

Private Social Welfare Expenditures, 1972-87

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This article updates the private social welfare expenditures series with complete data through calendar year 1987. In the United States, private sector expenditures play a substantial role in the provision of social welfare services. The share of private social welfare expenditures, as a proportion of the gross national product (GNP), rose from 7.7 percent in 1972 to 12.0 percent in 1987. For purposes of this analysis, the focus is on four major categories of private sector expenditures: Health, education, welfare and related services, and income maintenance that includes private pensions, sickness and disability benefits, and group insurance. Income-maintenance expenditures in the private sector had the highest rate of increase, from 1.3 percent of GNP in 1972 to 3.5 percent of GNP in 1987. The rise in private pension payments accounted for a majority of the increase in expenditures during this period. The smallest reported expenditure growth rate was in education, from 1.0 percent to 1.2 percent of GNP in 1972-87, followed by health, which increased from 4.8 percent to 6.5 percent of the GNP for the 16-year study. Private expenditures for social welfare services increased from 0.6 percent to 0.9 percent of GNP during the same period. In this analysis, private sector expenditures, which totaled \$541.2 billion in 1987, are distributed by major category beginning in 1972 and are also related to public social welfare expenditures and GNP.

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In calendar year 1987, private social welfare expenditures were \$541.1 billion—39.8 percent of the Nation's total social welfare expenditures, both public and private. Private expenditures were 12.0 percent of the gross national product (GNP), and public expenditures amounted to 18.8 percent of GNP (table 1).

This series (originated by the Social Security Administration (SSA) in 1955) was discontinued in 1978 due to difficulties associated with data collection and estimation.¹ It was resumed in 1987 after a redesign of the methodology for estimating several of its components.² The purpose of the series is to provide estimates of private expenditures for social welfare programs in the United States. The series indicates the significant role of the private sector in financing the Nation's social

welfare programs and makes possible a comparison between public and private spending. The private sector assumes a large share in the provision of health and medical care as well as income-maintenance benefits in the form of employment-related pensions, group life insurance, and sickness payments. Financing educational and social services is also an important aspect of the private sector's involvement in financing social welfare programs.

The ability to make decisions on public policy related to social welfare spending is greatly improved when current and historical information are available for public and private programs in these areas. Data on private social welfare expenditures have been more difficult to gather over time than information on public expenditures. However, the former are essential for a complete picture of social welfare spending.

Private expenditures are grouped in four categories: Health and medical care, welfare and other services, education, and income maintenance. In 1987, the health and medical care expenditures category accounted for the highest portion—\$293 billion (54.4 percent)—of the overall total.

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 1987, expenditures for these items were \$41.8 billion—7.7 percent of the year's private social welfare funding. The growth rate for this category increased from 0.6 percent to 0.9 percent of GNP for the 16-year period under study.

Private expenditures for education in 1987 were \$50 billion—9.2 percent of all private social welfare expenditures in that year. Of this amount, \$30.9 billion was allocated to higher education and \$16.2 billion was spent on elementary and secondary education. Overall private expenditures for education increased from 1.0 percent to 1.2 percent of GNP 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. In 1987, private income-maintenance expenditures amounted to \$156.4 billion (28.9 percent of the private expenditures total). Of this amount, private pension payments totaled \$136.0 billion, which was one-fourth of all

¹ 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. Thus, at this time, fully comparable data are available only through calendar year 1987.

² See Milton P. Glanz, Wilmer L. Kerns, and Jack Schmulowitz, "Private Social Welfare Expenditures, 1972-84," *Social Security Bulletin*, May 1987, pages 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.

private expenditures. The growth rate of private income-maintenance expenditures in 1972-87 rose from 1.3 percent to 3.5 percent of GNP, the highest rate 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).³ The HCFA estimates are based on the National Health Accounts, which provide a framework to help understand the nature of spending for health care. These accounts use a classification matrix with a consistent set of definitions to categorize health care goods and services and the manner in which their purchase is financed.

³ See "National Health Expenditures, 1987," *Health Care Financing Review*, Winter 1988, pages 109-122.

Private health and medical care spending increased from 4.8 percent of the GNP to 6.5 percent from 1972 through 1987 (table 2). During this 16-year period, all private social welfare expenditures as a percentage of the GNP increased at a slightly greater rate than health and medical care, rising from 7.7 percent of the GNP in 1972 to 12 percent in 1987 (table 1).

