

## Private Social Welfare Expenditures, 1972-91

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This study reports on 20 years of private social welfare spending, from 1972 through 1991. The private sector is playing an increasingly important role in financing the Nation's aggregate social welfare programs; this section assumes a large share of health and medical care expenditures, as well as income-maintenance benefits, the latter in areas of employment-related pensions, group life insurance, and group sickness payments. Also, financing education and social services is an important aspect of the private sector's role in supporting social welfare programs. The purpose of this series is to provide estimates of private expenditures for social welfare programs in the United States; it complements the public social welfare expenditures series (see pages 96-104 in this issue).

Information on public social welfare expenditures has been available since 1954, and the estimates are published annually in the *Social Security Bulletin*.<sup>1</sup> Data on private social welfare expenditures were published by the Social Security Administration (SSA) in 1955, and continued through calendar year 1978. The series was temporarily discontinued because of problems related to data collection and estimation. In 1987, publication was resumed after the methodology for estimating the expenditures for several programs was revised. Data on private social welfare expenditures are more difficult to collect than is information on public expenditures.<sup>2</sup> Both data series are necessary for a comprehensive understanding of spending trends in social welfare.

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In calendar year 1991, private social welfare expenditures were \$756.4 billion. Viewed as a share of gross domestic product (GDP), private expenditures were 13.3 percent for calendar year 1991 and 12.7 percent for 1990, while public expenditures for fiscal year 1991 were 20.5 percent of GDP (table 1).

Private expenditures are grouped into four major program categories: Health and medical care, welfare and other services, education, and income maintenance. Overall growth of private social welfare programs amounted to a 156-percent increase (in constant dollars) during the 20-year period being studied.

In 1991, the health and medical care expenditures category claimed the largest dollar share—\$421.8 billion (55.8 percent)—of the total. Private funds paid 57.1 percent of all personal health care expenditures, mostly out-of-pocket expenditures of individuals and private health insurance. A small amount of these expenditures (3.6 percent) was funded by nonpatient sources, such as philanthropy and hospital revenues from cafeteria sales and educational programs. Overall growth of private health expenditures during 1972-91, in constant dollars, was 138 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 1991, expenditures for these items were \$71.5 billion, 9.4 percent of the year's private social welfare spending. The growth for this category was 206 percent in constant dollars during 1972-91.

Private expenditures for education in 1991 were \$92.1 billion—12.2 percent of all private social welfare expenditures in that year. Of this amount, \$47.5 billion

was spent on higher education, \$25.6 billion on elementary and secondary education, and \$15.6 billion on commercial and vocational schools. Using the same measure of constant dollars, total private expenditures for education increased by 99 percent over the 1972-91 period.

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 1991, private income-maintenance expenditures are estimated to have been \$171.0 billion (22.6 percent of the private expenditures total). Of this amount, private pension payments totaled \$146.7 billion, almost one-fifth (19.4 percent) of all private expenditures. Measured in constant dollars, the growth of private income maintenance expenditures in 1972-91 was 246 percent, the highest of any category.

### Health and Medical Care

The Health Care Financing Administration (HCFA) prepares annual estimates of health and medical care expenditures from both public and private sources.<sup>3</sup> HCFA's estimates are based on the National Health Accounts, which provide a schema for understanding the nature of health care spending. In 1988, the benchmark was revised to incorporate information from more reliable data bases, such as the Survey of Service Establishments conducted by the Bureau of the Census, and the Consumer Expenditure Survey done by the Bureau of Labor Statistics. Consequently, the revision of health and medical care estimates also required an update of the

entire social welfare spending series. The National Health Accounts continue to employ a two-dimensional classification matrix with categories of providers or services along one dimension and sources of funds across the other dimension.

In 1991, total health care expenditures for both public and private sectors were \$751.8 billion (table 2), which was 13.2 percent of the GDP. This was a 1-percentage point gain over the previous year. The health care sector experienced significant growth despite the slowdown in the general economy. Of total health care spending, private health and medical

care spending in 1991 was \$421.8 billion, or 7.4 percent of GDP, increasing from 4.7 percent of GDP in 1972. During this 20-year period, all private social welfare expenditures as a percentage of GDP grew at a slightly higher rate than did health and medical care. Total private expenditures for the four categories climbed from 7.9 percent of the GDP in 1972 to 13.3 percent in 1991 (table 1).

