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Hearing on

Civil Service Reform
Private-Sector Compensation and Benefit Issues

Testimony of

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STATEMENT OF DALLAS SALISBURY
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HEARING BEFORE THE HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT SUBCOMMITTEE ON CIVIL SERVICE
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Introduction

Mr. Chairman, I am pleased to appear before your subcommittee today to discuss the structuring of compensation and benefit programs in the private sector. My name is Dallas Salisbury. I am president of the Employee Benefit Research Institute (EBRI), a nonprofit, nonpartisan public policy research organization based in Washington, DC. [1]

EBRI has been committed, since its founding in 1978, to the accurate statistical analysis of economic security issues. Through our research we strive to contribute to the formulation of effective and responsible health, welfare, and retirement policies. Consistent with our mission, we do not lobby or advocate specific policy solutions.

CHARACTERISTICS OF PRIVATE-SECTOR EMPLOYEE BENEFITS

Criteria Used To Establish Employee Compensation and Benefit Programs

- Employers seek to provide a total compensation package that will be sufficient to attract, motivate, and retain an appropriate work force for the particular functions that need to be accomplished while allowing the enterprise to operate without losses. Employers make use of a wide range of surveys to assess what this appropriate package is, and they ultimately market test the package: does it allow them to attract, motivate, and retain.
- Cash compensation is the base in all cases, with a movement in recent years toward a growing component of "at risk" or "incentive" compensation. For most of this century, profit-sharing plans have been a common form of at risk compensation, particularly for small businesses. Cash is the most important employee benefit, according to worker surveys.
- Employers also seek to have a healthy work force, with low rates of absenteeism. This has been the primary motivator in the continued sponsorship of health insurance and disability income benefits. Family coverage increases the likelihood that employees will remain at work when a family member has health problems and that health problems will not cause

[1] Mr. Salisbury joined EBRI as its first executive director in 1978. His previous assignments were with the Pension Benefit Guaranty Corporation; the Pension and Welfare Benefits Administration of the U.S. Department of Labor; the Office of the Deputy Attorney General at the U.S. Department of Justice; and the Committee on Elections and Reapportionment, Washington State House of Representatives.

financial disaster. Health insurance is the second most important employee benefit in the eyes of workers.

- Employers also seek to design programs that allow individuals to retire (work force exit). During the earlier age of paternalism and family-owned enterprise, these programs were primarily focused on those who were still working for an employer at the point of reaching retirement age. That has changed with the effective end of family ownership and management of large enterprise, combined with federal law that "vests" workers in the value of pensions as benefits accrue. Early vesting, which carried a high cost, caused employers to focus clearly on the relatively small number of full career workers they had, and the high rates of turnover among most workers. The complex web of legal and accounting standards that make it nearly impossible for an employer to promise retirement income or retiree health benefits without immediate understanding of what those benefits will cost has also led to change. The legally required move from pay-as-you-go to advance funding of pensions, and the accounting-motivated move for retiree health recognition, have caused a much greater focus on cost; significant redesign of benefit programs; and a growing recognition of the amount that individuals must save for themselves in order to achieve economic security in retirement.
- Employer recognition of economic and business instability (boom and bust cycles) has combined with full recognition of the cost of noncash employee benefits and recognition of a highly mobile work force to move the employer focus from worker exit at retirement age to facilitation of worker exit whenever economic circumstances require. This employment-at-will doctrine is changing the face of both employement and employee benefits. Many large private employers are only now at the stage of thinking through what this change means, as baby boomers move into senior management positions to replace those who grew up in the paternalistic work place. These employers are beginning to structure their benefit packages to conform with work force mobility. The "golden handcuff" pension plan is seldom seen as desirable as we progress into this new age of rewarding talent versus tenure.

Employer Costs Per Hour Worked for Employee Compensation in the Private Sector

Establishment Size

- In March 1995, wages and salaries averaged 71.6 percent of employer costs for employee compensation, while benefit costs averaged 28.4 percent (see table 1). Included in the 28.4 percent in benefit costs: 6.4 percent of compensation was in the form of paid leave, 6.7

percent was for insurance costs, 3.0 percent was for retirement and savings costs, and 9.3 percent was in the form of legally required benefits.

- As establishment size increases, the amount spent on wages and salaries as a percentage of total compensation decreases. In March 1995, 74.1 percent of employee compensation was in the form of wages and salaries for employers with 1–99 workers, compared with 71.3 percent and 68.8 percent for employers with 100–499 workers and 500 or more workers, respectively.
- As establishment size increases, the amount spent on benefits as a percentage of total employee compensation increases. In March 1995, for employers with 1–99 workers, 5.3 percent, 5.7 percent, and 2.3 percent of compensation was in the form of paid leave, insurance, and retirement and savings, respectively, compared with 6.2 percent, 7.0 percent, and 2.9 percent of compensation for employers with 100–499 workers. In establishments with 500 or more workers, 7.9 percent, 7.9 percent, and 4.0 percent of compensation was in the form of paid leave, insurance, and retirement and savings, respectively.
- In March 1995, employers with 500 or more workers contributed a significantly higher percentage of employee compensation in the form of paid leave (2.6 percent more) than employers with 1–99 workers.

Bargaining Status

- The wages and salaries compensation component is a smaller percentage of total compensation for union employers than for nonunion employers (see table 2). In March 1995, wages and salaries averaged 64.3 percent of employer costs for union employee compensation, compared with 73.2 percent for nonunion employers. Paid leave, insurance, and retirement and savings made up 6.9 percent, 10.0 percent, and 5.1 percent of total compensation for union employers, compared with 6.3 percent, 6.0 percent, and 2.6 percent for nonunion employers.
- In March 1995, union employers contributed a significantly higher percentage of employee compensation in the form of insurance (4 percent more) than nonunion employers.

Major Industry Group

- Service-producing industries provide wages and salaries as a higher percentage of total compensation than goods-producing industries (table 3). In March 1995, 73.5 percent of total compensation for service-producing industries was in the form of wages and salaries, compared with 67.3 percent for goods-producing industries.
- Goods-producing industries provide their employees with benefits as a greater portion of compensation than service-producing industries. In the goods-producing industry, paid

leave, insurance, and retirement and savings make up 6.6 percent, 8.0 percent, and 4.0 percent of total compensation, compared with 6.3 percent, 6.2 percent, and 2.6 percent for the service-producing industry.

