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The common reference to employee benefits as "fringe" benefits understates their importance to workers' economic security and has left the erroneous impression that only the "wealthy" receive benefits.

Questions and Answers on the Distribution and Economics of Employee Benefits

The tax treatment of employee benefit programs has been relatively consistent over time, with health insurance being tax exempt and retirement and capital accumulation programs being tax deferred. The common reference to employee benefits as "fringe benefits" understates the size and scope of their role for both workers and the economy. It has, in addition, left the erroneous impression that only the "wealthy" receive employee benefits.

Nearly all Americans currently in the work force have experienced the present tax treatment of primary benefits (retirement, life, health, and disability), during their entire careers. Many of them, however, take the presence of these benefits and their current tax treatment for granted. Nonetheless, the tax treatment of employee benefits is under review as policymakers, in their quest to reduce federal deficits, assess all direct government expenditures and tax incentives against social and economic objectives. Studies by the Treasury Department and by private economists indicate that tax-favored employee benefits enhance tax equity and that taxation of benefits would have the most adverse effect on the lowest earners.

Tax laws favoring specific employer-provided retirement and health insurance plans, as well as other statutory employee benefits, were enacted under the premise that extensive coverage of workers and their dependents is desirable social policy. Numerous research studies have determined that these employer-based programs complement Social Security and Medicare, reduce long-term demands on social programs, and strengthen the economy in the process.

This *Issue Brief* answers commonly asked questions about the distribution and economics of employer-provided benefits using charts that provide information on the prevalence of primary employee benefits, variation in cost and benefits by industry, and the economic effects of current tax incentives and future tax changes. These issues are important to more than 100 million Americans who enjoy enhanced economic security because of voluntary employer-sponsored benefit programs.

◆ The Prevalence of Primary Employee Benefits

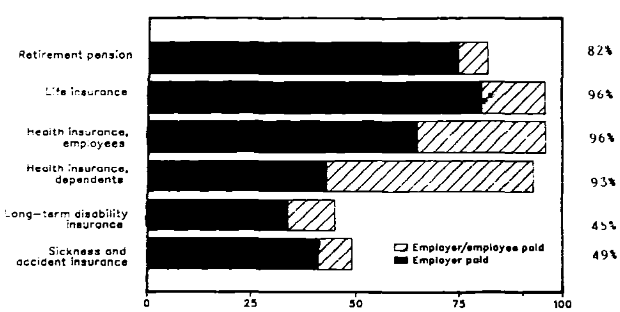
One question commonly asked by federal policymakers is: "How prevalent are employee benefits and fringe benefit programs, and how does this compare to the past?"

Chart 1 provides information from the Bureau of Labor Statistics on the prevalence of primary benefits (i.e., retirement, life, health, sickness, and disability plans) among full-time workers in medium and large firms of 250 employees or more. Ninety-six percent of these full-time workers are covered under health and life insurance programs and 82 percent are covered by a pension plan. Information on the so-called "fringe benefits," (e.g., education, legal assistance, and transportation) is not provided because these programs cover only a small number of employees.

Not all employees, however, work in medium and large firms Data collected by the Census Bureau in May 1983 for EBRI and the U.S. Department of Health and Human Services provide this information on retirement and health program coverage for the total civilian work force.

Chart 1

Insurance and pension plans: Percent of full-time employees covered, medium and large firms, 1983



SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, Employee Benefits in Medium and Large Firms, 1983, Bulletin 2213 (Washington, DC: U.S. Government Printing Office, August 1984.)

Table 1
Employment and Pension and Health Coverage in the ERISA Work Force by Industry, May 1983

Industry	Employment (000's)	Percent Covered Pension	Percent Covered Health
GOVERNMENT	11,905	88.26%	88.73%
DURABLE MANU.	8,492	79.84	94.17
Primary Metals	702	89.81	97.70
Automobiles	823	92.56	98.41
NONDURABLE MANU.	5,862	72.56	90.52
Apparel	697	45.82	75.55
Chemicals	970	91.89	97.38
TRANSPORTATION (ex-railroads)	1,454	68.98	86.56
CONSTRUCTION	2,130	44.56	71.93
PUBLIC UTILITIES	811	93.11	95.30
COMMUNICATIONS	1,200	88.75	97.46
MINING	660	82.72	96.43
FINANCE, INSURANCE, & REAL ESTATE	3,444	72.42	84.20
PROFESSIONAL SERVICES	6,401	63.95	74.48
WHOLESALE TRADE	2,682	63.26	86.50
RETAIL TRADE	5,833	45.96	64.56
BUSINESS & PERSONAL SERVICES	3,184	33.83	59.92

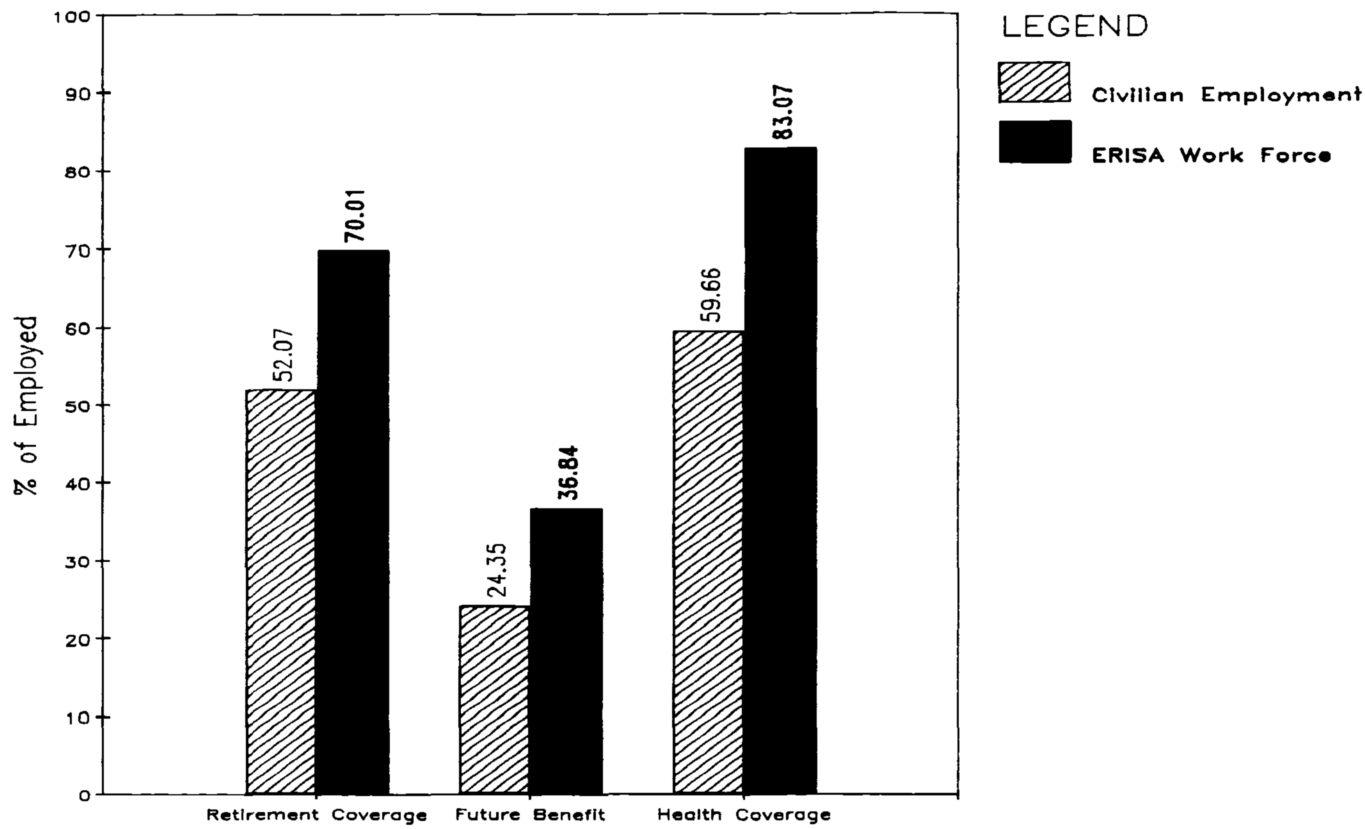
Source: Preliminary Employee Benefit Research Institute tabulations of the May 1983 EBRI/HHS CPS pension supplement.

