

Employment-Based Health Benefits: Access and Coverage, 1988–2005

By Paul Fronstin, EBRI

- **Employment-based coverage most prevalent among working-age Americans:** Employment-based health benefits are the most common form of health insurance for nonpoor, nonelderly (those below age 65) individuals and workers in the United States. In 2005, 63.1 percent of workers were covered by an employment-based health plan from their own employer, 14.9 percent had coverage through an employer as a dependent, and 17 percent were uninsured. Among workers eligible for health benefits, 84.2 percent were covered by their employer, 9.8 percent had coverage through an employer as a dependent, and 4.8 percent were uninsured.
- **Offer and participation rates have remained steady:** Even with the ebb and flow of health care coverage due to economic trends, the percentage of workers offered coverage and the percentage of workers taking coverage when offered have remained steady since as far back as the late 1980s.
 - **Sponsor rates:** The share of individuals working for an employer that sponsors a health plan (the sponsor rate) has hovered between 81–84 percent since the late 1980s, and in 2005 was 80.9 percent.
 - **Eligibility rates:** In 2005, 74 percent of workers were eligible for health benefits from their own employer (the eligibility rate). Since the late 1980s, the share of workers eligible for health benefits from their own job has hovered between 74–78 percent.
 - **Participation rates:** The share of workers with health benefits from their own employer (the participation rate) has ranged from about 62–68 percent since the late 1980s. In 2005, 62 percent of workers were covered.
 - **Take-up rates:** The share of workers who take health benefits when they are offered (the take-up rate) was 83.5 percent in 2005, down from 87.9 percent in 1988. However, workers who decline health coverage are more likely to have coverage elsewhere (such as from another employed family member); few workers eligible for health coverage are uninsured (about 4 percent from 1995–2005).
- **Reasons workers do not have coverage:** There are a number of reasons why workers may not be covered by their own employer's health plan. In 2005, 50.1 percent of workers worked for an employer that did not offer health benefits to any workers. Nearly 18 percent worked for an employer that provided benefits, but were not eligible for them; and nearly one-third were offered benefits but chose not to participate.
 - **Part-time workers:** Among workers not eligible for benefits, 56.8 percent were employed part time, 18.3 percent had not completed the required waiting period, and 9.4 percent were employed on a contract or temporary basis.
 - **Other coverage:** Slightly more than 62 percent of workers who declined coverage had other coverage, and 23 percent declined it because it was too costly.

Paul Fronstin is director of the Health Research and Education Program at the Employee Benefit Research Institute (EBRI). This *Issue Brief* was written with assistance from the Institute’s research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, or other sponsors of EBRI, EBRI-ERF, or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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Introduction

There is a strong link between health benefits and employment. As a result, employment-based health benefits are the most common form of health insurance for nonpoor and nonelderly individuals in the United States. In 2005, 62 percent of nonelderly individuals (those below age 65) were covered by an employment-based health plan, with 70.6 percent of working adults covered, 37.7 percent of nonworking adults covered, and 57.5 percent of children covered (Fronstin, 2006b). In 2006, 60 percent of employers offered health benefits (Claxton, et al., 2006).

Since the 1980s, the percentage of the U.S. population without health insurance coverage has generally been increasing, in large part because rising health benefit costs resulted in fewer workers with employment-based coverage. However, for a few years during the late 1990s, the percentage of workers and their families with employment-based health benefits increased and the percentage without health insurance declined. This latter trend was in large part due to the strong economy, low unemployment, and relatively low health care cost increases. In fact, recent data may suggest a new trend is beginning in which the strong economy, low unemployment, and falling health care cost increases may drive an expansion in employment-based coverage and a contraction of the uninsured population (Fronstin, 2006b).

There are critical problems in the U.S. health care system today. The cost of providing health benefits increased 3.5 times the rate of overall inflation between 2000 and 2006. Cost sharing has been increasing, the uninsured population has been growing, state and federal public programs are under enormous economic pressure, the quality of care is an issue, the general population lacks information regarding quality and outcomes, and the health care industry is playing catch-up to most other industries when it comes to the use of technology.

Numerous claims concerning the demise of the employment-based health benefits system have been made by both the political Left and the Right, as well as others.¹ However, with respect to the number of workers covered by health benefits in the work place, the sky is not falling. While the percentage of workers with coverage has ebbed and flowed with the economy and health care costs, trends in percentage of workers offered coverage and the percentage of workers taking coverage when offered have remained steady since as far back as the late 1980s.

The analysis in this *Issue Brief* is distinctly different from that in the annual *Issue Brief* titled “Sources of Health Insurance Coverage and Characteristics of the Uninsured,” published by EBRI each year as new Census Bureau data become available. That *Issue Brief*, which used the Census Bureau’s March Supplement to the Current Population Survey (CPS), examines the overall number of individuals covered by various sources of health insurance, and provides data on the sources of individuals’ insurance and whether an individual has insurance. However, it does not reveal whether health insurance coverage is available in the work place and why workers are not covered by health insurance when it is available.

The purpose of this *Issue Brief*, which uses the February Employee Benefit and Contingent Worker Supplement to the CPS, is to examine the state of employment-based health benefits among workers with respect to the availability of health benefits in the work place. It looks at worker eligibility for health benefits (*offer rates*), and worker participation in health benefits (*coverage rates* and *take-up rates*). It also examines how the state of employment-based health benefits has changed, reasons why workers do not have employment-based health benefits from their own employer, and how these reasons have changed since the 1990s. This article does not address the general lack of affordable health insurance or other issues related to the health care financing and delivery system.

The data in this report are also based upon the current tax treatment of health benefits. Currently, the amount that employers contribute toward health benefits is generally excluded, without limit, from most workers’ taxable income. Employees are also generally able to pay their share of the premium for employment-based health benefits with pretax dollars. Should the tax treatment of health benefits change, as proposed by the Bush administration, the data presented in this *Issue Brief* could easily change. More information about the tax treatment of health benefits, and proposals to change the tax treatment, including a cap on the tax exclusion of employment-based health benefits, can be found in Fronstin (2006a).

Sponsor Rates

Overall, the percentage of individuals working for an employer that sponsors a health plan (the *sponsor rate*) has been relatively steady since the late 1980s. During the 1988–2005 period (for the years shown) the percentage of workers whose employer offered a health plan ranged from a low of 81 percent to a high of 83.6 percent (Figure 1). In 1988, 83.6 percent of workers were employed by a firm that offered a health plan. Between 1988 and 1995, the percentage of workers employed by a firm that offered a health plan decreased from 83.6 percent to 81 percent, but between 1995 and 2001 that trend reversed and the percentage of workers employed by a firm that offered a health plan increased to 82.8 percent by 2001. Between 2001 and 2005, the sponsor rate dropped, reaching 80.9 percent in 2005. The increase in the availability of health insurance coverage during the mid-1990s is consistent with the fact that the economy was strengthening and health insurance premium increases were relatively low.

Eligibility Rates

During the 1988–2005 period, there was no discernable pattern regarding the percentage of workers offered or eligible for health benefits (the *eligibility rate*). Between 1988 and 1995, the eligibility rate decreased from 77.8 percent to 73.6 percent (Figure 1). Thereafter, the eligibility rate increased to 76.2 percent by 2001. Between 2001 and 2005, the eligibility rate dropped from 76.2 percent to 74 percent. It appears that employers increased eligibility requirements during the late 1980s and mid-1990s in order to reduce the number of workers eligible for such benefits. For example, Fronstin and Snider (1996/97) found that the increased use of part-time workers accounted for about 7 percent of the decline in private health insurance coverage among workers between 1988 and 1993. However, during the years 1995 to 2001, when the cost of health benefits was increasing below the overall rate of inflation and the economy was strengthening, employers made it easier for workers to qualify for health benefits.

