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Employee Benefits in Small Private Establishments, 1994

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Preface

This bulletin presents results of a 1994 Bureau of Labor Statistics survey of the incidence and detailed provisions of selected employee benefit plans in small private establishments. The survey provides representative data for 49 million employees in the Nation's private nonagricultural industries. Appendix A provides a detailed description of the coverage and statistical procedures used in the survey.

The 1994 Employee Benefits Survey reports on benefits provided to employees in establishments with fewer than 100 workers in all private nonfarm industries. This is the third time this survey was conducted; the first small establishment survey was conducted in 1990 and another in 1992. Between 1979 and 1986, the survey provided benefits data on full-time employees in medium and large establishments, those with either 100 or 250 employees or more, depending on the industry; coverage in the services industries was limited. The 1987 survey examined benefits provided to full-time employees in State and local governments with 50 employees or more. In 1988, 1989, 1991, and 1993, expanded surveys of medium and large establishments covered full-time employees in establishments employing 100 workers or more in all private industries.

Beginning in 1990, the Employee Benefits Survey included both full-time and part-time employees in all private industries (regardless of employment) and State and local governments. In that year, the survey covered small private establishments and governments. At the present time, small private establishments and State and local governments are surveyed in even-numbered years, and medium and large private establishments are surveyed in odd-numbered years.

The 1994 Employee Benefits Survey provides a "survey highlights" section (chapter 1) with a number of key findings for major benefits, such as time-off benefits; disability benefits; medical, dental, and vision care; life insurance; and defined benefit pension and defined contribution plans. Individual chapters, with general information and details describing the benefit provisions, follow along with the respective tables for each benefit.

Data for this bulletin were compiled and analyzed in the Division of Occupational Pay and Employee Benefits Levels by Cathy Baker, Iris Díaz, Kenneth Elliott, Ann Foster, John Foster, Avy Graham, Robert Grant, Jake Kane, Jonathan Kelinson, Natalie Kramer, Marc Kronson, James Moore, Laura Scofea, Patrick Seburn, Cynthia Thompson, Jerline Thompson, and Arthur Williams, under the direction of Allan Blostin, James Houff, and John Morton. Text was prepared for publication by Mahin Eslami.

Computer programming and systems design for the survey were provided by Mary Constable, Mohamed Elzein, Aholivah Maier, Lien Nham, Pat O'Brien and Cheryl Sims of the Division of Directly Collected Periodic Surveys, under the direction of Leslie Chappel. Thomas Kelly and Charlotte Mueller of the Statistical Methods Group (Office of Compensation and Working Conditions) were responsible for the sample design, nonresponse adjustments, sample error computations, and other statistical procedures, under the direction of Terry Burdette. Fieldwork for the survey was directed by the Bureau's Assistant Regional Commissioners for Operations.

The public may access a wide range of Bureau of Labor Statistics data and information, including Employee Benefits Survey data, through the Bureau's World Wide Web site at: <http://stats.bls.gov/blshome.html>

Bureau of Labor Statistics data are also accessible on the Internet through Anonymous FTP or Gopher at: stats.bls.gov

Questions on the data in this publication should be referred to the staff of the Employee Benefits Survey at (202) 606-6222. Sensory impaired individuals may obtain information in this publication upon request. Voice phone: (202) 606-7828; TDD phone: (202) 606-5897; TDD message referral phone: 1-800-326-2577. Material in this publication is in the public domain and, with appropriate credit, may be reproduced without permission.

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Chapter 1. Results of the 1994 Survey

The Bureau's 1994 survey of small private industry establishments provides data on employee work schedules and develops information on the incidence and detailed characteristics of employee benefits paid for, at least in part, by the employer.¹ These benefits include holidays, vacations, and personal, funeral, jury-duty, military, family, and sick leave; sickness and accident, long-term disability, and life insurance. Limited data also were provided for medical, dental, and vision care, and private retirement plans. Because the survey data are limited to formal plans, this bulletin may understate the extent of certain benefits.

More detailed data for medical, dental, and vision care and private retirement plans were also collected; however, they did not meet publication standards. For a discussion on publication standards, see appendix B.

Data also are collected on the incidence of several other benefits, including severance pay, child-care assistance, wellness programs, employee assistance programs, and educational assistance. In addition, information was obtained on flexible benefits plans, reimbursement accounts, and unpaid family leave.

The 1994 survey collected information on full- and part-time employees who were so classified in accordance with their employers' practices. Part-time workers typically are scheduled to work fewer hours per week than full-time workers engaged in the same type of work activity. In addition, data were also collected on the incidence of employee benefits by union status, broad industry grouping, and broad geographic regions.

Major highlights of the survey for full-time employees in small private establishments are reported later in this chapter. Detailed information on the provisions of the benefits studied appears in chapters 2-8.

Among the most frequently observed benefits provided to full-time employees in small private establishments in 1994 were medical care, life insurance, holidays, vacations, and paid sick leave; each of these benefits was provided to the majority of full-time workers (tables 1-2). In contrast, such benefits as paid family leave, personal leave,

dental care, defined benefit pension plans, sickness and accident insurance, and long-term disability insurance were less prevalent among full-time workers.

Paid time off, and family leave

More than three-quarters of full-time employees covered by the survey had weekly work schedules of 40 hours, based on five 8-hour days. The remainder predominantly worked 7 or 7½ hours a day for 5 days a week. (See chapter 2.)

Vacation leave was the most prevalent type of paid time-off benefit. Paid vacations, provided to 7 out of 8 full-time employees, averaged 8 days after 1 year of service, 13 days after 10 years of service, and 15 days after 25 years of service. Virtually all employees covered by vacation plans were required to work a specified minimum period of time before being able to take a vacation. For just over three-fifths of the workers, the minimum was 1 year. One-fourth of the workers were allowed to carry-over at least some of their unused vacation days into the following year; slightly over one-fifth could cash in some or all of their vacation days at the end of the year.

When other types of leave were provided, data revealed the following:

- Four holidays, with an average of 8 days per year;
- One-half of workers were eligible for paid leave to attend funerals for family members (usually 3 days); eligibility for funeral leave was more common among white-collar workers than among blue-collar workers;
- Nearly three-fifths of the workers were covered by jury duty leave, virtually always on as-needed basis;
- Just over one-tenth of the workers were provided paid personal leave, with the average being 3 days per year;
- Just under one-fifth of the workers were provided coverage for military leave, with an average of 7 days per year.

The Employee Benefits Survey measured the incidence of formal family leave benefits for the first time in 1994. Previously, the survey generally reported only on maternity and paternity leave. The passage of the Federal Family and Medical Leave Act of 1993 requires employers to provide

¹ There are a few exceptions to this general rule. The survey provides estimates on the availability of postretirement medical care and life insurance, dependent life insurance, supplemental life insurance, and long-term care insurance even if an employee or retiree must pay for such coverage fully. This is because the guarantee of insurability and availability of coverage at group premium rates can be considered a benefit. In addition, reimbursement accounts, salary reduction plans, and family leave plans are tabulated even if the employer bears no cost beyond administrative expenses.

employees with up to 12 weeks of unpaid leave for the birth or adoption of a child and family illness (employee, child, spouse, or parent). For the most part, these provisions apply to employees with 1 year of service who work 1,250 hours during the year, and who are employed by companies with 50 or more workers. There is no mandate to provide paid leave. In 1992, prior to passage of the Family and Medical Leave Act, 18 percent of full-time employees in small private establishments had unpaid maternity leave and 8 percent had paternity leave benefits available to them. In 1994 after passage, 47 percent had an unpaid family leave benefit. In both years, paid benefits were rare.

Disability benefits

Employees may be protected from loss of income during illnesses or injuries by sick leave, sickness and accident insurance, and long-term disability insurance. (See chapter 3.) Short-term disability protection, through sick leave, sickness and accident insurance, or both, was provided to 61 percent of full-time employees. Fifty percent of employees were covered by paid sick leave and 26 percent were in plans with sickness and accident coverage. Twenty percent of full-time employees were covered by long-term disability (LTD) insurance. Although sick leave and LTD insurance were more prevalent among white-collar workers compared to blue-collar and service workers, there was little variation among occupational groups for sickness and accident insurance.

Survey data on paid sick leave indicate that four-fifths of covered workers were allowed a fixed number of paid sick days per year, with the average being 8 days after 1 year of service, 10 days after 5 years, 12 days after 15 years, and 13 days after 25 years. Two-fifths of full-time employees covered by annual sick leave plans were allowed to carry over and accumulate unused sick leave from year to year, but most of these workers had limits on the amount of sick leave that could be carried over.

Twenty-six percent of all workers were covered by sickness and accident insurance, and among them:

- One-half had to meet an eligibility requirement before being able to join the plan, generally 3 months or less;
- Three-fifths had their benefits fully paid by their employer;
- Four-fifths had their benefits determined by a fixed percentage of earnings, usually 50, 60, or 67 percent; these benefits typically had a dollar limit on the amount of the weekly benefit, with the average maximum being \$374;
- Most others had their benefits defined as a flat dollar amount per week that averaged \$137.

Almost all (97 percent) of full-time workers with long-term disability insurance protection received their benefit as a fixed percent of predisability earnings. For 72 percent,

the benefit formula was 60 percent of monthly pay. Eighty-three percent of workers with percent of earnings benefits were subject to a monthly dollar maximum, averaging \$6,400 per month. Twenty-eight percent of workers with LTD benefits were subject to a maximum imposed on all sources of disability income. Such maximums were generally 70 percent or more of predisability earnings.

Other LTD features included the following:

- Four-fifths of participants had their coverage wholly employer financed;
- Just over two-thirds were in plans that included coverage for disabilities due to mental illness, generally with limits restricting the duration of benefits to 24 months.

Health care

Medical care was among the most widespread benefits for full-time employees in small private establishments—66 percent of workers participated in such plans. Participation in medical plans varied widely across occupational groups—80 percent of professional, technical, and related employees were in medical plans compared with 57 percent of blue-collar and service employees.

Other health-related benefits were less widespread—28 percent of full-time employees participated in a dental care plan, and 10 percent had vision care coverage. (See chapter 4.)

Between 1992 and 1994, both the percentage of workers contributing to medical plans and the amount of their monthly contributions continued to rise.

Just over one-half (52 percent) of all medical care participants had to contribute to the cost of their individual coverage, compared to 47 percent in 1992. Three-fourths paid at least part of the cost for family coverage, about the same as in 1992. When workers contributed, their fixed monthly premiums averaged \$41 for individual coverage and \$160 for family coverage (\$37 and \$151, respectively in 1992). Just over one-half of dental participants had to contribute toward the cost of individual coverage, and almost three-fourths had to contribute to their family coverage.

Just over two-fifths of medical care participants were covered by non-traditional plans, almost always health maintenance organizations (HMO's) or preferred provider organizations (PPO's). The remainder of the participants were in traditional fee-for-service plans. In 1992, the last time the small private establishment survey was conducted, one-third of workers were enrolled in non-traditional plans.

Life insurance

Life insurance protection was available to 61 percent of full-time employees in small private establishments in 1994. (See chapter 5.) Employers paid the full cost of basic life insurance for 4 out of 5 full-time employees with the

benefit. Life insurance benefits for full-time employees included the following:

- Two-thirds of participants had a flat dollar amount of insurance; this type of benefit was more common among blue-collar workers than among white-collar workers, with the average flat dollar amount being \$15,900;
- One-third of participants were covered by a multiple-of-earning formula, most often one or two times earnings; this formula for life insurance benefits was more common for white-collar workers than blue-collar workers;
- Three-tenths had life insurance benefits supplementing their basic benefit; the employee almost always paid the full cost of supplemental life insurance;
- Three-tenths had dependent life insurance protection.