TRENDS IN THE STRUCTURE OF EMPLOYEE BENEFITS

- There are a number of central trends in employee benefits today:
    1. More focus on incentive compensation, leading to the growth of profit sharing; at risk cash compensation; and equity ownership by employees.
    2. More focus on employee choice and responsibility, leading to the growth of participant-directed defined contribution savings plans; flexible spending accounts for health and dependent care; multiple option health plans; in some cases, cafeteria or total flexible benefit plans; and education regarding benefits choice tied to concepts of life-cycle stages and what the indiviudal must do for the individual.
    3. More focus on employment as a function of the state of the business versus a right to tenure, leading to a growing use of programs that were originally established as retirement plans as life transition resources that may be used at retirement but may also be used during periods of unemployment or reeducation. This trend has also entered the realm of Social Security, with defined benefit retirement plans being changed to "cash-balance" and other "hybrid" approaches that more readily conform to the realization that few workers who earn a benefit will still be with the employer at retirement age.
    4. The rising age of the work force is influencing employers. It is leading to an increasing focus on employee education regarding financial planning and retirement planning and education about taking full advantage of the programs that are being made available by the employer. It is leading to recognition of the implications of future demographics and future growth of the retiree population and is resulting in efforts to redesign programs to produce manageable future costs for retiree income and health programs. Future retirees who want postretirement COLAs will have to have saved enough in a defined contribution plan to make these payments to themselves. Retirees who want retiree medical protection will have to have saved money so they can afford the premium copayments and deductibles, as more employers facilitate the purchase of retiree health insurance but do not provide the money for the premiums during the postretirement period.

HEALTH INSURANCE

- Currently, a majority of workers receive health insurance through their employers.[2] Over 60 percent of nonelderly Americans participate in an employment-based health plan. The employment-based health system has been evolving since World War II, with employers being very active in the development and implementation of cost management strategies.
- Employers' use of cost management strategies in health care has become more prevalent as a result of the growth in employment-based health insurance, third party reimbursement, and technological advances. Responding to rising health care costs, employers have moved to managed care, which can be defined as any type of intervention in the provision of health care services or reimbursement of health care providers that is intended to provide health care services in the most efficient settings. These interventions not only include the movement of individuals into health maintenance organizations (HMOs) but also include increased employee contributions for health insurance premiums and increased cost sharing in traditional fee-for-service health insurance.
- Firms have been increasingly requiring workers to contribute to health insurance premiums and subjecting them to direct out-of-pocket provisions. In 1979, employers fully paid for single coverage health insurance for 73 percent of full-time workers employed in medium and large private establishments. By 1993, only 37 percent of workers had their individual coverage fully paid for. In 1979, employers fully paid for family coverage health insurance for 54 percent of full-time workers employed in medium and large private establishments. By 1993, only 21 percent of workers had their family coverage fully paid for.[3]
- There has also been a simultaneous increase in the cost-sharing provisions of traditional fee-for-service health insurance (table 4). In 1992, 26 percent of surveyed employers required a deductible of over $200, up from 11 percent in 1989. In 1992, 65 percent of employers required coinsurance of 20 percent for inpatient

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[2] In 1993, 54.2 percent of workers aged 18–64 received health insurance coverage from their employer. See Sarah Snider and Paul Fronstin, "Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 1994 Current Population Survey," *EBRI Special Report* SR-28/*Issue Brief* no. 158 (Employee Benefit Research Institute, February 1995).

[3] U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits in Medium and Large Firms*, 1979–1989 (Washington, DC: U.S. Government Printing Office, selected years); *Employee Benefits in Medium and Large Private Establishments*, 1991 and 1993 (Washington, DC: U.S. Government Printing Office, 1993 and 1995).

care, up from 62 percent in 1989. In 1992, 83 percent of employers required coinsurance of 20 percent for physician visits, up from 77 percent in 1989. In 1992, 26 percent of employers limited out-of-pocket expenses to between $1,500 and $2,499, an increase from 21 percent in 1989.

- Employers have increased their use of utilization review (UR) programs (table 5). These programs are designed to monitor the progress and appropriateness of health care services on a case-by-case basis. In 1992, 83 percent of surveyed employers required prior authorization for certain procedures, nonemergency hospital admissions, and elective surgery, up from 73 percent in 1989. In 1992, 66 percent of employers required health care to be monitored as it was provided and/or determined the length of a hospital stay and the scope of the treatment prior to treatment, up from 52 percent in 1989. Second surgical opinions were the only type of UR whose use decreased between 1989 and 1992.
- The use of HMOs has been one of the most prevalent methods utilized by employers to control rising health care costs. In 1980, there were 236 HMOs, with 9.1 million enrollees.[4] By 1994, there were 547 HMOs, with 43.4 million enrollees.[5] These plans range from staff models where the HMO owns its health care facility and employs health care providers on a salaried basis, to independent practice arrangements (IPAs), where groups of physicians practicing independently contract with an HMO to provide health care services to the HMO enrollees. The recent movement of individuals into HMOs has not been into the more controlled staff or group model HMOs but into the IPAs, where patients have a greater choice of physician. Between 1993 and 1994, there was a 42.6 percent increase in enrollment in mixed models, followed by a 7.6 percent increase in enrollment in IPAs. Group-based plans, i.e., staff, group, and network models, experienced a decline in enrollment between 1993 and 1994.
- Preferred provider organizations (PPOs) and point-of-service (POS) plans have also emerged as strong alternatives to fee-for-service plans and HMOs. The number of individuals enrolled in these arrangements increased significantly between the mid-1980s and today. Recently, the growth rate of enrollees in these plans has exceeded the growth rate of enrollees in HMOs because they allow greater choice of physician. Evidence on the savings from these plans is largely lacking but does

4 Nancy Kraus, Michelle Porter, and Patricia Ball, *Managed Care: A Decade in Review 1980-1990* (Excelsior, MN: The InterStudy Edge, 1991).

5 The InterStudy Competitive Edge, 5.1 (Minneapolis, MN: Interstudy, 1995).

suggest there is a potential for savings. For example, AT&T was able to reduce its annual growth rates for medical expenses from 12.9 percent in 1991 to under 5 percent in 1992 because they moved their workers into POS plan. In 1991, the Pacific Telesis Group moved their fee-for-service enrollees into POS plans and reduced its annual growth rate from 12 percent to 5 percent. Surveys of their employees found that they were generally satisfied with the system once they understood it.