Participation Rates

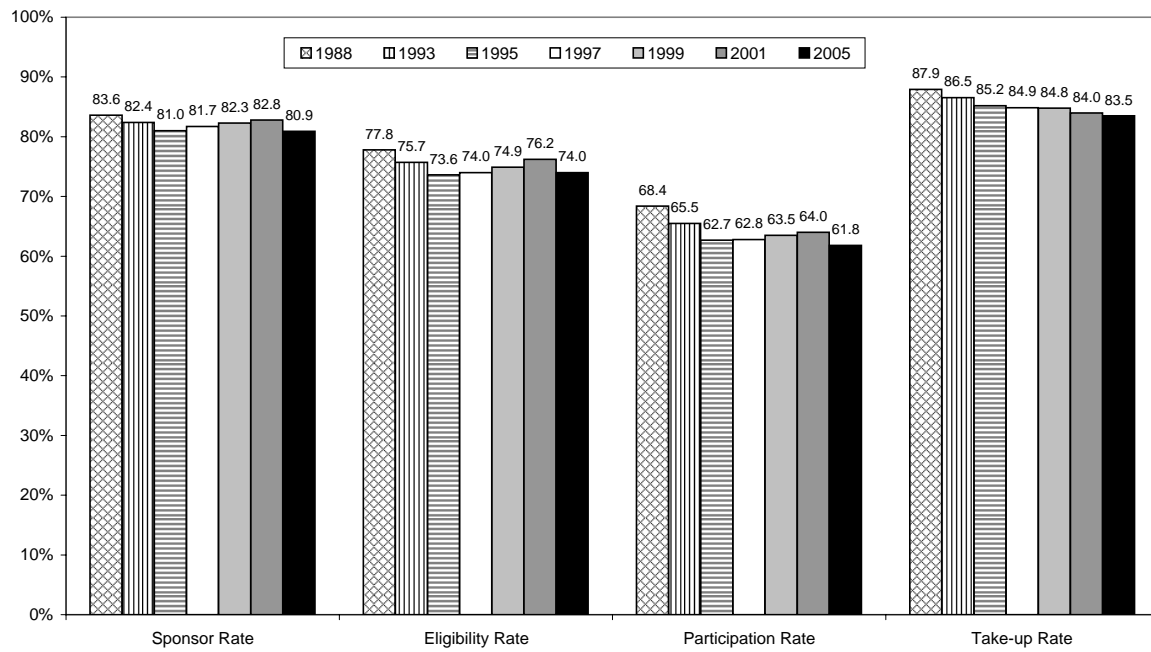
The percentage of workers with health benefits from their own employer (the *participation rate*) to a large degree has followed the same pattern as eligibility rates over the 1988–2005 period. Between 1988 and 1995, the participation rate dropped from 68.4 percent to 62.7 percent (Figure 1). However, the participation rate reached 64 percent by 2001. In 2005, the participation rate dropped back to 61.8 percent. To some degree, the decline in participation rates was offset by other sources of coverage. This is borne out by the fact that the percentage of workers without any health insurance coverage declined between 1995 and 2001. In 2001, 14.4 percent of workers were uninsured, down from 15.9 percent in 1995 (Figure 2).² However, between 2001 and 2005 the percentage of workers without insurance coverage increased from 14.4 percent to 17 percent.

Take-Up Rates

Despite the fact that eligibility rates were in large part unchanged during most of the 1990s, the percentage of workers taking health benefits when it was offered (the *take-up rate*) steadily declined between 1988 and 2005. In 1988, 87.9 percent of workers eligible for coverage took that coverage (Figure 1). By 2005, the take-up rate had fallen to 83.5 percent, and it declined between 1988 and 2005.

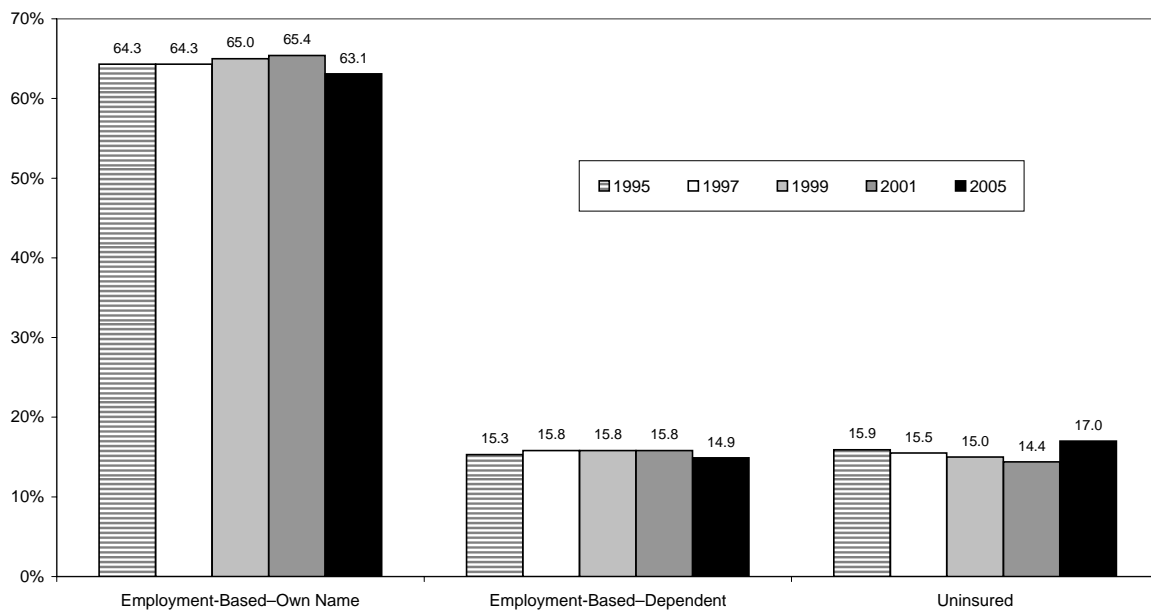
Workers decline health benefits when offered for a number of reasons, which are explored in more detail below. The falling take-up rate, however, does not mean that fewer workers had health insurance coverage. As mentioned above, the percentage of workers without any health insurance coverage declined between 1995 and 2001. In other words, when workers declined coverage, they were more likely to have coverage elsewhere than to be uninsured. In fact, among workers eligible for coverage, very few are uninsured. Between 1995 and 2001, the rate of uninsured among those workers was unchanged. Specifically, among all

Figure 1
Sponsor, Eligibility, Participation, and Take-Up Rates,
Wage and Salary Workers Ages 18–64, 1988–2005



Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Figure 2
Likelihood of Having Employment-Based Coverage and of Being
Uninsured, Wage and Salary Workers Ages 18–64, 1995–2005



Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Figure 3
Sources of Coverage Among Workers Eligible for Health Benefits,
Wage and Salary Workers Ages 18–64, 1995–2005

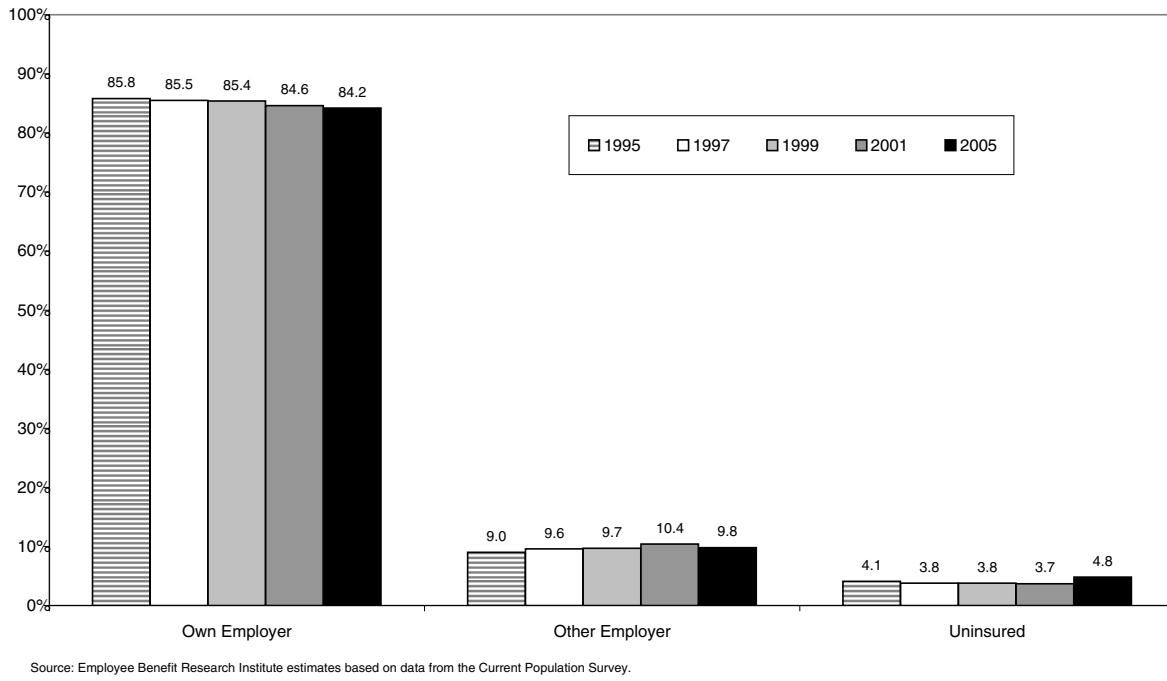
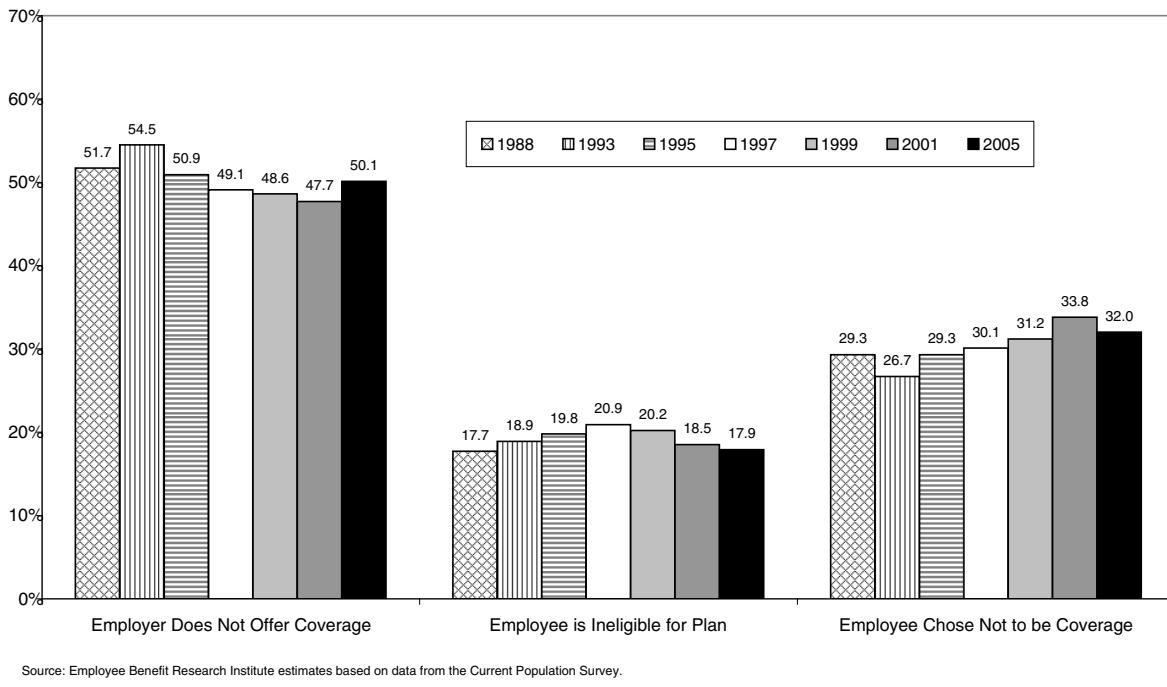


