

## Private Social Welfare Expenditures, 1972-90

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Private social welfare expenditures were \$680.7 billion in calendar year 1990. Viewed as a share of gross national product (GNP), private expenditures were 12.3 percent for calendar year 1990, while public expenditures for fiscal year 1990 were 19.1 percent of GNP (table 1).

The private social welfare expenditure series was developed by the Social Security Administration (SSA) in 1955, with program data published continuously through calendar

year 1978. After 1978, the series was discontinued because of difficulties related to data collection and estimation.<sup>1</sup> In 1987, after a redesign of the methodology for estimating several of the components in the series, publication was resumed.<sup>2</sup>

The purpose of the series is to provide estimates of private expenditures for social welfare programs in the United States. The series makes possible a comparison between public and private spending and indicates that the private sector plays an important part in financing the Nation's aggregate social welfare programs. The private sector assumes a

large burden of health and medical care expenditures, as well as income-maintenance benefits, the latter in the areas of employment-related pensions, group life insurance, and group sickness payments. Financing educational and social services is also an important aspect of the private sector's role in supporting social welfare programs.

Information on public social welfare spending has been available since 1954 and continues to be published as a series on a regular basis.<sup>3</sup> Data on private social welfare expenditures have been more difficult to gather over time than information on public

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Table 1.—Private social welfare expenditures,<sup>1</sup> by category: Public and private social welfare expenditures as a percent of gross national product, selected years, 1972-90

| Year      | Public spending, total <sup>2</sup> | Private spending <sup>3</sup> |          |                    |           |                  | Percent of gross national product |                              |                               |
|-----------|-------------------------------------|-------------------------------|----------|--------------------|-----------|------------------|-----------------------------------|------------------------------|-------------------------------|
|           |                                     | Total                         | Health   | Income maintenance | Education | Welfare services | Total <sup>4</sup>                | Public spending <sup>5</sup> | Private spending <sup>6</sup> |
| 1972..... | \$190,315                           | \$93,377                      | \$57,200 | \$15,955           | \$12,677  | \$7,545          | 23.8                              | 16.6                         | 7.7                           |
| 1973..... | 213,294                             | 102,171                       | 63,200   | 17,063             | 13,611    | 8,297            | 23.7                              | 16.6                         | 7.7                           |
| 1974..... | 238,642                             | 113,066                       | 69,400   | 19,660             | 15,036    | 8,970            | 24.1                              | 16.9                         | 7.7                           |
| 1975..... | 289,084                             | 126,409                       | 77,800   | 21,910             | 16,632    | 10,067           | 26.3                              | 19.0                         | 7.9                           |
| 1976..... | 331,377                             | 144,589                       | 89,800   | 25,004             | 18,037    | 11,748           | 26.9                              | 19.5                         | 8.1                           |
| 1977..... | 360,058                             | 165,322                       | 102,000  | 30,662             | 19,125    | 13,535           | 26.2                              | 18.6                         | 8.3                           |
| 1978..... | 393,450                             | 188,593                       | 113,900  | 36,743             | 21,360    | 16,590           | 25.8                              | 18.1                         | 8.4                           |
| 1979..... | 429,482                             | 212,662                       | 126,900  | 42,628             | 23,594    | 19,540           | 25.0                              | 17.5                         | 8.4                           |
| 1980..... | 491,986                             | 246,000                       | 145,000  | 51,169             | 27,055    | 22,776           | 25.1                              | 18.4                         | 9.0                           |
| 1981..... | 552,965                             | 283,418                       | 168,500  | 58,741             | 30,449    | 25,728           | 25.5                              | 18.5                         | 9.3                           |
| 1982..... | 600,154                             | 323,690                       | 191,300  | 70,096             | 34,227    | 28,067           | 27.2                              | 19.1                         | 10.2                          |
| 1983..... | 648,240                             | 362,240                       | 211,000  | 82,423             | 37,448    | 31,369           | 27.5                              | 19.5                         | 10.5                          |
| 1984..... | 676,753                             | 398,403                       | 230,000  | 93,235             | 40,469    | 34,699           | 26.5                              | 18.4                         | 10.5                          |
| 1985..... | 731,073                             | 447,120                       | 247,900  | 116,207            | 44,099    | 38,914           | 27.3                              | 18.5                         | 11.0                          |
| 1986..... | 780,503                             | 495,915                       | 264,600  | 140,803            | 47,426    | 43,086           | 28.0                              | 18.6                         | 11.6                          |
| 1987..... | 833,036                             | 526,026                       | 285,700  | 140,461            | 52,436    | 47,429           | 28.1                              | 18.8                         | 11.6                          |
| 1988..... | 886,173                             | 573,358                       | 318,900  | 145,380            | 55,860    | 53,218           | 27.9                              | 18.5                         | 11.7                          |
| 1989..... | 955,866                             | 623,322                       | 350,200  | 151,849            | 61,351    | 59,922           | 28.3                              | 18.6                         | 11.9                          |
| 1990..... | 1,045,372                           | 680,666                       | 383,600  | 163,357            | 66,872    | 66,837           | 30.0                              | 19.1                         | 12.3                          |

<sup>1</sup> In current dollars.