Chart 2 shows that retirement and health programs are prevalent, particularly among employees twenty-five years or older and working one thousand hours or more per year (referred to as the ERISA work force). Seventy percent of these full-time workers are covered by a pension and 37 percent are currently entitled to a vested benefit. Of all civilian workers age fourteen to sixty-four, 52 percent are covered by a pension and 24 percent are entitled to a vested benefit. Health insurance is also more readily available to full-time workers; 83 percent have primary coverage compared to 60 percent of all civilian workers.

Retirement program and health insurance coverage have grown significantly in numbers of covered participants but have remained relatively constant in percentage terms over the past ten years because plan sponsorship is nearly universal among medium and large employers.

Chart 2

Prevalence of Employee Benefits



Source: May 1983 EBRI/HHS CPS pension supplement

Distribution of Employee Benefits by Income Groups

Another commonly asked question is: "Which employees receive employee benefits by salary range?"

Primary employee benefits are broadly distributed across the income spectrum. Nearly 83 percent of all nonagricultural wage and salary workers earn less than $25,000 per year (chart 3). Pension coverage and vesting follow this pattern with 76 percent of those covered and 70 percent of those vested earning less than $25,000. Although the proportion of those earning $50,000 or more participating in a retirement program is high (chart 4), these persons represent only 2.89 percent of all pension participants (chart 3).

Growth of employer-provided group health insurance coverage among workers and their dependents has promoted wide access to health care throughout the population. Health insurance is the most common benefit offered to employees in the United States. Charts 5 and 6 show that in 1982, health insurance enjoyed a broad distribution across the income spectrum. Those earning less than $25,000 constituted 80 percent of those with health insurance protection.

Now other employee benefits must also, as a matter of law, be provided on a nondiscriminatory basis. While data are not available, this legal requirement most likely means that income distributions are roughly similar to pensions and health insurance coverage.

Variation of Benefit Provision by Industry—ERISA Work Force

"How does the provision of employee benefits vary by industry?"

Retirement program coverage among the ERISA work force, as shown in chart 7, varies considerably by industry. The highest coverage levels are found in the public utilities, communications, and mining areas. The lowest coverage levels are found in construction, retail trade, and business and personal services.

Chart 7 indicates that health insurance provision is more consistent across industries than retirement program coverage, but that variation does exist, nevertheless. Coverage rates of at least 97 percent (table 1) are found in primary metals, automobiles, chemicals, and communications, while more than 80 percent of employees are covered in government, transportation, public utilities, finance, insurance and real estate, and wholesale trade. Health coverage in business and personal services firms reaches nearly 60 percent of the ERISA work force

The Costs of Providing Employee Benefits

Benefits as a Percentage of Compensation

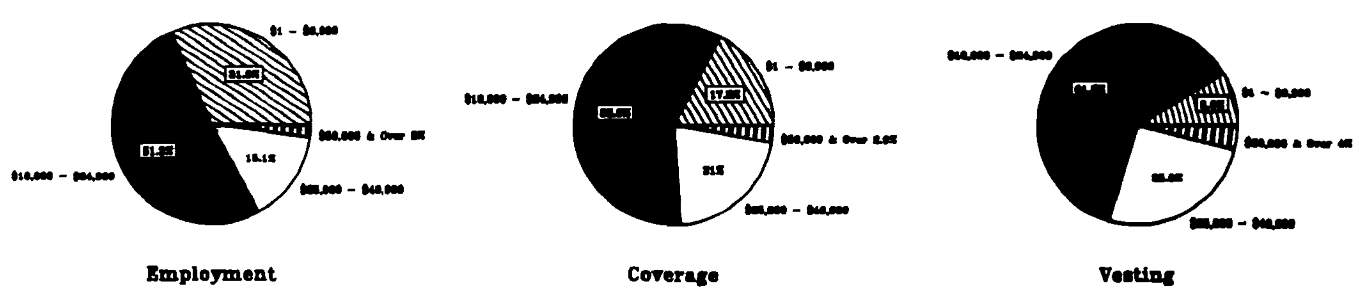
Many members of Congress are asking: "How much do employers spend on employee benefits?"

As shown in chart 8, taxable benefits represent the highest percentage of employer payments at approximately 14 percent of wages and salaries and 43 percent of all benefits. Legally