Figure 4
Reasons Why Employee Is Not Covered by Own Employer's Health Plan,
Wage and Salary Workers Ages 18–64, 1988–2005



workers eligible for health benefits, about 4 percent were uninsured during 1995–2001 (Figure 3). Between 84 percent and 86 percent had coverage in their own name from their own employer. About 10 percent were covered by a different employer, which in most cases was a spouse’s employer but also includes former employers. The remainder (generally less than 2 percent and not shown in the figure) either purchased insurance on their own or were covered by a public program.

Reasons Why Workers Do Not Have Coverage

There are a number of reasons why workers may not be covered by their own employer’s health plan. In 2005, 50.1 percent of wage and salary workers ages 18–64 reported that they worked for an employer that did not offer health benefits to any workers (Figure 4). Another 17.9 percent reported that they worked for an employer that provided health benefits but that they were not eligible for those benefits. Nearly one-third of workers reported that they were offered health benefits but chose not to participate.

Since 1988, the percentage of workers employed at a firm *not sponsoring* a health plan has been roughly 50 percent; the percentage of workers reporting that they are *not eligible* for their health plan has been roughly 20 percent; and the percentage reporting that they *declined health benefits when offered* has been roughly 30 percent.

However, since 1988 there has been little change in the reasons why workers were not covered by their own employer’s health plan. Specifically, the percentage of workers reporting that their employer *did not sponsor* a health plan peaked at 54.5 percent in 1993 and bottomed out in 2001 at 47.7 percent. It has since climbed back to 50.1 percent. In contrast, the percentage of workers reporting that they *were not eligible* for the plan offered increased from 17.7 percent to 20.9 percent between 1988 and 1997, and then dropped back down to 17.9 percent by 2005. Finally, the percentage of workers reporting that they *declined coverage* increased from 26.7 percent in 1993 to 33.8 percent in 2001.

Reasons Why Workers Are Not Eligible for Health Benefits

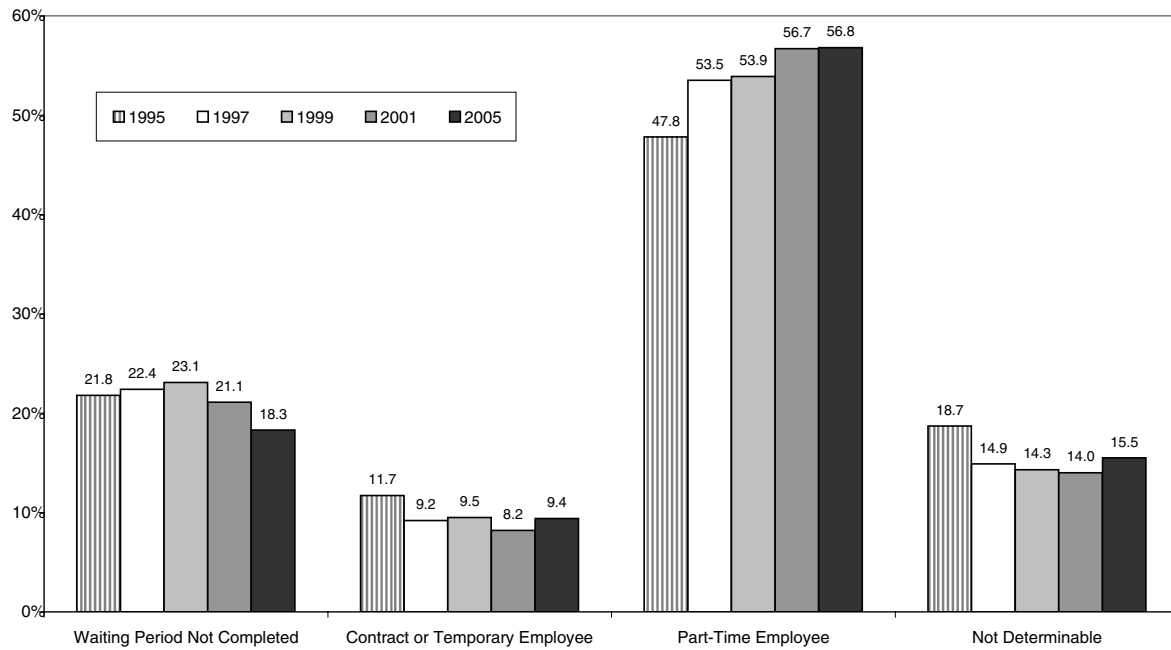
Workers not eligible for their own employer’s health plan provided a number of reasons why they were not eligible. As shown in Figure 5, in 2005, 18.3 percent reported that they had not completed the required waiting period, while 9.4 percent reported that they were not eligible because they were employed either on a contract or temporary basis. Workers were much more likely to report that they were not eligible for health benefits because they worked part time. Specifically, 56.8 percent of workers reported that they were ineligible for health benefits because of their part-time status in 2005. Overall, the reason why workers were not eligible for health benefits could not be determined for 15.5 percent of workers.

There has been a shift in the reasons why workers are reporting they are not eligible for health benefits. Generally, there has been a decline in the percentage of workers not eligible for health benefits because of a waiting period for coverage, while the percentage of workers not eligible because they are part time has increased. More specifically, between 1995 and 2005, the percentage of workers reporting that they were not eligible for health benefits because they had not completed the waiting period fell from 21.8 percent to 18.3 percent. In contrast, the percentage of workers reporting that they were not eligible for health benefits because they were employed part time increased from 47.8 percent in 1995 to 56.8 percent in 2005. Overall, the percentage of workers reporting that they were not eligible for health benefits because they were employed on a contract or temporary basis did not change much between 1995 and 2005.

Reasons Why Workers Declined Health Benefits

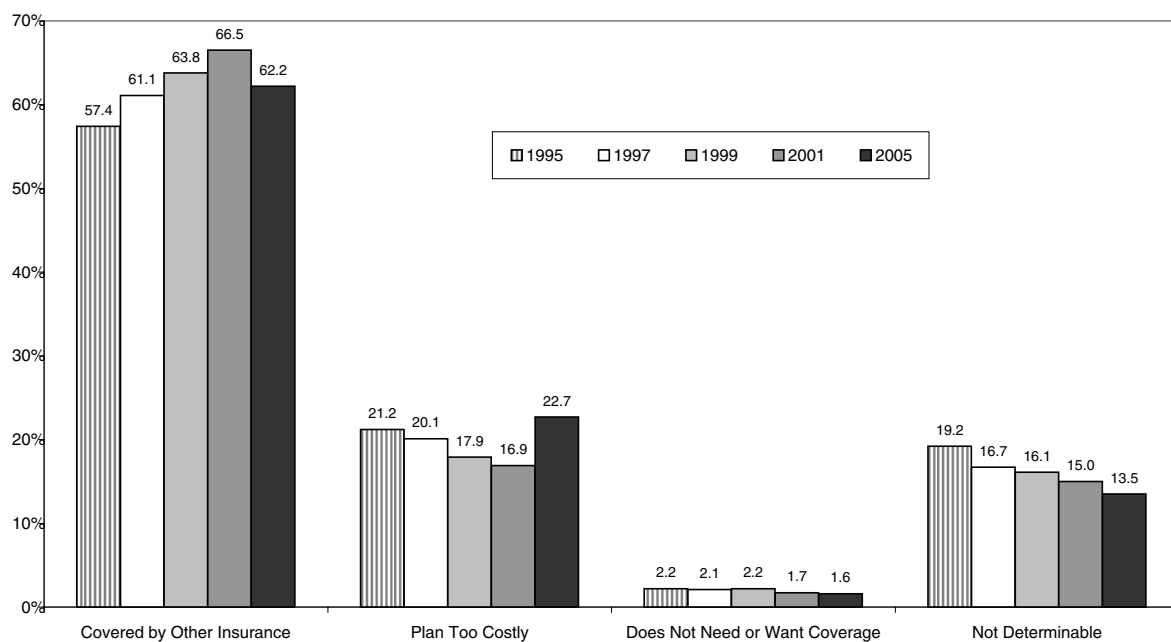
Among the reasons given by workers eligible for health benefits who chose not to participate, regardless of year, the majority stated that they were covered by someone else’s health plan. In 2005, 62.2 percent of workers who declined coverage reported that they declined it because they had other coverage (Figure 6). Nearly 23 percent of these workers reported that they declined coverage because it was too costly. Less than