Accidental death and dismemberment insurance was available to almost one-half of full-time employees. This insurance provides additional benefits if a worker dies or loses an eye or a limb in an accident.

Defined benefit and defined contribution plans

Two-fifths (42 percent) of all full-time workers in small private establishments were covered by at least one retirement plan. Defined benefit plans, which specify a formula for determining future benefits, were available to 15 percent of full-time employees. (See chapter 6.)

Defined contribution plans specify employer and employee contributions but do not guarantee future benefits. Such plans are considered as vehicles for financing retirement benefits because funds usually can not be withdrawn easily; those funds that may allow periodic withdrawals also furnish retirement income because early withdrawals of the employer's contributions are discouraged. Defined contribution plans were available to one-third of the full-time workers and were more prevalent among white-collar than blue-collar workers. (See chapter 7.)

The most frequently observed types of defined contribution plans were savings and thrift plans and deferred profit-sharing plans. Seventeen percent of full-time workers were enrolled in a savings and thrift plan; 13 percent were covered by a deferred profit-sharing plan. Other less common types of defined contribution plans were money purchase pension plans (5 percent of employees), employee stock ownership plans (1 percent of employees) and simplified employee pension plans (1 percent of employees).

Reimbursement accounts and flexible benefits plans

Reimbursement accounts allow employees to use pretax dollars to pay for certain expenses not covered by benefit plans (for example, employee premium costs and plan deductibles). One-fifth of full-time employees were covered by employer-sponsored reimbursement accounts.

- Three-quarters of employees with reimbursement accounts could use them to pay for health plan premiums;
- One-half of employees with reimbursement accounts could allocate funds for medical care deductibles, coinsurances, and other health expenses not covered by their medical plan or for dependent care expenses.

Employees in small private establishments occasionally received their benefits as part of a package, complete with options. These benefit packages are known as flexible benefits or cafeteria plans. (See chapter 8.) Three percent of full-time employees had flexible benefits plans.

Other benefits

In addition to the major benefit areas just described, the survey estimated the incidence of 16 other benefits (tables 3-4). These data show the percent of workers *eligible* for a specific benefit, but not the proportion of employees actually taking advantage of that benefit.

Of note, in small private establishments:

- About 1 out of 2 employees were eligible for cash nonproduction bonuses, the most common other benefit studied;
- Three out of 8 employees were eligible for job-related educational assistance; assistance from non-job-related training was rare;
- One out of 7 employees were eligible for employee assistance programs (referral and/or services for alcohol and drug abuse, marital difficulties, and financial, legal, and emotional problems);
- One out of 3 employees were eligible for eldercare benefits, an 11-fold increase from 2 years earlier, attributable to passage of the Family and Medical Leave Act of 1993
- Employee wellness programs, long-term care insurance, and child care benefits were very rare.

Table 1. Summary: Participation¹ in selected employee benefit programs, full-time employees, small private establishments, 1994 (In percent)

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Paid time off:				
Holidays	82	91	89	75
Vacations	88	92	93	83
Personal leave	13	21	17	7
Funeral leave	50	58	55	45
Jury duty leave	58	74	66	48
Military leave	17	23	19	13
Family leave	2	5	2	1
Unpaid family leave	47	53	50	43
Disability benefits:				
Short-term disability protection	61	75	69	50
Paid sick leave	50	69	61	36
Sickness and accident insurance	26	27	27	25
Long-term disability insurance	20	36	27	10
Survivor benefits:				
Life insurance	61	73	68	52
Accidental death and dismemberment	48	60	52	40
Survivor income benefits	1	1	(²)	1
Health care benefits:				
Medical care	66	80	70	57
Dental care	28	40	31	22
Vision care	10	11	11	10
Outpatient prescription drug coverage	60	75	64	51
Retirement income benefits:				
All retirement ³	42	53	47	35
Defined benefit	15	16	16	15
Defined contribution	34	45	39	26
Savings and thrift	17	23	20	13
Deferred profit sharing	13	16	17	10
Employee stock ownership	1	2	1	1
Money purchase pension	5	9	5	4
Simplified money purchase	1	1	1	1
Cash or deferred arrangements:				
With employer contributions	20	28	23	15
Salary reduction	20	28	23	15
Savings and thrift	17	22	19	13
Deferred profit sharing	2	4	2	2
Money purchase pension	1	2	1	(²)
Deferral of profit sharing allocation	(²)	(²)	(²)	-
Other ⁴	(²)	(²)	(²)	(²)
No employer contributions	3	5	3	2
Other benefits:				
Stock option	(²)	(²)	(²)	(²)
Stock purchase	(²)	(²)	1	(²)
Cash profit-sharing only	(²)	(²)	(²)	(²)

¹ Participants are workers covered by a paid time off, insurance, or retirement plan. Employees subject to a minimum service requirement before they are eligible for benefit coverage are counted as participants even if they have not met the requirement at the time of the survey. If employees are required to pay part of the cost of a benefit, only those who elect the coverage and pay their share are counted as participants. Benefits for which the employee must pay the full premium are outside the scope of the survey. Only current employees are counted as participants; retirees are excluded.

² Less than 0.5 percent.

³ Includes defined benefit pension plans and defined contribution retirement plans. The total is less than the sum of the individual items because many employees participated in both types of plans.

⁴ Includes required contributions made to plans on a pretax basis.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dashes indicate no employees in this category.

Table 2. Summary: Participation¹ in selected employee benefit programs, full-time employees, small private establishments, 1994

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Total number of employees	35,909,558	6,571,919	11,629,051	17,708,589
Paid time off:				
Holidays	29,554,514	5,978,289	10,313,608	13,262,617
Vacations	31,610,884	6,075,038	10,839,646	14,696,200
Personal leave	4,556,591	1,407,964	1,923,672	1,224,955
Funeral leave	18,051,479	3,786,748	6,360,946	7,903,784
Jury duty leave	20,967,765	4,861,114	7,620,434	8,486,217
Military leave	6,012,670	1,489,258	2,241,670	2,281,741
Family leave	797,932	307,601	280,567	209,764
Unpaid family leave	17,017,951	3,514,768	5,811,929	7,691,254
Disability benefits:				
Short-term disability benefits	21,882,807	4,928,301	8,040,044	8,914,462
Paid sick leave	17,976,283	4,510,963	7,112,615	6,352,705
Sickness and accident insurance	9,394,392	1,789,388	3,111,026	4,493,978
Long-term disability benefits	7,326,421	2,383,331	3,084,701	1,858,389
Survivor benefits:				
Life insurance	21,955,471	4,829,601	7,903,604	9,222,265
Accidental death and dismemberment	17,189,180	3,968,125	6,087,279	7,133,775
Survivor income benefits	209,563	44,040	48,058	117,465
Health-care benefits:				
Medical care	23,536,498	5,262,484	8,167,535	10,106,479
Dental care	10,134,942	2,635,308	3,643,540	3,856,094
Vision care	3,650,838	723,380	1,244,228	1,683,230
Outpatient prescription drug coverage	21,520,983	4,929,618	7,482,310	9,109,055
Retirement income benefits:				
All retirement ²	15,151,741	3,496,923	5,482,836	6,171,983
Defined benefit pension	5,479,569	1,074,348	1,831,678	2,573,544
Defined contribution	12,130,237	2,927,853	4,569,714	4,632,670
Savings and thrift	6,101,767	1,491,827	2,339,535	2,270,405
Deferred profit sharing	4,798,811	1,046,315	1,925,091	1,827,405
Employee stock ownership	490,275	100,476	166,074	223,725
Money purchase pension	1,795,501	563,625	537,871	694,005
Simplified employee pension	373,407	91,772	92,319	189,316
Cash or deferred arrangements:				
With employer contributions	7,104,804	1,826,616	2,659,924	2,618,264
Salary reduction	7,089,659	1,816,529	2,657,841	2,615,289
Savings and thrift	5,953,415	1,459,700	2,243,429	2,250,286
Deferred profit sharing	807,810	237,977	267,607	302,226
Money purchase option	328,435	118,851	146,806	62,778
Deferral of profit sharing allocation	46,475	6,546	39,929	—
Other ³	15,145	10,087	2,082	2,975
No employer contributions	933,220	298,674	347,877	286,669
Other benefits:				
Stock option	26,733	1,864	6,667	18,201
Stock purchase	90,179	18,899	65,856	5,424
Cash profit sharing only	147,571	15,781	57,943	73,847

¹ Participants are workers covered by a paid time off, insurance, or retirement plan. Employees subject to a minimum service requirement before they are eligible for benefit coverage are counted as participants even if they have not met the requirement at the time of the survey. If employees are required to pay part of the cost of a benefit, only those who elect the coverage and pay their share are counted as participants. Benefits for which the employee must pay the full premium are outside the scope of the survey. Only current employees are counted as participants; retirees are excluded.

² Includes defined benefit pension plans and defined contribution retirement plans. The total is less than the sum of the individual items because many employees participated in both types of plans.

³ Includes required contributions made to plans on a pretax basis.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

**Table 3. Other benefits: Eligibility for specified benefits, full-time employees, small private establishments, 1994
(In percent)**

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Income continuation plans:				
Severance pay	15	24	22	8
Supplemental unemployment benefits	(¹)	(¹)	(¹)	(¹)
Family benefits:				
Employer assistance for child care	1	2	1	1
Employer-provided funds	1	1	1	(¹)
On-site child care	1	1	(¹)	1
Off-site child care	(¹)	—	(¹)	(¹)
Eldercare	33	38	35	29
Long-term care insurance	1	1	1	(¹)
Health promotion programs:				
Wellness programs	6	8	8	3
Employee assistance programs	15	19	18	11
Miscellaneous benefits:				
Employer-subsidized recreation facilities	5	7	5	4
Job-related travel accident insurance ...	13	18	14	10
Nonproduction bonuses	47	48	49	46
Financial counseling	2	3	2	2
Subsidized commuting	1	2	(¹)	(¹)
Sabbatical leave	1	3	1	1
Education assistance:				
Job-related	37	49	46	27
Not job-related	6	7	8	4
Flexible benefits plans	3	2	5	2
Reimbursement accounts	19	28	23	13

¹ Less than 0.5 percent.

items may not equal totals. Where applicable, dash indicates no employees in this category.

NOTE: Because of rounding, sums of individual

Table 4. Other benefits: Eligibility for specified benefits, full-time employees, small private establishments, 1994

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Total number of employees	35,909,558	6,571,919	11,629,051	17,708,589
Income continuation plans:				
Severance pay	5,511,001	1,554,248	2,563,704	1,393,049
Supplemental unemployment benefits	84,315	4,906	10,757	68,651
Family benefits:				
Employer assistance for child care	429,796	128,827	166,990	139,979
Employer provided funds	250,509	84,178	108,142	58,190
On-site child care	182,802	60,082	33,240	89,480
Off-site child care	37,747	—	26,966	10,782
Eldercare	11,698,608	2,490,222	4,118,992	5,089,394
Long-term care insurance	216,163	89,419	106,582	20,162
Health promotion programs:				
Wellness programs	2,045,727	508,568	946,556	590,603
Employee assistance programs	5,357,347	1,257,044	2,129,291	1,971,012
Miscellaneous benefits:				
Employer-subsidized recreation facilities	1,740,738	451,486	609,881	679,371
Job-related travel accident insurance	4,612,286	1,193,188	1,650,754	1,768,344
Nonproduction bonuses	16,913,698	3,125,203	5,695,929	8,092,567
Financial counseling	723,833	221,510	195,093	307,229
Subsidized commuting	209,594	120,003	26,561	63,031
Sabbatical leave	479,782	164,856	98,044	216,882
Education assistance:				
Job-related	13,396,251	3,198,088	5,332,846	4,865,317
Not job-related	2,032,907	485,961	872,382	674,564
Flexible benefit plans	952,485	128,975	526,602	296,907
Reimbursement accounts	6,664,174	1,814,055	2,620,128	2,229,990

NOTE: Because of rounding, sums of individual items may not equal totals.

