

## *Role of the Private Sector in Financing Social Welfare Programs, 1972-92*

The private sector continues to play an increasingly important role in financing the Nation's aggregate social welfare programs. This note provides estimates of private spending for social welfare programs in the United States, from 1972-92, and complements the public

\*Wilmer L. Kerns, Office of Research and Statistics, Division of Program Analysis, Social Security Administration.

social welfare expenditures series.<sup>1</sup> Private outlays include 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. The private sector is also an important source of financing for education and social services.

Viewed as a share of gross domestic product (GDP) as shown in table 1, private sector support of social welfare has gradually but substantially increased from 8.0 percent in 1972 to 13.7 percent in 1992. In calendar year 1992, total expenditures were \$824.9 billion compared with \$767.6 billion in the previous year (an increase of 7.5 percent). During relatively the same

Table 1.—Private social welfare expenditures,<sup>1</sup> by category: Private and public social welfare expenditures as percent of gross national product (GDP), selected years, 1972-92

[Amount in millions]

Year	Private spending <sup>2</sup>					Public spending total <sup>3</sup>	Percent of GDP		
	Total	Health	Income maintenance	Education	Welfare services		Total <sup>4</sup>	Private spending <sup>5</sup>	Public spending <sup>6</sup>
1972.....	\$97,024	\$57,200	\$17,123	\$15,156	\$7,545	\$190,315	23.8	8.0	16.6
1973.....	105,852	63,100	18,063	16,392	8,297	212,314	23.7	7.8	16.7
1974.....	115,922	69,300	19,660	17,992	8,970	237,132	24.1	7.9	17.0
1975.....	131,200	77,500	23,336	20,297	10,067	289,173	26.5	8.3	19.1
1976.....	148,484	89,300	25,004	22,432	11,748	331,425	27.2	8.4	19.7
1977.....	170,353	102,200	30,662	23,956	13,535	360,314	27.0	8.6	19.3
1978.....	193,510	113,400	36,743	26,777	16,590	393,830	25.9	8.7	18.2
1979.....	221,279	127,800	44,703	29,236	19,540	431,007	25.6	8.9	17.7
1980.....	255,275	145,800	53,519	33,180	22,776	492,714	27.0	9.4	18.6
1981.....	290,061	168,500	58,741	37,092	25,728	554,189	27.2	9.6	18.7
1982.....	333,017	191,300	72,445	41,205	28,067	601,345	28.6	10.6	19.2
1983.....	374,064	212,700	84,652	45,343	31,369	649,229	29.4	11.0	19.6
1984.....	414,877	235,200	95,759	49,219	34,699	678,112	28.1	11.0	18.3
1985.....	471,223	259,400	118,871	54,038	38,914	732,250	28.8	11.7	18.4
1986.....	520,597	275,300	143,670	58,541	43,086	781,725	29.4	12.2	18.5
1987.....	555,036	298,600	143,509	65,498	47,429	834,142	29.6	12.2	18.7
1988.....	610,313	336,100	148,858	72,137	53,218	887,542	29.6	12.5	18.5
1989.....	677,809	370,700	167,260	80,383	59,466	957,394	30.0	12.9	18.5
1990.....	727,523	410,000	164,772	87,864	64,887	1,050,155	30.9	13.1	19.2
1991.....	767,622	432,900	172,010	93,813	68,899	1,165,146	32.4	13.4	20.5
1992.....	824,871	462,900	185,724	100,491	75,756	(7)	(7)	13.7	(7)

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

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

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

<sup>4</sup> Sum of private and public 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 GDP.

<sup>6</sup> Represents calendar year expenditures as a percent of calendar year GDP.

<sup>7</sup> Data not available.

period, public expenditures for social welfare programs increased from 16.6 percent of GDP in fiscal year 1972 to 20.5 percent in 1991. Total spending for social welfare programs, both public and private, increased from 23.8 percent of GDP in 1972 to a 32.4 share in 1991.

Private expenditures can be grouped into four major program categories: Health and medical care, welfare and other services, education, and income maintenance. In 1992, the health and medical care expenditures category claimed the largest dollar amount—\$462.9 billion (table 2)—56.1 percent of the total. Private sector funds paid 57.1 percent of all personal health care expenditures, mostly private health insurance and out-of-pocket expenditures of individuals and private health insurance. From 1972-92, health expenditures as a percent of total private social welfare spending declined slightly from 59.0 percent to 56.1 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 1992, expenditures for these items were \$75.8 billion, 9.2 percent of the year’s total private social welfare spending.