Figure 5
Reasons for Being Ineligible Among Workers Not Participating in Own Employer's Health Plan, Wage and Salary Workers Ages 18–64, 1995–2005



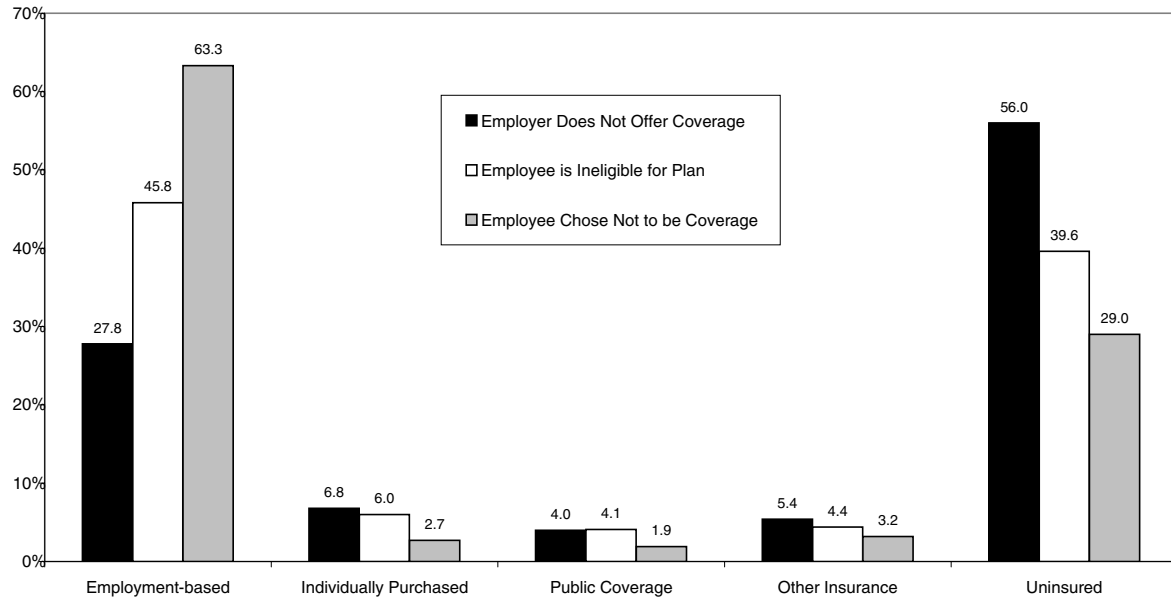
Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Figure 6
Reasons for Workers Choosing Not to Participate in Own Employer's Health Plan, Wage and Salary Workers Ages 18–64, 1995–2005



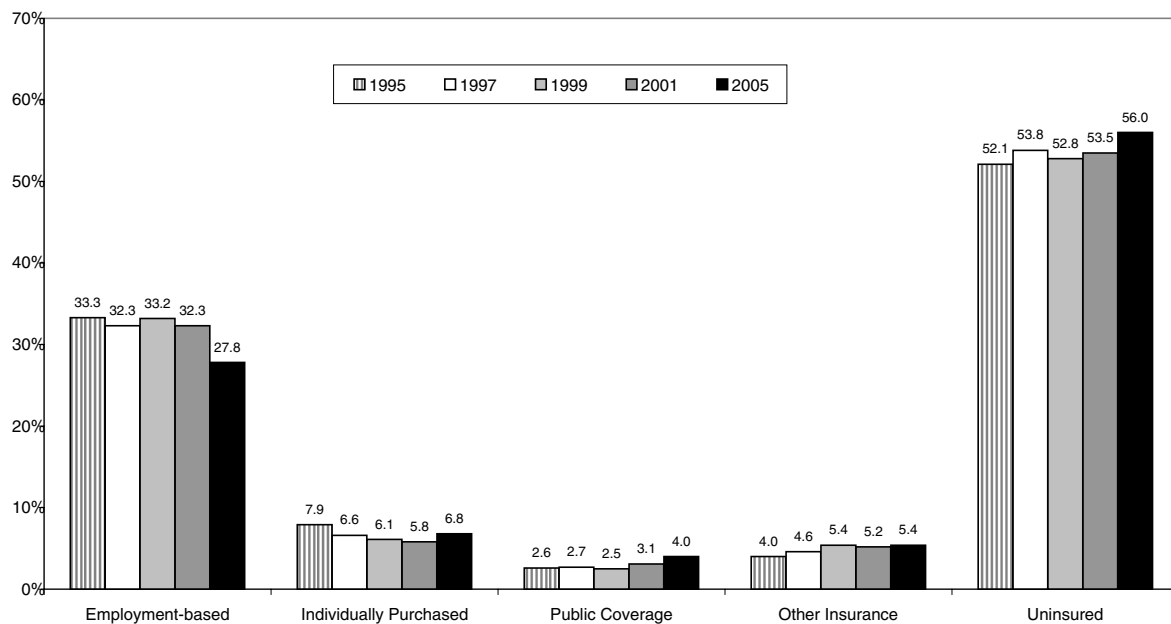
Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Figure 7
Sources of Health Insurance Among Workers Without
Own-Name Coverage, by Reason Not Covered by Own-Employer's Coverage,
Wage and Salary Workers Ages 18–64, 2005



Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Figure 8
Sources of Health Insurance Among Workers
Whose Employer Does Not Sponsor Health Benefits,
Wage and Salary Workers Ages 18–64, 1995–2005



Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

2 percent declined coverage because they did not need or want the coverage. The reason for declining coverage for 13.5 percent of workers could not be determined.

Between 1995 and 2001, the percentage of workers reporting that they declined coverage from their own employer because they had other coverage increased from 57.4 percent to 66.5 percent, while the percentage citing cost for having declined coverage dropped from 21.2 percent to 16.9 percent. Between 2001 and 2005, this trend reversed, with more workers reporting that they declined coverage because of cost and fewer workers reporting that they declined coverage because they had other coverage.

Sources of Coverage Among Workers Whose Employer Does Not Sponsor a Plan

As mentioned above, there are mainly three reasons why workers would not have coverage from their own employer: The employer does not offer coverage to any workers, the employer offers coverage to some workers but the employee is not eligible for coverage, or the employee declined coverage that he or she was eligible for. Among workers whose employer did not offer health benefits, 27.8 percent had employment-based health benefits from another source, while 56 percent were uninsured (Figure 7). The remainder either purchased insurance on their own, had public coverage, or some other type of insurance.

Workers who were ineligible for coverage were more likely to have some form of employment-based coverage and less likely to be uninsured than workers whose employer did not sponsor a health plan. Nearly 46 percent of workers eligible for coverage had employment-based coverage from another source, while 39.6 percent were uninsured.

Among all workers who did not have coverage through their own employer, workers with access to health benefits through their own job were much less likely to be uninsured and much more likely to have employment-based coverage as a dependent. Specifically, 29 percent of those who declined coverage were uninsured, 39.6 percent of those ineligible for coverage were uninsured, and 56 percent of those whose employer did not sponsor a health plan were uninsured.

Over time, the source of health insurance coverage among workers who do not participate in their own employer's health plan has in large part remained steady. With respect to workers whose employer does not sponsor health benefits, about one-third of them had coverage through an employment-based health plan between 1995 and 2001, but between 2001 and 2005 the percentage reporting that they had employment-based coverage dropped from 32.3 percent to 27.8 percent (Figure 8). In contrast, between 52 percent and 54 percent of workers whose employer did not sponsor a health plan were uninsured from 1995–2001, increasing to 56 percent in 2005.

Among workers ineligible for their employer's health plan, between 1995 and 2001 the percentage reporting that they had other employment-based coverage increased from 47.7 percent to 49.8 percent, but then dropped by 2005 to 45.8 percent (Figure 9). The percentage reporting that they were uninsured was as high as 40.7 percent in 1995, dropped to 36.3 percent in 2001, and then increased to 39.6 percent in 2005.

The percentage of workers who declined coverage from their own employer and had other employment-based coverage increased from 64.9 percent in 1995 to 68.8 percent in 2001, but then dropped to 63.3 percent in 2005 (Figure 10). The uninsured rate among workers who declined coverage from their own employer decreased from 27.6 percent to 23.3 percent between 1995 and 2001, and then increased to 29 percent in 2005.

Why Workers Are Uninsured

A strong majority of uninsured workers report that their employer does not sponsor a health plan. From 1995 to 2005, between 62.1 percent and 63.6 percent of uninsured workers reported that their employer did not offer a health plan to any workers (Figure 11). During these years, between 16 percent and 19.1 percent of uninsured workers reported that they were ineligible for the plan that their employer offered, and between 18.1 percent and 20.9 percent reported that they chose not to be covered.