<sup>2</sup> Fiscal year basis.

<sup>3</sup> Calendar year basis.

<sup>4</sup> Sum of public and private expenditures as a percent of gross national product, after adjustment to eliminate overlap that occurs when payments received under public or private income-maintenance programs are used to purchase medical care, educational services, or residential care.

<sup>5</sup> Represents fiscal year expenditures as a percent of Federal fiscal year gross national product.

<sup>6</sup> Represents calendar year expenditures as a percent of calendar year gross national product.

expenditures. However, information on expenditures is essential for a comprehensive understanding of spending trends in social welfare.

Private expenditures are grouped in four categories: health and medical care, welfare and other services, education, and income maintenance. In 1990, the health and medical care expenditures category accounted for the highest portion—56.4 percent, or \$383.6 billion—of the overall total. The total growth rate (in constant dollars) of private health expenditures during the 1972-90 period was 127 percent.

The welfare and other services category includes individual and family social services, residential care, child day care, recreation and group work, and job training and vocational rehabilitation services. In 1990, expenditures for these items were \$66.8 billion—9.8 percent of the year's private social welfare funding. The growth for this category was 200 percent for the 18-year period under study.

Private expenditures for education in 1990 were \$66.9 billion—9.8 percent of all private social welfare expenditures in that year. Of this amount, \$41.4 billion was attributed to higher education and \$23.2 billion was spent on elementary and secondary

education. Overall, private expenditures for education increased by 78 percent during the period being studied.

Private income-maintenance expenditures are payments made under employee benefit plans in private industry. These expenditures include private pension plans, group life insurance, cash disability insurance, paid sick leave, and supplemental unemployment benefits. For 1990, private income-maintenance expenditures are estimated to have been \$163.4 billion (24.0 percent of the private expenditures total). Of this amount, private pension payments totaled \$140.1 billion, which was about one-fifth (20.6 percent) of all private expenditures. The growth rate of private income maintenance expenditures in 1972-90 was 246 percent, the highest of any category.

### Health and Medical Care

Estimates of health and medical care expenditures from both public and private sources are prepared annually by the Health Care Financing Administration (HCFA).<sup>4</sup> The HCFA estimates are based on the National Health Accounts that provide a framework to help understand the nature of spending for health care.

In 1988, a revised benchmark was developed to utilize more reliable data bases, such as the Survey of Service Establishments conducted by the Bureau of the Census, and the Consumer Expenditure Survey by the Bureau of Labor Statistics. Consequently, the revision of health and medical care estimates necessitated an update of the entire social welfare spending series. The National Health Accounts continue to use a two-dimension classification matrix with types of providers or services along one dimension, and sources of funds across the other dimension.

Private health and medical care spending increased from 4.7 percent of the GNP to 6.9 percent from 1972 through 1990 (table 2). During this 18-year period, all private social welfare expenditures as a percentage of GNP increased at a slightly greater rate than health and medical care, which rose from 7.7 percent of the GNP in 1972 to 12.3 percent in 1990 (table 1).

In 1990, public and private expenditures for health and medical care totaled \$666.2 billion—12.1 percent of the GNP (table 2). Of this amount, private expenditures accounted for \$383.6 billion (6.9 percent of the GNP) and public expenditures were \$282.6 billion (5.1 percent of the GNP).

Table 2.—Health and medical care: Expenditures under private and public programs, by source of expenditure and percent of gross national product, selected years, 1972-90

[Amounts in billions]

| Expenditure                          | 1972   | 1975    | 1979    | 1980    | 1981    | 1982    | 1983    | 1984    | 1985    | 1986    | 1987    | 1988    | 1989    | 1990  |
|--------------------------------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-------|
| Source                               |        |         |         |         |         |         |         |         |         |         |         |         |         |       |
| Total.....                           | \$92.3 | \$132.9 | \$217.2 | \$250.1 | \$290.2 | \$326.1 | \$358.6 | \$389.6 | \$422.6 | \$454.8 | \$494.1 | \$546.0 | \$602.8 | 666.2 |
| Private expenditures.....            | 57.2   | 77.8    | 126.9   | 145.0   | 168.5   | 191.3   | 211.0   | 230.0   | 247.9   | 264.6   | 285.7   | 318.9   | 350.2   | 383.6 |
| Health services and supplies.....    | 54.0   | 74.5    | 123.2   | 140.7   | 163.3   | 185.2   | 204.1   | 223.3   | 241.9   | 258.5   | 279.1   | 311.0   | 342.1   | 374.8 |
| Noncommercial medical research.....  | .2     | .3      | .3      | .3      | .3      | .3      | .4      | .5      | .5      | .7      | .7      | .7      | .8      | .8    |
| Medical facilities construction..... | 3.0    | 3.1     | 3.4     | 4.0     | 4.8     | 5.8     | 6.4     | 6.2     | 5.5     | 5.3     | 5.9     | 7.1     | 7.4     | 8.0   |
| Public expenditures.....             | 35.1   | 55.1    | 90.4    | 185.2   | 121.8   | 134.8   | 147.6   | 159.6   | 174.8   | 190.2   | 208.4   | 227.1   | 252.3   | 282.6 |
| Percent of gross national product    |        |         |         |         |         |         |         |         |         |         |         |         |         |       |
| Total.....                           | 7.6    | 8.3     | 8.6     | 9.1     | 9.5     | 10.3    | 10.4    | 10.2    | 10.5    | 10.6    | 10.9    | 11.1    | 11.5    | 12.1  |
| Private expenditures.....            | 4.7    | 4.9     | 5.0     | 5.3     | 5.5     | 6.0     | 6.1     | 6.1     | 6.1     | 6.2     | 6.3     | 6.5     | 6.7     | 6.9   |
| Public expenditures.....             | 2.9    | 3.4     | 3.6     | 3.8     | 4.0     | 4.2     | 4.3     | 4.2     | 4.3     | 4.4     | 4.6     | 4.6     | 4.8     | 5.1   |