In 1987, public and private expenditures for health and medical care totaled \$500.3 billion—11.1 percent of the GNP (table 2). Of this amount, private expenditures accounted for \$293 billion (6.5 percent of the GNP) and public expenditures were \$207.3 billion (4.6 percent of the GNP).

Private health expenditures were 58.6 percent of overall disbursements for health and medical care in 1987, compared with 62.2 percent in 1972. This share has

ranged between 58 percent and 59 percent since 1975.

Data for 1987 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.

Welfare and Other Services

In 1987, private expenditures for welfare and other services totaled \$41.8 billion and represented 7.7 percent of total private sector social welfare funding (tables 1 and 4).

Table 1.—Private social welfare expenditures, by category: Public and private social welfare expenditures as a percent of gross national product, 1972-87

[Amounts in millions]

Year	Public total ¹	Private ²					Percent of gross national product		
		Total	Health	Income maintenance	Education	Welfare services	Total ³	Public ⁴	Private ⁵
1972	\$191,357	\$94,589	\$58,500	\$15,955	\$12,677	\$7,457	23.8	16.6	7.7
1973	213,942	102,942	64,000	17,087	13,610	8,245	23.7	16.6	7.6
1974	239,397	112,763	69,100	19,753	15,004	8,906	24.1	16.9	7.7
1975	290,084	124,926	76,400	21,910	16,626	9,990	26.3	19.0	7.8
1976	331,955	142,781	88,000	25,004	18,120	11,657	26.9	19.5	8.0
1977	360,602	164,113	100,100	30,662	19,927	13,424	26.2	18.6	8.2
1978	394,377	184,390	110,100	36,743	21,379	16,168	25.8	18.1	8.2
1979	430,280	208,906	124,200	42,628	23,361	18,717	25.0	17.5	8.3
1980	492,528	242,611	142,900	51,505	26,751	21,455	26.4	18.5	8.9
1981	558,371	278,784	165,800	59,095	30,062	23,827	26.8	18.7	9.1
1982	600,339	316,908	188,400	70,449	32,697	25,362	28.0	19.1	10.0
1983	648,037	356,017	209,700	82,783	35,911	27,624	28.8	19.5	10.5
1984	678,116	391,741	228,800	93,618	38,872	30,451	27.7	18.4	10.4
1985	737,154	431,070	244,000	110,386	42,859	33,825	28.1	18.6	10.7
1986	782,786	479,774	266,800	129,360	45,993	37,621	28.8	18.7	11.3
1987	834,446	541,171	293,000	156,394	50,018	41,759	29.5	18.8	12.0

¹ Fiscal year basis.

² Calendar year basis.

³ 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.

⁴ Represents fiscal year expenditures as a percent of Federal fiscal year gross national product.

⁵ Represents calendar year expenditures as a percent of calendar year gross national product.

Table 2.—Health and medical care: Expenditures under private and public programs, by source of expenditure and percent of gross national product, 1972-87

[Amounts in billions]

Expenditures	1972	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Source:														
Total	\$94.0	\$132.7	\$150.8	\$169.9	\$189.7	\$214.7	\$248.1	\$287.0	\$323.6	\$357.2	\$388.5	\$419.0	\$455.7	\$500.3
Private expenditures	58.5	76.4	88.0	100.1	110.1	124.2	142.9	165.8	188.4	209.7	228.8	244.0	266.8	293.0
Health services and supplies	55.3	73.0	84.5	96.7	106.6	120.4	138.7	160.6	182.2	202.8	222.2	238.0	260.5	286.7
Noncommercial medical research .....	.2	.3	.3	.3	.3	.3	.3	.3	.3	.4	.5	.5	.7	.6
Medical facilities construction	3.0	3.1	3.2	3.2	3.3	3.5	4.0	4.8	5.8	6.5	6.2	5.5	5.6	5.7
Public expenditures	35.4	56.3	62.8	69.7	79.6	90.5	105.2	121.2	135.3	147.5	159.6	175.0	188.9	207.3
Percent of gross national product:														
Total	7.8	8.3	8.5	8.5	8.4	8.6	9.1	9.4	10.2	10.5	10.3	10.4	10.7	11.1
Private expenditures	4.8	4.8	4.9	5.0	4.9	5.0	5.2	5.4	6.0	6.2	6.1	6.1	6.3	6.5
Public expenditures	2.9	3.5	3.5	3.5	3.5	3.6	3.9	4.0	4.3	4.3	4.2	4.4	4.5	4.6