Where applicable, dash indicates no employees in this category.

Table 5. Plan administration: Type of plan sponsor for selected employee benefit programs, full-time employees, small private establishments, 1994 (In percent)

Plan sponsor	Medical care ¹	Life insurance	Sickness and accident insurance	Long-term disability insurance	Defined benefit pension ¹	Savings and thrift ¹
All participants						
Total		100	100	100		
Single employer		95	51	98		
Multiemployer ²		5	3	1		
Mandated benefits ³		(⁴)	46	(⁴)		
Employer association ⁵		(⁴)	(⁴)	1		
Professional, technical, and related						
Total		100	100	100		
Single employer		98	56	98		
Multiemployer ²		1	(⁴)	1		
Mandated benefits ³		(⁴)	43	–		
Employer association ⁵		(⁴)	(⁴)	1		
Clerical and sales						
Total		100	100	100		
Single employer		98	54	97		
Multiemployer ²		1	2	1		
Mandated benefits ³		(⁴)	44	(⁴)		
Employer association ⁵		(⁴)	(⁴)	2		
Blue-collar and service						
Total		100	100	100		
Single employer		90	47	100		
Multiemployer ²		10	5	(⁴)		
Mandated benefits ³		(⁴)	48	–		
Employer association ⁵		(⁴)	(⁴)	–		

¹ Response to the request for these data was insufficient to show estimates for medical care, defined benefit pensions, and savings and thrift plans.

² Individual employers in the same or in a related industry contributing a negotiated amount to a trust fund providing benefits for employees covered under a collective bargaining agreement.

³ The majority of participants with mandated sickness and accident insurance benefits were covered by State temporary disability insurance plans. The remaining employees were covered by

the Railroad Unemployment Insurance Act.

⁴ Less than 0.5 percent.

⁵ Band of employers in a common trade or business, for example, savings and loan associations. The plan sponsored by the association is not negotiated with the employees.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in the category.

Table 6. Plan financing: Source of contributions for selected employee benefit programs, full-time employees, small private establishments, 1994 (In percent)

Plan financing	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Medical care for employees	100	100	100	100
Wholly employer financed	46	48	43	47
Partly employer financed	52	50	55	51
Not determinable	2	3	2	2
Medical care for family	100	100	100	100
Wholly employer financed	18	16	14	22
Partly employer financed	76	78	80	72
Not determinable	6	6	6	6
Dental care for employees	100	100	100	100
Wholly employer financed	44	43	43	46
Partly employer financed	54	54	55	52
Not determinable	2	3	2	2
Dental care for family	100	100	100	100
Wholly employer financed	23	19	20	29
Partly employer financed	72	76	75	67
Not determinable	5	5	5	4
Life insurance	100	100	100	100
Wholly employer financed	82	86	82	79
Partly employer financed	18	13	17	20
Not determinable	1	1	(¹)	1
sickness and accident insurance	100	100	100	100
Wholly employer financed	63	64	57	68
Partly employer financed	36	36	42	32
Not determinable	1	(¹)	1	(¹)
Long-term disability insurance	100	100	100	100
Wholly employer financed	83	86	79	84
Partly employer financed	17	13	20	16
Not determinable	(¹)	1	(¹)	(¹)
Define benefit pension	100	100	100	100
Wholly employer financed	97	96	99	96
Partly employer financed	3	4	1	4

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

A Note on the Tables

The majority of the tables presented throughout this bulletin indicate the percent of all employees, or of a selected group of employees, covered by particular benefits and benefit features. The survey looks at three occupational groups: Professional, technical, and related employees; clerical and sales employees; and blue-collar and service employees. Some tables indicate the percent of all employees covered by the survey who have a certain benefit; other tables show the percent of employees covered by a certain benefit who have a certain plan feature. Rows where there are no participants reported are deleted from the tables.

For example, table 1 indicates that 66 percent of all full-time employees were covered by a medical care plan. In chapter 4, most of the tables present data on the percent of workers with medical care who have certain provisions. Workers with medical care equal 100 percent in these tables, with smaller percentages indicating the availability of plan features. For example, in table 48, 100 percent refers to those workers with medical care plans, and 55 percent indicates those workers with medical care covered by a fee-for-service plan.

Another type of table estimate presented throughout the bulletin displays average benefit values rather than percentages of workers. These averages are presented for all covered workers; averages exclude workers without the plan provision.

The methods used to calculate the average number of paid holidays (table 9) have been revised from those used in the 1990 and 1992 surveys of small private establishments which overestimated the averages. In 1994, partial holidays are counted in the average more precisely. Overall, the 1994 average number of paid holidays is approximately 1½ days less than in the earlier years.

Appendix A discusses all these data calculations in more details.

Chapter 2. Work Schedules, Paid Time Off, and Family Leave

The majority of full-time employees work a 40-hour week. Time off with pay is available to employees in several different forms—from a few days of personal leave to annual vacations of several weeks. The EBS covers the following paid time-off benefits: Holidays and vacations; and personal, funeral, jury-duty, and military leave. Paid and unpaid family leave also are surveyed. (Information on paid sick leave is discussed under disability benefits and appears in chapter 3.)

Work schedules

Weekly work schedules of 40 hours are predominant among the full-time employees covered by the survey of small private establishments. However, alternatives, such as 35 or 37½ hours per week, are found among white-collar workers. A large majority of the workforce covered by the survey works five 8-hour days (table 7).

Only a small number of workers studied have formal flexible work arrangements, which give employees the opportunity to begin and end work within a range of hours (table 8). Limits on the amount of flexibility vary from plan to plan but, generally, employees have to be at work during midday core hours. White-collar workers are more likely to have flexible work schedules than are blue-collar workers.

Paid time off

Paid holidays. Paid holidays, commonly 6 to 10 days per year, are provided to most full-time employees. Floating holidays and “personal holidays,” such as employee birthdays, are included in the holiday plans reported (tables 9-11). Paid holidays generally commemorate patriotic, cultural, or religious events. Among the paid holidays commonly received are: New Year’s Day; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day. Employers may provide additional days for some holidays, such as the day after Thanksgiving.

When a holiday falls on a scheduled day off, such as a Saturday or Sunday, another day off is regularly granted to most employees receiving paid holidays. The remaining workers usually receive either another day off or an additional day’s pay, depending on when the holiday falls.

Paid vacations. Paid vacations are provided to a large majority of full-time employees in small private establishments (table 12). Common vacation pay provisions for all em-

ployees are 5 or 10 days at 1 year of service, 10 or 15 days at 10 years, and 15 or 20 days at 20 years or more. Plans covering white-collar employees, on average, provide slightly more vacation days than those for blue-collar employees.

In cases when holiday, vacation, sick, or personal leave are combined under one leave category and can not be shown separately, the total amount of leave is reported as vacation time. For small employers, this was relatively rare. These consolidated leave plans or “leave banks” have been adopted by a number of establishments, most notably those that must always remain open, such as hospitals and nursing homes.

Almost all white-collar employees receive their regular salaries or earnings during vacation periods. Most blue-collar employees also receive their regular pay; the remainder receive either a flat-sum payment or payments based on a percentage of regular earnings. Anniversary-year bonus vacation days, such as an extra week of vacation at 10 and 20 years of service, are included in the count of regular vacation time.

Virtually all vacation plans require workers to complete a specified period of time before being able to take a vacation (table 13). The most prevalent length-of-service requirement is 1 year.

The survey also examines carry over and cash-in provisions for unused vacation time (tables 14-15). Many full-time workers are allowed to carry over at least some of their unused vacation days into the next year; others can cash in some or all of their vacation days at the end of the year. However, the majority of workers do not have carryover or cash-in coverage and lose unused vacation days at the end of the year. White-collar workers are more likely to have carryover provisions than blue-collar workers, who, in turn, often are more likely to receive cash-in provisions.

Paid personal leave. Although most small employers provide paid vacations, relatively few provide formal personal leave and when they do a large majority provide 3 days or less (table 16). Such leave allows employees to be absent from work with pay for a variety of reasons not covered by other specific leave plans.

Paid funeral leave, jury-duty leave, and military leave. Approximately half of full-time workers in small private establishments are eligible for paid leave to attend funerals of family members (table 17). Eligible employees usually receive a set number of days off per occurrence. However,

plans vary the number of days off by family relationship to the deceased. For example, a plan may provide 3 days off for the death of a spouse, parent, or child, and 1 day off for the death of other relatives. For employees who do not have a funeral leave plan, some employers may provide an informal benefit or allow employees to use other types of paid leave, sick leave to attend a funeral. Most workers are eligible for paid leave while serving as a juror (table 18). Paid time off for jury duty is usually provided "as needed"; employer payments commonly make up the difference between the employee's regular pay and the court's jury allowance. Military leave, pay for absence from work to fulfill military training or duty commitments, often is not available in small private establishments (table 19). A common provision is 2 weeks per year, but some establishments provide paid military leave as needed. Pay for military leave is either regular pay or the difference between regular pay and military pay.²

²For further information on leave items in all sectors, see "Time-off Benefits in Small Establishments," *Monthly Labor Review*, March 1992, pp. 3-8.

Family leave

The Employee Benefits Survey measures the incidence of formal family leave benefits (table 20). Previously, the survey estimated parental leave, generally in the form of maternity and paternity leave. The passage of the Federal Family and Medical Leave Act of 1993 requires employers to provide employees with up to 12 weeks of unpaid leave during any 12-month period for various family matters, including the birth or adoption of a child and for family illness (employee, child, spouse, or parent).³ Generally, these provisions apply to employees with at least 1 year of service who work 1,250 hours during the year and who are employed by companies with 50 or more workers. In addition, various States require employers to provide a minimum amount of unpaid parental leave, such as 6 weeks in Minnesota and 4 months in California.

Paid family leave in small establishments is rare.

³For more information, see "Parental Leave Benefits Provided by Employers," *Issues in Labor Statistics*, Summary 93-1, Bureau of Labor Statistics, 1993.