Private expenditures for education in 1992 were \$100.5 billion—12.2 percent of all private social welfare expenditures for that year. Of this amount, \$51.2 billion was spent on higher education, \$27.8 billion on elementary and secondary education, and \$16.8 billion on commercial and vocational schools. Since 1972, private sector outlays for education have declined from 15.6 percent of total private sector spending to 12.2 percent in 1992.

Private income-maintenance expenditures are payments made under employee benefit plans in the private sector.

These expenditures include private pension plans, group life insurance, cash disability insurance, paid sick leave, and supplemental unemployment benefits. Of the \$185.7 billion in private income-maintenance expenditures in 1992 (table 1), private pension plan benefits accounted for \$157.3 billion.

### 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>2</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

Table 2.—Health and medical care: Expenditures under private and public programs, by source of expenditure and percent of gross domestic product, selected calendar years, 1972-92

[Amounts in billions]

Expenditure	1972	1975	1980	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<b>Source</b>															
Total.....	\$92.3	\$132.6	\$251.1	\$328.2	\$360.8	\$396.0	\$434.5	\$466.0	\$506.2	\$562.3	\$623.9	\$696.6	\$755.6	\$820.3	\$884.2
Private expenditures.....	57.2	77.5	145.8	193.1	212.7	235.2	259.4	275.3	298.6	336.1	370.7	410.0	432.9	462.9	496.4
Health services and supplies.....	53.9	74.1	141.3	186.5	205.3	228.0	252.9	268.7	291.3	327.5	361.7	399.8	422.8	451.7	484.3
Noncommercial medical research.....	.2	.3	.3	.4	.5	.5	.5	.8	.8	.8	.9	1.0	1.1	1.2	1.2
Medical facilities construction.....	3.1	3.2	4.2	6.2	6.9	6.7	6.0	5.8	6.5	7.8	8.2	9.3	9.0	9.9	10.9
Public expenditures.....	35.2	55.1	105.3	135.1	148.1	160.9	175.1	190.7	207.6	226.2	253.2	286.5	322.6	357.5	387.8
<b>Percent of gross domestic product</b>															
Total.....	7.7	8.4	9.3	10.4	10.6	10.5	10.8	10.9	11.1	11.5	11.9	12.6	13.2	13.6	13.9
Private expenditures.....	4.7	4.9	5.4	6.1	6.2	6.2	6.4	6.4	6.6	6.9	7.1	7.4	7.6	7.7	7.8
Public expenditures.....	2.9	3.5	3.9	4.3	4.3	4.3	4.3	4.5	4.6	4.6	4.8	5.2	5.6	5.9	6.1

Note: Numbers and percents may not add to totals because of rounding.  
Source: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Health Statistics.

Expenditure Survey by the Bureau of Labor Statistics. 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.

In 1992, total health care expenditures for both public and private sectors amounted to \$820.3 billion (table 2), 13.6 percent of GDP. The private share was \$462.9 billion, or 7.7 percent of GDP, increasing from 4.7 percent in 1972.

Private expenditures were \$462.9 billion in 1992 (56.4 percent of overall disbursements for health and medical care in that year, down from 62.0 percent in 1972). But, for most of the intervening years—1975 through 1990—the private sector share was almost constant, ranging from 58 percent to 59 percent of aggregate health expenditures (tables 2 and 3).

Data for 1992 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 categories such as dentists' services, drugs and medical sundries, eyeglasses and appliances, and the other professional services category. The information presented on expenditures for each health program component shows the distribution of spending in the private and public sectors.

### *Welfare and Other Services*

Aggregate private spending for welfare and other services in 1992 was \$75.8 billion, compared with \$7.5 billion in 1972 (tables 1 and 4). The proportion of welfare services spending, related to total private expenditures, increased from 7.8 percent in 1972 to 9.2 percent in 1992.

Welfare services estimates are based on an indicator series developed by the Bureau of Economic Analysis (BEA), Department of Commerce, for the National Income and Product Accounts (NIPA)—Personal Consumption Expenditures. The series uses 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. Social welfare costs between census years are estimated by extrapolating wage data collected by the Bureau of Labor Statistics.