This estimate is based on data prepared by the Bureau of Economic Analysis (BEA), Department of Commerce, for the National Income and Product Accounts (NIPA)—Personal Consumption Expenditures. The BEA series presents expenditure data for religious and welfare activities as a major component of this category. Social welfare, the largest subgroup in this component, accounted for 60 percent of total religious and welfare expenditures.

The private social welfare expenditure estimate includes: Individual and family social services—counseling and referral services to families and children, family service agencies, adoption services, emergency and disaster services, child day care centers, and senior citizens centers; 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.

Table 3.—Health and medical care: Expenditures under private and public programs, by type of expenditure, 1987

[Amounts in billions]

Type of expenditure	Total	Private	Public
Total	\$500.3	\$293.0	\$207.3
Health services and supplies	483.2	286.7	196.5
Personal health care	442.6	267.3	175.3
Hospital care	194.7	92.6	102.2
Physician services	102.7	70.9	31.8
Dentist services	32.8	32.2	.7
Other professional services	16.2	10.8	5.4
Drugs and medical sundries	34.0	30.2	3.9
Eyeglasses and appliances	9.5	7.3	2.1
Nursing home care	40.6	20.6	19.9
Other personal health care	12.0	2.6	9.4
Program administration and net cost of health insurance	25.9	19.4	6.6
Government public health activity	14.7	...	14.7
Research and construction of medical	17.1	6.3	10.8
Noncommercial research	8.8	.6	8.2
Construction	8.3	5.7	2.6

Source: Health Care Financing Administration, "National Health Expenditures, 1987," *Health Care Financing Review*, Winter 1988, pages 109-122.

The principal data source for the BEA series on social welfare is the Census of Service Industries, which is part of the Economic Census conducted every 5 years. The latest census for which data are available in this series covered 1982. Between census years, data are extrapolated by BEA, generally on the basis of wage indexes. The 1987

census was collected on a State-by-State basis and is expected to be released early in 1990.

Education

Private expenditures for education in 1987 are estimated to have been \$50 billion. Of this amount, \$30.9

Table 4.—Welfare and other services: Private expenditures, National Income and Product Accounts data, 1960-88

[Amounts in millions]

Year	Expenditures
1960	\$1,293
1965	2,753
1966	3,110
1967	3,878
1968	3,341
1969	4,922
1970	5,444
1971	6,310
1972	7,457
1973	8,245
1974	8,906
1975	9,990
1976	11,657
1977	13,424
1978	16,168
1979	18,717
1980	21,455
1981	23,827
1982	25,362
1983	27,624
1984	30,451
1985	33,825
1986	37,621
1987	41,759
1988	46,348

billion was for higher education, \$16.2 billion for elementary and secondary education, and \$2.9 billion went for school construction (table 5). The growth rate of educational expenditures was lower than the expenditure rate for income maintenance, welfare services, and health in the 16-year period under study.

The methodology for estimating private expenditures for education in SSA's social welfare expenditure series was developed during the 1960's. The procedure combines data from two sources: The National Center for Education Statistics (NCES), Department of Education; and the Bureau of Economic Analysis (NIPA), Department of

Commerce. The following tabulation shows the components for the 1987 SSA series:

[Amounts in millions]

1987, total private expenditures for education	\$50,018
Current operations	47,118
Elementary and secondary	16,197
Higher education	30,921
Construction	2,900

The \$16,197 million for elementary and secondary schools represents the sum of two subcategories: \$15,797 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 (\$30,921 million) includes: \$17,818 million from the NIPA private expenditures for education and research, higher education category; \$10,634 million for student tuition and fees paid to public institutions of higher education, regardless of whether these expenditures were a primary or a secondary source of income (NCES series); and \$2,469 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 1987 estimated figures for this series follow:

[Amounts in millions]

Private education and research	\$51,315
Higher education	17,818
Elementary and secondary schools	15,797
Other private education and research	17,700

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 differ. The BEA estimate of \$51.3 billion does not include student tuition and fees in public institutions, private gifts and grants, or construction; SSA's estimate of \$50 billion does include these items. However, SSA does not include 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 34 percent of the total private expenditures for education in 1987 went for items in the latter category. ⁴

The NIPA estimate for personal consumption expenditures for education relates only to private expenditures in private institutions. However, the SSA estimation method covers all student fees and tuition payments, including those made to public institutions.

