In 2000, employers spent $5.7 trillion on total compensation, according to the most recent data from the U.S. Commerce Department’s Bureau of Economic Analysis (BEA). Wages and salaries accounted for the lion’s share, $4.8 trillion (or 84 percent), while benefits made up the remainder, $874.4 billion (15 percent).

Retirement benefits remain the largest single sector of benefits expenditures by employers, although health benefits have been catching up. In 1960, retirement benefits accounted for the majority of total benefit spending (59.9 percent), followed by other benefits (25.7 percent) and health benefits (14.3 percent). By 2000, retirement benefits were still the largest component of all benefit spending, but had declined to 48.0 percent of the total; spending on health benefits had increased to 42.1 percent of total benefit spending, while “other benefits” declined the most, to 9.9 percent by 2000.

In the 1980s, the average annual growth rate in employer spending on all benefits was 8.1 percent. In the 1990s, this growth rate fell substantially, to 3.9 percent, due to the adoption of managed care among employment-based health plan sponsors.

The slower growth rate in employer spending on group health insurance accounted for a large part of the slower growth rate in overall spending on employee benefits. In the 1980s, employer spending on group health insurance grew at an average annual rate of 11.9 percent, increasing to $188.6 billion in 1990 from $61.0 billion in 1980. In the 1990s, the average annual growth rate in employer spending on group health insurance slowed to 4.8 percent, which represents an increase to $300.1 billion in 2000 from $188.6 billion in 1990.
The rate of employer spending on group health insurance has declined steadily from 1981, when spending on group health insurance increased 17.5 percent; in 1997, it posted a negative growth rate of −4.9 percent. But since 1997, the growth rate of employer spending on group health insurance has been increasing, reaching 7.1 percent in 2000.

Employer spending on retirement income benefits, less Social Security, increased at a slightly faster rate in the 1990s than in the 1980s. In the 1980s, employer spending on retirement income benefits, less Social Security, increased at an average annual rate of 4.0 percent, growing to $154.4 billion in 1990, up from $104.5 billion in 1980. In the 1990s, employer spending on retirement income benefits, less Social Security, grew at an average annual rate of 1.9 percent, growing to $186.1 billion in 2000, up from $154.4 billion in 1990.

Private-sector employers spent $55.3 billion on retirement income benefits, less Social Security, in 1980. This amount increased to $62.6 billion in 1990, and to $69.8 billion in 2000.

State and local governments spent $19.1 billion on retirement income benefits, less Social Security, in 1980. This amount increased to $33.0 billion in 1990, and to $44.2 billion in 2000.

The federal government spent $30.1 billion on retirement income benefits, less Social Security and railroad retirement, in 1980. This amount increased to $58.8 billion in 1990, and to $72.2 billion in 2000.

In the 1980s, the growth rate in employer spending for retirement income benefits, less Social Security, was faster for state and local governments than it was for the private sector. Private-sector spending on retirement income benefits increased at an average annual rate of 1.2 percent, compared with 5.6 percent for state and local governments during the 1980s. This trend continued in the 1990s, when private-sector spending on retirement income benefits increased at an average annual rate of 1.1 percent, compared with 3.0 percent among state and local governments.
• Employer spending on other benefits (i.e., unemployment insurance, life insurance, and workers’ compensation) increased to $86.9 billion in 2000 from $78.7 billion in 1990, growing at an average annual rate of 1.0 percent.

• Employer spending on Social Security, Old-Age, Survivors, Disability, and Hospital Insurance (OASDHI), grew at an average annual rate of 5.0 percent in the 1980s, and 5.8 percent in the 1990s. In 1980, employers spent $67.2 billion on the OASDHI program. This amount increased to $170.8 billion in 1990 and to $300.1 billion in 2000.