The most recent Census survey (published in 1989) included 106,000 social service agencies or establishments. Wel-

Table 3.—Health and medical care: Expenditures under private and public programs, by type of expenditure, 1992

[Amounts in billions]			
Type of expenditure	Total	Private spending	Public spending
Total.....	\$820.3	\$462.9	\$357.5
Health services and supplies.....	792.9	451.7	341.2
Personal health care.....	729.7	420.4	309.3
Hospital care.....	306.0	134.0	172.0
Physician services.....	161.8	108.4	53.4
Dentist services.....	34.7	33.4	1.3
Other professional services.....	46.4	37.3	9.1
Home health care.....	16.8	8.0	8.8
Drugs and other medical nondurables.....	70.8	62.6	8.2
Eyeglasses and appliances.....	12.0	8.2	3.8
Nursing home care.....	65.5	26.0	39.5
Other personal health care.....	15.8	2.6	13.2
Program administration and net cost of private health insurance.....	39.5	31.3	8.2
Government public health activities.....	23.7	...	23.7
Research and construction of medical facilities.....	27.4	11.2	16.3
Noncommercial research.....	14.2	1.2	13.0
Construction.....	13.2	9.9	3.3

Source: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Health Statistics.

Table 4.—Welfare and other services: Private expenditures as a percent of total private outlays: NIPA<sup>1</sup> data, selected years, 1972-92

[Amounts in millions]		
Year	Expenditure	Percent of total private
1972.....	\$7,545	7.8
1973.....	8,297	7.8
1974.....	8,970	7.7
1975.....	10,067	7.7
1976.....	11,748	7.9
1977.....	13,535	7.9
1978.....	16,590	8.6
1979.....	19,540	8.8
1980.....	22,776	8.9
1981.....	25,728	8.9
1982.....	28,067	8.4
1983.....	31,369	8.4
1984.....	34,699	8.4
1985.....	38,914	8.3
1986.....	43,086	8.3
1987.....	47,429	8.5
1988.....	53,218	8.7
1989.....	59,466	8.8
1990.....	64,887	8.9
1991.....	68,899	9.0
1992.....	75,756	9.2
1993.....	82,276	(2)

<sup>1</sup> National Income and Products Accounts—Personal Consumption Expenditures—from the Bureau of Economic Analysis, Department of Commerce. The expenditures include funding for foundations and nonprofit research.

<sup>2</sup> Data not available.

fare and other services are classified by the Bureau of the Census according to definitions provided by the Standard Industrial Classification (SIC). Public funds are excluded from the private social service estimates. 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 and social/fraternal

organizations; and job training and vocational rehabilitation—sheltered workshops, vocational rehabilitation agencies, and skill training centers.

The percentage distribution of spending in 1992 for welfare and other services is estimated to have been:

Total percent of welfare and other services	
	100.0
Social services not elsewhere classified	23.9
Individual and family social services	19.6
Residential care	18.2
Civic and social/fraternal organizations	18.1
Child day care	10.9
Job training and vocational rehabilitation services	9.4

## Education

In 1992, private expenditures for education were \$100.5 billion—\$51.2 billion for higher education, \$27.8 billion for elementary and secondary education, \$16.8 billion for commercial and vocational schools, and \$4.6 billion in private funds for school construction (table 5). These expenditures amounted to 12.2 percent of all private social welfare spending, down from 15.6 percent in 1972.

A methodology for estimating private expenditures for education was developed by the Social Security Administration (SSA). One source of information is the National Center for Education Statis-

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

[Amounts in millions]