Chart 3

Pensions by Earnings

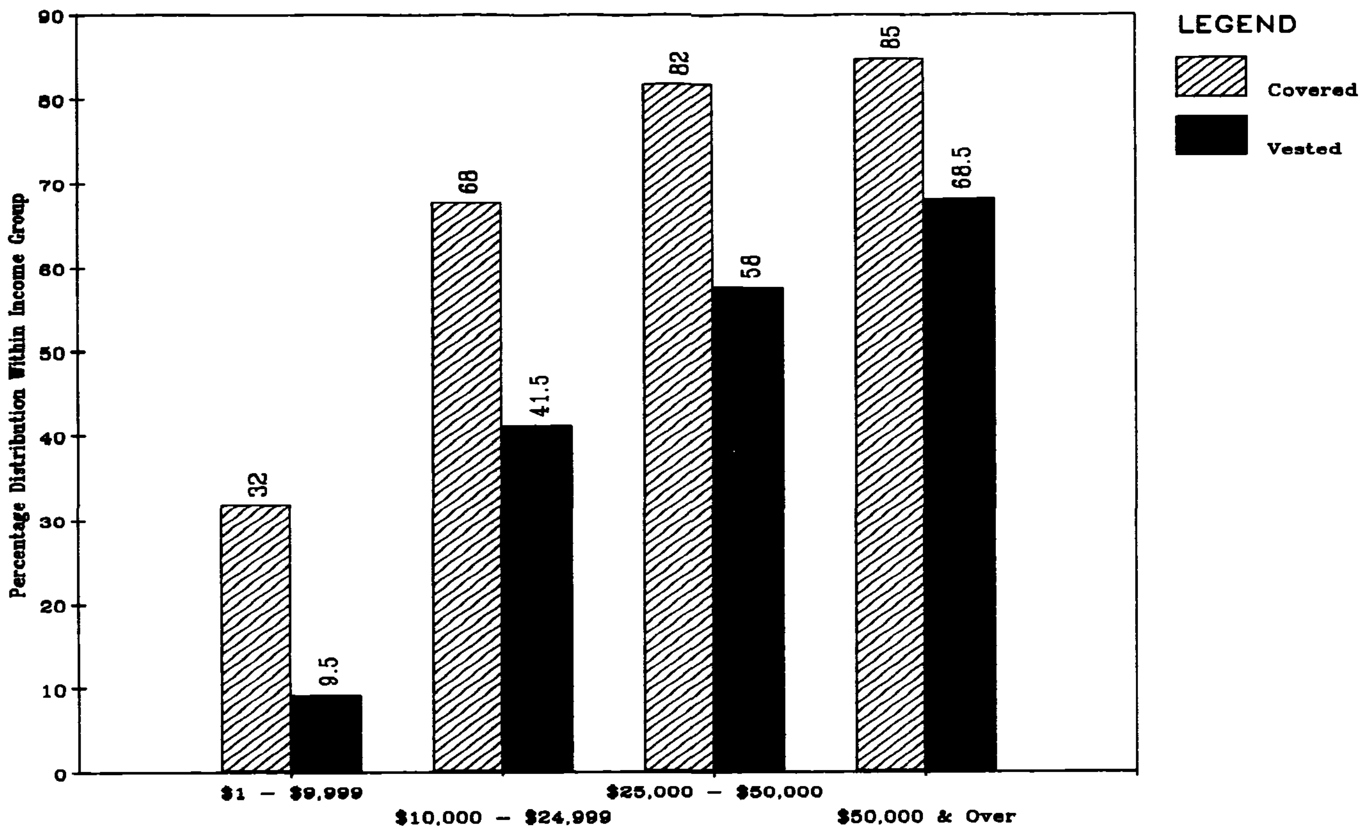
Percentage Distribution Across Income Groups



Source: May 1983 EBRI/HHS CPS pension supplement

Chart 4

Pensions by Earnings



Source: May 1983 EBRI/HHS CPS pension supplement

required benefit payments (e.g., FICA, unemployment compensation, workers' compensation) constituted an additional 9.5 percent of wages and salaries in 1982. Employer contributions to discretionary tax-favored benefits totaled 9.0 percent of wages and salaries in 1982.

Employer contributions to discretionary tax-favored benefits—those that are not taxed as current income to the employee—can be divided into two groups: benefits on which taxes are deferred and benefits that are tax exempt.

Tax-deferred benefits primarily include employer contributions to retirement income and capital accumulation plans. These contributions constituted about 4.0 percent of wages and salaries in 1982 (table 2). Taxation of these benefits is deferred until the employee withdraws funds from the plan.

Tax-exempt benefits include employer contributions to group health insurance and to a variety of smaller benefits that include dental insurance, child care, merchandise discounts, and employer-provided meals. These benefits constituted 4.6 percent of wages and salaries in 1982, with group health and life insurance representing the largest share at 4.1 percent of wages and salaries.[1]

Failure to distinguish among the growth of legally required employer payments, fully taxable employee benefits, tax-deferred benefits, and tax-exempt benefits has greatly dis-

[1] Dallas Salisbury, ed., *Why Tax Employee Benefits?* (Washington, DC: EBRI, 1982), table 2, p. 6.

torted the perception of the tax-base erosion that some policymakers can attribute to tax-favored benefits.

Growth of Tax-Favored Employee Benefit Costs

Another frequently asked question is: "How much have tax-favored employee benefit costs grown over time?"

Over the past thirty years, tax-favored employee benefits have grown more rapidly than wages and salaries and slightly faster than either legally required employer payments (FICA, unemployment insurance, and workers' compensation) or discretionary taxable employee benefits (e.g., time not worked). Consequently, tax-favored benefits have absorbed a rising share of total compensation. Pension and profit sharing contributions grew significantly in the post-ERISA period (after 1974), and expenditures for group health insurance doubled as a result of health care cost inflation.

The recent (1982–1984), slower growth of employer pension contributions appears likely to continue according to the most recent employer surveys.[2] Employer contributions to retirement programs are expected to decline by 15 percent in 1984 as more plans reach the point of full funding. The recent slower growth of employer health insurance contributions as a share of total compensation may reflect the maturation of group health coverage and benefits, as well as employer and government efforts to contain the cost of health care.

Expenditures for tax-favored benefits other than retirement, health, life, and disability have not increased significantly over this thirty-year period. U.S. Chamber of Commerce data, which track these benefits, show that current expenditures for other tax-favored benefits are 0.6 percent of wages and salaries (table 2).

Employee Benefit Costs—Variation by Industry

Congress also wants to know: "How much do employee benefit costs vary by industry?"

Employers have consistently contributed more to discretionary employee benefits than to legally required social insurance plans. Discretionary employee benefits include pensions, profit sharing plans, group health and life insurance, and supplemental unemployment benefits. The cost of discretionary employee benefits varies significantly from employer to employer, even within industries.

Total average employer expense for discretionary tax-favored benefits during 1982 ranged from a low of 12.5 percent to a high of 29.0 percent of total compensation among Fortune

[2] For an example of a recent survey see: Greenwich Research Associates, *Large Corporate Pensions 1984: Report to Participants* (Greenwich, CT: 1984).

Table 2

Composition of Employee Benefits by Benefit Group, 1982

Benefit Group	Employer Payments as a Percentage of Wages and Salaries	Employer Payments as a Percentage of All Benefits
Total Benefit Payments	32.5	100.0
Legally Required Employer Payments:	9.5	29.2
Social Security (FICA)	5.2	16.0
Unemployment Compensation	1.1	3.4
Workers' Compensation	0.9	2.8
Other Legally Required Payments[a]	2.3	7.1
Discretionary Taxable Benefits:	13.9	42.8
Time Not Worked[b]	9.8	30.2
Rest Periods	3.8	11.7
Other Taxable Benefits[c]	0.3	0.9
Discretionary Tax-Favored Benefits:	9.0	27.7
Contributions to Pension and Profit-Sharing Plans[d]	4.0	12.3
Group Health, Life, Short-Term Disability Insurance	4.4	13.5
Other Tax-Favored Benefits	0.6	1.8
Summary:		
Legally Required Employer Payments and Discretionary Taxable Benefits	23.5	72.0
All Discretionary Benefits	23.0	61.5
Fully Taxable Benefits	13.9	42.8
Tax-Favored Benefits	9.0	27.7

Source: EBRI tabulation of U.S. Chamber of Commerce estimates in *Employee Benefits 1982* (Washington, DC: U.S. Chamber of Commerce, 1983), pp. 11 and 28.

[a] Includes government employee retirement, Railroad Retirement Tax, Railroad Unemployment and Cash Sickness Insurance, and state sickness benefits insurance.