Historical data reveal that the NIPA and SSA estimating systems have produced relatively close estimates for 1970-87, as shown in table 5. Essentially, a common data base is used to estimate about two-thirds of total private education expenditures. The difference between the two systems is that the NIPA series contains a residual category, called "other," with about 34 percent of total education expenditures, as noted above. An independent estimate has been developed by SSA to account for and to redefine the residual area.

⁴Glanz, Kerns, and Schmulowitz, *op.cit.*

Table 5.—Education: Estimated private outlays, by category for SSA calculations and the NIPA estimation system, 1970-87
[Amounts in millions]

Year	Total	Current operations			Construction	NIPA ¹
		Total	Elementary and secondary	Higher education		
1970	\$10,506	\$9,641	\$3,332	\$6,309	\$865	\$10,102
1971	11,588	10,645	3,598	7,047	943	10,900
1972	12,677	11,709	3,939	7,770	968	11,931
1973	13,610	12,773	4,460	8,313	837	13,088
1974	15,004	14,349	5,186	9,163	655	14,469
1975	16,626	16,059	5,895	10,164	567	16,346
1976	18,120	17,460	6,385	11,075	660	17,907
1977	19,927	19,267	6,554	12,713	660	19,023
1978	21,379	20,650	7,442	13,208	729	21,311
1979	23,361	22,555	8,297	14,258	806	23,984
1980	26,751	25,576	9,534	16,042	1,175	27,179
1981	30,062	28,891	10,464	18,427	1,171	30,649
1982	32,697	31,341	11,042	20,299	1,356	32,605
1983	35,911	34,499	11,993	22,506	1,412	35,773
1984	38,872	37,472	12,936	24,536	1,400	39,058
1985	42,852	41,159	14,166	26,993	1,700	43,259
1986	45,993	43,992	15,245	28,748	2,000	47,323
1987	50,018	47,118	16,197	30,921	2,900	51,315

¹ National Income and Product Accounts (NIPA)—Personal Consumption Expenditures—from Bureau of Economic Analysis, Department of Commerce. Data are for personal consumption expenditures for education and research.

Income Maintenance

Private income-maintenance expenditures in the social welfare expenditures series represent outlays for private employee benefit plans. The basic elements of income maintenance are private pension plans, group life insurance, sickness and disability insurance, paid sick leave, and supplemental unemployment benefits. Of the \$156.4 billion in private income-maintenance expenditures in 1987 (table 1), private pension plan benefits accounted for \$136.1 billion.

Group Life Insurance

In 1987, \$8.2 billion was expended for group life insurance benefits that were based directly on an employment relationship (table 6). This amount includes benefits under programs for government civilian

employees. ⁵ 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. It should be noted that the group life insurance policies of professional societies or employee associations do not involve the employer.

Accidental Death and Dismemberment

The estimated benefit payments under accidental death and dismemberment insurance provisions reached \$410 million in 1987. The data for this series are based on insurance industry reports

⁵ Group insurance for government employees is included in the private social welfare expenditure series to maintain consistency with reporting data for years before 1987.

for 1972-79. Comparable data have not been available since 1979. The estimates presented in table 6 for the 1980-87 period are regression estimates obtained by relating accidental death and dismemberment benefits to total earnings in the national economy.

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 \$636 million in 1987.

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 shown for 1972-87 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.⁶ The SSA estimate for private industry short-term sickness benefits in 1987 is \$8.9 billion.

Long-Term Disability

As noted above, data on long-term disability insurance benefits are available separately from short-term benefits beginning with 1980. These benefits, which are estimated by SSA on the basis of data supplied

⁶ See Ann Kallman Bixby, "Public Social Welfare Expenditures, Fiscal Year 1986," *Social Security Bulletin*, February 1989, pages 29-39.

by the Health Insurance Association of America, totaled \$2.3 billion in 1987. 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

Payments under private pension plans reported in this series include, in addition to benefits paid for solely by employers, 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 plans for the self-employed (Keogh)—are not included.