Viewed as a share of total health care expenditures, private expenditures dropped to 56.1 percent of overall disbursements for health and medical care in 1991, decreasing from 62.0 percent in 1972. But, during the 1975-90

period, the private health share was almost constant, ranging from 58 percent to 59 percent of aggregate health expenditures (tables 2 and 3).

In 1991, private health insurance paid \$244.4 billion, or 57.9 percent of the Nation's private health expenditures, while consumers paid \$144.3 billion out-of-pocket, or 34.2 percent of the private health care cost. In the public sector, the Federal Government paid \$222.9 billion, or 67.5 percent of total public costs, which amounted to \$330 billion. State and local governments contributed \$107.1 billion, or 32.5 percent of the public sector total.

Table 1.—Private social welfare expenditures,<sup>1</sup> by category: Public and private social welfare expenditures as a percent of gross domestic product, selected years, 1972-91

[Amounts in millions]

Year	Public spending total <sup>2</sup>	Private spending <sup>3</sup>					Percent of gross domestic 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	\$95,635	\$57,200	\$15,955	\$14,935	\$7,545	23.7	16.6	7.9
1973.....	212,314	105,706	63,200	18,063	16,146	8,297	23.7	16.7	7.8
1974.....	237,132	115,748	69,400	19,660	17,718	8,970	24.1	17.0	7.9
1975.....	289,173	153,970	102,000	21,910	19,993	10,067	27.7	19.1	9.7
1976.....	331,425	172,747	113,900	25,004	22,095	11,748	28.4	19.7	9.8
1977.....	360,314	181,678	113,900	30,662	23,581	13,535	27.5	19.3	9.2
1978.....	393,830	193,594	113,900	36,743	26,361	16,590	25.9	18.2	8.7
1979.....	431,007	217,842	126,900	42,628	28,774	19,540	25.5	17.7	8.8
1980.....	492,714	251,612	145,000	51,169	32,667	22,776	26.9	18.6	9.3
1981.....	554,189	289,490	168,500	58,741	36,521	25,728	27.2	18.7	9.6
1982.....	601,345	330,033	191,300	70,096	40,570	28,067	28.5	19.2	10.5
1983.....	649,229	369,322	210,900	82,414	44,639	31,369	29.3	19.6	10.8
1984.....	678,112	406,369	230,000	93,235	48,435	34,699	27.9	18.3	10.8
1985.....	732,250	456,288	248,000	116,207	53,167	38,914	28.5	18.4	11.3
1986.....	781,725	506,653	265,200	140,793	57,574	43,086	29.1	18.5	11.9
1987.....	834,142	538,385	286,100	140,433	64,423	47,429	29.3	18.7	11.9
1988.....	887,542	588,501	318,900	145,380	71,003	53,218	29.2	18.5	12.0
1989.....	957,394	652,849	351,000	163,138	79,245	59,466	29.6	18.5	12.4
1990.....	1,050,155	702,179	390,000	160,876	85,974	65,329	30.5	19.2	12.7
1991.....	1,165,136	756,365	421,800	171,016	92,095	71,454	32.4	20.5	13.3

<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 domestic 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 domestic product.

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

Table 2.—Health and medical care: Expenditures under private and public programs, by source of expenditure and percent of gross domestic product, selected years, 1972-91

[Amounts in billions]