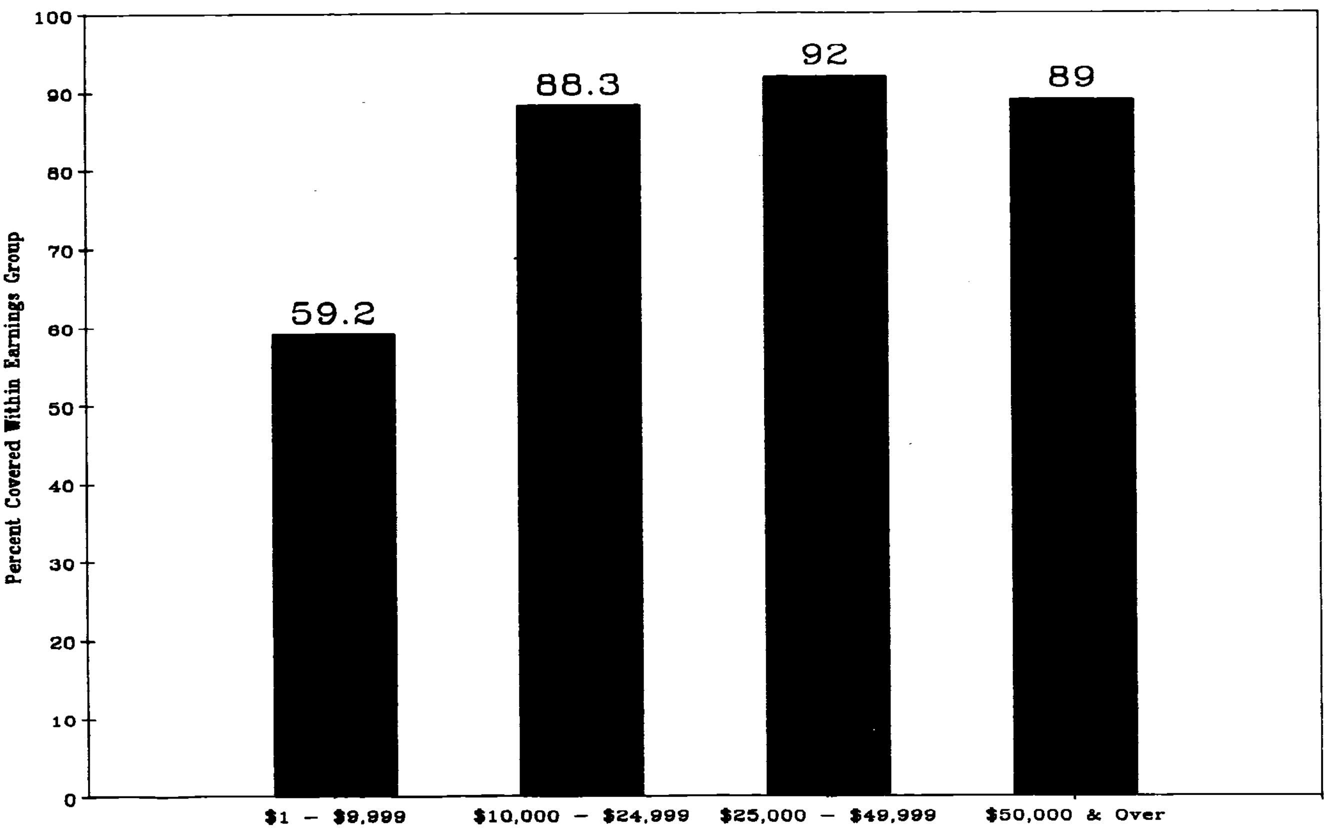
[b] Includes paid vacations and payments in lieu of vacation; payments for holidays not worked; paid sick leave; payments for State or National Guard duty; jury, witness, and voting pay allowances; and payments for time lost because of death in family or other personal reasons.

[c] EBRI estimate based on Chamber of Commerce report of amount of Christmas or other special bonuses, service awards, suggestion awards, special wage payments ordered by courts, and payments to union stewards.

[d] EBRI tabulation of Chamber of Commerce estimate of employer contributions to profit-sharing plans.

Chart 5

Health Insurance by Earnings



Source: May 1983 EBRI/HHS CPS pension supplement

500 firms (table 3). The expenditure is lower for very young and small businesses, which is the reason that all employers on average spent only 9 percent for discretionary tax-favored benefits (table 1). Chart 9 presents data for the Fortune 500 firms. It documents significant cost variation for discretionary tax-exempt and tax-deferred employee benefits.

Government Tax Expenditures

"How much do employee benefits cost the federal government in lost tax revenues?"

Although data have shown that the major employee benefit programs provide economic security to millions of workers and benefit employees from all income groups, the "cost" of these benefits to the federal government has come under particular scrutiny in light of large federal deficits.

Private retirement program tax expenditures form the single largest category of tax expenditures in the federal budget. They arise from the deferral of taxes paid on pension and retirement saving contributions and earnings on these contributions. There is a wide disagreement, however, about the proper way to measure these costs.

Tax-expenditure measures used in the federal budget process are calculated on a cash-flow or cross-sectional basis, with the taxes deferred by current pension plan participants offset against the taxes paid by current beneficiaries. Measured in this way, about $0.83 out of every tax-deferred dollar appears to be lost to the Treasury with the other $0.17 accounted for by current tax payments by retirees (chart 10). This measurement, however, ignores the true long-term cost to the government. In *Retirement Security and Tax Policy*, the author, Sophie M. Korczyk, assesses these incentives in a *lifetime* context. The author suggests that estimates such as those by the Treasury Department overstate the true cost of the tax incentives by focusing on the amount of revenue lost in the current year only, not over the life of pension plans and participants.

Over their lifetime, employees now at the beginning of their pension careers will repay $0.60 to $0.72 of every tax-deferred dollar compared to the Treasury's estimate of $0.17. As the pension system matures, the numbers and income levels of pension-plan participants and retirees will differ less than they do today. As a result, in the future, pension-related tax expenditures measured using the Treasury's approach will be much closer to lifetime estimates. The Korczyk study finds that the economic value to the government is significantly greater than the Treasury Department or budget tax expenditure numbers alone would imply.

In 1983, employer-sponsored retirement plan benefit payments exceeded the government-calculated tax expenditure estimate by $37 billion; employer-sponsored health plan benefits exceeded the tax-expenditure by $60 billion. The government tax-expenditure cost per covered pension and health plan participant was far below the per participant direct federal expenditure of Social Security and Medicare.

Equally important, elimination of the tax-favored treatment would only raise the full amount of the tax-expenditure if all other provisions of the tax code that defer tax on investment earnings were repealed as well. This caveat is generally left out of presentations of how much revenue a given tax change would raise.

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Economic Effect of Current Tax Incentives and of Future Tax Changes

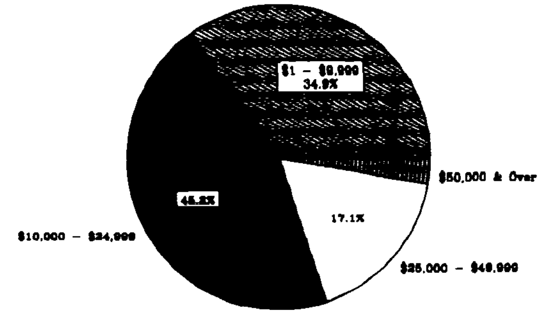
"What effect does the tax-favored status of employee benefits have on the equity of the tax system? And what effects would changes in the current tax treatment have?"