- In 1991, Cincinnati Bell, General Electric Aircraft Engines, Proctor and Gamble, and the Kroger Company formed a health care coalition to increase bargaining power for discounts with area hospitals, monitor quality improvements, and search for other ways to control costs. Annual savings in the Cincinnati area have been estimated at $75 million for all private and public payers of health care because of a 5 percent decrease in the average charge per patient and a 10 percent decrease in the average hospital length of stay.[6] This coalition has now grown to over 120 employers and a new agreement was just signed to provide for quality standards and a more coordinated community move to managed care.
- Coalitions have also been formed in Denver, CO; Memphis, TN; Cedar Rapids, IA; Houston, TX; Minneapolis, MN; Kingsport, TN; and many other cities. The activities of these coalitions have varied greatly, including the selection of preferred providers on the basis of efficiency, assistance in the purchase of cardiovascular care, the provision of mental health and substance abuse programs at reduced rates, the enactment of healthy lifestyle programs for adults and children, and the provision of small business insurance options. These coalitions are successful in reducing expenditures on health care because they create a competitive market with sound economic principles such as volume purchasing and competitive bidding.
- States have responded to growing health care costs not only as government entities but also as employers. The California Public Employees' Retirement System (CalPERS) has had success with its own purchasing cooperative for health care services. CalPERS experienced premium decreases in both 1994 and 1995 by negotiating more aggressively with health care providers and asking HMOs to forgo rate increases; the state introduced a standard benefits package in 1993, requiring copayments of its employees.

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[6] Danae A. Manus, Robert J. Strub, and Thomas R. Werner, "The Cincinnati Initiative," *Managed Care Quarterly* (Winter 1994): 20–26.

- States have attempted to expand health insurance coverage and assure a minimum level of health benefits to the insured population by mandating the benefits that must be included in all health insurance policies issued in the state. State mandates do not extend to employers that self-fund their health insurance plans. The Employee Retirement Income Security Act of 1974 (ERISA) exempts self-insured plans from state benefit mandates.
- There is limited evidence that government mandated benefits that increase the cost of employing labor result in some form of cost shifting. One study found that several state and federal mandates that stipulated that childbirth be covered comprehensively in health insurance plans shifted the cost of those mandated benefits to workers in the form of lower wages.[7] Another study has also suggested that the increased costs of workers compensation were largely shifted to wages with little effect on employment.[8]
- The health care delivery and financing system is evolving rapidly. There have been changes in the way health care is financed, the types of treatments available, the sites of care, and the physician-patient relationship. These changes have resulted primarily from reactions to health care cost inflation, and employers' experiences in managing health care costs have varied with the methods chosen. We can expect to observe a continued increase in cost-sharing responsibilities of workers, the monitoring of care, the movement of workers and their dependents into managed care arrangements, especially those that offer greater choice of physician, such as IPAs, PPOs, and POS plans, and the formation of employer coalitions to negotiate for volume discounts for health care services.

Retiree Health Insurance

- The availability of health insurance for retired individuals is a growing concern of workers and employers. Ever-increasing health care costs and the Financial Accounting Standards Board's Statement No. 106[9] have caused many employers to reexamine their role in

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7 Jonathan Gruber, "The Incidence of Mandated Maternity Benefits," *American Economic Review* (June 1994).

8 Jonathan Gruber, and Alan B. Krueger, "The Incidence of Mandated Employer-Provided Insurance: Lessons from Workers' Compensation Insurance," in David Bradford, ed., *Tax Policy and the Economy* (Cambridge, MA: MIT Press, 1991).

9 In December 1990, the Financial Accounting Standards Board approved Statement No. 106 (FAS 106), requiring many employers to record a liability for retiree health benefits on their balance sheet in order to comply with generally accepted accounting standards, beginning with fiscal years after December 15, 1992.

providing health benefits for current and future retirees. One survey shows that between 1988 and 1992, the percentage of large employers providing health insurance coverage to retirees declined from 62 percent to 52 percent (table 6). In addition, an increasing percentage of retirees now share the cost of their health insurance with their former employers.

RETIREMENT PLANS

Plan Type Trends

- While the number of private employment-based retirement plans and plan participants has been increasing, proportionately fewer are defined benefit plans and defined benefit plan participants.
- The total number of private tax-qualified employment-based plans (both primary and supplemental) more than doubled from 311,000 in 1975, when the Employee Retirement Income Security Act (ERISA) became effective, to 699,000 in 1991 (see table 7). The total number of private defined benefit plans increased from 103,000 in 1975 to 175,000 in 1983, then decreased to 102,000 in 1991. The total number of private defined contribution plans increased from 208,000 to 598,000 between 1975 and 1991.
- There is no evidence of a widespread "shift" from defined benefit to defined contribution plans. Although some plan sponsors, particularly small employers, have replaced defined benefit plans with defined contribution plans, such replacements are not driving the trends in defined benefit and defined contribution plans. Most large employer with more than 5,000 employees now have both types of plans.
- Almost three-quarters (73 percent) of the net decrease in the number of defined benefit plans involved very small plans, consisting of fewer than 10 active participants (see table 8). Between 1986 and 1990, there was a net decrease in the number of primary defined benefit plans of 67,995, and the net decrease in plans with fewer than 10 active participants was 49,700. Statistics from the Internal Revenue Service indicate that these trends have continued through 1995.
- Between 1985 and 1991, the net increase in the number of primary defined contribution plans with fewer than 10 participants was 66,594 plans; this accounted for 42 percent of the net increase of 160,052 in the number of primary defined contribution plans. Statistics from the Internal Revenue Service indicate that these trends have continued through 1995.
- The rapid growth in defined contribution plans cannot simply be explained by a replacement of defined benefit plans with defined contribution plans, because the net increase in defined contribution plans is far greater than the net decrease in defined benefit plans. Many

workers, particularly those in small firms, now have a defined contribution plan, very likely a 401(k) plan, when in the past they likely would have had no employment-based retirement plan. In addition, shorter service workers (the majority of the work force) will gain more benefit from a defined contribution plan than they would from a defined benefit plan.