Expenditure	1972	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
<b>Source</b>														
Total.....	\$92.3	\$132.9	\$250.1	\$290.2	\$326.1	\$358.6	\$389.6	\$422.6	\$454.9	\$494.2	\$546.0	\$604.3	\$675.0	\$751.8
Private expenditures.....	57.2	77.9	145.0	168.4	191.3	210.9	230.0	248.0	265.2	286.1	318.9	351.0	389.9	421.8
Health services and supplies.....	54.0	74.5	140.7	163.3	185.2	204.1	223.3	242.0	259.2	279.5	311.1	342.8	380.7	412.7
Noncommercial medical research.....	.2	.3	.3	.3	.3	.4	.5	.5	.7	.7	.7	.8	.8	.9
Medical facilities construction.....	3.0	3.1	4.0	4.8	5.8	6.4	6.2	5.5	5.3	5.9	7.1	7.4	8.4	8.2
Public expenditures.....	35.1	55.1	185.2	121.8	134.8	147.6	159.6	174.6	189.6	208.0	227.1	253.3	285.1	330.0
<b>Percent of gross domestic product</b>														
Total.....	7.6	8.4	9.2	9.6	10.4	10.5	10.3	10.5	10.7	10.9	11.1	11.5	12.2	13.2
Private expenditures.....	4.7	4.9	5.4	5.6	6.1	6.2	6.1	6.1	6.2	6.3	6.5	6.7	7.1	7.4
Public expenditures.....	2.9	3.5	6.8	4.0	4.3	4.3	4.2	4.3	4.4	4.6	4.6	4.8	5.2	5.8

Table 3.—Health and medical care: Expenditures under private and public programs, by type of expenditure, 1991

[Amounts in billions]

Type of expenditure	Total	Private spending	Public spending
Total.....	\$751.8	\$421.8	\$330.0
Health services and supplies.....	728.6	412.7	315.9
Personal health care.....	660.2	377.0	283.3
Hospital care.....	288.6	126.0	162.6
Physician services.....	142.0	92.6	49.4
Dentist services.....	37.1	36.0	1.1
Other professional services.....	35.8	27.4	8.4
Home health care.....	9.8	2.7	7.1
Drugs and medical sundries.....	60.7	53.3	7.3
Eyeglasses and appliances.....	12.4	8.8	3.5
Nursing home care.....	59.9	27.6	32.3
Other personal health care.....	14.0	2.4	11.6
Program administration and net cost of health insurance.....	43.8	35.7	8.1
Government public health activities.....	24.5	...	24.5
Research and construction of medical facilities.....	23.1	9.1	14.0
Noncommercial research.....	12.6	.9	11.7
Construction.....	10.6	8.2	2.4

Source: Health Care Financing Administration, "National Health Expenditures, 1991,"

Health Care Financing Review, Winter 1992, pp. 1-30.

Data for 1991 are presented in table 3 for the different components of the health and medical care category. The largest expenditures, for both public and private spending, are for hospital care and physician services. Private spending is substantially higher than public spending for such categories as dentists' services, drugs and medical sundries, eyeglasses and appliances, and "other professional services." The information presented on expenditures for each health program component shows the distribution of spending in the private and public sectors (table 3).

#### Welfare and Other Services

The aggregate of private spending for welfare and other services in 1991 was \$71.5 billion, which represented 9.3 percent of overall private sector social welfare expenditures (tables 1 and 4). The proportion of welfare services spending, related to total private expenditures, declined slightly from 1972

**Table 4.—Welfare and other services: Private expenditures, National Income and Product Accounts data, 1972-92**

[Amounts in millions]

Year	Expenditure	Percent of total private
1972.....	\$7,545	7.9
1973.....	8,297	7.8
1974.....	8,970	7.7
1975.....	10,067	6.5
1976.....	11,748	6.8
1977.....	13,535	7.4
1978.....	16,590	8.6
1979.....	19,540	8.9
1980.....	22,776	9.1
1981.....	25,728	8.9
1982.....	28,067	8.5
1983.....	31,369	8.5
1984.....	34,699	8.5
1985.....	38,914	8.5
1986.....	43,086	8.5
1987.....	47,429	8.8
1988.....	53,218	9.0
1989.....	59,466	9.1
1990.....	65,329	9.1
1991.....	71,454	9.3
1992.....	76,049	N/A

through 1975, but increased gradually from 6.5 percent in 1975 to 9.4 percent in 1991.