Private health expenditures were 57.6 percent of overall disbursements for health and medical care in 1990, compared with 62.0 percent in 1972. Since 1975, this share has been nearly constant, ranging from 58 percent to 59 percent.

Data for 1990 are presented in table 3 for various components of the health and medical care category. The largest expenditure, for both public and private spending, was for hospital care and physician services. Private spending was disproportionately higher than public spending for categories such as dentists' services, drugs and medical sundries, eyeglasses and appliances, and "other professional services." The information provided on expenditures for each component shows the distribution of spending in the private and public sectors.

Table 3.—Health and medical care: Expenditures under private and public programs, by type of expenditure, 1990

[Amounts in billions]

| Type of expenditure                                           | Total   | Private spending | Public spending |
|---------------------------------------------------------------|---------|------------------|-----------------|
| Total .....                                                   | \$666.2 | \$383.6          | \$282.6         |
| Health services and supplies .....                            | 643.4   | 374.8            | 268.6           |
| Personal health care .....                                    | 585.3   | 343.5            | 241.8           |
| Hospital care .....                                           | 256.0   | 116.0            | 140.0           |
| Physician services .....                                      | 125.7   | 81.7             | 43.9            |
| Dentist services .....                                        | 34.0    | 33.1             | .9              |
| Other professional services .....                             | 31.6    | 25.2             | 6.4             |
| Home health care .....                                        | 6.9     | 1.8              | 5.1             |
| Drugs and medical sundries .....                              | 54.6    | 45.5             | 6.1             |
| Eyeglasses and appliances .....                               | 12.1    | 9.4              | 2.7             |
| Nursing home care .....                                       | 53.1    | 25.5             | 27.7            |
| Other personal health care .....                              | 11.3    | 2.2              | 9.1             |
| Program administration and net cost of health insurance ..... | 38.7    | 31.2             | 7.5             |
| Government public health activities .....                     | 19.3    | ...              | 19.3            |
| Research and construction of medical facilities .....         | 22.8    | 8.8              | 14.0            |
| Noncommercial research .....                                  | 12.4    | .8               | 11.5            |
| Construction .....                                            | 10.4    | 8.0              | 2.5             |

Source: Health Care Financing Administration, "National Health Expenditures, 1990," *Health Care Financing Review*, Fall 1991, pp. 29-54.

### Welfare and Other Services

In 1990, private expenditures for welfare and other services amounted to \$66.8 billion, and accounted for 9.8 percent of overall private sector social welfare funding (tables 1 and 4). The proportion of welfare services spending related to total private expenditures has been relatively steady, ranging from 8.1 percent in 1972, 9.3 percent in 1980, and 9.6 percent in 1989.

These estimates are based on an indicator series that was developed by the Bureau of Economic Analysis (BEA), Department of Commerce, for the National Income and Product Accounts (NIPA)—Personal Consumption Expenditures. The series utilizes data collected by the Bureau of the Census in its Census of Service Industries—one of the seven programs surveyed for the 5-year Economic Census. The most recent survey, the results of which were published in November 1989, provides data for 1987. The BEA has developed a methodology to estimate social welfare costs between census years by extrapolating wage data collected by the Bureau of Labor Statistics.

In 1987, the census survey represented 106,000 social service

agencies or establishments. Public funds are not included in any of the social service estimates. Welfare and other services are classified by the Bureau of the Census according to the definition provided by the Standard Industrial Classification (SIC). The following tabulation presents the survey findings on the distribution of revenue and receipts for social service agencies and civic and social/fraternal organizations. These services include: individual and family services—counseling and referral services to families and children, family service agencies, adoption services, emergency and disaster services, child day care services, and senior citizens services; residential care—group foster homes, halfway homes, domiciliary care and shelters for the homeless; recreation and group work—YMCA, YWCA, Boy Scouts, and Girl Scouts; civic, social and fraternal organizations; and job training and vocational rehabilitation—sheltered workshops, vocational rehabilitation agencies, and skill training centers.