Figure 9
Sources of Health Insurance Among Workers Who Are Not Eligible for Their Employer's Health Plan, Wage and Salary Workers Ages 18–64, 1995–2005

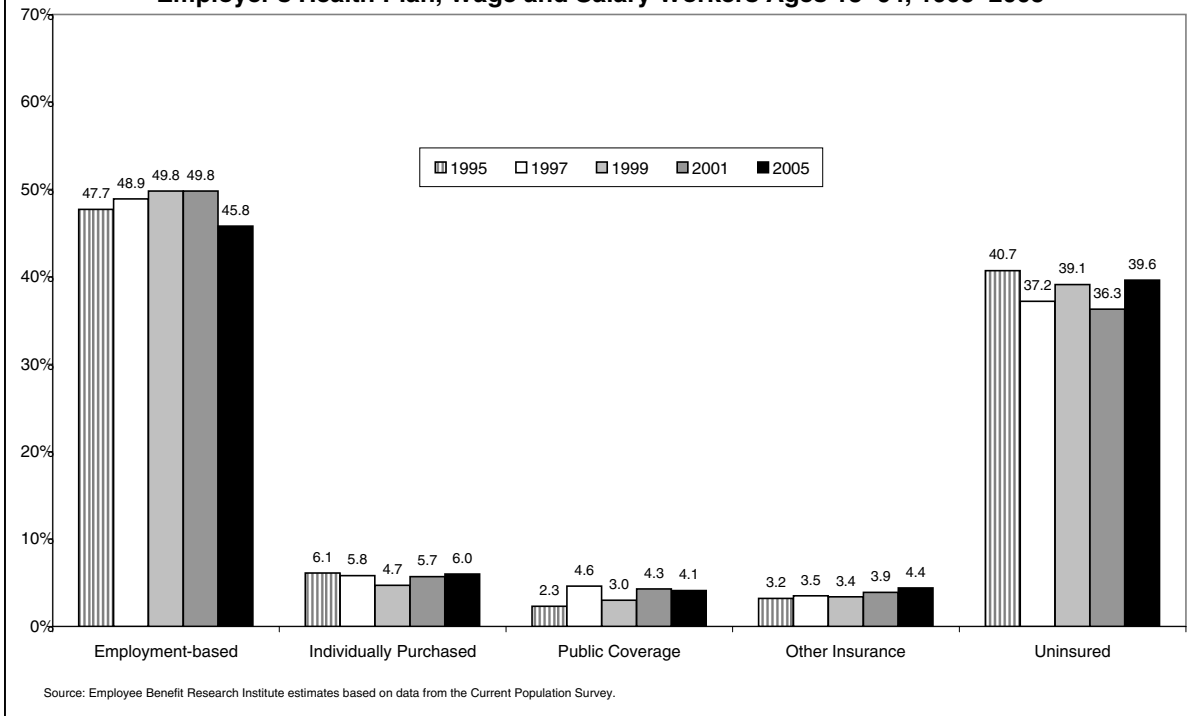


Figure 10
Sources of Health Insurance Among Workers Who Chose Not to Participate in Their Employer's Health Plan, Wage and Salary Workers Ages 18–64, 1995–2005

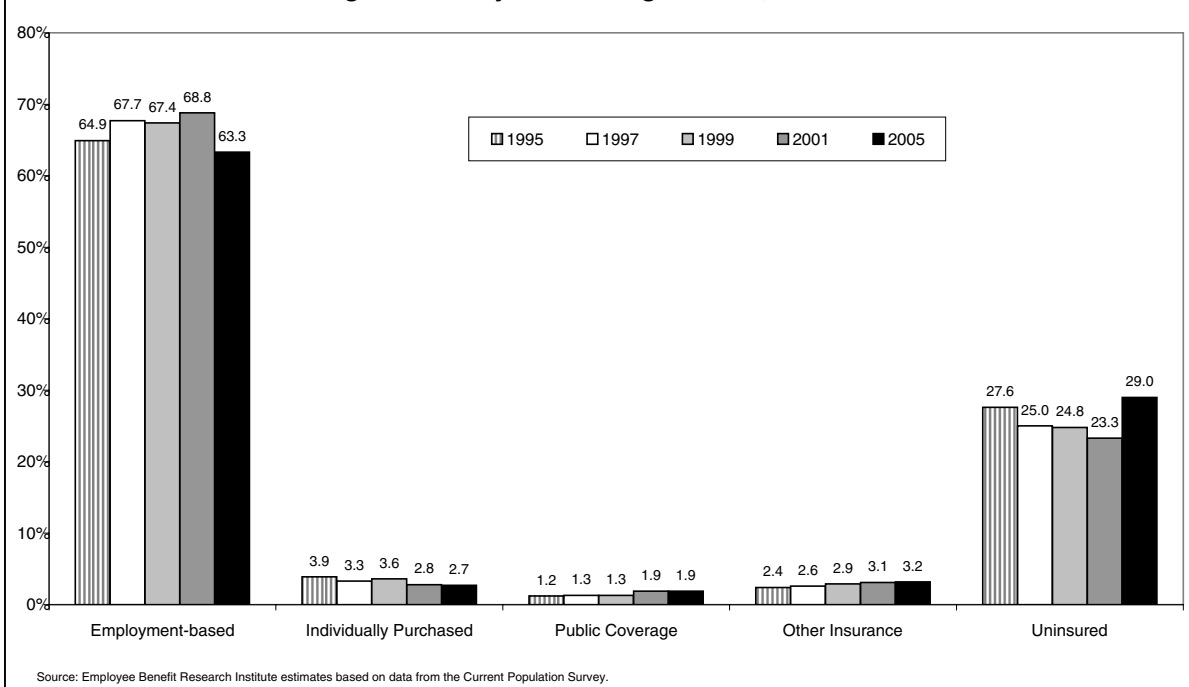
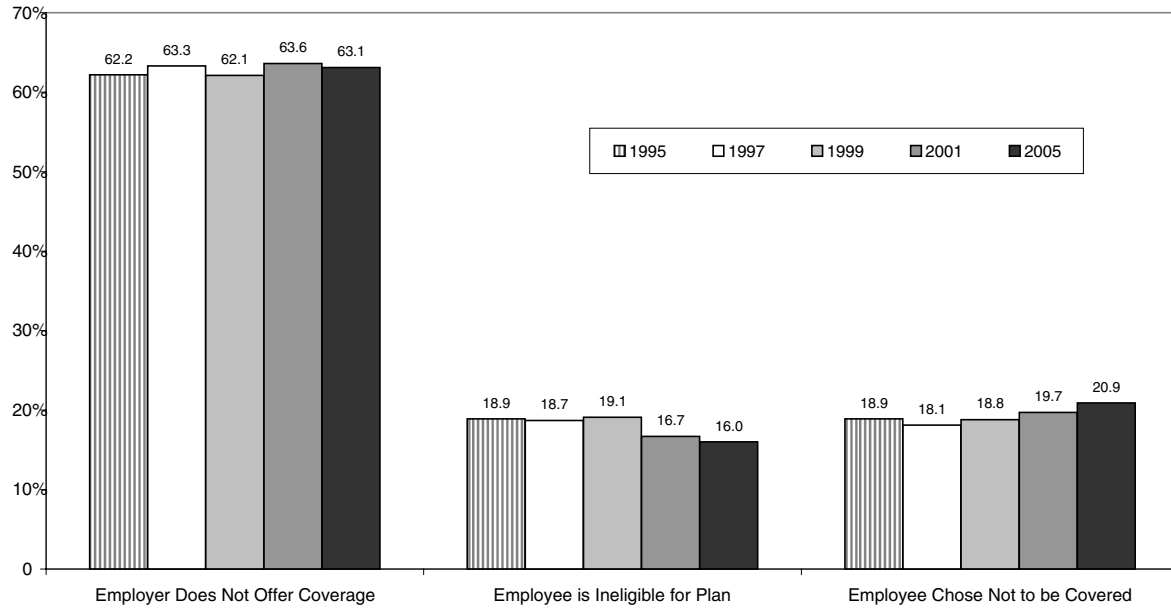
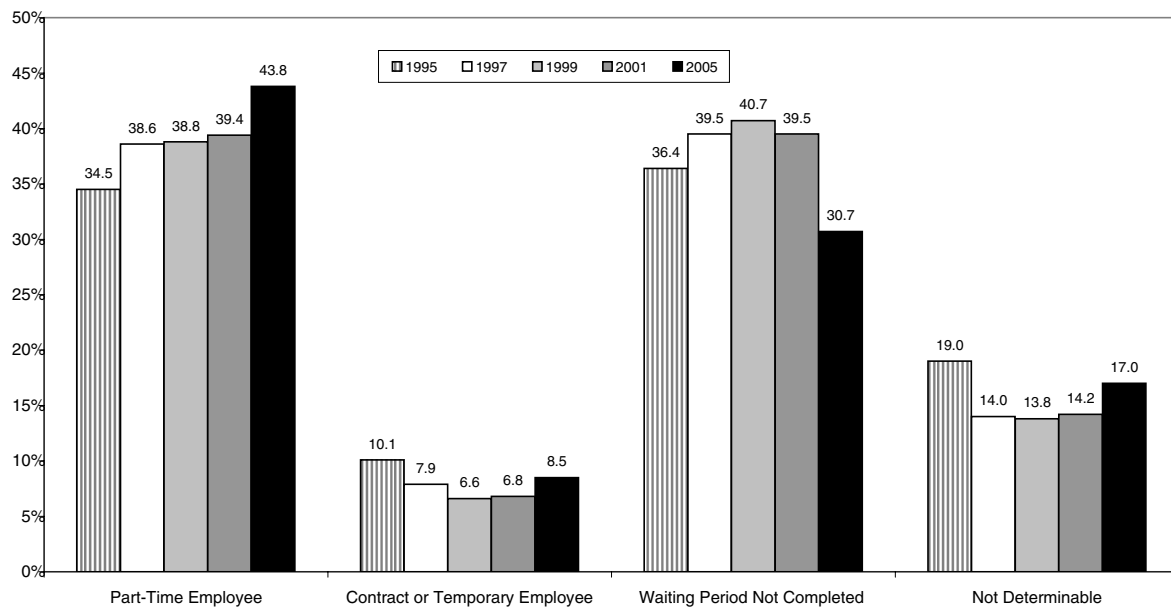