Year	SSA						NIPA <sup>1</sup>
	Total	Current operations					
		Total	Elementary and secondary education	Higher education	Commercial and vocational schools	Private construction	
1972.....	\$15,156	12,427	\$4,657	\$7,770	\$1,761	\$968	\$15,072
1973.....	16,392	13,570	5,257	8,313	1,985	837	16,637
1974.....	17,992	15,266	6,103	9,163	2,071	655	18,315
1975.....	20,297	17,048	6,894	10,154	2,682	567	20,466
1976.....	22,432	18,469	7,394	11,075	3,303	660	22,421
1977.....	23,956	19,678	7,694	11,984	3,618	660	24,014
1978.....	26,777	21,979	8,771	13,208	4,069	729	26,684
1979.....	29,236	24,086	9,828	14,258	4,344	806	29,787
1980.....	33,180	27,344	11,302	16,042	4,661	1,175	33,616
1981.....	37,092	30,927	12,500	18,427	4,994	1,171	37,879
1982.....	41,205	34,726	13,299	21,427	5,123	1,356	41,743
1983.....	45,343	38,119	14,446	23,673	5,812	1,412	45,808
1984.....	49,219	41,306	15,501	25,805	6,513	1,400	49,763
1985.....	54,038	44,818	16,782	28,036	7,520	1,700	54,470
1986.....	58,541	48,058	17,687	30,371	8,383	2,100	58,988
1987.....	65,498	52,134	19,020	33,114	9,664	3,700	64,076
1988.....	72,137	57,009	20,938	36,071	12,228	2,900	71,617
1989.....	80,383	63,216	23,506	39,710	13,867	3,300	79,415
1990.....	87,864	68,546	25,235	43,311	15,218	4,100	86,200
1991.....	93,813	73,594	26,296	47,298	15,819	4,400	92,200
1992.....	100,491	79,059	27,814	51,245	16,832	4,600	98,900

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

tics (NCES), Department of Education; and the other source is the NIPA, BEA, Department of Commerce, which publishes its own series on private education expenditures. Historically, SSA's and BEA's different methodologies have produced similar results. Over the past decade, both agencies have modified the procedures so that the two series are now approaching convergence.<sup>3</sup>

Social Security Administration estimates for education expenditures (in millions) for 1992 are:

Total private expenditures for education	\$100,931
Current operations	79,059
Higher education	51,245
Elementary and secondary education	27,814
Commercial and vocational schools	16,832
Construction	4,600

Bureau of Economic Analysis estimates for 1992 (in millions) are:

Private education and research	\$98,931
Higher education	52,155
Private higher education	28,657
Public higher education	23,497
Private lower education	21,216
Elementary and secondary schools	16,364
Nursery schools	4,852
Other private education and research	25,560
Commercial and vocational schools	16,832
Foundations and nonprofit research	8,728

SSA's estimate of \$27,814 million for elementary and secondary schools represents the sum of two subcategories: \$21,216 million from the NIPA series on private lower education research, elementary and secondary schools category; and \$6,598 million from the NCES data base, which provides an estimate of private gifts, 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 increasing private fundraising, such as parent-teacher and student organizations, and a higher rate of corporate contributions of equipment, such as computers.

The amount for higher education (\$51,245 million) includes: \$28,657 million for education and research in the private higher education category; \$18,328 million for 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 \$4,260 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 for both public and private colleges and universities.

The Social Security Administration and the Bureau of Economic Analysis now use a similar approach to estimate private expenditures for higher education. Table 5 shows that the SSA and BEA systems produced relatively similar estimates for the period of 1972-92. The basic difference is that SSA includes school construction costs that are funded by private sources, which the BEA excludes. On the other hand, the BEA includes contributions from foundations and from nonprofit research funds, whereas the SSA method does not.

### Income Maintenance

Expenditures for income maintenance represent outlays for employee benefit plans in the private sector. The major components are group life insurance, sickness and disability insurance, long-term disability insurance, and private pension plans. Income maintenance experienced the most growth of the four programs, from \$17.1 billion in 1972 to \$185.7 billion in 1992 (table 6). Its share of total private sector spending grew from 17.6 percent in 1972 to 22.5 percent in 1992. The bulk of the \$185.7 billion in outlays for 1992 went towards pension plan benefits—\$157.3 billion, which was 84.7 percent of income maintenance and

Table 6.—Income maintenance: Expenditures from private sources, by type of benefit, selected years, 1972-92

Type of benefit	[Amount in millions]												
	1972	1975	1980	1982	1983	1985	1986	1987	1988	1989	1990	1991	1992
Total <sup>1</sup> .....	\$17,123	\$23,336	\$53,564	\$72,445	\$84,652	\$118,871	\$143,670	\$143,589	\$148,858	\$167,260	\$164,772	\$172,010	\$185,724
All wage and salary workers:													
Group Life insurance <sup>2</sup> .....	3,180	3,380	5,075	6,269	6,510	7,489	7,797	8,166	8,418	9,063	9,278	9,472	10,184
Private industry wage and salary workers:													
Private pension plan payments.....	9,710	14,398	37,605	54,380	66,743	98,570	122,384	120,672	124,871	141,286	138,114	144,627	157,258
Sickness and disability <sup>3</sup> .....	3,999	5,058	8,630	9,178	9,171	10,570	10,748	11,822	12,789	13,616	13,680	13,787	14,566
Long-term disability <sup>4</sup> .....	(4)	(4)	1,282	1,688	1,817	1,937	2,253	2,293	2,295	2,892	2,926	3,172	3,143
Supplemental unemployment.....	234	500	972	930	411	305	488	636	485	403	774	952	573

<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."