About 10.9 percent of total expenditures for private welfare services was spent on child day care services. Other social welfare services

Table 4.—Welfare and other services: Private expenditures, National Income and Product Accounts data, selected years, 1960-91

[Amounts in millions]

| Year       | Expenditure |
|------------|-------------|
| 1960 ..... | \$1,308     |
| 1965 ..... | 2,793       |
| 1966 ..... | 3,355       |
| 1967 ..... | 3,928       |
| 1968 ..... | 4,399       |
| 1969 ..... | 4,989       |
| 1970 ..... | 5,520       |
| 1971 ..... | 6,396       |
| 1972 ..... | 7,545       |
| 1973 ..... | 8,297       |
| 1974 ..... | 8,970       |
| 1975 ..... | 10,067      |
| 1976 ..... | 11,748      |
| 1977 ..... | 13,535      |
| 1978 ..... | 16,590      |
| 1979 ..... | 19,540      |
| 1980 ..... | 22,776      |
| 1981 ..... | 25,728      |
| 1982 ..... | 28,067      |
| 1983 ..... | 31,369      |
| 1984 ..... | 34,699      |
| 1985 ..... | 38,914      |
| 1986 ..... | 43,086      |
| 1987 ..... | 47,429      |
| 1988 ..... | 53,218      |
| 1989 ..... | 59,922      |
| 1990 ..... | 66,837      |
| 1991 ..... | 73,220      |

accounted for 71 percent of spending, which are distributed as follows: individual and family social services (about 19.6 percent of total); job training and rehabilitation (9.4 percent); residential care (18.2 percent); and social services not covered elsewhere (23.9 percent). Civic and social/fraternal organizations accounted for 18.1 percent of total welfare services expenditures.

|                                                     |                  |
|-----------------------------------------------------|------------------|
| Total amount                                        | \$47,450,619,000 |
| Total percent                                       | 100.0            |
| Child day care                                      | 10.9             |
| Other social services                               | 71.0             |
| Individual and family social services               | 19.6             |
| Job training and vocational rehabilitation services | 9.4              |
| Residential care                                    | 18.2             |
| Social services not elsewhere classified            | 23.9             |
| Civic and social/fraternal organizations            | 18.1             |

### Education

Private expenditures for education in 1990 were \$66.9 billion. Of this amount, \$41.4 billion was expended on higher education, \$21.3 billion for elementary and secondary education, and \$4.1 billion went for school construction (table 5). During the period under study, the rate of growth in educational expenditures was smaller than the rate of growth in income maintenance, welfare services, and health.

The methodology for estimating private expenditures for education in SSA's social welfare expenditure series was developed during the 1960's. A procedure was developed to extract data from two sources and to apply these data to a formula. The two data bases are maintained by the National Center for Education Statistics (NCES), Department of Education; and the Bureau of Economic Analysis, NIPA, Department of Commerce, respectively.

SSA estimates for education expenditures for 1990 were as follows:

|                                          |              |
|------------------------------------------|--------------|
| Total private expenditures for education | \$66,872,000 |
| Current operations                       | 62,772       |
| Elementary and secondary                 | 21,327       |
| Higher education                         | 41,445       |
| Construction                             | 4,100        |

The \$21,327 million for elementary and secondary schools represents the sum of two subcategories: \$20,927 million from the NIPA series on private education and research, elementary and secondary schools category; and \$400 million from the NCES data base, which represents an estimate of expenditures for student tuition and fees paid to public institutions and for private transportation costs.

The amount for higher education (\$41,445 million) includes: \$25,489 million from the NIPA private expenditures for education and research, higher education category;

Table 5.—Education: Estimated private outlays, by category for SSA calculations and the NIPA<sup>1</sup> estimation system, 1970-91

[Amounts in millions]