A number of studies have been done to assess the horizontal and vertical equity of employee benefit tax provisions. Horizontal equity is the principle that taxpayers in the same economic circumstances (i.e., the same ability to pay) should be subject to the same tax liability. Vertical equity is the principle that taxpayers in different circumstances should be treated differently. The Treasury Department conducted such a study in 1982.[3] That study showed that the tax value of employee benefit incentives parallels tax payments, with low income persons getting more of the value of the tax reductions than their share of tax payments and the highest paid getting less (chart 11). EBRI sponsored studies, *Employer-Provided Health Benefits and Retirement Security and Tax Policy*, respectively, confirmed these government findings. A Congressional Budget Office (CBO) analysis of the health care tax cap proposal published in 1982 also supported these findings.[4] All of these studies show that a change in the tax treatment of benefits would thus have a regressive result, affecting lower- and middle-income workers more than higher-income workers.

Chart 6

Health Insurance by Earnings

Percent of All Workers with Coverage



Source: May 1983 EBRI/HHS CPS pension supplement

One additional factor that is not often considered in discussing changes in the tax treatment of employee benefits is the increasing cost, and therefore the value of benefits, as workers age. Taxation of health benefits, for example, at true economic value, could involve a significant shift in the incidence of the income tax.

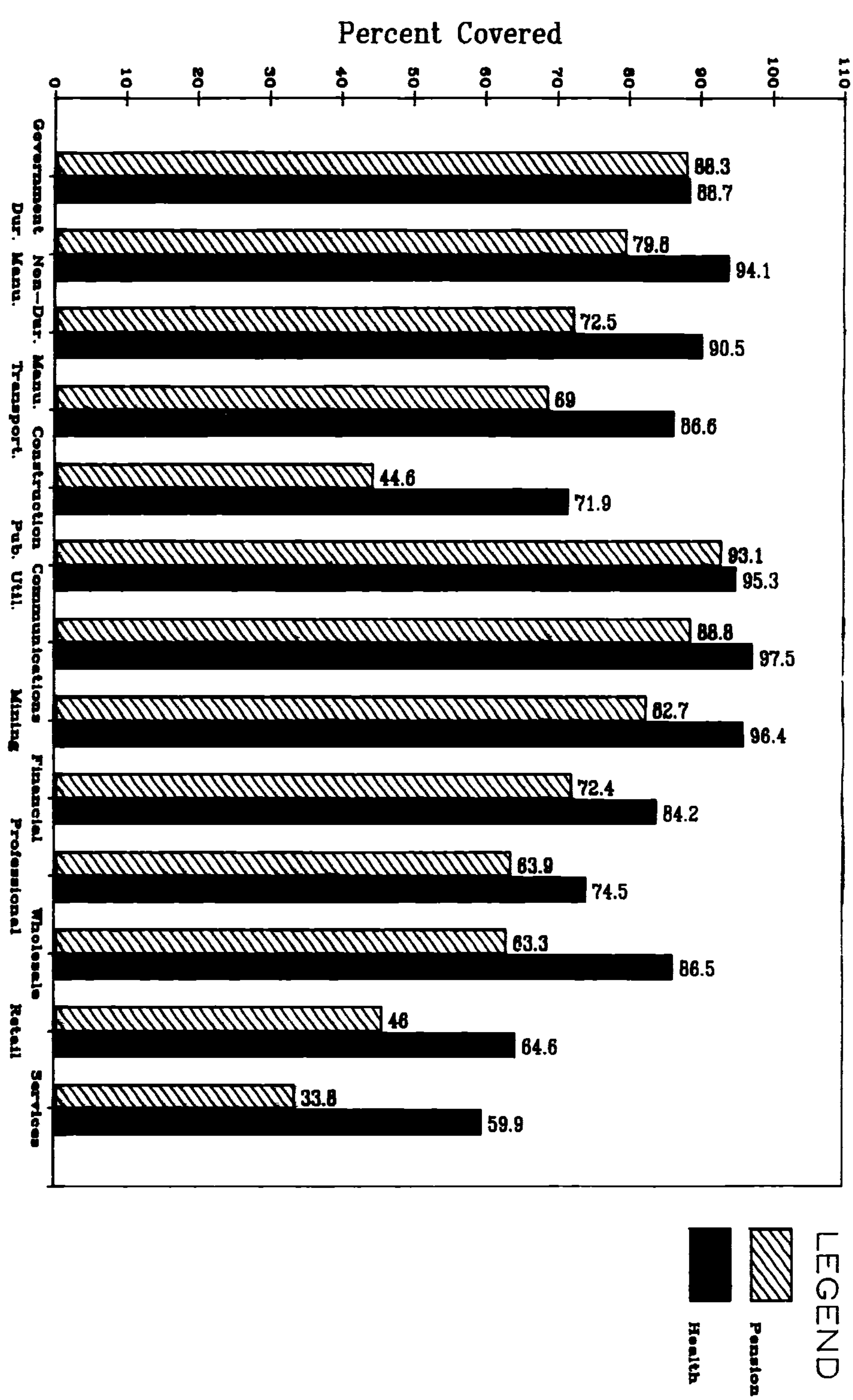
Employee benefits, such as defined benefit pensions and health insurance, are almost always discussed as a flat dollar

[3] Reprinted in report of the U.S. Congress, Senate, Special Committee on Aging, *Developments in Aging: 1982*, 2 vols. (Washington, DC: Government Printing Office, 1983), 1: 62–65.

[4] The results of the CBO study "Containing Medical Care Costs Through Market Forces" (May 1982) are presented in Deborah J. Chollet, *Employer-Provided Health Benefits* (Washington, DC: EBRI, 1984), table IV.6, p. 100.

Chart 7

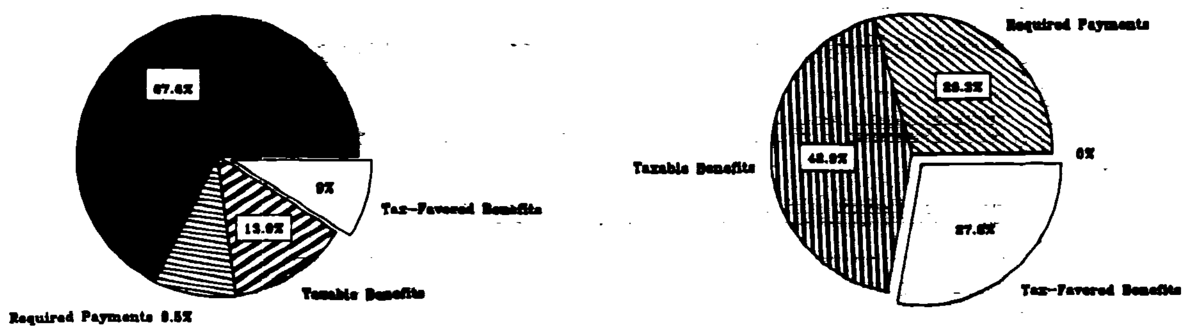
Coverage by Industry (ERISA Work Force)