19.1 percent of all social welfare spending by the private sector.

### **Group Life Insurance**

In 1992, \$10.2 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 to maintain consistency with reporting data for years prior to 1988. The estimate is adjusted to exclude group policies not based directly on employer-employee relationships, such as insurance for credit card holders, mortgage insurance, fraternal societies, savings or investment groups, professional societies, and employee associations.

Accidental death and dismemberment benefits are also included in the group life insurance totals for the 1972-79 period. After 1979, the Health Insurance Association of America eliminated this item on its annual industry questionnaire that is sent to accident and health insurers. Although more recent estimates are not available, it is believed that coverage for accidental death and disability declined during the last decade and is currently rather infrequent.

### **Supplemental Unemployment Benefits**

Data on supplemental unemployment benefits are derived from the NIPA series—"Other Labor Income by Industry and by Type." These benefits amounted to \$573 million in 1992. Most were paid to auto workers as a result of management-union contractual agreements.

### **Sickness and Disability Benefits**

Data on benefits received by employees in private industry as sick leave and as payments for short-term sickness, from private cash-sickness insurance and self-insurance, are shown for 1972-92 in table 6. For 1980 and subsequent years, long-term and short-term benefits are estimated separately.

In 1992, short-term sickness and disability benefits were \$14.6 billion. Most expenditures in this category were for paid sick leave to workers

in the private sector, amounting to \$12.7 billion. The remainder, \$1.9 billion, was paid under group and self-insurance programs in States that have no temporary disability insurance laws.<sup>4</sup> Comparable benefits paid under State Temporary Disability Insurance programs and the Railroad Retirement program are classified as public social welfare expenditures.

### **Long-Term Disability**

Beginning with 1980, data on long-term disability insurance benefits are available separately from short-term benefits. These benefits, estimated by SSA on the basis of data supplied by the Health Insurance Association of America, totaled \$3.1 billion in 1992. When long-term disability benefits are paid under the provisions of employment-related pension plans the payments are included in the private pension data, rather than being counted as long-term disability benefits for wage and salary workers.

### **Private Pension Plans**

The total number of private pension plans in 1991 was 708,070, almost a 1-percent decrease from the previous year. The overall decrease follows a trend in which the number of defined benefit plans is declining, while the number of defined contribution plans is experiencing a slow growth. Contributions to defined benefit plans declined for the seventh consecutive year, from 1985-91. According to the Pension and Welfare Benefits Administration, Department of Labor, this 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 been driven by a substantial increase in coverage under 401(k)-type plans, while the number of other plans in this category remained steady or declined slightly.<sup>5</sup> A 401(k) plan allows employees to contribute a portion of their salaries with or without employer contributions on a tax-deferred basis. In 1991, about 21 million persons were participants in 401(k) plans, and

total assets for the year were \$447.7 billion. Another form of private pension coverage is employee stock ownership plans (ESOP's), which cover about 6.4 million employees, although only 14 percent of these workers participated in a plan. Data for 1991 are not available, but in 1990 the number of ESOP's increased by 17.1 percent, which contributed to an asset growth from \$96.1 billion to \$133.6 billion.

Total assets<sup>6</sup> held by private pension plans were \$1,958.2 billion in 1991—a 17-percent increase<sup>7</sup>—compared with \$1,674.1 billion in 1990. In keeping with the general trend toward defined contribution plans, which had assets of \$845.8 billion (an 18.8-percent increase from the previous year), assets for defined benefit plans (\$1,112.4 billion) had only a 15.6-percent increase. These figures are based on Form 5500 reports (Annual Return/Report of Employee Benefit Plan), filed annually with the Internal Revenue Service (IRS). Every employee pension or welfare fund is required to file a form 5500 annually, and submit the completed information to the IRS. Penalties are incurred for not filing and for deliberate misrepresentation of information on these forms. Data are available for 1977-78 and 1981-91. The IRS forwards copies to the Department of Labor, which tabulates data on the plan, participants and financial characteristics of the private pension universe.