Table 7. Work schedule: Percent of full-time employees by hours and days scheduled per week, small private establishments, 1994

Work schedule	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with work schedule	35,910	6,572	11,629	17,709
	Percent			
All types	100	100	100	100
Hours per week				
Under 35	4	3	4	5
35	5	5	7	3
Over 35 and under 37.5	2	2	2	2
37.5	5	7	8	2
Over 37.5 and under 40	1	1	2	1
40	77	73	70	83
Over 40	6	9	7	3
Hours per day				
Under 6	1	1	1	1
6	1	1	1	1
Over 6 and under 7	2	1	1	2
7	5	5	7	3
Over 7 and under 8	8	9	12	4
8	77	73	71	82
Over 8 and under 9	2	2	2	1
9	1	3	2	1
Over 9 and under 10	1	1	1	(¹)
10	2	3	2	3
Over 10	1	2	(¹)	1

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 8. Work schedule: Percent of full-time employees by existence of flexible work arrangement, small private establishments, 1994

Work schedule	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with work schedule	35,910	6,572	11,629	17,709
	Percent			
All types	100	100	100	100
With fixed work schedule	94	93	92	95
With flexible work schedule	2	3	3	1
With rotating work schedule	(¹)	(¹)	(¹)	(¹)
With non-fixed work schedule	4	3	4	3
Other	(¹)	-	-	(¹)
Data not available	(¹)	(¹)	(¹)	(¹)

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 9. Paid holidays and vacations: Average number of days for full-time employees, small private establishments, 1994

Item	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Paid holidays	7.5	8.3	7.7	7.1
Paid vacation by minimum length-of-service requirement: ¹				
At 1 year ²	7.8	9.7	8.0	6.9
At 3 years	9.9	11.3	9.9	9.2
At 5 years	11.5	13.1	11.6	10.6
At 10 years	13.4	15.4	13.6	12.5
At 15 years	14.3	16.3	14.6	13.3
At 20 years	14.8	16.8	15.2	13.7
At 25 years ³	15.1	17.0	15.5	14.0

¹ Employees are either granted a specific number of days after completion of the indicated length of service, or accrue days during the next 12-month period. The total number of days are assumed available for use immediately upon completion of the described length-of-service interval.

² Employees receiving vacation days, but none at 1 year of service, were included only for the service periods for which they receive vacations.

³ The average (mean) was essentially the same for longer lengths of service.

NOTE: Computation of average included partial days and excluded workers with zero holidays or vacation days. Methods used to calculate the average number of paid holidays have been revised, to count partial holidays more precisely. The average holidays in this table are not comparable to those reported in the 1990 and 1992 surveys of small private establishments.

Table 10. Paid holidays: Percent of full-time employees by number of paid holidays provided each year, small private establishments, 1994

Holiday policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Numbers (in thousands) with paid holidays	29,555	5,978	10,314	13,263
	Percent			
Total with paid holidays	100	100	100	100
Under 5 days	7	2	5	11
5 days	5	3	6	6
5.1 - 5.9 days	(¹)	(¹)	(¹)	(¹)
6 days	26	18	27	28
6.1 - 6.9 days	1	1	1	1
7 days	16	16	14	18
7.1 - 7.9 days	1	2	1	1
8 days	10	12	11	8
8.1 - 8.9 days	1	1	1	(¹)
9 days	8	12	10	5
9.1 - 9.9 days	1	2	1	1
10 days	10	13	9	8
10.1 - 10.9 days	1	1	(¹)	(¹)
11 days	8	9	8	7
11.1 - 11.9 days	1	1	1	(¹)
12 days	2	2	2	2
12.1 - 12.9 days	(¹)	-	(¹)	-
13 days	1	1	1	1
Over 13 days	1	3	1	1
Number of days not available	1	(¹)	(¹)	1

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 11. Paid holidays: Percent of full-time employees by policy on holidays that fall on a regularly scheduled day off, small private establishments, 1994

Holiday policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid holidays	29,555	5,978	10,314	13,263
	Percent			
Total with paid holidays	100	100	100	100
Holiday is not observed	8	6	7	9
Another day off is granted	76	86	77	72
Additional day's pay in lieu of holiday	4	3	3	6
Another day off or day's pay, depending on when holiday falls	7	3	7	8
Another day off or holiday not observed, depending on when holiday falls	1	1	1	1
Other provision applies ¹	1	(²)	1	1
Holiday policy not determinable	3	1	3	3

¹ Includes plans where the policy differs by holiday.

² Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 12. Paid vacations: Percent of full-time employees by amount of paid vacation provided at selected periods of service, small private establishments, 1994

Vacation policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid vacations	31,611	6,075	10,840	14,696
	Percent			
Total with paid vacations ¹	100	100	100	100
Vacation days by minimum length-of-service requirement ²				
After 1 year of service:				
Under 5 days	1	1	1	1
5 days	50	29	46	62
Over 5 and under 10 days	2	2	1	3
10 days	36	50	44	25
Over 10 and under 15 days	3	6	4	2
15 days	2	6	1	1
Over 15 and under 20 days	1	1	1	(³)
20 days	1	2	1	(³)
Over 20 days	1	3	1	1
After 3 years of service:				
Under 5 days	(³)	1	(³)	(³)
5 days	15	6	12	22
Over 5 and under 10 days	3	3	2	5
10 days	66	63	75	61
Over 10 and under 15 days	4	7	5	3
15 days	6	11	4	5
Over 15 and under 20 days	1	2	1	(³)
20 days	1	3	1	(³)
Over 20 days	1	4	1	1
After 5 years of service:				
Under 5 days	(³)	1	(³)	(³)
5 days	11	5	8	15
Over 5 and under 10 days	2	3	1	3
10 days	50	39	52	53
Over 10 and under 15 days	4	5	4	4
15 days	27	36	30	22
Over 15 and under 20 days	1	2	1	(³)
20 days	2	4	2	1
Over 20 days	2	6	1	1

See footnotes at end of table.

Table 12. Paid vacations: Percent of full-time employees by amount of paid vacation provided at selected periods of service, small private establishments, 1994 — Continued

Vacation policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
	Percent			
After 10 years of service:				
Under 5 days	(³)	1	(³)	(³)
5 days	10	4	8	14
Over 5 and under 10 days	1	1	(³)	1
10 days	26	16	26	30
Over 10 and under 15 days	3	4	2	2
15 days	44	46	48	40
Over 15 and under 20 days	3	4	2	3
20 days	10	17	10	6
Over 20 days	3	8	2	2
After 15 years of service:				
Under 5 days	(³)	1	(³)	(³)
5 days	10	4	8	14
Over 5 and under 10 days	1	1	(³)	1
10 days	24	15	24	28
Over 10 and under 15 days	2	2	2	1
15 days	34	38	36	32
Over 15 and under 20 days	2	2	2	1
20 days	22	28	25	17
Over 20 and under 25 days	2	3	1	2
25 days	1	2	1	(³)
Over 25 days	3	6	2	1
After 20 years of service:				
Under 5 days	(³)	1	(³)	(³)
5 days	10	4	8	14
Over 5 and under 10 days	1	1	(³)	1
10 days	24	14	24	27
Over 10 and under 15 days	1	2	2	1
15 days	29	32	29	28
Over 15 and under 20 days	2	2	2	1
20 days	24	29	28	18
Over 20 and under 25 days	2	4	1	3
25 days	4	5	4	3
Over 25 days	6	10	6	4

See footnotes at end of table.

Table 12. Paid vacations: Percent of full-time employees by amount of paid vacation provided at selected periods of service, small private establishments, 1994 — Continued

Vacation policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
After 25 years of service:				
Under 5 days	(³)	1	(³)	(³)
5 days	10	4	8	14
Over 5 and under 10 days	1	1	(³)	1
10 days	24	14	24	27
Over 10 and under 15 days	1	2	2	1
15 days	29	32	28	27
Over 15 and under 20 days	2	2	2	1
20 days	21	27	24	16
Over 20 and under 25 days	2	3	1	2
25 days	7	8	9	5
Over 25 and under 30 days	1	1	(³)	1
30 days	1	2	1	1
Over 30 days	1	2	1	1
After 30 years of service ⁴				
Under 5 days	(³)	1	(³)	(³)
5 days	10	4	8	14
Over 5 and under 10 days	1	1	(³)	1
10 days	24	14	24	27
Over 10 and under 15 days	1	2	2	1
15 days	28	32	28	27
Over 15 and under 20 days	2	2	2	1
20 days	21	27	24	16
Over 20 and under 25 days	2	3	1	2
25 days	7	7	9	5
Over 25 and under 30 days	(³)	1	(³)	(³)
30 days	2	4	1	1
Over 30 days	2	2	1	1

¹ Employees receiving no paid vacations in their early years of service are included in the overall percentage of workers provided paid vacations; however, they are disregarded in computing the distributions by length-of-service up to the service period at which they become eligible for vacations.

² Employees either are granted a specific number of days after completion of the indicated length-of-service, or accrue days during the next 12 month period. The total number of days are assumed available for use immediately upon completion of the described length-of-service interval.

³ Less than 0.5 percent.

⁴ Provisions were virtually the same after longer years of service.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 13. Paid vacations: Percent of full-time employees by length of service required to take vacation, small private establishments, 1994

Length-of-service requirement	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid vacations	31,611	6,075	10,840	14,696
Total with paid vacations	100	100	100	100
With service requirement	92	90	92	92
1 month	4	5	3	4
2 months	(¹)	1	1	(¹)
3 months	4	6	5	4
4-5 months	(¹)	1	1	(¹)
6 months	17	25	22	10
7-11 months	1	(¹)	1	1
1 year	64	52	59	73
Over 1 year	1	(¹)	1	2
Without service requirement	7	10	7	6
Service requirement not determinable	1	(¹)	2	2

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 14. Paid vacations: Percent of full-time employees by unused vacation policy, small private establishments, 1994

Policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid vacations	31,611	6,075	10,840	14,696
Total with paid vacations	100	100	100	100
Carryover only	17	27	19	13
Cash-in only	14	10	14	15
Carryover and cash-in	9	9	7	10
Unused benefit lost	58	53	59	59
Data not available	2	1	1	4

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 15. Paid vacations: Average number of days by length of service and cash-in/carryover provisions, full-time employees, small private establishments, 1994

Vacation days by minimum length-of-service requirement ¹	All plans	Cash-in, carryover, or both	Carryover only	Cash-in only	Cash-in and carryover	No cash-in or carryover
After 1 year	7.8	8.3	9.5	6.5	9.0	7.5
After 3 years	9.9	10.3	11.2	8.7	11.2	9.6
After 5 years	11.5	12.1	13.4	10.1	12.9	11.0
After 10 years	13.4	14.3	16.0	12.1	14.4	12.8
After 15 years	14.3	15.3	17.2	12.9	15.1	13.7
After 20 years	14.8	15.9	18.1	13.3	15.5	14.1
After 25 years ²	15.1	16.2	18.5	13.5	15.9	14.4

¹ Employees either are granted a specified number of days after completion of the indicated length of service or accrue days during the next 12-month period. The total number of days are assumed available for use immediately upon completion of the described length-of-service interval.

² The average (mean) was essentially the same for longer lengths of service.

NOTE: Computations of average excluded workers with zero vacation days.

Table 16. Paid personal leave: Percent of full-time employees by number of paid personal leave days provided per year, small private establishments, 1994

Number of days	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid personal leave	4,557	1,408	1,924	1,225
	Percent			
Total with paid personal leave ..	100	100	100	100
1 day	13	11	11	17
2 days	37	40	43	27
3 days	18	20	16	20
4 days	5	4	6	3
5 days	9	6	9	12
More than 5 days	2	1	3	1
No maximum specified ¹	16	18	12	19
Varies by length of service ² ..	6	4	8	5
Number of days not available	(³)	—	1	(³)
	Average			
Average days per year	2.62	2.51	2.68	2.65

¹ Personal leave provided as needed.

² The maximum number of days provided was included in the distribution of personal leave days.

³ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 17. Paid funeral leave: Percent of employees by number of paid funeral leave days available per occurrence, small private establishments, 1994

Number of days	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid funeral leave	18,051	3,787	6,361	7,904
	Percent			
Total with paid funeral leave	100	100	100	100
1 day	4	3	4	4
2 days	9	8	7	10
3 days	61	59	61	61
4 days	2	3	2	1
5 days	8	10	9	7
More than 5 days	1	(¹)	(¹)	2
No maximum specified ²	15	17	17	14
Number of days varies by relationship to deceased ³	20	20	21	18
Number of days not available	(¹)	(¹)	(¹)	(¹)
	Average			
Average days per occurrence	3.08	3.15	3.06	3.07

¹ Less than 0.5 percent.

² Workers were provided as much funeral leave as needed.

³ The maximum number of days provided for any occurrence was included in the distribution of funeral leave days.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 18. Paid jury-duty leave: Percent of full-time employees by number of paid jury duty leave days available per occurrence, small private establishments, 1994

Number of days	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid jury-duty leave	20,968	4,861	7,620	8,486
	Percent			
Total with paid jury-duty leave ..	100	100	100	100
Under 10 days	7	4	5	11
10 days	5	5	6	4
11 - 19 days	1	1	1	(¹)
20 days	1	1	2	1
More than 20 days	1	1	2	1
No maximum specified ²	84	87	85	83
Number of days not available	(¹)	(¹)	1	(¹)

¹ Less than 0.5 percent.

² Jury-duty leave is provided as needed.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 19. Paid military leave: Percent of full-time employees by number of paid military leave days available per year, small private establishments, 1994

Number of days	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid military leave	6,013	1,489	2,242	2,282
	Percent			
Total with paid military leave	100	100	100	100
Under 10 days	2	1	2	3
10 days	45	47	49	39
11-19 days	8	6	9	9
20 days	3	-	1	6
More than 20 days	3	2	3	3
No maximum specified ¹	37	42	34	36
Number of days not available	3	2	3	3
	Average			
Average days per occurrence	12.0	11.5	11.8	12.6

¹ Military leave is provided as needed.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 20. Unpaid family leave: Percent of full-time employees by duration of benefits, small private establishments, 1994

Duration	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with unpaid family leave	17,018	3,515	5,812	7,691
	Percent			
Total with unpaid family leave ..	100	100	100	100
4 weeks and under	1	(¹)	1	1
Over 4 but under 8 weeks	4	3	2	5
8 weeks	2	3	2	2
Over 8 but under 12 weeks ..	1	(¹)	(¹)	1
12 weeks	79	76	79	81
Over 12 but under 16 weeks ..	4	6	5	2
16 weeks	1	1	1	1
Over 16 but under 26 weeks ..	3	5	4	2
26 weeks	3	3	2	3
Over 26 but under 52 weeks ..	(¹)	(¹)	1	(¹)
52 weeks	1	1	1	1
Over 52 weeks	1	1	(¹)	1
Varies ²	2	1	3	1
	Average			
Average weeks	13.2	13.8	13.0	13.0

¹ Less than 0.5 percent.

² The maximum number of weeks available was included in the distribution of unpaid family leave weeks.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Chapter 3. Disability Benefits

This chapter discusses three types of disability benefits: Sick leave, sickness and accident insurance, and long-term disability insurance. Paid sick leave and sickness and accident insurance protect workers against loss of income during temporary absences from work due to illness or accident. During more extended periods of disability, workers' incomes may be continued through long-term disability insurance plans. (See tables 21-44 at end of this chapter.) Among the disability benefit provisions included within the Employee Benefits Survey are:

- Waiting periods before benefits begin,
- Amount of benefits,
- Duration of benefits,
- Plan eligibility requirements.

Short-term disability protection, through sick leave, sickness and accident insurance, or both, is provided to a majority of full-time employees in small private establishments (table 21). Sick leave usually provides 100 percent of the worker's normal earnings, whereas sickness and accident insurance usually replaces 50 to 67 percent of pay. (Some sick leave plans may provide days off at partial pay in addition to those at full pay. All sick leave tables shown at the end of this chapter exclude days paid at partial pay.)

Paid sick leave is the principal medium for providing short-term disability benefits to employees in small private establishments. Sick leave is provided to the majority of full-time employees and sickness and accident insurance to a significant but smaller number of full-time workers. A large proportion of workers with sick leave also have sickness and accident insurance, with the two benefits coordinated. Coordination can take two forms: Starting insurance benefits after sick leave pay has ended, or paying both benefits concurrently. When payments are made from both sources, sick leave pay is reduced by the amount of the insurance benefits so that the total benefit does not exceed full salary. Regardless of the method of coordination, employers offering sickness and accident insurance tend to allow fewer sick leave days than those without such insurance.

Long-term disability insurance (LTD), which typically pays 60 percent of earnings, is only available for a small minority of full-time employees in small private establishments. LTD insurance payments usually begin after 3 or 6 months of disability and continue until retirement age or for a specified number of months, depending on the worker's age at the time of disability.

Paid sick leave and LTD insurance are more prevalent

among white-collar workers compared to blue-collar and service workers, but sickness and accident insurance did not vary by occupation. For each form of disability protection, however, workers in small private establishments are less likely to be covered than their counterparts in medium and large private establishments.

Paid sick leave

Of the employees covered by paid sick leave plans, the vast majority are allowed a fixed number of days, such as 8 per year (annual sick leave plans). Only a small number of participants receive sick leave benefits for each illness, for example, 30 days (per disability sick leave plans). Even fewer are covered by both annual and per disability benefits; they generally use annual sick leave for occasional absences and per disability sick leave for longer absences (tables 22-28).

Employees having annual sick leave plans can usually expect an increase in the number of days granted as their length of service increases, such as 8 days after 1 year of service, 9 days after 5 years, and 10 days after 10 years. Nearly all workers covered by annual plans receive full pay while they are sick and are not subject to a waiting period before benefits begin.

Annual sick leave plans also allow many employees to carry over and accumulate unused sick leave from year to year. However, these cumulative plans have limits on the amount of sick leave, often 30 days, that can be carried over to the next year. Other cumulative plans allow workers to accumulate an unlimited amount of sick leave. Noncumulative plans commonly provide a greater number of days per year than cumulative plans. This difference increases at longer years of service.

Benefits provided from a per-disability sick leave plan frequently include some days off at full pay and some at partial pay, for example, 50 percent. Total days available for each disability and the mix of full and partial pay days often becomes more generous as service increases. The following is an example of a per-disability sick leave plan:

<i>Length of service</i>	<i>Days at of pay</i>	<i>Days at 50 percent of pay</i>
1 year	20	45
3 years	40	25
5 years	65	65
10 years	100	30
20 years	130	0

Because per-disability benefits are renewed for each new disability, provisions to carry over unused days are not included in such plans.

Workers often are not eligible for sick leave benefits when first beginning to work for small private employers. A majority have to meet length of service requirements, frequently 3 months, before qualifying for sick leave benefits.

Although sick leave is commonly thought of as replacing lost income while an employee is ill or injured, many workers can use their benefits for other reasons. For example, frequently observed provisions include using sick leave to take care of a sick child or to take care of personal business.

Sickness and accident insurance

Sickness and accident insurance plans protect employees against income losses due to short-term disabilities. Most participants in small private establishments have their benefits fully paid by their employer. The remainder had to contribute toward the cost of their benefits, often a percent of earnings up to a specified maximum contribution⁴ (tables 29-35).

Benefit payments under sickness and accident insurance plans are either a percent of employee earnings or a flat dollar amount. White-collar participants are more likely to be covered by plans with earnings-based formulas than are blue-collar participants.

Under earnings-based formulas, the percent of earnings is usually fixed—typically 50, 60, or 67 percent—although some plans may vary the percent by length of service or length of disability. A large majority of the participants in earnings-based plans have dollar limits on the amount of the weekly benefit.

Blue-collar workers are the most frequent recipients of scheduled dollar benefits, which provide either a fixed weekly amount, for example, \$150 or \$200, or varying weekly benefits (usually based on earnings).

Virtually all participants were in plans that place a fixed maximum on the number of weeks of coverage, commonly 26 weeks.

Most of the employees with sickness and accident insurance have to be on the job for a specified time before the plan will cover them. This service requirement is typically 5 months or less.

Sickness and accident insurance, unlike sick leave, usually requires a waiting period before benefits begin, most commonly 1 to 7 days. Waiting periods may be shortened or eliminated entirely for employees involved in an accident or who are hospitalized. The waiting period is effectively dropped when sickness and accident insurance is coordinated with sick leave, because insurance payments typically start immediately after sick leave pay has ended.

Workers in two States, New Jersey and New York, are covered by mandatory temporary disability insurance plans that are at least partially employer financed. Both of these State plans pay benefits based on a proportion of the

⁴The prevalence of such contribution formulas is influenced in large part by the mandatory sickness and accident insurance plans in New York and New Jersey, discussed later in this chapter.

earnings for up to 26 weeks with a limit on the weekly benefit.⁵ The State of Hawaii requires that employers provide a minimum level of temporary disability income protection for up to 26 weeks.

Long-term disability insurance

Long-term disability insurance provides a monthly benefit to employees who, due to illness or injury, are unable to work for an extended period of time. Generally, LTD benefit payments begin after 3 or 6 months of disability and continue until retirement age, or for a specified number of months, depending on the employee's age at the time of disability (table 36). In most instances, the LTD payments equal a fixed percent of predisability earnings. Most of the LTD participants in small private establishments have their coverage fully provided by their employers. Of those who have to contribute towards the cost of their LTD plan, many are charged a monthly amount per \$100 of covered earnings, for example, \$0.20 per \$100 of coverage.⁶

The degree of participation, low overall, varies widely among employee groups, with white-collar workers more likely to have LTD insurance than blue-collar workers. However, some employees not covered under LTD insurance are eligible for an immediate disability pension through their retirement plan (see chapter 6).

Full-time participants often have to wait 3 or 6 months after the onset of disability before beginning to receive LTD payments. For some participants, LTD benefits commence after the expiration of sick leave and sickness and accident insurance benefits (table 37).

A large majority of LTD plan participants receive their LTD benefit as a fixed percent of predisability earnings. The benefit commonly yields 60 percent of monthly pay (tables 38-40). Most of these plans set a limit on monthly payments, for example, between \$4,000 and \$10,000.

Most LTD plans have a monthly maximum limit, either a dollar maximum in plans that pay a fixed percent of earnings, a disability income ceiling, or a combination of both methods. Disability income ceilings affect benefits only if the amount payable from the LTD plan plus income from other outside sources, such as family Social Security payments, exceed a specified percentage (for example, 70 or 75 percent) of predisability earnings.

Participants in long term disability plans usually have their benefits continued until retirement or a specified number of months, depending on the employee's age at the time of disability. The duration of benefits may be reduced gradu-

⁵ Both States permit an employer to substitute a private plan for the State plan if the benefits provided are at least equivalent. In New York, many employers agree to pay the employee's share of plan costs. California and Rhode Island also have mandated temporary disability insurance plans, but these plans require no employer contribution and, thus, are not included in this survey.

⁶ Covered earnings are that portion of a worker's earnings to which the replacement rate formula is applied. For example, if an LTD plan pays 60 percent of earnings with a maximum monthly benefit of \$3,000, covered earnings would be \$5,000 (\$3,000 is 60 percent of \$5,000).

ally according to an age schedule or reduced once at a specified age (table 41).

Many plans impose service requirements before LTD coverage begins, often 1 to 3 months (table 42).