Managerial Considerations

- Traditional defined benefit and defined contribution plans have their relative merits and drawbacks in terms of their use as management tools. Within legal and cost constraints, employers design pension plans to match their management goals for attracting a specific type of worker, retaining workers for a desirable time period, and encouraging them to leave or retire at a specified age or after a specified amount of time.
- Employers are able to provide employees with a moderate, but predictable, retirement benefit with a defined benefit plan because retirement income is independent of investment performance. In a defined contribution plan, even though employers can structure contribution schedules to meet target levels of retirement income, the actual benefits at the point of retirement, or separation from service, can be far below or far above the target, depending on the investment experience and the level of contributions.
- Defined benefit plans allow employers to influence retirement and job tenure by including specific provisions such as normal and early retirement age, benefits accruing after retirement age, and vesting schedules. Defined contribution plans are retirement neutral; they allow employers to influence job tenure through vesting schedules, but their ability to control retirement age is limited.
- In this era of continued corporate downsizing, employers often find it highly desirable to be able to reduce their work force on a voluntary basis by offering incentives through a defined benefit pension plan. Early retirement incentives are a more positive way to reduce the labor force than involuntary work force reductions. Employers desiring this type of retirement incentive flexibility through a qualified retirement vehicle are virtually forced to adopt a defined benefit plan as opposed to a defined contribution plan.
- In addition to encouraging retirement, pension plans may also be used to attract and retain employees. Employers attempting to attract younger, more mobile workers would be more likely to choose a defined contribution plan, while employers attempting to retain workers for longer time periods would be more likely to offer a defined benefit plan. Since benefits in defined benefit plans accrue at a slow rate for the initial years of service and accrue at faster rates for older employees with more service, they reward long-tenure employees. Defined contribution plans do not cause large benefit losses for mobile employees, assuming that each of their employers has an equally generous plan.

- Defined contribution plans are also easier to communicate, particularly to younger employees, because they are able to see their benefits accumulate in an account while working rather than being told they will receive a monthly income on retirement.
- Some employers choose to integrate pension benefits with Social Security in order to spend an equal amount, as a percentage of pay, on retirement benefits for all employees. Employers are able to integrate benefits with Social Security more effectively through defined benefit plans because the integration can be done by adjusting benefit formulas.
- Employers may have a philosophy about who should bear investment return and inflation risks. In a defined benefit plan, employers generally absorb the investment return risk by providing a specific benefit regardless of investment income. In a defined contribution plan, the employee bears the investment risk.
- Employers that have uncertain or volatile profits, such as small employers or new businesses, may prefer a defined contribution plan in order to have flexibility in contribution to the plan. Profit-sharing plans allow employers to use discretion in making plan contributions and are only required to contribute on a "substantial and recurring" basis. Defined benefit plans do not allow for as much flexibility in determining the level of plan contributions, and their actuarial determination depends on many factors that may be out of the sponsor's direct control, such as investment performance.
- Employers may use profit-sharing or company stock plans to improve productivity. Some 401(k) plans are also used to improve productivity by increasing the employer's matching contribution when profitability improves. These plans provide employees with direct incentives to increase productivity and identify more strongly with the employer.

Role of Work Force Demographics

- A change in work force patterns affects pension coverage to the extent that different types of employers are more likely to offer different plan types, and different types of employees prefer different plans.
- While a smaller percentage of employees in the service sector are covered by defined benefit plans than are covered by defined contribution plans, the number of participants in both types of plans increased between 1985 and 1989.
- While defined benefit plans have remained the primary form of pension coverage for a growing number of participants in large firms, a decrease in the proportion of workers employed in manufacturing and unionized industries and an increase in the proportion of workers employed in service industries should increase the role of defined contribution plans in providing retirement income.

- Small employers are less likely than large employers to offer pension plans and more likely to offer primary defined contribution plans if they offer a plan at all because they are faced with economic circumstances that often discourage them from sponsoring plans, particularly defined benefit plans. Perhaps the most important economic reason that fewer small employers offer plans is the overall lower compensation levels common to small employers.
- Lower paid employees typically face lower marginal tax rates than higher paid employees and therefore have less incentive to defer income and taxes. In addition, given competing current consumption needs, they may be reluctant to defer a substantial portion of their pay, whether as elective contributions to a 401(k) plan or as automatic employer contributions to some other type of plan. Small employers may in turn be ill-equipped to add retirement plan contributions on top of existing payroll, given tight or uncertain profit margins.
- Other economic factors inhibit retirement plan sponsorship, particularly sponsorship of defined benefit plans. Small employers, who pay lower wages, often employ less skilled employees who may be easier to replace. The employees may also be younger or more loosely attached to the labor force. Small employers would have little incentive to provide defined benefit plans to encourage a long-lasting employment relationship with unskilled workers. Moreover, because of gradual benefit accruals, vesting delays, and other plan design features, shorter-term employees generally tend to benefit less from retirement programs than do longer-term employees.
- As work force age demographics change, employers may need to alter their benefit programs to continue to attract the quantity and quality of workers they desire. According to Census projections, the proportion of elderly persons in the population will increase in the future as the baby boom generation ages.

CAFETERIA PLANS

- A cafeteria plan is a flexible benefit plan that offers an employee certain choices in accordance with Internal Revenue Code sec. 125. Cafeteria plans (which offer a wide range of benefit options/choices) must offer a combination of qualified nontaxable benefits (health insurance, sickness and accident insurance, long-term disability, etc.) and taxable benefits (or cash). Flexible spending accounts (FSAs) are another type of flexible benefit plan that may exist as stand-alone plans or within cafeteria plans. In an FSA, employees set aside money for qualified unreimbursed medical or dependent care expenses through pretax salary reduction in separate accounts. Employees choose how much money they want to contribute to an FSA at the beginning of the plan year, within limits. To the extent that these funds are not used for expenses incurred during the plan year, they are forfeited.

Availability of Cafeteria Plans

- There has been a small but steady increase in the percentage of cafeteria plans offered by employers. In 1993, 12 percent of full-time employees working in medium and large private establishments were eligible for cafeteria benefits, compared with 5 percent in 1988. Four percent of full-time employees working in state and local governments were eligible for cafeteria benefits in 1992, compared with 1 percent in 1987. Approximately 2 percent of full-time employees working in small private establishments were eligible for cafeteria benefits in 1992, up from 1 percent in 1990.[10]
- In recent years, FSAs (and to a limited extent cafeteria plans) have expanded in both the public and private sector (table 9). In 1993, 53 percent of full-time employees working in medium and large private establishments were eligible to participate in FSAs and/or cafeteria plans, compared with 13 percent in 1988. In 1992, 14 percent of full-time employees working in small private establishments were eligible to participate in FSAs and/or cafeteria plans, compared with 8 percent in 1990. Fifty-one percent of full-time employees working in state and local governments were eligible to participate in FSAs and/or cafeteria plans in 1992, compared with 9 percent in 1987.[11]

Cafeteria Plan Options

- According to a 1994 study by Hewitt Associates, the most common types of benefits offered under cafeteria plans were FSAs-dependent care (93 percent of employers offering cafeteria plans offered this benefit) and FSAs-health care (87 percent) (see table 10). Other common benefits offered under cafeteria plans include health plans choices other than HMOs (71 percent), death benefit choices (39 percent), and disability benefit choices (24 percent).[12]
- The greatest changes in benefits offered under cafeteria plans has occurred with health plan choices (other than HMOs) and spending accounts (dependent care). In 1994, 93 percent of employers who provided cafeteria plans offered dependent care spending accounts as an option, compared with 78 percent in 1987. In 1994, 71 percent of employers offered health

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[10]Employee Benefit Research Institute, *EBRI Databook on Employee Benefits*, Third edition (Washington, DC: Employee Benefit Research Institute, 1995).