Pension plan benefits include monthly benefits and lump-sum distributions to retired and disabled employees and their dependents and to survivors of deceased employees. In addition, preretirement lump-sum distributions

are included. Benefit payments under private pension plans were \$136 billion in 1987, representing 87 percent of all income-maintenance expenditures and 25 percent of all private social welfare expenditures (table 7).

The primary data source for estimates of private pension plan benefit payments are the reports prepared by the Department of Labor, based on their tabulations of the Department of Labor (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, and 1984. These data are used for estimating pension plan payments for the years in which information is not available.

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 carried out by pension professionals. Penalties

Table 6.—Income maintenance: Expenditures from private sources, by type of benefit, 1972-87

[Amounts in millions]

Type of benefit	1972	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total	\$15,955	\$21,910	\$25,004	\$30,662	\$36,743	\$42,628	\$51,505	\$59,095	\$70,449	\$82,782	\$93,618	\$110,386	\$129,360	\$156,394
All wage and salary workers:														
Life insurance and death.....	3,180	3,380	3,523	3,831	4,193	4,564	5,075	5,746	6,269	6,519	6,899	7,489	7,797	8,166
Accidental death and dismemberment.....	182	236	284	300	294	290	336	354	353	359	382	393	400	410
Private industry wage and salary workers:														
Private pension plan payments....	9,710	14,398	17,091	22,064	27,316	31,602	37,560	44,569	54,325	66,683	76,083	92,236	110,396	136,067
Sickness and disability ¹	2,649	3,396	3,906	4,277	4,692	5,772	6,280	6,437	6,884	6,993	7,498	8,026	8,016	8,862
Long-term disability.....	(2)	(2)	(2)	(2)	(2)	(2)	1,282	1,498	1,688	1,817	1,874	1,937	2,263	2,253
Supplemental unemployment.....	234	500	200	190	248	400	972	491	930	411	282	305	488	636

¹ Includes long-term disability benefits for 1972-79; data not available separately.

² Not available separately for years before 1980; included with "sickness and disability benefits."

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 Department of Labor to exempt (through regulations) certain types of pensions 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

Table 7.—Estimates for private pension plan expenditures, 1972-87

[Amounts in millions]

Item	1972	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
(1) Pension and profit-sharing payments to individuals (based on form 5500) ¹.....	...	...	...	\$19,493	\$23,934	...	...	\$40,143	\$49,499	\$61,141	\$70,134	...	...	...
(2) Pension payments, CPS ².....	...	\$11,182	\$12,507	14,922	17,537	\$19,624	\$22,627	26,021	29,432	34,636	37,266	\$42,354	\$48,379	\$56,495
(3) ACLI data: ³														
(a) Total life insurance company pensions.....	\$1,715	2,520	2,735	3,105	4,100	4,350	4,960	5,810	6,555	7,605	8,520	10,355	12,915	16,995
(b) Life insurance company pensions for individuals—not through employment relationship.....	5	10	15	30	35	45	45	50	55	60	105	120	175	230
Keogh plans.....	5	10	15	25	25	30	30	35	35	35	55	60	70	85
IRA's.....	...	...	...	5	10	15	15	15	20	25	50	60	105	145
(4) Pension and profit-sharing payments, BEA ⁴	10,015	14,850	17,023	21,178	24,181	27,447	31,487	38,363	45,448	53,766	63,428	78,866	101,603	118,259
(5) Ratio to CPS ⁵ ((7) ÷ (2)).....	...	...	...	1.5144	1.5986	1.6526	1.7083	1.7660	1.9045	1.9848	2.11061	2.23725	2.3603	2.47831
(6) Ratio to BEA ⁶ ((7) ÷ (4)).....	...	1.0000	1.0330	1.0671	1.1593	1.1816	1.2276	1.1979	1.2334	1.2786	1.24005	1.20148	1.12387	1.18394
(7) Total private pension payments before adjustment for ACLI overlap ⁷	10,015	14,850	17,584	22,598	28,034	32,431	38,654	45,953	56,054	68,746	78,654	94,756	114,189	140,012
(8) Total private pension payments before adjustment for ACLI overlap through employment relationship ⁸ ((7) - (3b)).....	10,010	14,840	17,569	22,568	27,999	32,386	38,609	45,903	55,999	68,686	78,549	94,636	114,014	139,782
(9) ACLI overlap ⁹	300	442	478	504	683	784	1,049	1,334	1,674	2,003	1,866	2,400	3,078	3,715
(10) Total private pension payments ¹⁰ ((7) - (9)).....	9,715	14,408	17,106	22,094	27,351	31,647	37,605	44,619	54,380	66,743	76,788	92,356	111,111	136,297
(11) Total private pension payments through employment relationship ¹¹ ((8) - (9)).....	9,710	14,398	17,091	22,064	27,316	31,602	37,560	44,569	54,325	66,683	76,683	92,236	110,936	136,067

