 years of service with assumed annual earnings of $4,800, $10,000, and $15,000).

The rapid growth of collectively-bargained multiemployer plans since 1955 has focused attention on their usefulness in expanding coverage in industries characterized by many small employers and high rates of individual employer mortality. These plans feature a pooled central fund to which a number of employers agree to contribute specified amounts on behalf of their employees. About a sixth of the workers (more than 4 million) in private pension plans are now included in these multiemployer plans. Their approach to portability of pension credits parallels that found in the social security program—that is, a worker in a multiemployer plan continues coverage and builds up pension credits as long as he is employed by the employer contributing to the plan. The plans have developed, for the most part, in industries and occupations marked by seasonal employment, frequent job changing, and small firms. Thus, the plans are concentrated in mining, food products and apparel manufacturing, motor and water transportation, construction, services, and wholesale and retail industries. Typically, the common bond in these plans is a union negotiating with a group of employers. Only a few plans cover members of different unions.

The scope of the individual plan determines the practical limits of portability, though reciprocity agreements between plans may broaden the protection. About half the workers in multiemployer plans are in a large number of relatively small plans limited to union members in a single craft, occupation, or industry—generally in a metropolitan area.[13] The remaining workers are involved in broader regional plans and industry-wide national plans, such as the United Mine Workers of America Welfare and Retirement Fund, the Western Conference of Teamsters Pension Fund, and the Ladies' Garment Workers' National Retirement Fund.

[13] Bureau of Labor Statistics, *Multiemployer Pension Plans Under Collective Bargaining, Spring 1960* (Bulletin No. 1326), 1962.

Development of reciprocity agreements, under which workers may carry pension credits from one plan to another, further broadens the protection of portability in multiemployer plans. At this time, however, only a small number of agreements have been reached; they are normally limited to plans that have some strong mutual ties, and thus rarely cover pension plans of different unions. The objective of these provisions is agreement by the plans on joint recognition of the total number of years of service for a worker, who may have split his employment between two or more funds. Thus, a worker who may not qualify under one plan can use service under other plans to attain eligibility and/or build up additional pension benefits.

In recent years, there has been increased interest in these agreements in the motor transportation and construction industries. In 1965 the Central States Teamsters and the Chicago Truck Drivers' Union (an independent union) agreed to recognize pension credits earned under either union's funds. The Central States, Southeast, and Southwest Areas Pension Fund (of the Teamsters) has entered into reciprocal arrangements with large Teamsters plans on the East Coast, permitting the same type of portability protection. In 1965 also, six funds established by the Carpenters' Union in the New York City area agreed to transfer arrangements between their funds.

Another approach at achieving portability is the national multiemployer plan established by the Industrial Union Department of the AFL-CIO. The aim is to cover (at low administrative cost) union members employed by small firms who may be unable to provide such protection on an individual basis. The plan, which was adopted by the board of trustees in early 1966, will be underwritten by a group of insurance companies. It provides, like other multiemployer plans, portability of pension credits of workers who shift from one employer to another in the plan. The unusual feature of this program is that participation is open to collective bargaining situations involving any union affiliated with the Industrial Union Department. (About 50 unions are now in this group.)

Although the primary purpose of a pension plan is to provide lifetime benefits to workers who retire, other types of benefits have been introduced as the benefit levels of the plan attain more or less "adequate" levels. Thus, the major ancillary benefit provisions in private plans—early and disability retirement and vesting—have been added to the pension plans as experience has unfolded, although pressure for liberalized retirement benefits has never abated. Almost all private plans now have one or more of these protective provisions. According to a BLS study of pension plans in effect in 1962–63, about 30 percent of the plans studied (with 40 percent of the workers) had early and disability retirement and vesting provisions.[14] A large part of this group was accounted for by plans negotiated by the Auto Workers and the Steelworkers. Close to 40 percent of the plans (with 20 percent of the workers) had vesting or early retirement, or both. In addition, 20 percent of the plans (with 30 percent of the workers) had at least a disability retirement provision and, in some cases, vesting or early retirement. About 10 percent of the plans (with another 10 percent of the workers, mostly in negotiated multiemployer plans) had only the protection offered by normal retirement.