[11]Ibid.

[12]Hewitt Associates, *Salaried Employee Benefits Provided by Major U.S. Employers*, 1988 (Lincolnshire, IL: Hewitt Associates, 1988).

plan choices (other than HMOs) as an option, compared with 94 percent in 1987 (Hewitt Associates, 1987 and 1994).[13]

- There has been a clear increase in the number of employers offering cafeteria benefits (and FSAs) to their workers. Employees working in medium and large private establishments are more likely than workers in small private establishments to be eligible for cafeteria benefits. The increase in availability of cafeteria benefits and FSAs is likely to continue. Contributing to the increase are the changing needs of a work force with large numbers of dual-earner families. In addition, flexible benefit plans are viewed as a way to help control the rising costs of health care, where duplicate coverage can be avoided.

TAXATION AND THE FEDERAL ROLE IN BENEFIT PROGRAMS

- Employers have designed their employee benefit programs around government mandated programs for decades. Pension plans—both defined benefit and defined contribution—have been integrated with Social Security to avoid excessive employer-funded retirement income. Disability insurance is integrated with Social Security disability, and health incurance is being integrated with workers compensation on an increasing basis as employers seek to manage total health cost. As government increases the age of benefit elegibility under Social Security and Medicare, and as it changes actual benefit levels, private programs will be adjusted.
- Tax treatment has been a driving force in the growth of employee benefit programs. When Congress has acted to allow a benefit to be provided to the worker, without the dollar value being treated as taxable income to the worker, employers have responded by putting the programs into place. The size and profitability of the business, as well as employees' relative earnings levels, lead to variation in sponsorship, but the responses are clear. Employers with primarily minimum wage employees are the least likely to respond to tax preferences and establish programs.
- The dramatic growth of 401(k) plans, the dramatic growth of health insurance, and flexible spending accounts, are all recent examples of the effect of new tax incentives. Were tax incentives eliminated so that all income (cash and in-kind) was taxable to the individual, dramatic changes in employer provision of employee benefits could be expected.
- The revenue required through taxes to support public employee benefit programs has not had any direct impact on employers in terms of the compensation packages they offer. The actual employee benefits provided to public-sector employees have created pressure for private employers to maintain programs in order to compete in the market place for workers. The

[13]Hewitt Associates, *Salaried Employee Benefits Provided by Major U.S. Employers*, 1988 and 1994 (Lincolnshire, IL: Hewitt Associates, 1988 and 1994).

future effect on employers will primarily come from the massive unfunded liability of public pension and retiree medical programs as they are paid for in the future.

- The revenue required to pay for Social Security and Medicare has had a major effect on total compensation packages and on the funds employers and workers have available for funding their own pension and retirement savings programs. Should payroll taxes continue to rise, employers and workers can be expected to cut back on private pension savings as well.

CONCLUSION

Employers have spent decades building a structure of employment-based employee benefits to assist workers in planning lifetime economic security. The end of paternalism, in the wake of the end of family control of enterprises and the rise of a global economy, have begun to shape many changes in the private employee benefit system. As your invitation letter noted, the same is beginning to occur in the public-sector work place. As the Congress deals with the future of Social Security, Medicare, public employee benefits, and issues such as tax reform, we can expect significant secondary effects on workers and the structure of their compensation packages. These changes may never be sufficient to stop legislative actions from being taken, but they should always be considered as policy is being designed and as implementation schedules are contemplated.

I very much appreciate the opportunity to appear today. It has been my pleasure to work with this committee for over 20 years, and I pledge the availability of myself and the Employee Benefit Research Institute in the years ahead as you seek to deal with these major economic issues.

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Table 1
Characteristics of Private-Sector Employee Benefits

Employer Costs Per Hour Worked for Employee Compensation, Private Industry, by Establishment Size, March 1990 and March 1995

Compensation Component	Total Private Industry		1–99 Workers		100-499 Workers		500 or More Workers	
	(in dollars)	(percent)	(in dollars)	(percent)	(in dollars)	(percent)	(in dollars)	(percent)
MARCH 1995								
Total Compensation	$17.10	100.0%	$14.58	100.0%	$16.30	100.0%	$22.85	100.0%
Wages and Salaries	12.25	71.6	10.81	74.1	11.62	71.3	15.72	68.8
Total benefits	4.85	28.4	3.77	25.9	4.68	28.7	7.13	31.2
Paid leave[a]	1.09	6.4	.77	5.3	1.01	6.2	1.81	7.9
Supplemental pay[b]	.47	2.8	.35	2.4	.51	3.1	.66	2.9
Insurance[c]	1.15	6.7	.82	5.7	1.14	7.0	1.80	7.9
Retirement and Savings[d]	.52	3.0	.33	2.3	.48	2.9	.91	4.0
Legally required benefits[e]	1.59	9.3	1.48	10.2	1.53	9.4	1.87	8.2
Other benefits[f]	.03	.2	g	g	.02	.1	.06	.3
MARCH 1990								
Total Compensation	$14.96	100.0%	$13.08	100.0%	$13.82	100.0%	$20.02	100.0%
Wages and Salaries	10.84	72.4	9.77	74.7	10.02	72.5	13.90	69.4
Total Benefits	4.13	27.6	3.31	25.3	3.81	27.5	6.12	30.6
Paid leave[a]	1.03	6.9	.74	5.6	.94	6.8	1.70	8.5
Supplemental pay[b]	.37	2.5	.30	2.3	.31	2.3	.57	2.9
Insurance[c]	.92	6.1	.69	5.2	.88	6.3	1.44	7.2
Retirement and Savings[d]	.45	3.0	.33	2.6	.39	2.8	.76	3.8
Legally required benefits[e]	1.35	9.0	1.25	9.6	1.28	9.3	1.61	8.0
Other benefits[f]	g	g	g	g	g	g	.04	.2

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment Cost Indexes and Levels, 1975-1993* (Washington, DC: U.S. Government Printing Office, 1993).