Welfare services 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 last survey yielded data for 1987, and the results were published in November 1989. The BEA has developed a methodology for estimating social welfare costs between census years by extrapolating wage data collected by the Bureau of Labor Statistics. The next Census survey will gather data for the 1992 calendar year.

The most recent Census survey (1987) included 106,000 social service agencies or establishments. Welfare and other services are classified by the

Bureau of the Census according to definitions provided in the Standard Industrial Classification (SIC). Public funds are excluded from the private social service estimates. The following tabulation illustrates 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.

The percentage distribution of funding for welfare and other services, based on 1987 Census Survey of Service Industries, is as follows:

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

In 1991, private expenditures for education were \$92.1 billion. Of this amount, \$47.5 billion was spent on higher education, \$25.6 billion on elementary and secondary education, \$15.6 billion on commercial and vocational schools, and \$3.4 billion, in private funds, on school construction (table 5). During the 20-year period studied, the rate of growth of educational expenditures was less than the rate of growth in income maintenance, welfare services, and health.

A methodology for estimating private expenditures for education was developed by the Social Security Administration. Data are extracted from two sources and applied to an estimating procedure. One source of information is the National Center for Education Statistics (NCES), Department of Education; and the other source is the NIPA, BEA, Department of Commerce, which also publishes a series on private expenditures for education.

Historically, SSA and BEA have used different methodologies that produce similar results. Over the past decade, both agencies have modified the estimating procedures so that the two systems are now approaching convergence.<sup>4</sup> Social Security Administration estimates for education expenditures (in millions) for 1991 are as follows:

Total private expenditures for education	\$92,085
Current operations	73,129
Elementary and secondary	25,632
Higher education	47,497
Commercial and vocational schools	15,556
Construction	3,400

Bureau of Economic Analysis estimates for education expenditures for 1991 (in millions) are as follows:

Private education and research	\$92,760
Higher education	48,116
Private higher education	26,809
Public higher education	21,328
Private lower education	21,801
Elementary and secondary schools	16,384
Nursery schools	5,417
Other private education and research	22,822
Commercial and vocational schools	15,556
Foundations and nonprofit research	7,266

The SSA estimate of \$25,632 million for elementary and secondary schools represents the sum of two subcategories:

\$21,801 million from the NIPA series on private education and research, elementary and secondary schools category; and \$3,831 million from the NCES database, which represents and estimate of private gifts, expenditures for student tuition and fees paid to public institutions, and private transportation costs. The amount of private gifts to elementary schools is accelerating, which may be attributable to fundraising by parent-teacher organizations, student and other private fundraising, and to corporate contributions of equipment, such as computers.

The amount for higher education (\$47,497 million) includes: \$25,489 million from the private expenditures for education and research, higher education category; \$14,540 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 \$3,510 million for

private gifts and grants to public institutions (NCES series). A major portion of private expenditures for higher education is spent on tuition and fees in both public and private colleges and universities.

Prior to 1992, the BEA estimate for personal consumption expenditures for education included only private expenditures in private institutions, whereas the SSA estimation method covered all student fees and tuition payments, including those made to public institutions. Tuition payments are considered as being private expenditures, whether made to public or to private schools. In January 1992, the 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. Table 5 shows that the BEA and SSA estimating systems produce relatively close esti-

mates for the 20-year period 1972-91. The basic difference is that SSA includes school construction costs that are funded by private sources, which BEA excludes from the estimate. On the other hand, BEA includes contributions from foundations and from nonprofit research funds, whereas the SSA method does not. As shown in table 5, the bottomline of the two estimating systems produces similar results.