| Year | SSA      |                    |                          |                  |              | NIPA <sup>1</sup> |
|------|----------|--------------------|--------------------------|------------------|--------------|-------------------|
|      | Total    | Current operations |                          |                  | Construction |                   |
|      |          | Total              | Elementary and secondary | Higher education |              |                   |
| 1970 | \$10,462 | \$9,597            | \$3,288                  | \$6,309          | \$865        | \$12,464          |
| 1971 | 11,560   | 10,617             | 3,570                    | 7,047            | 943          | 13,715            |
| 1972 | 12,679   | 11,711             | 3,941                    | 7,770            | 968          | 15,072            |
| 1973 | 13,611   | 12,774             | 4,461                    | 8,313            | 837          | 16,637            |
| 1974 | 15,036   | 14,381             | 5,218                    | 9,163            | 655          | 18,315            |
| 1975 | 16,632   | 16,065             | 5,911                    | 10,154           | 567          | 20,466            |
| 1976 | 18,037   | 17,377             | 6,302                    | 11,075           | 660          | 22,421            |
| 1977 | 19,125   | 18,465             | 6,481                    | 11,984           | 660          | 24,014            |
| 1978 | 21,360   | 20,631             | 7,423                    | 13,208           | 729          | 26,684            |
| 1979 | 23,594   | 22,788             | 8,530                    | 14,258           | 806          | 29,787            |
| 1980 | 27,055   | 25,880             | 9,838                    | 16,042           | 1,175        | 33,616            |
| 1981 | 30,449   | 29,278             | 10,851                   | 18,427           | 1,171        | 37,879            |
| 1982 | 34,227   | 32,871             | 11,444                   | 21,427           | 1,356        | 41,743            |
| 1983 | 37,448   | 36,036             | 12,363                   | 23,673           | 1,412        | 45,808            |
| 1984 | 40,469   | 39,069             | 13,264                   | 25,805           | 1,400        | 49,763            |
| 1985 | 44,099   | 42,399             | 14,363                   | 28,036           | 1,700        | 54,470            |
| 1986 | 47,426   | 45,326             | 14,955                   | 30,371           | 2,100        | 58,988            |
| 1987 | 52,436   | 48,736             | 15,940                   | 32,796           | 3,700        | 64,076            |
| 1988 | 55,860   | 52,760             | 17,471                   | 35,289           | 3,100        | 71,618            |
| 1989 | 61,351   | 57,751             | 19,716                   | 38,035           | 3,600        | 79,368            |
| 1990 | 66,872   | 62,772             | 21,327                   | 41,445           | 4,100        | 86,708            |
| 1991 | 70,466   | 66,466             | 23,238                   | 43,228           | 4,000        | 92,350            |

<sup>1</sup> National Income and Product Accounts (NIPA)—Personal Consumption Expenditures—from Bureau of Economic Analysis, Department of Commerce. Data are not prepared for education and research.

\$13,102 million for student tuition and fees paid to public higher education institutions, regardless of whether these expenditures were a primary or a secondary source of income (NCES series); and \$2,854 million for private gifts and grants to public institutions (NCES series).

Use of data in the NIPA personal consumption expenditures for the private education and research category offers an alternative to the SSA approach. The 1990 estimated figures for the BEA series were as follows:

|                                      |              |
|--------------------------------------|--------------|
| Private education and research       | \$86,708,000 |
| Higher education                     | 43,903       |
| Elementary and secondary schools     | 20,927       |
| Other private education and research | 21,878       |

Historically, the aggregates for both the SSA private social welfare expenditures series and the BEA's NIPA series have been close, even though some of the expenditure items differed. Prior to a 1992 revision, BEA's estimates did not include student tuition and fees in public institutions, private gifts and grants, nor construction; whereas SSA's education estimate included these items.<sup>5</sup> However, the SSA series has never included fees paid to business, trade, and correspondence schools;

miscellaneous educational services; current expenditures by nonprofit research and educational organizations; and foundation operating expenses allocated to education, which the BEA includes under the category "Other Private Education and Research." Approximately 25.2 percent of the total private expenditures for education in 1990 went for items in the latter category.<sup>6</sup>

Prior to 1992, the NIPA estimate for personal consumption expenditures for education considered only private expenditures in private institutions; SSA's estimation method covered all student fees and tuition payments, including those made to public institutions. Tuition payments are considered as private expenditures, whether made to public or private schools. In January 1992, the NIPA methodology for estimating private expenditures for education was revised by BEA to include all tuition payments for higher education. In this revision, BEA approximated the approach that SSA has followed since the inception of the series.

Historical data show that the NIPA and SSA estimating systems produced relatively close estimates for 1970-88, as previously shown in articles in this series. Essentially, a common data base is used to estimate about three-fourths of total private education expenditures. The major difference between the two

systems is that the NIPA series continues to include a residual category, called "other," with about 25.2 percent of total education expenditures, as noted earlier.

### *Income Maintenance*

In this series, private expenditures for income maintenance represent outlays for private employee benefit plans. The major components of income maintenance are: group life insurance, supplemental unemployment benefits, sickness and disability insurance, longterm disability and supplemental unemployment benefits, and private pension plans. Of the \$163.4 billion in private income-maintenance expenditures in 1990, private pension plan benefits accounted for \$140.1 billion (table 6).