[a] Includes vacation, holidays, Sick leave, and other leave.

[b] Includes premium pay, shift pay, and nonproduction bonuses.

[c] Includes life insurance, health insurance, and sickness and accident insurance

[d] Includes pensions and savings and thrift.

[e] Includes Social Security, federal unemployment, state unemployment, and workers' compensation.

[f] Includes severance pay and supplemental unemployment benefits.

[g] Cost per hour worked is $0.01 or less.

Table 2
Characteristics of Private-Sector Employee Benefits

Employer Costs Per Hour Worked for Employee Compensation, Private Industry, by Bargaining Status, March 1988 and March 1995

Compensation Component	March 1988 Bargaining Status: Union		Nonunion		March 1995 Bargaining Status: Union		Nonunion	
	(in dollars)	(percent)	(in dollars)	(percent)	(in dollars)	(percent)	(in dollars)	(percent)
Total Compensation	$18.16	100.0%	$12.90	100.0%	$22.40	100.0%	$16.26	100.0%
Wages and Salaries	12.04	66.3	9.61	74.5	14.42	64.3	11.9	73.2
Total benefits	6.12	33.7	3.29	25.5	7.99	35.7	4.35	26.8
Paid leave[a]	1.35	7.4	.89	6.9	1.55	6.9	1.02	6.3
Supplemental pay[b]	.64	3.5	.26	2.0	.73	3.3	.43	2.6
Insurance[c]	1.45	8.0	.64	5.0	2.24	10.0	.98	6.0
Retirement and Savings[d]	.87	4.8	.36	2.8	1.15	5.1	.42	2.6
Legally required benefits[c]	1.76	9.7	1.11	8.6	2.24	10.0	1.49	9.2
Other benefits[f]	.06	.3	g	g	.08	.3	.02	.1

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment Cost Indexes and Levels, 1975-1993* (Washington, DC: U.S. Government Printing Office, 1993).

[a] Includes vacation, holidays, sick leave, and other leave.

[b] Includes premium pay, shift pay, and nonproduction bonuses.

[c] Includes life insurance, health insurance, and sickness and accident insurance

[d] Includes pensions and savings and thrift.

[c] Includes Social Security, feceral unemployment, state unemployment, and workers' compensation.

[f] Includes severance pay and supplemental unemployment benefits.

[g] Cost per hour worked is $0.01 or less

Table 3
Characteristics of Private-Sector Employee Benefits

Employer Costs Per Hour Worked for Employee Compensation and Costs as a Percent of Total Compensation, Private Industry, by Major Industry Group, March 1987 and March 1995

Compensation Component	All Private Industry		Goods-Producing[a]		Service-producing[b]		Manufacturing		Nonmanufacturing	
	(in dollars)	(percent)	(in dollars)	(percent)	(in dollars)	(percent)	(in dollars)	(percent)	(in dollars)	(percent)
MARCH 1995										
Total compensation	$17.10	100.0%	$20.75	100.0%	$15.88	100.0%	$20.47	100.0%	$16.29	100.0%
Wage and salaries	12.25	71.6	13.97	67.3	11.67	73.5	13.72	67.0	11.89	73.0
Total benefits	4.85	28.4	6.78	32.7	4.20	26.5	6.74	33.0	4.39	27.0
Paid leave[c]	1.09	6.4	1.37	6.6	1.00	6.3	1.54	7.5	.96	6.0
Supplemental pay[d]	.47	2.8	.78	3.7	.37	2.3	.80	3.9	.39	2.4
Insurance[e]	1.15	6.7	1.66	8.0	.98	6.2	1.72	8.4	1.02	6.2
Retirement and savings[f]	.52	3.0	.82	4.0	.41	2.6	.75	3.7	.46	2.8
Legally required benefits[g]	1.59	9.3	2.08	10.0	1.43	9.0	1.86	9.1	1.53	9.4
Other benefits[h]	.03	.2	.07	.4	i	i	.09	.4	.02	.1
MARCH 1987										
Total compensation	$13.42	100.0%	$15.86	100.0%	$12.40	100.0%	$15.51	100.0	$12.80	100.0
Wage and salaries	9.83	73.2	11.12	70.1	9.29	74.8	10.77	69.5	9.55	74.6
Total benefits	3.60	26.8	4.74	29.9	3.12	25.2	4.73	30.5	3.26	25.4
Paid leave[c]	.93	6.9	1.09	6.8	.87	7.0	1.21	7.8	.85	6.6
Supplemental pay[d]	.32	2.4	.53	3.3	.23	1.8	.52	3.4	.25	2.0
Insurance[e]	.72	5.4	1.02	6.4	.60	4.8	1.06	6.8	.62	4.8
Retirement and savings[f]	.48	3.6	.64	4.1	.41	3.3	.58	3.8	.45	3.5
Legally required benefits[g]	1.13	8.4	1.43	9.0	1.01	8.1	1.31	8.5	1.08	8.4
Other benefits[h]	.02	.1	.04	.2	i	i	.04	.3	i	i

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment Cost Indexes and Levels, 1975-1993* (Washington, DC: U.S. Government Printing Office, 1993).

[a] Includes mining, construction, and manufacturing.

[b] Includes transportation, communication, and public utilities; wholesale and retail trade, finance, insurance, and real estate; and service industries.

[c] Includes vacation, holidays, Sick leave, and other leave.

[d] Includes premium pay, shift pay, and nonproduction bonuses.

[e] Includes life insurance, health insurance, and sickness and accident insurance

[f] Includes pensions and savings and thrift.

[g] Includes Social Security, federal unemployment, state unemployment, and workers' compensation.

[h] Includes severance pay and supplemental unemployment benefits.

[i] Cost per hour worked is $0.01 or less.