Private pension benefit payments were \$157.3 billion in 1992, 84.7 percent of all income-maintenance expenditures and 19.1 percent of all private social welfare expenditures (tables 1 and 6). These pension expenditures include monthly benefits and lump-sum distributions to retired and disabled employees and their dependents and to survivors of deceased employees, along with preretirement lump-sum distributions.

In addition to benefits paid solely by employers, private 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, withdrawals from individual savings plans—for example, individual

retirement accounts (IRA's) and retirement plans for the self-employed (Keogh plans)—are not included.

Data from the American Council of Life Insurance (ACLI) are used to supplement payment data from 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—by implication, payments from wholly insured plans that are

not held in the general account of the insurance company. Overlap estimates for the 1977-92 period are shown in item 5 of table 7.

Table 7 presents estimates for private pension plan expenditures for the years 1977-92. In 1991, the Bureau of Economic Analysis adopted the form 5500 series reports<sup>8</sup> and data from the ACLI as the basis for private pension plan benefit estimates. In prior years, the BEA developed pension estimates from an indicator

Table 7.—Estimates for private pension plan expenditures, selected years, 1977-92

[Amounts in millions]

Item	1977	1978	1980	1982	1983	1985	1986	1987	1988	1989	1990	1991	1992
(1) Pension and profit-sharing payments to individuals (based on form 5500) <sup>1</sup>	\$19,493	\$23,934	...	\$49,499	\$61,141	\$90,615	\$112,547	\$107,392	\$110,096	\$123,910	\$120,389	\$128,252	\$142,106
(2) ACLI data <sup>2</sup>													
(a) Total life insurance company pensions.....	3,105	4,100	\$4,960	6,555	7,605	10,355	12,915	16,995	18,810	22,215	22,470	21,930	20,965
(b) Life insurance company pensions for individuals not through employment relationship.....	30	35	45	55	60	120	175	230	325	375	375	390	370
Keogh plans.....	25	25	30	35	35	60	70	85	85	80	70	70	140
IRA's.....	5	10	15	20	25	60	105	145	240	295	305	320	230
(3) Total private pension payments prior to adjustment for ACLI overlap <sup>3</sup> .....	22,598	28,034	38,654	56,054	68,746	100,970	125,462	124,387	128,906	146,125	142,859	150,182	163,071
(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	100,850	125,287	124,157	128,581	145,750	142,484	149,792	162,701
(5) ACLI overlap <sup>5</sup> .....	504	683	1049	1,674	2,003	2,400	3,078	3,715	4,035	4,839	4,745	5,555	5,813
(6) Total private pension payments <sup>6</sup> .....	22,094	27,351	37,605	54,380	66,743	98,570	122,384	120,672	124,871	141,286	138,114	144,627	157,258
(7) Total private pension through employment relationship overlap <sup>7</sup> .....	22,064	27,316	37,560	54,325	66,683	98,450	122,209	120,442	124,546	140,911	137,739	144,237	156,888
(8) Pension and profit-sharing payments BEA <sup>8</sup> .....	21,806	25,222	36,419	54,155	66,400	97,731	120,239	120,785	124,052	139,299	148,845	164,924	176,667

<sup>1</sup> In all cases this item is an aggregate reported on the Internal Revenue Service/Department of Labor Form 5500, for both defined benefit and defined contribution plans.

Estimated increase for 1990 over 1991 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 Pension Plans," and Private Pension Plan Bulletin, Number 2, Summer 1993, Table A5—Income Statement of Pension

<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, D.C.

<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, July 1994, table 6.11C

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.

## Notes

<sup>1</sup> See Ann Kallman Bixby, "Public Social Welfare Expenditures, Fiscal Year 1991," *Social Security Bulletin*, Vol. 57, No. 1 (Spring) 1994, pp. 96-104.

<sup>2</sup> See "National Health Expenditures," *Health Care Financing Review*, Volume 14, Number 2 (Winter) 1992, pp. 1-30.

<sup>3</sup> For a discussion of the estimating procedure, see Wilmer L. Kerns, "Private Social Welfare Expenditures, 1972-90," *Social Security Bulletin*, Vol. 55, No. 3 (Fall) 1992, pp. 62-63.