Some plans provide survivor benefits, payable to an eligible dependent upon the death of a disabled employee (table 43). These benefits usually take the form of a lump-sum payment, often equal to 3 times the monthly LTD

benefit or a percent of the monthly LTD benefit paid for a fixed number of months (generally not more than 6 months).

Most participants are in plans that include coverage for disabilities due to mental illness (table 44). However, these participants often have limits placed upon such coverage. For example, benefits are provided for a specified period, such as 24 months, and then cease unless the participant is institutionalized at the end of the limiting period.

Table 21. Percent of full-time employees by participation in sickness and accident insurance plans and paid sick leave plans, small private establishments, 1994

Type of plan	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with short-term disability protection	21,883	4,928	8,040	8,914
	Percent			
Total with short-term disability protection	100	100	100	100
Sickness and accident insurance only	18	8	12	29
Paid sick leave only	57	64	61	50
Combined sickness and accident insurance/paid sick leave	25	28	27	22

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 22. Paid sick leave: Percent of full-time employees by type of provision, small private establishments, 1994

Provision	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid sick leave	17,976	4,511	7,113	6,353
	Percent			
Total with paid sick leave ..	100	100	100	100
Sick leave provided on:				
An annual basis only ¹	83	78	82	87
A per disability basis only ²	6	8	7	5
Both an annual and per disability basis	2	3	2	1
As needed basis ³	8	10	8	6
Other basis ⁴	1	(⁵)	1	(⁵)

¹ Employees earn a specified number of sick leave days per year. This number may vary by length of service.

² Employees earn a specified number of sick leave days for each illness or disability. This number may vary by length of service.

³ Plan does not specify a maximum number of days.

⁴ Includes formal plans with provisions that change from a specified number of days per year to a specified number of days per absence after a certain service period.

⁵ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 23: Paid annual sick leave: Percent of full-time employees by number of days, small private establishments, 1994

Sick leave policy ¹	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid annual sick leave	15,286	3,678	5,997	5,611
	Percent			
Total with paid annual sick leave ²	100	100	100	100
After 1 year of service:				
Under 5 days	13	7	11	17
5 and under 10 days	56	50	62	53
10 and under 15 days	25	34	21	23
15 and under 30 days	2	5	2	1
30 and under 60 days	1	2	2	1
60 and under 120 days	(³)	(³)	(³)	(³)
120 and under 180 days ...	1	(³)	(³)	1
After 5 years of service:				
Under 5 days	11	6	10	16
5 and under 10 days	55	49	61	53
10 and under 15 days	25	33	21	24
15 and under 30 days	3	4	2	2
30 and under 60 days	2	4	2	1
60 and under 120 days	2	2	3	1
120 and under 180 days ...	1	1	(³)	1
180 days or more	(³)	(³)	(³)	-
After 10 years of service:				
Under 5 days	11	6	10	15
5 and under 10 days	53	49	59	50
10 and under 15 days	26	33	22	25
15 and under 30 days	3	5	3	3
30 and under 60 days	1	3	1	1
60 and under 120 days	2	3	2	2
120 and under 180 days ...	1	1	1	1
180 days or more	(³)	(³)	(³)	-
After 15 years of service:				
Under 5 days	11	6	10	15
5 and under 10 days	53	49	59	50
10 and under 15 days	25	33	20	24
15 and under 30 days	4	5	5	4
30 and under 60 days	1	3	1	1
60 and under 120 days	2	2	2	1
120 and under 180 days ...	2	2	2	2
180 days or more	(³)	(³)	1	-
After 20 years of service:				
Under 5 days	11	6	10	15
5 and under 10 days	53	49	59	50
10 and under 15 days	25	33	20	24
15 and under 30 days	4	5	5	4

See footnotes at end of table.

Table 23: Paid annual sick leave: Percent of full-time employees by number of days, small private establishments, 1994 — Continued

Sick leave policy ¹	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
	Percent			
After 20 years of service:				
30 and under 60 days	1	2	1	1
60 and under 120 days	1	2	2	(³)
120 and under 180 days ...	2	2	2	3
180 days or more	(³)	(³)	1	-
After 25 years of service ⁴ :				
Under 5 days	11	6	10	15
5 and under 10 days	53	48	59	50
10 and under 15 days	25	33	20	24
15 and under 30 days	4	5	5	4
30 and under 60 days	1	2	1	1
60 and under 120 days	1	1	2	(³)
120 and under 180 days ...	3	3	2	3
180 days or more	(³)	(³)	1	-

¹ Employees receiving partial pay only or no sick leave in their early years of service are included in the overall percentages of workers provided sick leave; however, they are disregarded in computing the distributions by length of service up to the service period at which they become eligible for full sick leave pay.

² Employees are either granted a specific number of days after completion of the indicated length of service, or accrue days during the next 12-month period. The total number of days are assumed available for use immediately upon completion of the described length-of-service interval.

³ Less than 0.5 percent.

⁴ Provisions were virtually the same after longer periods of service.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 24. Paid sick leave 1: Average number of days at full pay for full-time employees by type of plan, small private establishments, 1994

Sick leave policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Paid annual sick leave days ² by minimum length-of-service:				
After 1 year of service	8.2	9.0	7.4	8.7
After 3 years of service	9.1	10.3	8.3	9.0
After 5 years of service	10.1	11.4	9.7	9.6
After 10 years of service	11.3	12.8	11.2	10.4
After 15 years of service	12.0	13.5	12.1	10.9
After 20 years of service	12.4	13.9	12.5	11.3
After 25 years of service ³	12.6	14.2	12.7	11.3

¹ Paid sick leave plans with a specified number of days available each year.

² Employees are either granted a specific number of days after completion of the indicated length of service, or accrue days during the next 12-month period. The total number of days are assumed available for use immediately upon completion of the described length-of-service interval.

³ The average (mean) was virtually the same after longer years of service.

NOTE: Computation of average excluded days at partial pay and workers with only partial pay days or zero days of sick leave.

Table 25. Paid annual sick leave 1: Percent of full-time employees by unused sick leave policy and carryover provisions, small private establishments, 1994

Unused sick leave and carryover provisions	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid annual sick leave	15,286	3,678	5,997	5,611
	Percent			
Total with unused sick leave policy	100	100	100	100
Carryover only	34	39	34	31
Cash-in only	13	11	12	17
Carryover and cash-in	7	10	6	6
Unused benefit lost	46	41	49	46
Data not available	(²)	(²)	(²)	(²)
Total with carryover provisions	100	100	100	100
Unlimited accumulation	35	26	36	40
Limit on total number of days accumulated				
Total	63	71	61	57
Under 10 days	4	4	3	6
10 days	2	3	2	2
11-19 days	8	6	8	10
20 days	5	4	5	5
21-24 days	1	1	1	1
25 days	1	3	1	(²)
26-29 days	(²)	1	1	-
30-39 days	13	17	12	11
40-49 days	3	7	2	1
50 days	(²)	1	(²)	(²)
51-64 days	10	13	8	11
65 days	1	1	1	1
66-79 days	1	-	3	-
80-89 days	1	-	2	-
90-99 days	4	4	5	4
100-109 days	(²)	1	-	-
120-129 days	2	2	2	1
130 days	2	2	2	2
Over 130 days	2	2	2	1
Days not available	(²)	(²)	1	(²)
Other ³	(²)	-	(²)	-
Data not available	3	2	2	3

¹ Paid sick leave plans with a specified number of days available each year.

² Less than 0.5 percent.

³ Carryover provisions vary by length of service.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 26. Paid annual sick leave ¹: Average number of days at full pay for full-time employees by accumulation policy, small private establishments, 1994

Sick leave policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Sick leave days by minimum length-of-service requirement ²				
After 1 year of service:				
Cumulative plan	8.3	9.3	7.7	8.2
Noncumulative plan	8.2	8.7	7.2	8.9
After 3 years of service:				
Cumulative plan	8.5	9.5	7.9	8.4
Noncumulative plan	9.5	11.1	8.6	9.4
After 5 years of service:				
Cumulative plan	9.0	9.7	8.7	8.6
Noncumulative plan	10.9	13.1	10.4	10.2
After 10 years of service:				
Cumulative plan	9.3	9.8	9.2	8.9
Noncumulative plan	12.7	15.6	12.5	11.2
After 15 years of service:				
Cumulative plan	9.5	9.9	9.4	9.1
Noncumulative plan	13.8	16.9	13.8	12.0
After 20 years of service:				
Cumulative plan	9.6	10.0	9.7	9.2
Noncumulative plan	14.4	17.7	14.4	12.5
After 25 years of service ³				
Cumulative plan	9.7	10.1	9.8	9.3
Noncumulative plan	14.6	18.1	14.7	12.5
Data not available	(⁴)	(⁴)	(⁴)	(⁴)

¹ Paid sick leave plans with a specified number of days available each year.

² Employees are either granted a specific number of days after completion of the indicated length of service, or accrue days during the next 12-month period. The total number of days are assumed available for use immediately upon completion of the described length-of-service interval.

³ The average (mean) was virtually the same at longer years of service.

⁴ Less than 0.5 percent.

NOTE: Computation of average excluded days paid at partial pay and workers with only partial pay days or zero days of sick leave.

Table 27. Paid sick leave ¹: Percent of full-time employees by length of service requirements for participation, small private establishments, 1994

Length-of-service requirement	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid annual sick leave	15,286	3,678	5,997	5,611
	Percent			
Total with paid annual sick leave	100	100	100	100
With service requirement	67	61	70	67
1 month	13	17	13	11
2 months	4	3	4	4
3 months	23	22	27	19
4-5 months	1	2	1	1
6 months	12	9	13	12
7-11 months	(²)	(²)	-	-
1 year	13	9	11	19
Over 1 year	1	(²)	1	2
Without service requirement	31	37	28	30
Data not available	2	2	2	2

¹ Paid sick leave plans with a specified number of days available each year.

² Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 28. Paid annual sick leave ¹: Percent of full-time employees in plans allowing use of sick leave for other purposes, small private establishments, 1994

Other purposes	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with paid annual sick leave	15,286	3,678	5,997	5,611
	Percent			
Total with paid annual sick leave	100	100	100	100
Other purposes allowed ²	76	81	75	74
Funeral	23	22	24	23
Post-disability maternity	43	48	42	41
Paternity	22	25	21	21
Doctors' appointments	66	67	63	68
Personal business	23	23	23	24
Care of sick child	58	61	58	56
Other	2	2	2	1
Other purposes not allowed	21	17	23	22
Data not available	3	2	2	4

¹ Paid sick leave plans with a specified number of days available each year.

² This total is smaller than the sum of the components because some employees could use sick leave for more than one other purpose.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 29. Sickness and accident insurance: Method of payment, full-time employees, small private establishments, 1994

Method of payment	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with sickness and accident insurance	9,394	1,789	3,111	4,494
	Percent			
Total with sickness and accident insurance	100	100	100	100
Flat dollar amount	14	10	11	18
Flat percent of earnings	82	87	85	78
Percent varies ¹	2	3	1	2
Dollar amount varies ¹	1	1	1	(²)
Other	1	-	1	2
Not determinable	(²)	-	1	(²)

¹ Benefits may vary by earnings, length of service, or length of disability.

² Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 30. Sickness and accident insurance: Fixed percent of earnings amounts, full-time employees, small private establishments, 1994

Fixed percent of earnings	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with fixed percent of earnings benefit	7,709	1,555	2,652	3,502
	Percent			
Total with fixed percent of earnings benefit	100	100	100	100
Less than 50 percent	(¹)	-	(¹)	(¹)
50 percent	45	38	38	53
51 - 59 percent	2	2	1	2
60 percent	15	18	18	12
61 - 69 percent	28	30	31	25
70 percent	8	11	10	6
71 - 79 percent	1	2	1	1
80 percent or more	(¹)	(¹)	1	(¹)
	Average ²			
Average fixed percent of earnings benefit	58	60	59	57

¹ Less than 0.5 percent.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 31. Sickness and accident insurance: Maximum benefits placed on percent of earnings formulas, full-time employees, small private establishments, 1994

Maximum benefit per week	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with percent of earnings benefit	7,857	1,603	2,673	3,581
	Percent			
Number with percent of earnings benefit	100	100	100	100
With maximum	64	67	69	59
Less than \$200	21	19	21	21
\$200 - \$299	5	2	7	5
\$300 - \$399	22	21	23	22
\$400 or more	16	25	17	11
No maximum	33	30	27	38
Not determinable	3	3	4	3
	Average ¹			
Average maximum benefit per week	\$374	\$501	\$374	\$308

¹ The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 32. Sickness and accident insurance: Minimum benefits placed on percent of earnings formulas, full-time employees, small private establishments, 1994

Minimum benefit per week	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with percent of earnings benefit	7,857	1,603	2,673	3,581
	Percent			
Total with percent of earnings benefit	100	100	100	100
With minimum	22	20	24	21
Less than \$50	18	17	19	17
\$50 - \$99	3	2	3	2
\$100 - \$149	2	2	1	2
\$150 or more	(¹)	-	-	(¹)
No minimum	75	77	73	74
Not determinable	4	2	3	4
	Average ²			
Average minimum benefit per week	\$30	\$29	\$29	\$31

¹ Less than 0.5 percent.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 33. Sickness and accident insurance: Type of waiting period, full-time employees, small private establishments, 1994

Waiting period provision	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with sickness and accident insurance	9,394	1,789	3,111	4,494
	Percent			
Total with sickness and accident insurance	100	100	100	100
Waiting period not dependent on sick leave	92	93	89	92
Waiting period begins after sick leave	2	2	3	1
Later of waiting period or sick leave ¹	2	2	3	2
Earlier of waiting period or sick leave ²	1	1	1	1
Not determinable	3	3	3	4

¹ Benefits begin when sick leave is exhausted or the waiting period is completed, whichever is later.

² Benefits begin when sick leave is exhausted or the waiting period is completed, whichever is earlier.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 34. Sickness and accident insurance: Duration of benefits, full-time employees, small private establishments, 1994

Duration of benefits	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with sickness and accident insurance	9,394	1,789	3,111	4,494
	Percent			
Total with sickness and accident insurance	100	100	100	100
Fixed duration	79	85	84	74
Less than 13 weeks	2	2	3	1
13 weeks	12	17	12	11
14 - 25 weeks	3	5	4	3
26 weeks	58	56	61	57
27 - 51 weeks	(¹)	1	(¹)	(¹)
52 weeks	3	4	4	2
Greater than 52 weeks	1	(¹)	(¹)	1
Duration varies	3	1	3	3
Not determinable	18	15	13	23
	Average ²			
Average benefit duration (in weeks)	25	24	25	25

¹ Less than 0.5 percent.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 35. Sickness and accident insurance: Eligibility requirements, full-time employees, small private establishments, 1994

Eligibility requirement	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with sickness and accident insurance	9,394	1,789	3,111	4,494
	Percent			
Total with sickness and accident insurance	100	100	100	100
With service requirement	48	48	50	46
1 month	22	20	25	21
2 months	4	6	3	4
3 months	14	16	14	13
4 - 5 months	1	-	1	1
6 months	4	4	4	5
12 months	3	3	3	2
Greater than 12 months	(¹)	(¹)	-	-
No service requirement	28	28	31	26
Not determinable	24	24	18	28
	Average ²			
Average service requirement (in months)	2.8	3.1	2.8	2.8

¹ Less than 0.5 percent.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 36. Long-term disability insurance: Summary of provisions, full-time employees, small private establishments, 1994

Provision	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with long-term disability insurance	7,326	2,383	3,085	1,858
	Percent			
Total with long-term disability insurance	100	100	100	100
Benefits based on fixed percent of earnings	97	96	97	99
Benefits subject to disability income limit	28	30	31	21
Duration of benefits varies by age	60	62	65	48
With coverage for mental illness	68	69	76	55
With survivor benefits	41	43	45	34
With required employee contribution	17	13	20	16

Table 37. Long-term disability insurance: Benefit waiting period,¹ full-time employees, small private establishments, 1994

Length of waiting period	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with long-term disability insurance	7,326	2,383	3,085	1,858
	Percent			
Total with long-term disability insurance	100	100	100	100
Fixed duration	92	92	91	93
Less than 3 months	5	7	6	2
3 months	44	47	45	39
4 - 5 months	2	1	3	1
6 months	37	32	33	49
Greater than 6 months	4	5	4	2
Expiration of short-term disability benefits	3	2	4	3
Other	3	4	2	1
Not determinable	2	2	2	3
	Average ²			
Average fixed duration (in months)	4.5	4.4	4.4	4.7

¹ Length of time between onset of disability and beginning of long-term disability insurance payments.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 38. Long-term disability insurance: Method of payment, full-time employees, small private establishments, 1994

Method of payment	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with long-term disability insurance	7,326	2,383	3,085	1,858
	Percent			
Total with long-term disability insurance	100	100	100	100
Fixed percent of earnings	97	96	97	99
Less than 50 percent	(¹)	(¹)	1	(¹)
50 percent	5	5	5	7
51 - 59 percent	(¹)	(¹)	(¹)	1
60 percent	72	68	74	75
61 - 66 percent	1	1	1	(¹)
67 percent	16	16	15	15
68 - 69 percent	(¹)	1	(¹)	-
70 percent	3	4	2	2
Greater than 70 percent ...	(¹)	(¹)	(¹)	-
Percent varies by earnings ...	1	(¹)	1	(¹)
Percent varies by service	(¹)	(¹)	1	-
Flat dollar amount	1	2	(¹)	1
Dollar amount varies	1	1	(¹)	-
	Average ²			
Average fixed percent of earnings	60.9	61.3	60.8	60.5

¹ Less than 0.5 percent.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 39. Long-term disability insurance: Maximum benefits¹ based on percent of earnings formulas, full-time employees, small private establishments, 1994

Maximum benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with percent of earnings benefit	7,215	2,306	3,064	1,845
	Percent			
Total with percent of earnings benefit	100	100	100	100
With maximum	83	80	86	81
Flat maximum per month ..	83	80	86	81
\$2,000 or less	8	3	5	21
\$2,001 - \$3,000	11	13	13	7
\$3,001 - \$4,000	2	1	2	2
\$4,001 - \$5,000	27	28	29	22
\$5,001 - \$7,500	10	9	12	9
\$7,501 - \$10,000	18	21	19	15
\$10,001 or more	6	5	7	5
No maximum	17	20	14	19
	Average ²			
Average flat maximum benefit (per month)	\$6,417	\$6,621	\$6,838	\$5,425

¹ Excludes limits on all disability income, which restrict long-term disability insurance payments if income from all sources exceeds a specified amount.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 40. Long-term disability insurance: Limits on all disability income,¹ full-time employees, small private establishments, 1994

Disability income limit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with long-term disability insurance	7,326	2,383	3,085	1,858
	Percent			
Total with long-term disability insurance	100	100	100	100
With disability income limit	28	30	31	21
Fixed percent of earnings	12	12	15	6
Less than 70 percent	1	1	2	(²)
70 percent	5	3	7	3
Greater than 70 percent	6	9	6	3
Benefits cease when they exceed a specified percent of earnings	16	17	15	15
Flat dollar amount	(²)	1	(²)	-
No disability income limit	40	43	42	34
Not determinable	31	28	27	45
	Average ³			
Average fixed percent of earnings disability income limit	81.0	83.5	79.2	81.4

¹ Limit on income during disability from all sources, including long-term disability insurance, Social Security, and pension benefits.

² Less than 0.5 percent.

³ The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 41. Long-term disability insurance: Duration of payments, full-time employees, small private establishments, 1994

Duration	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with long-term disability insurance	7,326	2,383	3,085	1,858
	Percent			
Total with long-term disability insurance	100	100	100	100
For life	2	2	3	2
Until a specified age	16	15	12	25
Until retirement	6	7	4	7
Varies by age, ¹ one change	3	4	4	2
Varies by age, ¹ gradual change	56	58	61	46
Varies by other than age	(²)	-	1	-
Other	2	5	2	-
Not determinable	13	9	13	19

¹ The duration of benefits may be reduced gradually according to a schedule or once at a specified age.

² Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 42. Long-term disability insurance: Eligibility requirements, full-time employees, small private establishments, 1994

Length of service requirement	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with long-term disability insurance	7,326	2,383	3,085	1,858
Percent				
Total with long-term disability insurance	100	100	100	100
With service requirement	60	54	62	65
1 month	26	24	29	26
2 months	3	4	2	2
3 months	17	13	17	23
4 - 5 months	(¹)	(¹)	1	(¹)
6 months	8	7	8	9
12 months	6	6	5	6
Greater than 12 months	(¹)	-	(¹)	1
Other	(¹)	(¹)	(¹)	-
No service requirement	30	33	30	26
Not determinable	9	13	7	9
Average ²				
Average service requirement (in months)	3.7	3.4	3.5	4.2

¹ Less than 0.5 percent.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 43. Long-term disability insurance: Survivor benefits, full-time employees, small private establishments, 1994

Survivor provision	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with long-term disability insurance	7,326	2,383	3,085	1,858
Percent				
Total with long-term disability insurance	100	100	100	100
With survivor benefits	41	43	45	34
Lump sum payment	33	38	37	23
Other	8	5	8	12
No survivor benefits	29	31	32	23
Not determinable	29	26	24	43

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 44. Long-term disability insurance: Coverage for mental illness, full-time employees, small private establishments, 1994

Mental illness provision	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with long-term disability insurance	7,326	2,383	3,085	1,858
Percent				
Total with long-term disability insurance	100	100	100	100
With coverage for mental illness	68	69	76	55
No limit	19	22	19	17
Coverage only if institutionalized	1	(¹)	1	-
Duration of coverage limited unless institutionalized	44	44	51	34
Less than 24 months	1	(¹)	1	-
24 months	43	43	49	34
Greater than 24 months	1	1	1	-
Duration of coverage limited	4	4	5	4
24 months	4	4	5	4
No coverage for mental illness	1	1	1	(¹)
Not determinable	31	29	24	45

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Chapter 4. Medical, Dental, and Vision Care

Medical Care

Medical care benefits are provided to a large majority of full-time employees in small private establishments. The Employee Benefits Survey covers a number of medical care benefit provisions including:

- Required employee contributions,
- Types of plans,
- Coverage for hospitalization and surgery,
- Plan cost containment features,
- Prescription drug benefits,
- Mental health and substance abuse treatment benefits,
- Coverage for retired workers.

These topics are discussed throughout this chapter.

Employee contributions

Most full-time participants have to pay part of the cost for their medical benefits—whether for individual or family coverage (tables 45-47). As tracked by the Employee Benefits Survey, the percentage of participants required to contribute toward their coverage, and the required contribution, have steadily increased over the past several years.