Table 4

Percentage of Employers With Cost-Sharing Provisions, by Level of Cost Sharing and Year for Traditional Indemnity Plans

Individual Deductible Amount	1989	1990	1991	1992	1993	1994
$100 or less	40%	38%	34%	29%	29%	16%
$150	15	15	15	13	6	10
$200	29	27	28	28	29	34
Over $200	11	18	23	26	36	40

Coinsurance Rate	Inpatient Care			Major Medical		
	1989	1990	1991	1992	1993	1994
0%	23%	25%	27%	25%	6%	5%
10%	7	5	4	4	n/a	
15%	2	2	2	2	n/a	
20%	62	65	63	65	87	88
25%	a	2	1	1	n/a	
Other					7	8

Coinsurance Rate Physician Visits	1989	1990	1991	1992
0%	8%	6%	6%	5%
10%	6	5	4	4
15%	2	2	2	2
20%	77	84	82	83
25%	a	2	1	1

Employee Out-of Pocket Maximums	1989	1990	1991	1992	1993	1994
<$1,000	35%	37%	30%	28%	27%	21%
$1,000-$1,499	38	37	39	38	38	40
$1,500-$2,499	21	20	24	26	22	30
$2,500-$4,999	4	5	6	6	8	4
$5,000+	2	2	2	2	5	5

Source: A. Foster Higgins & Co., Inc., *Health Care Benefits Survey, Report 1: Indemnity Plans: Cost, Design and Funding* (Princeton, NJ: A. Foster Higgins & Co., Inc., 1990–1993).

[a]Data not available.

Note: Data for years 1989-1992 represent the full sample from the survey. Data for years 1993–1994 represent employers with 500 or more employees.

Table 5
Percentage of Surveyed Employers with Utilization Review Programs, Traditional Indemnity Plans, 1989–1994

Type of Program	1989	1990	1991	1992	1993	1994
Precertification of Elective Admissions	73%	81%	81%	83%	79%	80%
Concurrent Review	52	65	65	66	64	65
Catastrophic Case Management	55	65	67	69	68	80
Outpatient Utilization Review	19	20	19	22	36	36
Second Surgical Opinion	89	88	82	71	91	87
Mandatory[a]	59	55	49	45	40	44
Voluntary[b]	30	33	33	26	51	43
None of These	9	7	8	7	10	5

Source: A. Foster Higgins & Co., Inc., *Health Care Benefits Survey* (Princeton, NJ: A. Foster Higgins & Co., Inc., 1990–1993).

[a]For specific procedures.

[b]For all procedures.

Note: Data for years 1989-1992 represent the full sample from the survey. Data for years 1993-1994 represent employers with 500 or more employees.

Table 6

Retiree Contribution to Health Plan

Percentage of Surveyed Employers by Retiree Contribution to Health Plan for Retiree-Only Coverage, 1988–1993

	For Retirees Under Age 65:					For Retirees Aged 65 and Over:				
	Percentage of all Respondents Who Provide Coverage[a]	Percentage of Plans[b] in which: Employer pays all	Retiree pays all	Cost is shared	Average Contribution[c] as a % of Premium	Percentage of All Respondents Who Provide Coverage[a]	Percentage of plans[b] in which: Employer pays all	Retiree pays all	Cost is shared	Averge Contribution[c] as a % of Premium
Historial Trend										
Old scope										
1988	62%	38%	25%	37%	57%	55%	47%	21%	32%	57%
1989	60	36	20	44	51	52	47	17	37	52
1990	60	26	21	53	50	54	37	19	44	52
1991	56	37	23	40	55	49	48	19	32	56
1992	52	32	23	45	52	46	43	19	38	52
New scope										
1993	9	21	68	11	30	10	22	67	11	39

Source: A. Foster Higgins & Co., Inc., *Health Care Benefits Survey, 1992, Report 2: Retiree Health Care* (Princeton, NJ: A. Foster Higgins & Co., Inc., 1993) and *Tables: National Survey of Employer-Sponsored Health Plans, 1993* (Princeton, NJ: A. Foster Higgins & Co., Inc., 1994).

Note: In 1993, the survey sample design and methodology were changed. Because of these changes, the 1993 results are not comparable with those of past years.

[a]Other than as required under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

[b]Among respondents offering retiree health benefits.

[c]Among those requiring contributions.

Table 7
Trends in the Structure of Employee Benefits

Private Pension Plans and Participants

Summary of Private-Sector Qualified Defined Benefit and Defined Contribution Plans and Participants, 1975–1991

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
(thousands)																	
Total Plans[a,b]	311	360	403	443	471	489	546	594	603	604	632	718	733	730	731	712	699
Defined benefit[a]	103	114	122	128	139	148	167	175	175	168	170	173	163	146	132	113	102
Defined contribution[a]	208	246	281	315	331	341	378	419	428	436	462	545	570	584	599	599	598
Defined contribution as percentage of total	67%	68%	70%	71%	70%	70%	69%	71%	71%	72%	73%	76%	78%	80%	82%	84%	85%
(millions)																	
Total Participants[b,c]	45	48	50	52	55	58	61	63	69	74	75	77	78	78	76	77	78
Defined benefit[c]	33	34	35	36	37	38	39	39	40	41	40	40	40	41	40	39	39
Defined contribution[c]	12	13	15	16	18	20	22	25	29	33	35	37	38	37	36	38	39
Defined contribution as percentage of total	26%	28%	30%	31%	33%	34%	36%	39%	42%	45%	47%	48%	49%	48%	48%	50%	50%
Active Participants	31	32	33	34	35	36	37	37	39	40	40	41	42	42	43	42	43
Primary plan is defined benefit[d]	27	27	28	29	29	30	30	29	30	30	29	29	28	28	27	26	26
Primary plan is defined contribution[d]	4	5	5	5	6	6	7	8	9	10	12	13	13	14	15	16	17

Source: Employee Benefit Research Institute tabulations based on U.S. Department of Labor, Pension and Welfare Benefits Administration, *Private Pension Plan Bulletin* (Winter 1995).

[a]Excludes single participant plans.

[b]Due to rounding, sums of individual items may not equal totals.

[c]Includes active, retired, and separated vested participants not yet in pay status. Not adjusted for double counting of individuals participating in more than one plan.

[d]For workers covered under both a defined benefit and a defined contribution plan, the defined benefit plan is designated as the primary plan unless the plan name indicates it provides supplemental or past service benefits.