Figure 11
Reasons Why Uninsured Employee Is Not Covered by Own Employer's Health Plan, Wage and Salary Workers Ages 18–64, 1995–2005



Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Figure 12
Reasons for Being Ineligible Among Uninsured Workers Not Participating in Own Employer's Health Plan, Wage and Salary Workers Ages 18–64, 1995–2005



Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Uninsured workers were not eligible for health benefits when offered by their employer for a number of reasons. In 2005, 43.8 percent of workers reported that they were not eligible because they were employed part time (Figure 12). Nearly 31 percent reported that they had not completed the required waiting period, and 8.5 percent reported that they were employed either on a contract or temporary basis. It could not be determined for 17 percent of uninsured workers why they were ineligible for health benefits.

The reasons uninsured workers give for being ineligible for health benefits have changed to a noticeable degree over time. In 1995, 34.5 percent of uninsured workers were ineligible for health benefits because they worked part time. By 2005, part-time work accounted for 43.8 percent of uninsured workers ineligible for health benefits. In contrast, 36.4 percent of uninsured workers not eligible for health benefits reported that they had not completed the required waiting period in 1995. By 1999, this portion had reached 40.7 percent, but it has since fallen to 30.7 percent by 2005.

When uninsured workers were eligible for health benefits, most reported that they had declined coverage because the plan was too costly. Between 1995 and 2001 between 63.1 percent and 65.4 percent of uninsured workers eligible for health benefits reported that they declined coverage because the plan was too costly (Figure 13). In 2005, the percentage reporting that the plan was too costly jumped to 73.2 percent. Only between 4 percent and 6 percent of uninsured workers eligible for coverage reported that they declined it because they did not need or want coverage. There were, however, a relatively large number of uninsured workers eligible for coverage who declined it for reasons that were not determined (between 23.3 percent and 30.7 percent over the period examined).

Eligibility Rates, Take-Up Rates, Job Characteristics, and Demographics

Sponsorship and eligibility rates, and ultimately take-up rates, vary by job characteristics and demographics. This section presents some of those differences for wage and salary workers in 2005.

Hours of Work

Eligibility rates, coverage rates, and take-up rates typically increase with hours of work. It is well-established that part-time workers are less likely to be eligible for health benefits than full-time workers. In 2005, 81.7 percent of full-time workers were offered health benefits, compared with 23.4 percent of workers employed less than 21 hours per week and 43.3 percent among workers employed between 21 and 34 hours per week (Figure 14).

Not surprisingly, coverage rates vary by hours of work. Less than 12 percent of employees working less than 21 hours per week participated in their own employer's health plan, while 70.1 percent of full-time workers participated. Take-up rates varied as well. Nearly 86 percent of full-time workers took coverage when offered, compared with a take-up rate of 50 percent among workers employed less than 21 hours per week, and 58 percent among workers employed 21–34 hours per week.

Class of Worker

Generally, public-sector workers are more likely than private-sector workers to work for an employer that offers coverage, to be eligible for coverage, to have coverage from their own employer, and to take coverage when it is offered. Specifically, more than 95 percent of public-sector employees worked for an agency that offered coverage, while 77.6 percent of private-sector workers worked for an employer that sponsored a plan. While there is no difference in sponsorship rates between federal, state, and local government employees, there are differences in eligibility rates. For example, 93.4 percent of workers employed by the federal government are eligible for health benefits, whereas 88.9 percent of state employees and 87.6 percent of local government employees are eligible for benefits. In comparison, more than 70 percent of private-sector employees are eligible for health benefits.

Participation and take-up rates also vary by class of worker. Private-sector workers are much less likely than public-sector workers to participate in their own employer's health plan. Slightly more than 58 percent of private-sector workers participated in their own employer's health plan. In contrast, 78.7 percent of local government workers, 80 percent of state government workers, and 83 percent of federal government workers participated in their own employer's health plan. Similarly, private-sector workers are less likely than public-

Figure 13
Reasons for Uninsured Workers Choosing Not to Participate in Own Employer's Health Plan, Wage and Salary Workers Ages 18–64, 1995–2005

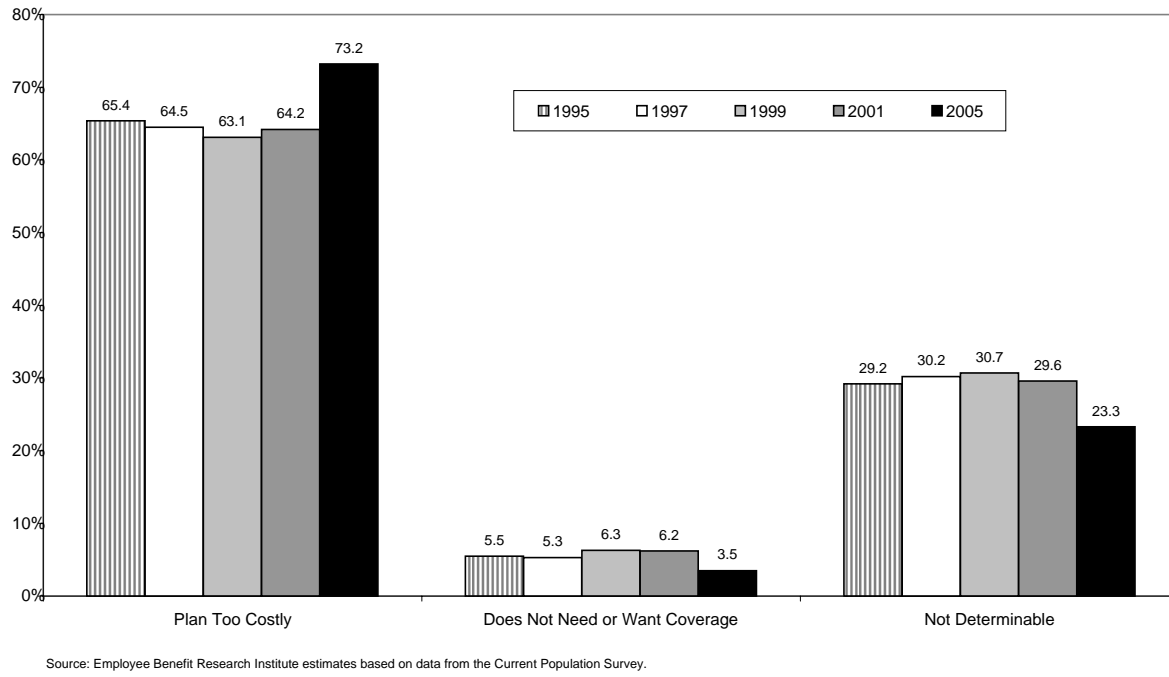


Figure 14
Sponsor Rates, Eligibility Rates, Participation Rates, and Take-Up Rates, by Job Characteristics, Wage and Salary Workers Ages 18–64, 2005

	Sponsor Rate	Eligibility Rate	Participation Rate	Take-up Rate
Total	80.9%	74.0%	61.8%	83.5%
Hours of Work				
1–20	55.4	23.4	11.7	50.0
21–34	64.4	43.3	25.1	58.0
35 or more	84.8	81.7	70.1	85.8
Class of Worker				
Federal	96.9	93.4	83.0	88.9
State	96.0	88.9	80.0	90.0
Local	96.7	87.6	78.7	89.8
Private	77.6	70.9	58.1	81.9
Industry				
Manufacturing	88.7	85.3	75.7	88.7
Wholesale and retail trade	80.4	72.9	58.5	80.2
Personal services	71.2	62.4	48.1	77.1
Public sector	96.5	88.9	79.7	89.7
Other	57.6	53.4	42.9	80.3
Occupation				
Management and professional	91.2	86.0	74.4	86.5
Service occupations	64.9	53.9	42.0	77.9
Sales and office	81.9	73.2	58.3	79.6
Farming, fishing, and forestry	43.7	40.5	29.3	72.3
Construction, extraction, and maintenance	67.8	63.9	54.4	85.1
Production, transportation, and material moving	80.2	75.2	64.1	85.2

Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

sector workers to take health benefits when offered, but the difference is smaller than the difference in participation rates. Nearly 82 percent of private-sector workers took health benefits when offered, compared with about 90 percent of public-sector workers.