<sup>4</sup> California, New York, New Jersey, Hawaii, and Rhode Island have mandatory State temporary disability laws. For more detail on short-term sickness programs, see Wilmer L. Kerns, "Protection Against Income Loss During the First 6 Months of Injury," *Social Security Bulletin*, Vol. 57, No. 3 (Fall) 1994, pp. 88-92.

<sup>5</sup> See "Highlights From the 1990 Form 5500 Reports," *Pension Plan Bulletin*, Number 3 (Summer) 1994, Department of Labor.

<sup>6</sup> For a discussion of pension coverage, see Virginia C. Reno, "The Role of Pensions in Retirement Income: Trends and Questions," *Social Security Bulletin*, Vol. 56, No. 1 (Spring) 1993, pp. 29-43. Also, see John R. Woods, "Pension Vesting and Preretirement Lump Sums Among Full-Time Private Sector Employees," *Social Security Bulletin*, Vol. 56, No. 3 (Fall) 1993, pp. 3-21, and John R. Woods, "Pension Coverage Among Baby Boomers: Initial Findings From a 1993 Survey," *Social Security Bulletin*, Vol. 57, No. 3 (Fall) 1994, pp. 12-25.

<sup>7</sup> See *Private Pension Bulletin*, Number 3, (Summer) 1994, Department of Labor.

<sup>8</sup> See *Private Pension Bulletin*, Number 1 (Winter) 1993, Department of Labor.

## References

- American Council of Life Insurance. 1993. *1992 Life Insurance Fact Book*. Washington, DC: ACLI.
- \_\_\_\_\_. 1994. *1993 Life Insurance Fact Book Update*. Washington, DC: ACLI.
- Beller, Daniel J. 1986. "Financial Characteristics of Private Pension Plans, 1981." *The Handbook of Pension Statistics, 1985*. Richard A. Ippolito and Walter W. Kolodrubetz (eds.). Chicago: Commerce Clearing House.
- Bixby, Ann Kallman. 1994. "Public Social Welfare Expenditures, Fiscal Year 1991." *Social Security Bulletin*, Vol. 57, No. 1 (Spring) 1994, pp. 96-104.
- Department of Commerce, Bureau of the Census. 1989. *1987 Census of Service Industries* (November).
- \_\_\_\_\_. Bureau of Economic Analysis, "Personal Consumption Expenditures by Type of Product." *Survey of Current Business*, July 1994, table 2.6, p. 66, for data on private education and research, and religious and other welfare activities).
- \_\_\_\_\_. Bureau of Economic Analysis, "Other Labor Income by Industry and Type." *Survey of Current Business*, July 1994, table 6.11c, p. 92, for data on employee contributions and benefits paid by private pension and welfare funds.
- Department of Education. *Digest of Education Statistics* (annual editions). Washington, DC: National Center for Education Statistics.
- Department of Labor. 1983. *Estimates of Participant and Financial Characteristics of Private Pension Plans*. Washington, DC: U.S. Government Printing Office.
- \_\_\_\_\_. 1992. *Trends in Pensions, 1992*. John A. Turner and Daniel J. Beller (eds.). Washington, DC: U.S. Government Printing Office.
- \_\_\_\_\_. 1993. *Private Pension Plan Bulletin*, Number 1 (Winter). Washington, DC: U.S. Government Printing Office.
- \_\_\_\_\_. 1993. *Private Pension Plan Bulletin*, Number 2 (Summer). Washington, DC: U.S. Government Printing Office.
- \_\_\_\_\_. 1994. *Private Pension Plan Bulletin*, Number 3 (Summer). Washington, DC: U.S. Government Printing Office.
- Health Care Financing Administration. 1992. "National Health Expenditures, 1991." *Health Care Financing Review*, Volume 14, Number 2 (Winter). Washington, DC: U.S. Government Printing Office. pp. 1-30.
- Health Insurance Association of America. 1993. *Source Book of Health Insurance Data, 1993*. Washington, DC.
- Park, Thae S. 1992. "Estimates of Private Pension Benefit Payments, 1950-88." *Trends in Pensions, 1992*. Department of Labor. Washington, DC: U.S. Government Printing Office.
- Woods, John R. 1994. "Pension Coverage Among the Baby Boomers: Initial Findings From a 1993 Survey." *Social Security Bulletin*. Vol. 57, No. 3 (Fall) 1994, pp. 12-26.