¹ Includes both defined benefit plans and defined contribution plans. Data for 1977 in Nicholas Greenia, "Employee Benefit Plans, 1977," *Statistics of Income Bulletin*, Internal Revenue Service, Spring 1982, page 13; data for 1978 from *Estimates of Participant and Financial Characteristics of Private Pension Plans*, Department of Labor, 1983, table 11, page 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, page 12; data for 1982-83 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.

² Bureau of the Census, *Current Population Survey* (unpublished data).

³ 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.

⁴ See Bureau of Economic Analysis, "National Income and Product Accounts—Other Labor Income by Industry and by Type." Recent values are published in *Survey of Current Business*, July 1987, table 6.13, page 63.

⁵ For every year, the identity (item 5) = (item 7)/(item 2) holds. However, it is not always true that item 5 is calculated from this formula. For those years where item 1 is not available, item 5 is interpolated from other years where item 1 is available (that is, where item 5 is calculated), and item 7 is calculated derivatively.

⁶ To calculate, divide amount of total private pension payments, prior to adjustment for ACLI overlap (item 7), by pension and profit-sharing payments: Bureau of Economic Analysis (item 4).

⁷ For those years where item 1 is available, (item 7) = (item 1) + (item 3a). For those years where

item 1 is not available, (item 7) = (item 5)/(item 2).

⁸ To calculate, subtract ACLI data, life insurance company pensions for individuals—not through employment relationship—(item 3 (b)) from total private pension payments, (item 7).

⁹ This is an estimate of life insurance company pension payments based on unallocated or not-fully-guaranteed contracts. Such payments are included in items 7 and 8, as well as in the ACLI data.

¹⁰ To calculate, subtract ACLI overlap (item 9) from total private pension payments, before adjustment for ACLI overlap (item 7).

¹¹ To calculate, subtract ACLI overlap (item 9) from total private pension payments, before adjustment for ACLI overlap, through employment relationship (item 8).

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 this table. 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 1972-87 period are shown in item 9 of table 7.

Data on private pensions reported by the **Current Population Survey (CPS)** are also shown in table 7. This information is obtained from the annual **March Income Supplement** to the CPS, which reports income for the previous year. Because the survey universe includes only persons alive on the interview date in March, payments to any person whose death occurred in the period between the beginning of the reference year and the survey date are excluded. All retirement plans are included—even individual retirement plans. (However, this inclusion does not impair the usefulness of the CPS series when it is used, as it is here,

strictly as an index in the estimation process.) One point of ambiguity is the treatment of lump-sum distributions. It appears that most of the individuals who were interviewed interpreted the word "pension" to mean only a monthly payment; however, the instructions for the interviewer do not cover this point.

As indicated above, the primary source of data for estimates of private pension plan benefits in the private social welfare expenditures series are the tabulations of the DoL/IRS form 5500 and the ACLI payment data. Because form 5500 data are available only for 6 years (1977, 1978, 1981, 1982, 1983, and 1984), it was necessary to interpolate and extrapolate the values of the form 5500 series. For this purpose, the ratio of (form 5500 value plus the ACLI payments): (CPS value) was used to interpolate and extrapolate to obtain values for the unavailable years (1979, 1980, 1985, 1986, and 1987). Although the CPS values are not used directly to show the level of pension payments, the CPS series does have an important role as an index.

Data reported by the BEA and presented on line 4 of table 7 are prepared for the NIPA and are reported in the series under Other Labor Income by Industry and by Type; Benefits paid by private pension and welfare funds: Pension and profit sharing. The method of estimation used in this article is based on the BEA approach.

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