Source: May 1983 EBRI/HHS CPS pension supplement

Chart 8

Composition of Employee Benefits



Percentage of Wages and Salaries

Percentage of All Benefits

Source: EBRI Tabulations of Chamber of Commerce Data

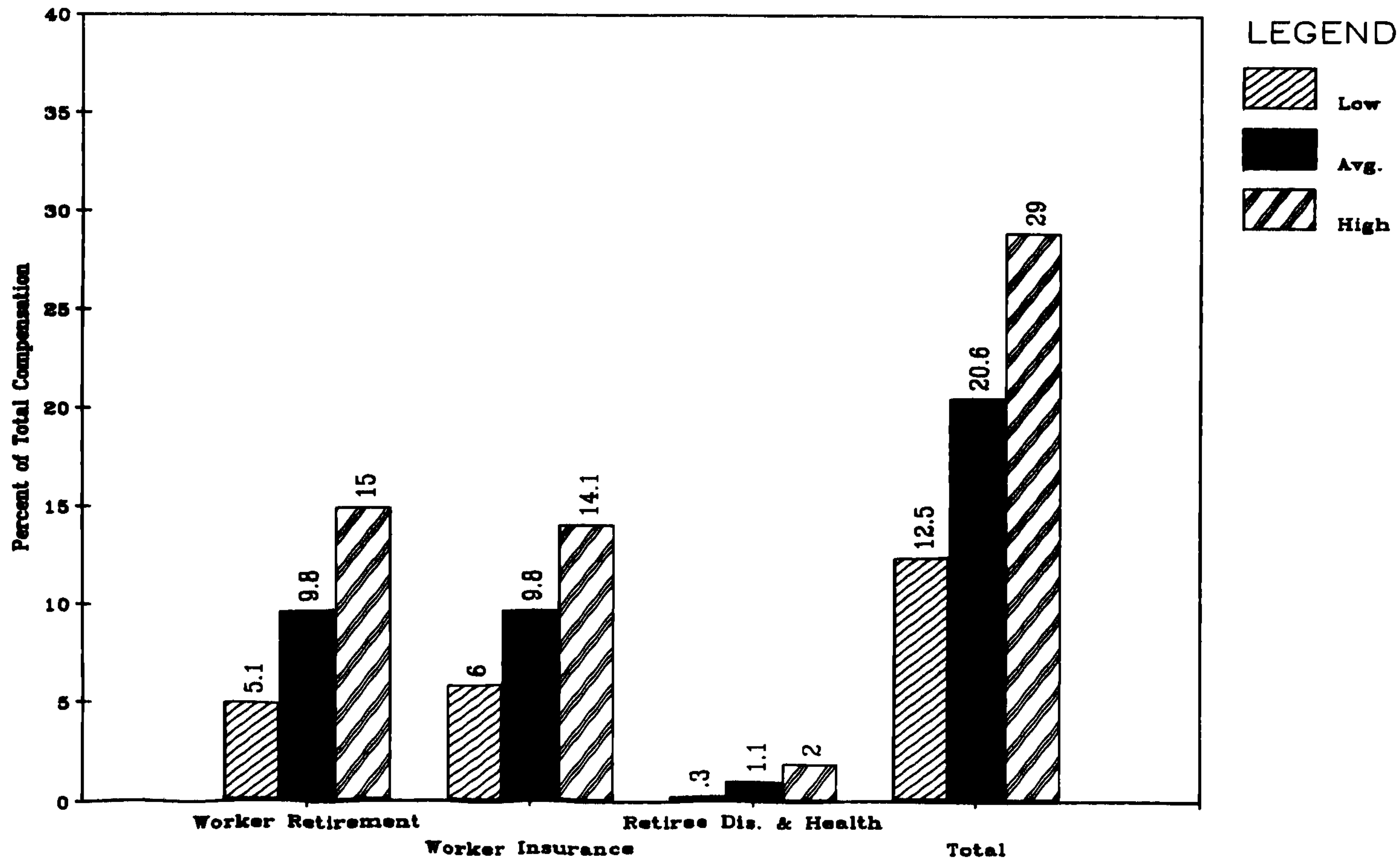
A change in the tax treatment of benefits would have a regressive result, affecting lower- and middle-income workers more than higher-income workers.

cost per employee, or as a level percentage of pay per employee. Employee representatives, employees, and employers have been content with this approach since the actual distribution of cost does not affect either the taxes paid by the employee or the employer. As a result, analysis on the actual per employee cost variation as a way to assess health care cost containment and possible disincentives to hiring or retaining older workers has been undertaken only recently. The most recent study, *The Costs of Employing Older Workers* by Malcolm Morrison and Anna Rappaport, conducted for the U.S. Senate Special Committee on Aging and EBRI, documents the significant cost variation by age (chart 12).

Does this cost variation make a tax policy difference? The answer will be "yes" if employee benefits were subjected to income tax or FICA tax. Employees would come to recognize the inequity involved in paying taxes without reference to the true economic value of the benefit being provided. This could lead to political demands for taxing benefits on the actual dollar value of the benefit provided. This is the way employer-provided life-insurance in excess of $50,000 is currently taxed to the employee. Taxing benefits in this manner would require a total restructuring of benefit programs, or

Chart 9

Employee Benefits Cost Variation



Source: EBRI Tabulations of Hewitt Associates Data

Table 3
Low, Average, and High Employer Contributions to Discretionary Employee Benefits as a Percent of Total Compensation, 1982

	Total Worker Retirement[2]			Total Worker Insurance Benefits[3]			Total Retiree Dis. & Health[4]			Grand Total		
Industrial Classifications[1]	Low	Avg.	High	Low	Avg.	High	Low	Avg.	High	Low	Avg.	High
Petroleum & Refining	8.6	11.2	13.9	6.9	9.0	11.2	.7	.9	1.1	16.2	21.1	26.2
Electronics (appliances)	6.0	7.6	9.2	7.2	9.0	10.9	.5	.6	.7	13.8	17.2	20.8
Office Equipment (includes computers)	5.1	6.5	7.7	7.6	9.6	11.3	.6	.7	.8	13.3	16.8	19.8
Industrial and Farm Equipment	7.5	9.7	13.6	7.8	10.1	14.1	.7	.9	1.3	15.9	20.7	29.0
Pharmaceuticals	7.4	8.8	9.8	8.1	9.7	10.8	.8	.9	1.0	16.3	19.4	21.5
Chemicals	10.1	11.6	15.0	8.5	9.8	12.6	.8	.9	1.2	19.4	22.3	28.8
Paper, Fiber, and Wood Products	7.5	9.2	10.3	8.0	9.9	11.1	.9	1.1	1.2	16.4	20.2	22.6
Food	8.3	10.0	11.6	8.2	9.9	11.5	.7	.9	1.0	17.3	20.8	24.1
Utilities	7.4	10.1	12.6	6.9	9.5	11.9	1.1	1.5	1.9	15.4	21.1	26.4
Life Insurance	8.1	12.5	15.0	6.0	9.1	11.1	1.0	1.6	2.0	15.1	23.2	28.3
Banks	11.4	13.9	15.0	7.2	8.8	10.0	.7	.8	.9	19.3	23.5	26.8
Retailing	6.0	7.1	7.8	6.2	7.4	8.1	.3	.4	.4	12.5	14.9	16.4
Fortune 500	5.1	9.8	15.0	6.0	9.8	14.1	.3	1.1	2.0	12.5	20.6	29.0

Source: EBRI calculations of data provided by Hewitt Associates.
[1] Based on *Fortune* magazine's industrial classifications.
[2] Total worker retirement includes employer contributions to defined benefit and defined contribution pension plans and profit sharing plans.
[3] Total worker insurance benefits includes employer outlays to group life and survivor plans, long- and short-term disability plans, and health insurance (including medical, dental, and vision plans).
[4] Total retiree disability and health includes employer contributions to health insurance and disability income for retirees.

it could lead to a move to tax the value of the health benefits provided instead of the premium paid.