Industry

Health insurance coverage tends to vary by industry of employment. Almost 97 percent of workers employed in the public sector reported that their employer sponsored a health plan, compared with 88.7 percent of workers in manufacturing, 80.4 percent of workers in trade industries, 71.2 percent of workers in the service sector, and 57.6 percent of workers in other sectors. Eligibility rates also vary by industry, with 88.9 percent of workers employed in the public sector reporting that they are eligible for health benefits compared with 85.3 percent of workers in manufacturing, 72.9 percent of workers in trade industries, 62.4 percent of workers in the service sector, and 53.4 percent of workers in other sectors.

Take-up rates are substantially higher in the public sector and in manufacturing, as compared with other industries. Nearly 90 percent of public-sector workers and 89 percent of manufacturing workers took coverage when offered, compared with 80.2 percent among trade workers, 77.1 percent of service-sector workers, and 80.3 percent of other workers.

Occupation

Sponsorship, eligibility, participation and take-up rates vary across workers by occupation. Management and professional workers were most likely to be eligible for health benefits (86 percent) while farming, fishing, and forestry workers were least likely to be eligible for coverage (40.5 percent). The difference between take-up rates was much smaller, however. More than 86 percent of management and professional workers took coverage when offered, compared with 72.3 percent of farming, fishing, and forestry workers. Workers in other occupations were in between these extremes.

Gender

Women are more likely than men to work for an employer that sponsors a health plan, but they are less likely to be eligible for the plan, less likely to participate, and less likely to take coverage when offered (Figure 15). Nearly 76 percent of men were eligible for coverage, 65.5 percent participated, and 86.5 percent took coverage when offered. In comparison, 72.3 percent of women were eligible for coverage, 57.8 percent participated, and 79.9 percent took coverage when offered.

The higher sponsorship rate of health benefits among women is due to differences among women ages 21–34—prime child-bearing years. However, the higher sponsorship rates translate into only a slightly higher eligibility rate for women ages 25–34 (75.1 percent for women vs. 74.1 percent for men), and do not translate into higher coverage rates or take-up rates. Coverage rates and take-up rates are across the board lower for women as compared with men.

Age

There is generally a strong correlation between age and health benefits (Figure 15). Younger workers are typically less likely than older workers to work for an employer that offers health benefits. They are less likely to be eligible for benefits, less likely to be covered by their own employer's health plan, and less likely to take benefits when offered.

Race/Ethnicity

With respect to race and ethnicity, Hispanic workers are less likely than other workers to work for an employer that sponsors a health plan (Figure 15). They are less likely to be eligible for health benefits, and they are less likely to participate in their own employer's plan. In 2005, less than 58 percent of Hispanic workers were eligible for health benefits, compared with about three-quarters among other workers, and less than one-half of Hispanic workers had health coverage through their own employer, compared with nearly two-thirds among other workers. However, when offered coverage Hispanics are about as likely as other workers to take the coverage. Nearly 82 percent of Hispanic workers took coverage when offered, compared with about 84 percent among white, black, and workers in other races.

Figure 15
Sponsor Rates, Eligibility Rates, Participation Rates, and Take-Up Rates,
by Demographics, Wage and Salary Workers Ages 18–64, 2005

	Participation			
	Sponsor Rate	Eligibility Rate	Rate	Take-up Rate
Total	80.9%	74.0%	61.8%	83.5%
Gender				
Men	80.5	75.7	65.5	86.5
Women	81.3	72.3	57.8	79.9
Age				
18–20	55.3	31.5	17.6	55.9
21–24	69.7	55.2	42.9	77.7
25–34	80.5	74.6	61.8	82.8
35–44	83.9	78.8	66.3	84.1
45–54	85.1	80.9	69.1	85.4
55–64	84.2	78.7	68.0	86.4
Gender and Age				
Men				
18–20	80.5	75.7	65.5	86.5
21–24	56.5	34.2	20.6	60.2
25–34	67.5	55.6	43.1	77.5
35–44	78.3	74.1	63.9	86.2
45–54	84.2	81.6	72.2	88.5
55–64	85.8	83.2	73.9	88.8
55–64	84.7	81.1	71.0	87.5
Women				
18–20	81.3	72.3	57.8	79.9
21–24	54.1	28.7	14.5	50.5
25–34	72.0	54.8	42.6	77.7
35–44	83.0	75.1	59.3	79.0
45–54	83.6	75.7	59.8	79.0
45–54	74.5	78.6	64.2	81.7
55–64	83.8	76.3	65.0	85.2
Race/Ethnicity				
White	83.9	76.8	64.2	83.6
Black	83.7	76.9	64.8	84.3
Hispanic	63.2	57.6	47.1	81.8
Other	80.1	74.3	62.1	83.6
Citizenship				
Native	83.6	76.4	63.9	83.6
Foreign-born citizen	79.6	74.9	63.5	84.8
Noncitizen	55.1	50.3	40.7	80.9
Education				
Less than high school	53.9	45.8	34.5	75.3
High school diploma and/or some college	79.8	72.1	59.1	82.0
College degree	90.3	85.1	73.3	86.1
Graduate degree	94.2	90.3	80.9	89.6

Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Citizenship

Workers born in the United States are slightly more likely than foreign-born citizens to be eligible for coverage and to have coverage, and they are slightly less likely to take coverage when offered (Figure 15). There are much bigger differences between citizens and noncitizens when it comes to eligibility and coverage. About three-quarters of citizens (both natives and naturalized) are eligible for health benefits through their job, whereas about one-half of noncitizens are eligible for health benefits. Similarly, nearly two-thirds of citizens participate in their own employer's health plan while 40.7 percent of noncitizens do. There is a much smaller difference between these groups with respect to take-up rates, with a take-up rate of about 84 percent among citizens, and 80.9 percent among noncitizens.

Education

There is a strong correlation between worker education level and eligibility for health benefits (Figure 15). Workers with college and graduate degree levels of education are more likely than workers without such degrees to be eligible for health benefits and to participate in a plan. For example, 85.1 percent of college graduates (without a graduate degree) were eligible for health benefits, compared with 72.1 percent

among high school graduates and 45.8 percent among workers without a high school education. Similarly, 73.3 percent of college graduates had coverage from their own employer, compared with 59.1 percent among high school graduates and 34.5 percent among workers without a high school education. Three-quarters of workers without a high school diploma took coverage when offered, compared with 82 percent among high school graduates, 86.1 percent among college graduates, and 89.6 percent among workers with a graduate degree.

Why Workers Are Not Covered, by Job Characteristics and Demographics

As mentioned above, there are a number of reasons why a worker may not be covered by his or her own employer's health plan. Many workers are not covered by employment-based health benefits because their employer does not offer those benefits to any workers (50.1 percent) (Figure 16). Some workers worked for an employer that provided health benefits but the employee was not eligible for those benefits (17.9 percent), and some workers reported that they were offered health benefits but they chose not to participate (32 percent).

In the remainder of this section, reasons why workers are not covered by employment-based health benefits in their own job are examined by worker job characteristics and demographics.

Hours of Work

Whether a worker not covered by his or her employer's own health plan reports that the employer sponsors a plan does not vary with the number of hours that the employee works. However, as hours of work increase, the percentage of workers reporting that they are not eligible for health benefits declines, and the percentage reporting that they declined coverage increases. Specifically, about one-half of all workers reported that they did not have coverage because their employer did not offer a health plan. More than one-third of workers employed 20 hours or less reported that they were not eligible for health benefits, while only 10.5 percent of full-time workers reported that they were not eligible (Figure 16). In contrast, 13.2 percent of workers employed 20 hours or less per week declined coverage, while 38.8 percent of full-time workers declined it.

Figure 16

Reasons Why Employee Is Not Covered by Own Employer's Health Plan, by Job Characteristics, Wage and Salary Workers Ages 18–64, 2005

	Employer Does Not Sponsor Health Plan	Employee Is Not Eligible for Health Plan	Employee Chose Not to be Covered
Total	50.1%	17.9%	32.0%
Hours of Work			
1–20	50.5	36.3	13.2
21–34	47.5	28.3	24.3
35 or more	50.7	10.5	38.8
Class of Worker			
Federal	18.5	20.1	61.4
State	19.8	34.8	45.4
Local	15.5	42.8	41.8
Private	53.4	15.9	30.6
Industry			
Manufacturing	46.6	14.0	39.4
Wholesale and retail trade	47.2	18.2	34.6
Personal services	55.5	17.0	27.4
Public sector	17.1	37.3	45.6
Other	74.3	7.3	18.4
Occupation			
Management and professional	34.2	20.4	45.5
Service occupations	60.4	19.0	20.6
Sales and office	43.4	20.9	35.6
Farming, fishing, and forestry	79.7	4.5	15.8
Construction, extraction and maintenance	70.5	8.6	20.9
Production, transportation, and material moving	55.2	14.1	30.8

Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Class of Worker

Public-sector workers who do not participate in their employer's health plan are much less likely than private-sector workers to report that they work for an employer that does not sponsor a health plan. Less than 20 percent of public-sector workers without health benefits from their own employer are not covered because their employer does not sponsor a health plan, compared with 53.4 percent among private-sector workers. Public-sector workers are much more likely than private-sector workers to report that they did not have health benefits from their own employer because they were not eligible for the plan being offered or they declined coverage. About 16 percent of private-sector workers were not covered because they were not eligible for coverage, compared with 20.1 percent among federal workers, 34.8 percent among state workers, and 42.8 percent among local government workers. Similarly, 30.6 percent of private-sector workers were not covered because they declined coverage, compared with 61.4 percent among federal workers, 45.4 percent among state workers, and 41.8 percent among local government workers.