### *Income Maintenance*

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, long-term disability, and supplemental unemployment benefits, and private pension plans. Of the \$171.0 billion in private income-maintenance expenditures in 1991

Table 5.—Education: Estimated private outlays, by category for SSA calculations and the NIPA<sup>1</sup> estimation system, 1972-92

Year	[Amounts in millions]						NIPA <sup>1</sup>
	SSA						
	Total	Current operations			Commercial and vocational schools	Private construction	
	Total	Elementary and secondary	Higher education				
1972.....	\$14,935	\$12,206	\$4,436	\$7,770	\$1,761	\$968	\$15,072
1973.....	16,146	13,324	5,011	8,313	1,985	837	16,637
1974.....	17,718	14,992	5,829	9,163	2,071	655	18,315
1975.....	19,993	16,744	6,590	10,154	2,682	567	20,466
1976.....	22,095	18,132	7,057	11,075	3,303	660	22,421
1977.....	23,581	19,303	7,320	11,984	3,618	660	24,014
1978.....	26,361	21,563	8,355	13,208	4,069	729	26,684
1979.....	28,774	23,624	9,365	14,258	4,344	806	29,787
1980.....	32,667	26,831	10,788	16,042	4,661	1,175	33,616
1981.....	36,521	30,356	11,929	18,427	4,994	1,171	37,879
1982.....	40,570	34,091	12,664	21,427	5,123	1,356	41,743
1983.....	44,639	37,415	13,741	23,673	5,812	1,412	45,808
1984.....	48,435	40,522	14,717	25,805	6,513	1,400	49,763
1985.....	53,167	43,947	15,911	28,036	7,520	1,700	54,470
1986.....	57,574	47,091	16,720	30,371	8,383	2,100	58,988
1987.....	64,423	51,059	17,945	33,114	9,664	3,700	64,076
1988.....	71,003	55,875	19,804	36,071	12,228	2,900	71,617
1989.....	79,245	62,078	22,369	39,710	13,867	3,300	79,415
1990.....	85,974	67,416	23,995	43,421	14,858	3,700	86,410
1991.....	92,095	73,139	25,642	47,497	15,556	3,400	92,760
1992.....	96,330	77,332	27,402	49,930	15,398	3,600	97,101

<sup>1</sup> National Income and Product Accounts (NIPA)—Personal Consumption Expenditures—from Bureau of Economic Analysis, Department of Commerce. These estimates include "Foundations and nonprofit research."

(table 1), private pension plan benefits accounted for \$146.7 billion (table 6).

### Group Life Insurance

In 1991, \$9.5 billion was spent 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.<sup>5</sup> The estimate is 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 societies or employee associations do not involve the employer.

Accidental death and dismemberment benefits are included in the group life insurance totals for the 1972-79 period. After 1979, the Health Insurance Association of America (HIAA) eliminated this item on 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 past decade 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. Due to the recent recession, expenditures for these benefits almost doubled, increasing from \$571 million in 1990 to \$1,020 million in 1991.

### 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 1972-91 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 as public social welfare expenditures. The SSA estimate for private industry short-term sickness benefits in 1991 is \$10.6 billion.

### Long-Term Disability

Beginning with 1980, data on long-term disability insurance benefits are available separate from short-term benefits. These benefits are estimated by SSA on the basis of data supplied by the HIAA and they totaled \$3.2 billion in 1991. 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 the "long-term disability" benefits category (table 6) for wage and salary workers.

### Private Pension Plans

Total assets<sup>6</sup> held by private pension plans were \$1,674.1 billion in 1990—a small decrease from \$1,675.6 billion in 1989.<sup>7</sup> In 1990, the assets for defined contribution plans were \$712.2 billion (a 3.6-percent increase from the previous year), whereas total assets for defined benefit plans during the same year were \$961.9, which was a 2.6-percent decrease from the previous year. These estimates are based on Form 5500 (Annual Return/Report of Employee Benefit Plan) reports, filed annually with the Internal Revenue

Table 6.—Income maintenance: Expenditures from private sources, by type of benefit, selected years, 1972-91

Type of benefit	[Amounts in millions]													
	1972	1975	1979	1980	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Total <sup>1</sup> .....	\$15,955	\$21,910	\$42,628	\$51,169	\$70,096	\$82,414	\$93,235	\$116,207	\$140,793	\$140,433	\$145,380	\$163,138	\$160,876	\$171,016
All wage and salary workers:														
Life insurance <sup>2</sup> .....	3,180	3,380	4,564	5,075	6,269	6,510	6,899	7,489	7,797	8,166	8,418	9,063	9,278	9,472
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	140,911	137,739	146,737
Sickness and disability <sup>3</sup> .....	2,649	3,396	5,772	6,280	6,884	6,993	7,497	8,026	8,046	8,896	9,636	9,869	10,362	10,615
Long-term disability <sup>4</sup> .....	(4)	(4)	(4)	1,282	1,688	1,817	1,874	1,937	2,253	2,293	2,295	2,892	2,926	3,172
Supplemental unemployment.....	234	500	400	972	930	411	282	305	488	636	485	403	571	1,020

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

<sup>2</sup> Includes government employee civilian benefits.