### *Group Life Insurance*

In 1990, \$9.2 billion was spent for group life insurance benefits that were based directly on an employment relationship (table 6).<sup>7</sup> This amount includes benefits under programs for government civilian employees.<sup>8</sup> The estimate is based on data adjusted to remove group policies not based directly on an employment relationship, such as professional societies and employee associations. Group life insurance policies of professional

Table 6.—Income maintenance: Expenditures from private sources, by type of benefit, selected years, 1972-90

[Amounts in millions]

| Type of benefit                            | 1972     | 1975     | 1979     | 1980     | 1982     | 1983     | 1984     | 1985      | 1986      | 1987      | 1988      | 1989      | 1990      |
|--------------------------------------------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total <sup>1</sup> .....                   | \$15,955 | \$21,910 | \$42,628 | \$51,169 | \$70,096 | \$82,423 | \$93,235 | \$116,207 | \$140,803 | \$140,461 | \$145,380 | \$151,849 | \$163,357 |
| All wage and salary workers:               |          |          |          |          |          |          |          |           |           |           |           |           |           |
| Life insurance and death .....             | 3,180    | 3,380    | 4,564    | 5,075    | 6,269    | 6,519    | 6,899    | 7,489     | 7,797     | 8,166     | 8,418     | 9,063     | 9,211     |
| Private industry wage and salary workers:  |          |          |          |          |          |          |          |           |           |           |           |           |           |
| Private pension plan payments ..           | 9,710    | 14,398   | 31,602   | 37,560   | 54,325   | 66,683   | 76,683   | 98,450    | 122,209   | 120,442   | 124,546   | 129,662   | 140,142   |
| Sickness and disability <sup>2</sup> ..... | 2,649    | 3,396    | 5,772    | 6,280    | 6,884    | 6,993    | 7,497    | 8,026     | 8,046     | 8,924     | 9,636     | 9,829     | 10,379    |
| Long-term disability <sup>3</sup> .....    | (3)      | (3)      | (3)      | 1,282    | 1,688    | 1,817    | 1,874    | 1,937     | 2,263     | 2,293     | 2,295     | 2,892     | 3,054     |
| Supplemental unemployment .....            | 234      | 500      | 400      | 972      | 930      | 411      | 282      | 305       | 488       | 636       | 485       | 403       | 571       |

<sup>1</sup> Includes accidental death and dismemberment for 1972-79; data not available for 1980 and beyond.

<sup>2</sup> Includes long-term disability benefits for 1972-79; data not available separately.

<sup>3</sup> Not available separately for years before 1980; included with "sickness and disability benefits."

societies or employee associations do not involve the employer.

Benefits paid under accidental death and dismemberment insurance provisions are included in the group life insurance totals for the 1972-79 period. After 1979, the Health Insurance Association of America eliminated this category from its annual industry questionnaire that was sent to accident and health insurers. Although estimates are not available, it is believed that coverage for accidental death and disability declined during the 1980's and is not currently a frequent form of coverage.

### ***Supplemental Unemployment Benefits***

Data on supplemental unemployment benefits are from the NIPA series—Other Labor Income by Industry and by Type. Expenditures for these benefits totaled \$571 million in 1990.

### ***Sickness and Disability Benefits***

Data on benefits received by employees in private industry for short-term sickness, from private cash-sickness insurance and self-insurance, and as sick leave are also shown for 1972-90 in table 6. For years before 1980, the cost of insurance payments beyond the first 6 months of the employee's illness are included in the benefit amounts shown. For 1980 and subsequent years, long-term and short-term benefits are estimated separately.

Benefits paid under State Temporary Disability Insurance programs and the Railroad Retirement program are classified by SSA as public social welfare expenditures.<sup>9</sup> The SSA estimate for private industry short-term sickness benefits in 1990 was \$10.4 billion.

### ***Long-Term Disability***

Beginning with 1980, data on long-term disability insurance benefits are available separately from short-term benefits. These benefits, which are estimated by SSA on the basis of data supplied by the Health Insurance Association of America, totaled \$3.1 billion in 1990. Where long-term disability benefits are paid under the

provisions of employment-related pension plans, the payments are included in the private pension data, but not included in "long-term disability" benefits for wage and salary workers.

### ***Private Pension Plans***

In addition to benefits paid solely by employers, private pension plan payments include all of the benefits of employment-related pension plans to which employee contributions are made (including large contributions, such as those to thrift plans). However, individual savings plans—for example, individual retirement accounts (IRA's) and retirement systems for the self-employed (Keogh) plans—are not included.

Pension plan expenditures include monthly benefits and lump-sum distributions to retired and disabled employees and their dependents, and to survivors of deceased employees. Preretirement lump-sum distributions are also included. Benefit payments under private pension plans were \$140.1 billion in 1990, representing 86 percent of all income-maintenance expenditures and 20.6 percent of all private social welfare expenditures (tables 1 and 6).

The primary data source for estimates of private pension plan benefit payments are the reports prepared by the Department of Labor (DoL), based on their tabulations of the DoL/Internal Revenue Service (IRS) Form 5500 (Annual Return/Report of Employee Benefit Plan). However, data are only available for 1977, 1978, 1981, 1982, 1983, 1984, 1985, 1986, 1987, and 1988. These data are used for estimating pension plan payments for the years in which information is not available.

Table 7 presents revised estimates for private pension plan expenditures for the years 1972-90. The previous estimates, published in the February 1991 issue of the *Social Security Bulletin*, were developed from data that were available through 1986 and based on growth patterns of prior years that were expected to continue. However,

when actual 1987 and 1988 data became available, it was observed that continuation of the projected increases did not materialize.