Industry

Among private-sector workers, those employed in the manufacturing sector and wholesale and retail trade were less likely to report that their employer did not offer coverage than workers in the service sector and in other sectors. Less than 50 percent of workers without coverage from their own employer working in the manufacturing sector and wholesale and retail trade reported that their employer did not offer coverage, compared with 55.5 percent of workers in the service sector and 74.3 percent of workers in other sectors.

Occupation

Workers in farming, fishing, and forestry occupations were more likely than workers in other occupations to report that they did not receive employment-based health benefits from their own employer because their employer did not offer benefits. Managerial and professional specialty workers were least likely to report that their employer did not sponsor health benefits as the reason for not being covered by their employer's plan. About 20 percent of workers in managerial and professional specialty, service, sales, and office occupations reported that they were not covered by their employer's health plan because they were not yet eligible for health benefits. Nearly one-half of workers in managerial and professional specialty occupations were not covered by their employer's health plan because they chose not to be covered. In comparison, 15.8 percent of workers in farming, fishing, and forestry occupations and about 21 percent of workers in service occupations and construction, extraction, and maintenance occupations were not covered because they declined coverage.

Gender

Men not covered by their own employer's health plan were more likely than women to report that they did not have coverage through their employer because their employer did not sponsor a health plan. Women were more likely than men to report that they were either ineligible for the health plan being offered or they chose not to be covered. Specifically, 21.3 percent of women reported that they were not eligible for coverage, compared with 14 percent of men; and 34.3 percent of women reported that they declined coverage, compared with 29.4 percent of men (Figure 17). Men of all ages were more likely than women to report that they worked for an employer that did not offer health benefits, while women of all ages were more likely than men to report that they were not eligible for health benefits. Other than women ages 55–64, women were generally more likely than men to report that they were not covered by their own employer's health plan because they chose not to be covered.

Age

With respect to age, among workers not covered by their own employer's health plan, older workers were more likely than younger workers to have declined coverage, while younger workers were more likely than older ones to be not eligible for health benefits and to work for an employer that does not sponsor a health plan.

Figure 17
Reasons Why Employee Is Not Covered by Own Employer's Health Plan,
by Demographics, Wage and Salary Workers Ages 18–64, 2005

	Employer Does Not Sponsor Health Plan	Employee Is Not Eligible for Health Plan	Employee Chose Not to be Covered
Total	50.1%	17.9%	32.0%
Gender			
Men	56.6	14.0	29.4
Women	44.4	21.3	34.3
Age			
18–20	54.2	28.9	16.9
21–24	53.1	25.4	21.6
25–34	51.1	15.4	33.4
35–44	47.6	15.3	37.1
45–54	48.1	13.6	38.3
55–64	49.3	17.4	33.3
Gender and Age			
Men			
18–20	56.6	14.0	29.4
21–24	54.8	28.0	17.1
25–34	57.1	21.0	21.9
35–44	60.0	11.8	28.2
45–54	56.8	9.3	33.9
55–64	54.4	9.7	35.9
Women			
18–20	52.8	12.5	34.7
21–24	44.4	21.3	34.3
25–34	53.7	29.7	16.6
35–44	48.7	30.1	21.2
45–54	41.8	19.3	38.9
55–64	40.8	19.8	39.5
Race/Ethnicity			
White	43.4	16.5	40.1
Black	46.4	21.4	32.2
Hispanic	44.8	20.0	35.1
Other	46.3	19.3	34.4
Citizenship			
Native	69.6	10.5	19.9
Foreign-born citizen	52.5	15.3	32.1
Noncitizen	45.4	19.9	34.8
Education			
Less than high school	55.8	12.9	31.4
High school diploma and/or some college	75.7	8.2	16.1
College degree	45.4	12.3	17.2
Graduate degree	49.3	18.8	31.9
	36.5	19.5	44.0
	30.5	20.3	49.1

Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Race/Ethnicity

Hispanics were more likely than white, black, and other races to report that they were not covered by their employer's health plan because the employer did not offer a plan. Nearly 70 percent of Hispanics reported that their employer did not offer a plan, compared with 44.8 percent of whites and 46.3 percent of blacks. Both blacks and whites were more likely than Hispanics to report that they were not eligible for health benefits and more likely to report that they chose not to be covered.

Citizenship

Citizens, both those born in the United States and those naturalized, are more likely than noncitizens to report that they were not covered by their employer's health plan because they were either not eligible for the plan or because they chose not to be covered. In contrast, noncitizens were more likely than citizens to report that they worked for an employer that did not offer health benefits.

Education

Workers without a high school diploma were much more likely than other workers to work for an employer that did not offer health benefits. More than 70 percent of workers without a high school diploma

worked for an employer that did not offer health benefits, compared with about one-half among workers with a high school diploma, 36.5 percent among workers with a college degree, and 30.5 percent among workers with a graduate degree. Workers with relatively more education were more likely to report that they did not have health benefits from their own employer because they chose not to be covered.

Conclusion

While claims of the demise of employment-based health benefits have been made, EBRI research has found that this is simply not the case. It was found that the percentage of workers whose employer sponsors a health plan has been in the low 80 percent range since the late 1980s. The percentage of workers eligible for health benefits has been in the mid-70 percent range since the late 1980s. The percentage of workers with coverage from their own employer dropped from 68.4 percent in 1988 to 61.4 percent in 2005, and the percentage of workers taking available coverage dropped from 87.9 percent to 83.5 percent between 1988 and 2005, but the percentage of workers without health insurance throughout most of these years was in large part unchanged, and the majority of workers turned down coverage because they had other coverage. Few workers (less than 5 percent) who were eligible for health benefits were uninsured.

Employment-based health benefits have historically—and continue to be—the most common source of insurance in the United States.

Appendix—Data and Methods

Data for this study come from a series of supplements to the Current Population Survey (CPS) conducted by the Census Bureau. The CPS is a nationally representative survey of the civilian noninstitutionalized U.S. population. It is the primary source of data on labor force characteristics of the U.S. civilian noninstitutionalized population. It is also the official source of data on unemployment rates, poverty, and income in the United States. More general information about the CPS can be found in Fronstin (2006b).

The data used for this study come from the employee benefits supplement to the CPS. The employee benefits supplements have been conducted occasionally since 1979. This supplement was fielded in May 1979, May 1983, May 1988, and April 1993. The employee benefit supplement questions were then added to the contingent worker and alternative work arrangement supplement to the CPS conducted in February of 1995, 1997, 1999, 2001, and 2005. From these questions, users of the survey can determine whether workers are employed by an employer that sponsors a health plan, whether workers are eligible for the plan, if they take coverage, why they are not eligible for coverage, why they turn down coverage, other sources of coverage they may have, and whether they are uninsured.

Readers may be more familiar with the March CPS. Every March since the early 1980s, supplementary questions were added to the CPS to collect data on sources of health insurance coverage. The March CPS is the most widely used data on health insurance coverage and is generally the source of information for data on the uninsured. The March CPS does not, however, include data on worker eligibility for coverage and reasons why individuals do not have health insurance coverage.

Some of the data collected in the CPS employee benefits supplement and thereafter the contingent worker and alternative work arrangement supplement were also collected in supplements to the Census Bureau's Survey of Income and Program Participation (SIPP) and in the Medical Expenditure Panel Survey (MEPS) conducted each year by the Agency for Health Care Research and Quality. In both the 1996 and 2001 SIPP panels, a topical module added to Wave 5 of each panel included questions regarding health benefits in the work place and retirement. The answers to these questions were actually collected in the Fall 1997 and Summer 2002. These data were collected again in Summer 2005 but have not been released yet to the public.

In contrast to the SIPP, the MEPS is conducted annually. The most recent data from MEPS were collected in 2004 and released in October 2006. With respect to why workers were not covered by employment-based health benefits, MEPS includes a question on why workers were not eligible for health

benefits, but does not include a question on why workers declined employment-based health benefits when they were eligible for the benefits.

The data in this report are limited to wage and salary workers ages 18–64. Self-employed workers are not included in the analysis. Data from 1988 and 1993 are included in some of the figures. In some figures, data from 1988 and/or 1993 were left out because of compatibility issues.

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Endnotes

¹ See *Health Affairs* (November/December 2006): 1474; Lewis and Shannon (2003); Haase (2005); Strying and Jonas (1999).

² Data for 1988 and 1993 are not included in Figure 2 because of compatibility issues with the sources of coverage questions in those years.

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