<sup>3</sup> Includes long-term disability benefits for 1972-79; data not available separately.

<sup>4</sup> Not available separately for years before 1980; included with "sickness and disability benefits."

Service (IRS). The IRS processes the form and forwards copies to the Department of Labor, which tabulates data on the plan, participants, and financial characteristics of the private pension universe. Data are available for 1977-78 and 1981-90. These data are used for estimating pension plan payments for the years in which information is not available.

The total number of private pension plans in 1990 was 712,300, a 2.6-percent decrease from the previous year. The overall decrease in the number of plans follows a trend in which the number of defined benefit plans is declining, while the number of defined contribution plans is experiencing a small growth. Contributions to defined benefit plans declined

for the 6 consecutive years from 1985 to 1990. According to the Pension and Welfare Benefits Administration, Department of Labor, the trend away from defined benefit plans as the basic vehicle for employers to provide retirement benefits has been evident since the 1970's. Since the mid-1980's, the growth in defined contribution plans has

Table 7.—Estimates for private pension plan expenditures, selected years, 1977-91

[Amounts in millions]

Item	1977	1978	1980	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
(1) Pension and profit-sharing payments to individuals (based on Form 5500)..... <sup>1</sup>	\$19,493	\$23,934	...	\$49,499	\$61,141	\$70,134	\$90,615	\$112,547	\$107,392	\$110,096	\$123,910	\$120,389	\$130,685
(2) ACLI data <sup>2</sup>													
(a) Total life insurance company pensions.....	3,105	4,100	\$4,960	6,555	7,605	8,520	10,355	12,915	16,995	18,810	22,215	22,470	21,930
(b) Life insurance company pensions for individuals not through employment relationship.....	30	35	45	55	60	105	120	175	230	325	375	375	390
Keogh plans.....	25	25	30	35	35	55	60	70	85	85	80	70	70
IRA's.....	5	10	15	20	25	50	60	105	145	240	295	305	320
(3) Total private pension payments prior to adjustment for ACLI overlaps <sup>3</sup> .....	22,598	28,034	38,654	56,054	68,746	78,654	100,970	125,462	124,387	128,906	146,125	142,859	152,615
(4) Total private pension payment prior to adjustment for ACLI overlap through employment relationship <sup>4</sup> .....	22,568	27,999	38,609	55,999	68,686	78,549	100,850	125,287	124,157	128,581	145,750	142,484	152,225
(5) ACLI overlap <sup>5</sup> .....	504	683	1,049	1,674	2,003	1,866	2,400	3,078	3,715	4,035	4,839	4,745	5,488
(6) Total private pension payments <sup>6</sup> .....	22,094	27,351	37,605	54,380	66,743	76,788	98,570	122,384	120,672	124,871	141,286	138,114	147,127
(7) Total private pension through employment relationship overlap <sup>7</sup> .....	22,064	27,316	37,560	54,325	66,683	76,683	98,450	122,209	120,442	124,546	140,911	137,739	146,737
(8) Pension and profit-sharing payments BEA <sup>8</sup> .....	...	...	36,419	54,155	66,400	76,022	97,731	120,239	120,785	124,052	139,299	148,843	161,572

<sup>1</sup> In all cases this item is an aggregate reported on the IRS/DoL Form 5500, for both defined benefit and defined contribution plans. Estimated increase for 1991 over 1990 is at the same rate as the BEA series for those years. For 1980, where data were not available for line 1, an interpolation was made from prior years to estimate line 3. Except for 1991, all data were secured from the Department of Labor. Data for 1989 and 1990 were published in Private Pension Plan Bulletin, Number 1, Winter 1993, Department of Labor, Table A5, "Income Statement of Pension Plans," and Private Pension Plan Bulletin, Number 2, Summer 1993, Table A5. "Income Statement of Pension Plans."