Present approaches to health insurance pricing and delivery were developed in the present tax environment. A major change in that environment will greatly affect those approaches and structures—contradicting nearly all government and academic research done on this subject to date, which assumes that a change in tax policy will not affect the method of pricing benefits.

Finally, econometric estimates of private health insurance presented in *Employer-Provided Health Benefits*, suggest that significant numbers of persons now covered would not choose to purchase health insurance if it were not available on a tax-exempt basis.

Changes in the current treatment of tax-favored employee benefits that are proposed by most tax reform measures need to be carefully scrutinized. Most analysts proposing full or partial taxation of employee benefit programs as income assume that these programs will continue to exist and that coverage will not drop. Research indicates, however, that for millions of workers, the programs would not continue. Furthermore, taxation of benefits such as health insurance could lead to an unintended age discrimination effect, if the income-tax value were equal to the benefit provided, which increases dramatically with age.

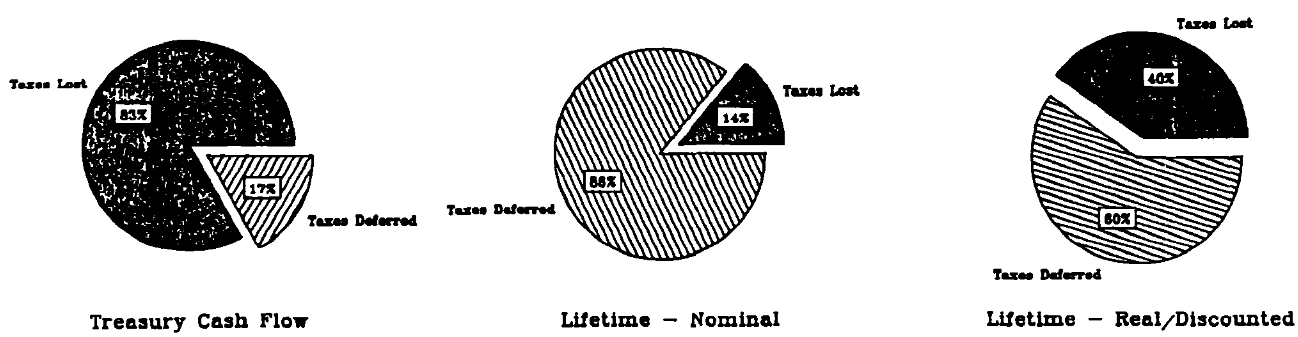
◆ Conclusion

Retirement programs and health insurance coverage may well be at a plateau for the near term. For retirement programs, benefit receipt will continue to grow as the system continues to mature. There are structural questions, however, that need to be explored, such as how small employers can be encouraged to sponsor economic security programs.

Chart 10

Pensions

Revenue Loss Vs. Deferral



Source: Sophie M. Korczyk, Retirement Security and Tax Policy (Washington, DC: EBRI, 1984).

The rate of primary employee-benefit cost growth is likely to continue to slow. Surveys of employers indicate that a changing work force, changing industry structure, and international competition are combining to put an effective lid on excessive future employee benefit growth.

Individual employee expenditures on a tax-favored basis, however, are expected to continue to grow, as are contributions to IRAs.

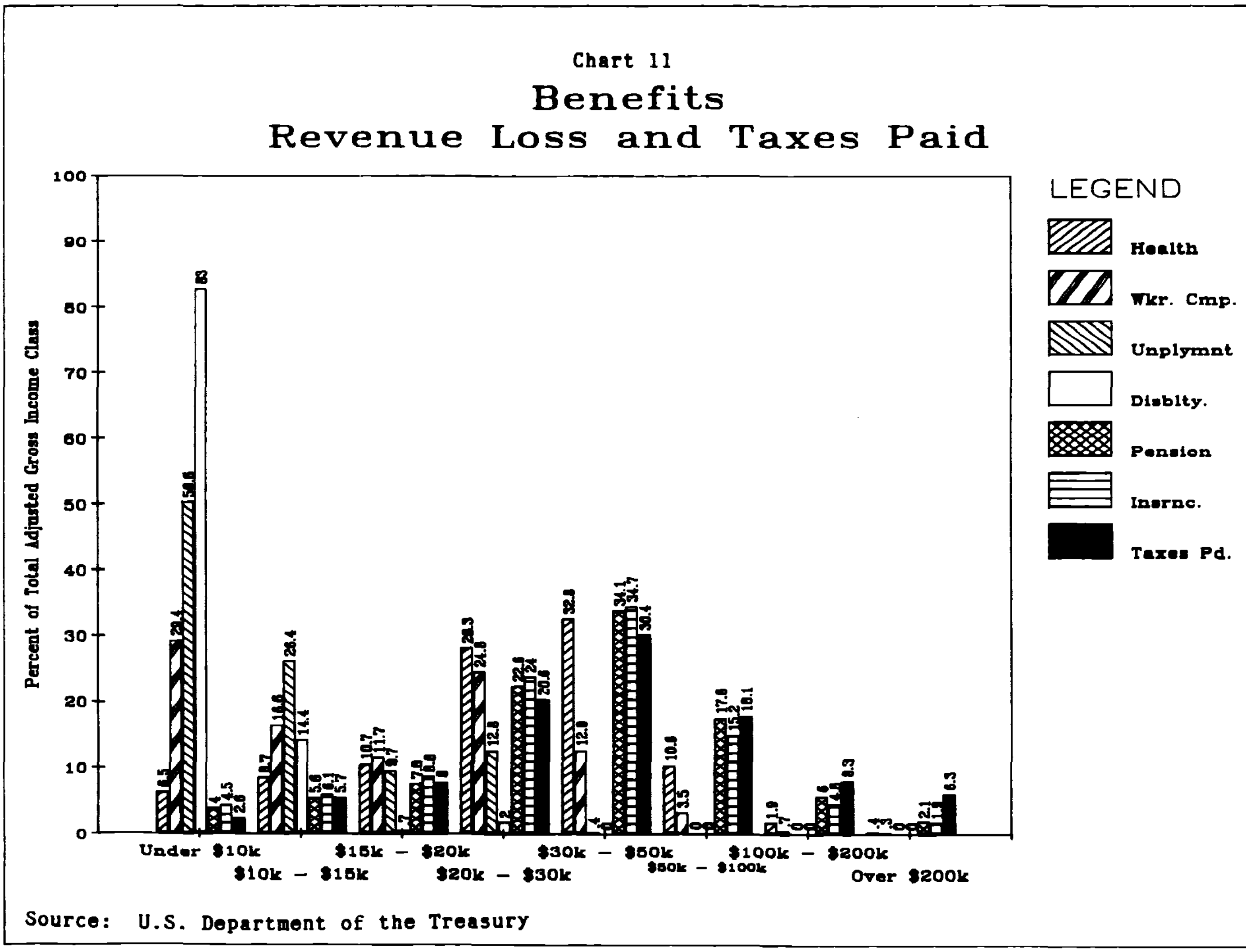
Expenditures on the remaining employee and fringe benefits, combined, are small, and they are not expected to grow significantly in the future.