To some extent, this inconsistency appears to be attributable to accelerated lump-sum distributions in 1986 and diminished lump-sum distributions taken into account after the Tax Reform Act of 1986 took effect. Effective in 1987, the Tax Reform Act levied a 10-percent tax on preretirement lump-sum distributions. This penalty provision was established to encourage and preserve retirement savings.

Every employee pension or welfare fund is required to file a form 5500 annually. However, regulations reduce the amount of benefit information required from some plans for certain years. The processing of the forms 5500 is considered to be complete and accurate because it is an IRS tax form that is prepared by accountants and actuaries. Penalties are incurred for nonfiling and for deliberate misrepresentation of information on these forms.

For trustee plans, the information required for these estimates is contained directly in the data requested in item 14(h)(i) of the form 5500: "(h) Distribution of benefits and payments to provide benefits—(i) Directly to participants or their beneficiaries." Although the initially stated requirement that form 5500 be filed is, for practical purposes, universal, the Employee Retirement Income Security Act (ERISA) permits the DoL to exempt (through regulation) certain types of pension plans—namely, wholly insured plans that are held in the general account of an insurance company—from fulfilling some of the requirements. The sections of form 5500 from which these insured plans were exempted include item 14. It is essential, therefore, to obtain information on insured plans to supplement the aggregate payment data obtained from the form 5500.

Data from the American Council of Life Insurance (ACLI) are used for the purpose of supplementing the payment data on the form 5500. The ACLI

publishes the *Life Insurance Fact Book*, an annual statistical compilation based primarily on the annual financial statement of life insurance companies. The table "Private Pension Plans in the United States With Life Insurance Companies" in the *Fact Book* provides data on all annuity payments by life insurance companies (except when the life insurance company acts solely as a paying agent and bears no risk). Individual savings plans with life insurance companies are shown

separately in table 7. Use of the ACLI data as a supplement to benefit payments data from the form 5500 requires an estimate of the degree of overlap that exists. The overlap payments may be described, by implication, as wholly insured plans that are not held in the general account of the insurance company. Overlap estimates for the 1972-90 period are shown in item 5 of table 7.

In 1991, the Bureau of Economic Analysis adopted the form 5500 series

reports and data from ACLI as the basis for private pension plan benefit estimates. In prior years, BEA based pension estimates on an indicator series that was updated in accordance with current trends. These estimates were lower than those formulated in the SSA series.

The SSA estimates are shown on line 7 and the BEA estimates are shown on line 8 of table 7. These are now in close conformity.

Table 7.—Estimates for private pension plan expenditures, selected years, 1972-90

[Amounts in millions]

| Item                                                                                                                      | 1972    | 1975    | 1979    | 1980    | 1982     | 1983     | 1984     | 1985     | 1986      | 1987      | 1988      | 1989      | 1990      |
|---------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| (1) Pension and profit-sharing payments to individuals (based on form 5500) <sup>1</sup> .....                            | ...     | ...     | ...     | ...     | \$49,499 | \$61,141 | \$70,134 | \$90,615 | \$112,547 | \$107,392 | \$110,096 | \$112,868 | \$123,300 |
| (2) ACLI dates <sup>2</sup>                                                                                               |         |         |         |         |          |          |          |          |           |           |           |           |           |
| (a) Total life insurance company pensions.....                                                                            | \$1,715 | \$2,520 | \$4,350 | \$4,960 | 6,555    | 7,605    | 8,520    | 10,355   | 12,915    | 16,995    | 18,810    | 20,415    | 22,100    |
| (b) Life insurance company pensions for individuals not through employment relationship.....                              | 5       | 10      | 45      | 45      | 55       | 60       | 105      | 120      | 175       | 230       | 325       | 450       | 580       |
| Keogh plans.....                                                                                                          | 5       | 10      | 30      | 30      | 35       | 35       | 55       | 60       | 70        | 85        | 85        | 95        | 95        |
| IRA's.....                                                                                                                | ...     | ...     | 15      | 15      | 20       | 25       | 50       | 60       | 105       | 145       | 240       | 355       | 485       |
| (3) Total private pension payments prior to adjustment for ACLI overlap <sup>3</sup> .....                                | 10,015  | 14,850  | 32,431  | 38,654  | 56,054   | 68,746   | 78,654   | 100,970  | 125,462   | 124,387   | 128,906   | 133,283   | 145,400   |
| (4) Total private pension payment prior to adjustment for ACLI overlap through employment relationship <sup>4</sup> ..... | 10,010  | 14,840  | 32,386  | 38,609  | 55,999   | 68,686   | 78,549   | 100,850  | 125,287   | 124,157   | 128,581   | 132,833   | 144,820   |
| (5) ACLI overlap <sup>5</sup> .....                                                                                       | 300     | 442     | 784     | 1,049   | 1,674    | 2,003    | 1,866    | 2,400    | 3,078     | 3,715     | 4,035     | 4,421     | 4,678     |
| (6) Total private pension payments <sup>6</sup> .....                                                                     | 9,715   | 14,408  | 31,647  | 37,605  | 54,380   | 66,743   | 76,788   | 98,570   | 122,384   | 120,673   | 124,871   | 128,862   | 140,722   |
| (7) Total private pension through employment relationship overlap <sup>7</sup> .....                                      | 9,710   | 14,398  | 31,602  | 37,560  | 54,325   | 66,683   | 76,683   | 98,450   | 122,209   | 120,442   | 124,546   | 128,412   | 140,142   |
| (8) Pension and profit-sharing payments BEA <sup>8</sup> .....                                                            | 10,013  | 15,915  | 30,086  | 36,419  | 54,155   | 66,400   | 76,022   | 97,731   | 120,239   | 120,785   | 124,052   | 131,714   | 143,888   |