<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, August 1993, table 6.11C.

been driven by a substantial increase in coverage under 401(k) type plans, while the other plans in this category remained steady or declined slightly during that period.<sup>8</sup> A 401(k) plan allows employees to reduce their taxable salary by contributing a portion of their income on a tax-deferred basis. The plan may or may not include employer contributions. Employee stock ownership plans also experienced growth in 1990, with the number of plans increasing by 17.1 percent. As a result of that increase, assets grew from \$96.1 billion to \$133.6 billion.

Benefit payments under private pension plans were \$146.7 billion in 1991, representing 85.8 percent of all income-maintenance expenditures and 19.4 percent of all private social welfare expenditures (tables 1 and 6). 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.

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 plans for the self-employed (Keogh)—are not included.

Every employee pension or welfare fund is required to file a Form 5500 annually with the IRS. Penalties are incurred for nonfiling and for deliberate misrepresentation of information on these forms.

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 statements 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 1977-91 period are shown in item 5 of table 7.

Table 7 presents revised estimates for private pension plan expenditures for the years 1977-91. The previous estimated series, published in the Fall 1992 *Social Security Bulletin*, was developed from data that were available through 1988, whereas this study comes from data captured on Forms 5500 for 1989 and 1990. The estimate for expenditures in 1991 is based on the BEA estimated rate of increase between 1990 and 1991. In 1991, the BEA adopted the Form 5500 series reports<sup>9</sup> and data from the ACLI as the basis for private pension plan benefit estimates. In prior years, BEA developed pension estimates from an indicator series that was updated in accordance with current trends. These estimates were lower than those of the SSA series, but, since the BEA adopted Form 5500 as the basic data source, the two estimating series are now in close conformity. The SSA estimates are shown in item 7 of table 7, and the BEA estimates are shown in item 8. The BEA and SSA estimates for pension plan expenditures in 1990 and 1991 differ because although SSA was able to use 1990 data from the Department of Labor, these data were not available when BEA developed its 1990 and 1991 estimates.

### Notes

<sup>1</sup>See Ida C. Merriam and Alfred M. Skolnik, *Social Welfare Expenditures Under Public Programs in the United States, 1926-1966* (Research Report No. 25), Office of Research and Statistics, Social Security Administration, 1968. Also, see Ann Kallman Bixby, "Public Social Welfare Expenditures,

Fiscal Year 1991," *Social Security Bulletin*, Spring 1994, pp. 96-104.

<sup>2</sup>Public social welfare expenditures are presented in Federal fiscal year terms (currently October 1 through September 30). Data for private expenditures are estimated on a calendar year basis. At this time, fully comparable data are available only through calendar year 1990.

<sup>3</sup>See "National Health Expenditures, 1991," *Health Care Financing Review*, Winter 1992, pp. 1-30.

<sup>4</sup>For a discussion of the estimating procedures, see Wilmer L. Kerns, "Private Social Welfare Expenditures, 1972-90," *Social Security Bulletin*, Fall 1992, pp. 62-63.

<sup>5</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>6</sup>For a discussion of pension coverage, see Virginia P. Reno, "The Role of Pensions in Retirement Income: Trends and Questions," *Social Security Bulletin*, Spring 1993, pp. 29-43. See also John R. Woods, "Pension Vesting and Preretirement Lump Sums Among Full-Time Private Sector Employees," *Social Security Bulletin*, Fall 1993, pp. 3-21.

<sup>7</sup>See Department of Labor, *Private Pension Plan Bulletin*, No. 2, Summer 1993.

<sup>8</sup>See "Highlights From the 1990 Form 5500 Reports," *Private Pension Plan Bulletin*, No. 2, Summer 1993, pp. 2-3.

<sup>9</sup>See Department of Labor, *Private Pension Plan Bulletin*, No. 1, Winter 1993.

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