Provisions for survivor or death benefits have also been slowly developing. These provisions take various forms. Under one approach, the employee is allowed a choice of one or more types of retirement benefits, including continuation of benefits to a surviving spouse ("joint and survivor") or a guarantee of benefits for a minimum number of payments ("period certain"). Typically, the pensioner's benefit is adjusted (reduced) on an actuarial basis, so that no added cost is accrued by the plan. These provisions are now fairly common in private pension plans. However, in some plans, such as those negotiated by the Automobile Workers, the survivors' option is subsidized by the employer so that the adjustment (reduction) is much less than the added value of the benefit.

Another form of survivor benefit guarantees payments for a specified period, at no cost to the employee, or provides a lump-sum payment when the employee dies—either before or after retirement. According to the BLS study of pension plans filed under the Welfare and Pension Plans Disclosure Act in 1962–63, about a third of the plans (with slightly more than a third of the workers) had some type of death or survivor benefit. They were more common in plans not under collective bargaining (about 40 percent of the plans, with 37 percent of the workers) than in negotiated plans (about 20 percent of the plans, with 34 percent of the workers). An earlier BLS study of 300 negotiated plans in effect in 1960–61, showed that about a sixth of the plans, with a fourth of the workers, had death benefits of the type under discussion.[15]

Frequently cited as a prime example of private pension flexibility to meet special situations is the development of special early retirement features. These provisions have been introduced in part to ease worker adjustment to automation and technological change. Despite the heavy costs involved, there has been a rash of permanent (and temporary) changes in pension plans, in which early-retirement benefits are supplemented to make retirement more feasible. These provisions have been adopted mainly in manufacturing industries such as primary metals, transportation equipment, rubber products, food products, and electrical equipment industries, and they covered about a sixth of the workers under private pension plans in 1965.[16] They typically apply only to production workers under collective-bargaining agreements.

Although there is wide variation in the qualification requirements for these special benefits, typically, age 55 with 10, 15, or 20 years of service is stipulated. The provisions usually have a further condition that the request for retirement may be initiated by the employer or be granted under mutually satisfactory conditions. Other conditions include plant shutdown, permanent layoff, or disability not qualifying under the regular disability retirement provision.

TECHNICAL NOTE

An "employee-benefit plan," as defined in this article, is any type of plan sponsored or initiated

[14] Bureau of Labor Statistics, *Private Pension Plan Benefits* (Bulletin No. 1485), 1966.

[15] Bureau of Labor Statistics, *Pension Plans Under Collective Bargaining, Benefits for Survivors, Winter 1960–61* (Bulletin No. 1296), 1961.

[16] Department of Labor, *The Older American Worker, Report of the Secretary of Labor to the Congress Under Section 715 of the Civil Rights Act of 1964, Research Materials*, 1965.

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

The series excludes such fringe benefits as paid vacations, holidays, and rest periods; leave with pay (except formal sick leave); savings and stock-purchase plans; discount privileges; and free meals. Severance and dismissal payments are also excluded from the series, except to the extent that such payments are made from supplemental unemployment benefit funds covering temporary layoffs. The latter exclusion is based less on conceptual grounds than on the problem of compiling data for a benefit, often a lump-sum payment, that is usually paid out of a company's current revenue.

Private plans written in compliance with State temporary disability insurance laws are included in the series, but workmen's compensation and statutory provisions for employer's liability are 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.

Government employees who are covered by employee-benefit plans underwritten by nongovernment agencies are included, however, whether or not the government unit contributes (as an employer) to the financing of the program. Specifically involved here are plans providing government employees with group life insurance, accidental death and dismemberment insurance, and hospital, surgical, regular medical, and major medical expense insurance. The servicemen's group life insurance program, which is underwritten by private insurers has been excluded, however, since the series is related only to the civilian wage and salary labor force.

Estimates of coverage, contributions, and benefits are based for the most part on reports by private insurance companies and other nongovernment agencies. Many of the reports include data for persons who are no longer currently employed as wage and salary workers because of retirement, temporary layoff, sickness, or shift in jobs. No attempt has been made to adjust the data for any overstatement that might result from their inclusion. The coverage estimates for pension plans, which have been adjusted to eliminate annuitants, provide the one exception.

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

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