In the past, when there were no apparent limits on direct federal expenditures or on "tax incentives," analysis did not focus on the diversity of employee benefits. During a time of apparent limitations on spending, however, when priorities must be decided upon, careful analysis is required of the distribution and economics of each employee benefit—including why each employee benefit exists—before the tax treatment is changed.

Further Reading

Should you wish to review the primary economic research on which this *Issue Brief* is based, the following readings are suggested.

For background on flexible benefit plans and their relevance to changing employee needs, see Dallas L. Salisbury, ed., *America in Transition: Implications for Employee Benefits*



(Washington, DC: EBRI, 1982); and "Flexible Compensation Plans" in *Fundamentals of Employee Benefit Programs* (Washington, DC: EBRI, 1983), pp. 159–164.

For further analysis of the tax treatment issues, see Sophie M. Korczyk, *Retirement Security and Tax Policy* (Washington, DC: EBRI, 1984). See also "Pension-Related Tax Benefits," EBRI *Issue Brief* 25 (December 1983); and "Employee Benefits and the 1985 Reagan Budget," EBRI *Issue Brief* 27 (February 1984).

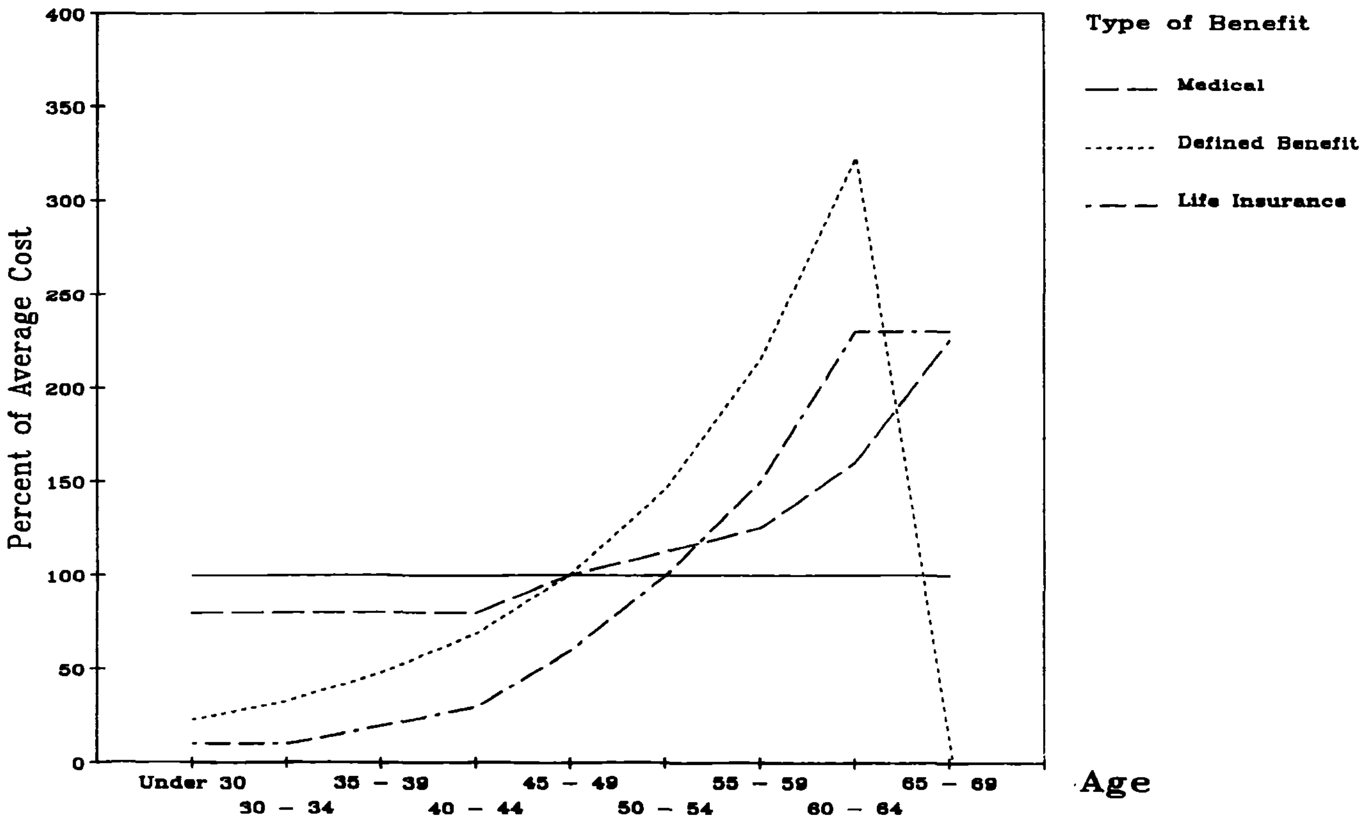
For discussion of the interrelationship of programs, see Sylvester J. Schieber, *Social Security: Perspectives on Preserving the System* (Washington, DC: EBRI, 1982).

Alternative tax systems would require detailed judgments about the treatment of various sources and uses of income. Both would also create some formidable implementation and transition problems. These problems and issues are treated in detail elsewhere. For a discussion of employer pensions in basic tax reform, see Korczyk, *Retirement Security and Tax Policy* "Basic Tax Reform: Implications for Employee Benefits," EBRI *Issue Brief* 28 (March 1984). For a wide-ranging discussion of theoretical and practical issues in basic tax reform, see Dallas L. Salisbury, ed., *Why Tax Employee Benefits?* (Washington, DC: EBRI, 1984).

In smaller plans, the cost of providing health insurance for the marginal employee is based on the average costs of insuring the insured population of that community. In larger plans, the cost of insuring the marginal employee is based on the average cost of insuring the population represented by that employer's work force. While these two methods would be likely to yield different insurance costs for any given employee, under either method the cost of insuring that employee does not represent the cost of that employee's expected claims. For a thorough discussion of health insurance see Deborah J. Chollet, *Employer-Provided Health Benefits: Coverage, Provisions, and Policy Issues* (Washington, DC: EBRI, 1984), p. 94. An EBRI simulation of private health insurance suggests that 56 to 87 percent of all covered workers with 1979 family income less than $15,000 would not have purchased private health insurance if an employer had not offered and contributed to their health insurance plan.

Chart 12

Benefit Cost by Age



Source: Malcolm Morrison and Anna Rappaport, <u>The Costs of Employing Older Workers</u>, (Washington, DC: EBRI and U.S. Senate Special Committee on Aging, 1984).

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