Table 8
Trends in the Structure of Employee Benefits

Primary Plan Trends by Plan Size

Primary Defined Benefit and Defined Contribution Plan and Active Participant Trends, 1985–1991

	Primary Plans							Active Participants (thousands)						
Active Participants	1985	1989	1990	1991	Net change 1985–1991	Net change 1989–1990	Net change 1990–1991	1985	1989	1990	1991	Net change 1985–1991	Net change 1989–1990	Net change 1990–1991
Defined Benefit Plan														
2–9	88,124	59,966	45,796	38,424	–49,700	–14,170	–7,372	353	246	189	168	–185	–57	–21
10–24	24,267	17,791	15,624	18,095	–6,172	–2,167	2,471	369	271	244	273	–96	–27	29
25–49	14,178	9,736	8,605	7,374	–6,804	–1,131	–1,231	491	340	304	255	–236	–36	–49
50–99	11,303	9,013	8,346	8,060	–3,243	–667	–286	808	645	599	585	–223	–46	–14
100–249	9,534	7,109	6,563	6,183	–3,351	–546	–380	1,498	1,135	1,040	979	–519	–95	–61
250–499	4,670	4,022	3,647	3,514	–1,156	–375	–133	1,651	1,430	1,293	1,245	–406	–137	–48
500–999	3,149	2,701	2,463	2,328	–821	–238	–135	2,222	1,910	1,751	1,655	–567	–159	–96
1,000–2,499	2,360	2,220	2,090	2,028	–332	–130	–62	3,636	3,434	3,221	3,119	–517	–213	–102
2,500–4,999	847	833	798	780	–67	–35	–18	2,930	2,940	2,802	2,704	–226	–138	–98
5,000–9,999	455	450	434	469	14	–16	35	3,141	3,153	3,015	3,261	120	–138	246
10,000–19,999	198	213	223	219	21	10	–4	2,749	2,956	3,134	3,134	385	178	0
20,000+	175	178	161	167	–8	–17	6	8,985	8,792	8,711	8,324	–661	–81	–387
None or None Reported	10,280	18,485	18,139	13,944	3,664	–346	–4,195	–	–	–	–	–	–	–
Total[a]	169,540	132,717	112,890	101,585	–67,955	–19,827	–11,304	28,834	27,252	26,303	25,701	–3,133	–949	–602
Defined Contribution Plans														
2–9	199,704	334,762	266,129	266,298	66,594	–68,633	169	852	1,410	1,127	1,151	299	–283	24
10–24	70,424	107,113	97,054	99,188	28,764	–10,059	2,134	1,056	1,637	1,476	1,508	452	–161	32
25–49	31,406	48,351	45,737	49,132	17,726	–2,614	3,395	1,091	1,680	1,584	1,695	604	–96	111
50–99	17,620	29,997	27,446	29,528	11,908	–2,551	2,082	1,224	2,081	1,911	2,067	843	–170	156
100–249	8,878	13,334	13,658	13,890	5,012	324	232	1,331	1,991	2,071	2,117	786	80	46
250–499	2,552	3,599	4,144	4,314	1,762	545	170	868	1,239	1,428	1,488	620	189	60
500–999	1,185	1,675	1,838	1,952	767	163	114	808	1,151	1,266	1,345	537	115	79
1,000–2,499	784	1,148	1,103	1,169	385	–45	66	1,194	1,709	1,671	1,790	596	–38	119
2,500–4,999	219	265	310	325	106	45	15	752	907	1,072	1,124	372	165	52
5,000–9,999	97	107	130	126	29	23	–4	683	726	869	850	167	143	–19
10,000–19,999	34	59	44	47	13	–15	3	460	788	626	644	184	–162	18
20,000+	29	36	27	31	2	–9	4	1,100	1,329	1,151	1,361	261	–178	210
None or None Reported	13,082	38,839	40,473	40,067	26,985	1,634	–406	–	–	–	–	–	–	–
Total[a]	346,014	579,285	498,093	506,066	160,052	–81,192	7,973	11,420	16,647	16,251	17,141	5,721	–396	890

Source: Employee Benefit Research Institute tabulations of 1985, 1989, 1990, and 1991 Form 5500 annual reports filed with the Internal Revenue Service.
[a]Total may not equal the sum of individual items due to rounding.

Table 9
Trends in the Structure of Employee Benefits

Percentage of Full-Time Employees Eligible for Cafeteria Plans and Flexible Spending Accounts (FSAs): Medium and Large Private Establishments, 1988, 1989, 1991, and 1993: Small Private Establishments, 1990 and 1992; and State and Local Governments, 1987, 1990, and 1992

	Medium and Large Private Establishments[a]				Small Private Establishments[b]		State and Local Governments[c]		
	1988	1989	1991	1993	1990	1992	1987	1990	1992
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Providing Cafeteria Benefits and/or FSAs	13	24	37	53	8	14	9	32	51
Cafeteria Benefits with FSA	4	8	9	11	1	2	1	3	4
Cafeteria Benefits with no FSA	1	1	1	1	d	d	5	2	1
Freestanding FSA	8	15	27	41	6	12	3	28	46
Not Provided Cafeteria Benefits or FSA	87	76	63	47	92	86	91	68	49

Source: Employee Benefit Research Institute, *EBRI Databook,* Third edition. (Washington, DC: Employee Benefit Research Institute, 1995).

[a] These tabulations provide representative data for full-time employees in private nonagricultural establishments with 100 or more employees in the District of Columbia and all states except Alaska and Hawaii. In 1991 and following years, the survey includes establishments in Alaska and Hawaii.

[b] These tabulations provide representative data for full-time employees in private, nonagricultural establishments with fewer than 100 employees.

[c] The Bureau of Labor Statistics' survey scope was expanded significantly in 1990 to include part-time workers, all governments regardless of size, and Alaska and Hawaii. The former survey coverage, which included only full-time workers in government units employing 50 or more workers in the 48 contiguous states and the District of Columbia, is referred to as old scope. The expanded survey coverage is referred to as new scope. In this table, 1987 is old scope and 1990 and 1992 are new scope.

[d] Less than 0.5 percent.

Table 10
Trends in the Structure of Employee Benefits

Percentage of Employers with Cafeteria Plans Who Include the Following Types of Benefits in Program, 1987 and 1994

Types of Benefits	1987[a]	1994[b]
Spending Account-Health Care	85%	87%
Spending Account-Dependent Care	78	93
Health Plan Choices (Other Than HMOs)	94	71
Death Benefit Choices	46	39
Disability Benefit Choices	34	24
Time Off with Pay (buying/selling)	15	11
Profit Sharing or Savings Allocation (Other Than Separate 401(k) or Tax-Sheltered Annuity Plans)	13	6
Other (e.g., Financial Counseling) on a Post-Tax Basis	2	5

Source: Hewitt Associates, *Salaried Employee Benefits Provided by Major U.S. Employers*, 1988 and 1994 (Lincolnshire, Illinois: Hewitt Associates, 1988 and 1994).

[a] Survey summarizes principal benefit plans of 822 major U.S. employers.
[b] Survey summarizes principal benefit plans of 1,035 major U.S. employers