<sup>1</sup> Includes both defined benefit plans and defined contribution plans. Data for 1977 in Nicholas Greenia's, "Employee Benefit Plans, 1977," *Statistics of Income Bulletin*, Internal Revenue Service, Spring 1982, p. 13; data for 1978 from *Estimates of Participant and Financial Characteristics of Private Pension Plans*, Department of Labor, 1983, table 11, p. 19; data for 1981 from *The Handbook of Pension Statistics, 1985* (Richard A. Ippolito and Walter W. Kolodrubetz, editors), Commerce Clearing House, Chicago, 1986, table 35, p. 12; data for 1982-88 from Department of Labor (unpublished). In all cases, this item is the aggregate of item 14(h)(1) of the IRS/DoL form 5500, for both defined benefit and defined contribution plans. Estimated increase for 1989 over 1988 is at the same rate as 1988 over 1987; increase for 1990 over 1989 is at the same rate as the BEA series for those years.

<sup>2</sup> See *Life Insurance Fact Book*, annual issues, table on "Private Pension Plans in the United States with Life Insurance Companies," American Council of Life Insurance (ACLI), Washington, DC.

<sup>3</sup> For those years where item 1 is available, (item 3) = (item 2a) + (item 1).

<sup>4</sup> To calculate, subtract ACLI data, life insurance company pensions for individuals--not through employment relationship--(item 2b) from total private pension payments, (item 3).

<sup>5</sup> This is an estimate of life insurance company pension payments based on unallocated or not-fully-guaranteed contracts. Such payments are included in items 3 and 4.

<sup>6</sup> To calculate, subtract ACLI overlap (item 5) from total private pension payments, before adjustment for ACLI overlap (item 3).

<sup>7</sup> To calculate, subtract ACLI overlap (item 5) from total private pension payments before adjustment for ACLI overlap, through employment relationship (item 4).

<sup>8</sup> See Bureau of Economic Analysis, "National Income and Product Accounts--Other Labor Income by Industry and Type." Most recent values are published in *Survey of Current Business*, January 1992, table 66.11c, p. 69.

## Notes

<sup>1</sup> Traditionally, public social welfare expenditures have been presented in Federal fiscal year terms (currently October 1 through September 30). Data for private expenditures are available on a calendar year basis. At this time, fully comparable data are available only through calendar year 1990.

<sup>2</sup> See Milton P. Glanz, Wilmer L. Kerns, and Jack Schmulowitz, "Private Social Welfare Expenditures, 1972-84," *Social Security Bulletin*, May 1987, pp. 59-67, for a discussion of the resumption of this series. Annual estimates of health and medical care expenditures from public and private sources have been published continuously since 1951 by the Health Care Financing Administration.

<sup>3</sup> See Ida C. Merriam and Alfred M. Skolnik, *Social Welfare Expenditures Under Public Programs in the United States, 1926-66* (Research Report No. 25), Office of Research and Statistics, Social Security Administration, 1968. Also, Ann Kallman Bixby, "Public Social Welfare Expenditures, Fiscal Years 1965-87," *Social Security Bulletin*, February 1990, pp. 10-26.

<sup>4</sup> See "National Health Expenditures, 1990," *Health Care Financing Review*, Fall 1991, pp. 29-54.

<sup>5</sup> In 1992, the BEA revised the estimating methodology to include student tuition and fees in public institutions. This explains the reason for an apparent spending increase in the BEA education series.

<sup>6</sup> Glanz, Kerns, and Schmulowitz, *op. cit.*

<sup>7</sup> In the previous article, published in February 1991, group insurance was inadvertently miscalculated. The series has been readjusted to rectify the error.

<sup>8</sup> Group insurance for government employees is included in the private social welfare expenditure series to maintain consistency with reporting data for years before 1988.

<sup>9</sup> See Ann Kallman Bixby, "Public Social Welfare Expenditures, Fiscal Year 1989," *Social Security Bulletin*, Summer 1992, pp. 61-68.

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