Employees required to contribute toward the cost of their medical care coverage may be given the opportunity to do so with pretax dollars. These employees have the advantage of reducing their taxable income when purchasing medical coverage. Pretax contributions may be required or optional, and they may be offered as part of a flexible benefits arrangement. (For definition, see chapter 8.)

Type of medical care plans

Full-time workers with medical benefits are covered by one of three major types of plans—a traditional fee-for-service plan, a preferred provider organization (PPO), or a health maintenance organization (HMO) (table 48). These plans represent differences in fee arrangements, that is, the method of selecting medical service providers and paying for care.

Fee-for-service plans—this fee arrangement allows patients to choose any provider and pay for specific medical procedures as expenses are incurred. There are generally

three arrangements for financing plan benefits: Self-insured plans, commercially insured plans, and Blue Cross/Blue Shield plans. Under self-insured plans, the plan sponsor—typically the employer—bears the financial risk of paying for covered medical services. Commercially insured plans and Blue Cross/Blue Shield plans cover most of the other fee-for-service participants. In addition, a small proportion of fee-for-service participants have their benefits financed by more than one source.

Establishments that self-insure their medical care benefits may enter into an “administrative services only” contract with a third party to pay claims and handle other administrative details. In such a case, the employer is still responsible for financing all medical care claims. Another arrangement available to self-insured plans is a minimum premium plan, which is insurance coverage to pay claims above a specified amount. Such arrangements limit the employer’s liability in the case of catastrophic expenses.

PPO’s, which have become widespread since first studied in the Employee Benefits Survey of medium and large private establishments in 1986, offer a higher level of reimbursement for services rendered by designated health care providers (such as hospitals and physicians), although participants are free to choose any provider. Designated providers agree in advance to a given fee schedule.

Financing arrangements for PPO’s are similar to those used for fee-for-service plans. Typically, PPO’s are financed through a commercial insurer, a Blue Cross/Blue Shield organization, or are self-insured.

PPO’s can be considered a type of fee-for-service plan because care providers are not reimbursed until services are performed. In this way, fee-for-service plans and PPO’s can be contrasted with HMO’s (described below), which prepay providers a fixed amount for services performed over a given time period. Throughout this chapter, features found in HMO’s are contrasted with those found in both fee-for-service plans and PPO’s.

HMO’s, another arrangement that increased enrollment during the 1980’s, provide a prescribed set of benefits to enrollees for a fixed payment. The HMO thus bears the risk associated with delivering care.⁷ Commonly, HMO’s are

⁷ For a more detailed discussion on HMO’s, see Thomas P. Burke and Rita S. Jain, “Trends in Employer-Provided Health Care Benefits,” *Monthly Labor Review*, February 1991, pp.24-30.

classified as either group/staff, with services provided in central facilities, or as individual practice associations (IPA's), with providers working from their own offices.

HMO's may be financed through independent organizations, commercial insurers, or Blue Cross/Blue Shield organizations. Independent organizations, such as Kaiser Permanente, are most prevalent.

An alternative method of categorizing medical care plans is to determine whether or not participants have a "point-of-service" option. In such plans, participants can use care providers within or outside a given network, although reimbursement of expenses is less if participants do not use network providers. "Point-of-service" plans include all participants in PPO's and a few workers enrolled in HMO's that have an open enrollment option. Such an option allows patients to receive services from a non-HMO provider at a lower reimbursement than if care is received from the designated HMO provider.

Fee-for-service plans

Fee-for-service plans allow patients to choose their own providers and reimburse the patient or the provider after services are received. Benefits are typically subject to limitations that apply to many or all services, including deductibles, coinsurances, out-of-pocket expense limits, and plan maximums. These limitations come under the major medical coverage of the plan.

Generally, fee-for-service plans require a participant to meet a specified deductible before eligibility for benefit payments. This approach is designed to discourage unnecessary use of medical services. Deductibles are typically specified as an annual flat-dollar amount, such as \$100 or \$200 per individual.

When medical care plans cover an employee and family, a family deductible is often specified in addition to individual deductibles. There are two general types of family deductibles. In the first type, the deductible is a flat-dollar amount for the year. To satisfy this deductible, one family member must meet an individual deductible, then another family member or a combination of family members must meet the remaining amount of the family deductible. In the second type, the plan specifies the number of family members (usually 2 or 3) required to meet individual deductibles. After the required number of family members meet individual deductibles, no additional individual deductibles are required during that year.

Once the deductible has been met, a plan almost always pays a specified percentage of covered medical expenses, with the employee paying the remainder (coinsurance). Plans usually pay 80 percent of expenses; other plans may pay 90 percent. Alternatively, plans may have a different coinsurance rate for certain services, such as hospital room and board and outpatient surgery. For these services, the plan usually pays a higher percent of expenses, often 100 percent.

Generally, full-time participants in fee-for-service plans

have their coinsurance increased to 100 percent after they pay out a specified dollar amount for covered expenses, for example, an annual *out-of-pocket expense limit* of \$1,500 per individual. Frequently, out-of-pocket expense limits are also specified for family expenses. As used here, the term "out-of-pocket expense limit" refers to the coinsurance amount paid by a plan participant. A deductible, if required, is an additional expense the participant must pay.

A plan's out-of-pocket expense limit protects the participant from catastrophic medical expenses. For example, assume a plan has a \$250 annual deductible and then pays 80 percent of medical expenses up to an out-of-pocket expense limit of \$2,000, above which, the plan's share of expenses rises to 100 percent. In this case, the employee would pay the first \$250 of expenses—the deductible—and \$2,000 (20 percent) of the next \$10,000 of expenses—coinsurance. Covered expenses above that amount would be paid in full by the plan.

Fee-for-service plans typically place a ceiling on the amount payable by the plan, usually a lifetime maximum. A maximum of \$1 million is common.

Preferred provider organizations

In a preferred provider organization, participants are provided medical services at a higher level of reimbursement if they receive care from designated hospitals, physicians, laboratories, or dentists. Individuals may choose their own provider; however, typically the enrollee gets reimbursed at a lower level.

In PPO's, like fee-for-service plans, benefits are typically subject to limitations including deductibles, coinsurances, out-of-pocket expense limits, and plan maximums that apply to many or all services. These limitations can differ depending upon whether or not care is provided by a designated provider. For example, assume that an individual's total covered medical expenses are \$3,600 in one year. When care is provided within the PPO network, the plan pays 90 percent of expenses, or \$3,240. When care is provided outside the PPO network, the plan imposes a \$100 a year deductible and reimburses 80 percent of the remaining expenses. Thus, outside the PPO network the plan pays only \$2,800 of the expenses.

PPO's may also vary the way payments are made, based on the provider used. For example, services received from non-network providers may be subject to a plan deductible and coinsurance. Network services, alternatively, may be subject only to a small copayment, such as \$10 per office visit or \$5 per prescription. The remaining cost of such services is borne by the plan.

Health maintenance organizations (HMO's)

Health maintenance organizations provide a fixed set of medical benefits for a prepaid fee. Generally, medical services are either covered in full or require patients to pay a minimal copayment. Typical copayments are \$5 or \$10 per physician's office visit or \$5 or more per out-of-hospital prescription drug.

HMO's are unique in that they encourage preventive care, including physical examinations, vision screening, hearing care, well baby care, and immunization and inoculation. A large majority of HMO participants are in federally qualified plans; Federal qualification provides advantages when soliciting new participants. HMO's must provide a minimum group of benefits, such as home health care, well baby care, and hearing care, to become federally qualified.

Cost containment

In addition to data on the extent of coverage for specific medical services, the survey captures the details of medical plans with either benefit management programs, managed care plans, or review boards. These programs help make sure that the services rendered are medically necessary and are provided in the most appropriate health care setting.

Generally, medical care participants have some "managed care" provision available to them. This includes all participants in HMO and PPO plans, in which the plans manage care by directing patients to specific providers or services. In addition, many fee-for-service participants are in plans with at least one managed care feature. These could include preadmission certification for hospitalization, pre-admission testing, and mandatory second surgical opinion.

Some advanced managed care programs may consist of four or more features. These often include preadmission review of all hospital admissions for nonemergency or nonmaternity care, concurrent review to monitor care while hospitalized, discharge planning to coordinate a continued course of treatment in more appropriate health care settings, and mandatory second surgical opinions for selected procedures.

Among the features studied, some plans have their care subject to utilization review. This is the process of reviewing the appropriateness and quality of care provided to patients. A higher level of reimbursement for prehospitalization testing, a means of decreasing the length of hospitalization, is also evident.

Some managed care programs consist of only one or two cost containment provisions, such as mandatory second surgical opinions and preadmission certification before being admitted to a hospital (except in cases of emergency). Other cost containment features in fee-for-service plans include incentives for the employee to audit hospital bills and incentives for child deliveries in lower cost birthing centers, rather than in hospitals.

Medical care plans can also require a separate deductible for hospital admission to discourage unnecessary hospitalization. These deductibles often are between \$100 and \$300 per hospital admission.

In fee-for-service plans, second surgical opinion provisions generally apply to inpatient surgical benefits. Plan enrollees frequently receive lower levels of reimbursement if they do not obtain second opinions.

By their very nature, HMO's emphasize preventive, cost efficient medical care. Built-in forms of utilization review,

including second surgical opinions, are automatically provided.

Hospital coverage

Medical plan enrollees covered by the survey routinely have coverage for hospital room and board charges. (Coverage also extends to "miscellaneous" charges while hospitalized, such as routine nursing care, prescription drugs, and surgical dressings.) Many plans cover hospital room and board expenses at a percentage of the semiprivate room rate, frequently 80 percent. In these types of plans, the individual is typically subject to a yearly deductible before the percentage rate can go into effect. Other plans either have hospital room and board expenses covered at the full semiprivate room rate for a specified period of confinement (usually 365 days), followed by a percentage of the semiprivate room rate, or reimburse expenses at the full semiprivate room rate for an unlimited number of days without being subject to either a deductible or dollar maximum.

Significant differences in hospital room and board coverage are evident by type of medical care provider. Although HMO's tend to cover hospital room and board in full without any limitations, non-HMO plans tend not to. When there is a limit on room and board in HMO's, it is usually a copayment per admission, often between \$100 and \$300.

Variations in coverage by type of medical care provider for hospital stays, as well as other categories of care, can affect the enrollees' out-of-pocket expenses. Non-HMO plan participants generally pay a higher percentage of total health care expenses than HMO participants.⁸

Alternatives to hospitalization

To help hold down the costs of medical care, plans most often provide coverage for less expensive alternatives to a hospital stay. These alternatives include extended care facilities, home health care, and hospices. Coverage patterns typically differ between HMO and non-HMO participants.

Extended care facilities provide skilled nursing care, rehabilitation, and convalescent services to patients requiring less intensive treatment than that provided in a hospital. HMO's and non-HMO's can provide coverage for stays in extended care facilities. Plans, especially non-HMO's, often limit the duration of stays in extended care facilities. Under non-HMO's, coverage commonly is limited to 60 or 120 days per confinement. When coverage is limited under HMO's, it is frequently 100 days per year.

Home health care provides skilled nursing and related care to patients in their own homes. Home health care benefits are provided to virtually all HMO participants, less often to non-HMO participants. The higher incidence of coverage for home health care benefits in HMO's relates

⁸ For more information regarding out-of-pocket expenses for medical services, see Allan P. Blosin, Robert B. Grant, and William J. Wiatrowski, "Employee Payments for Health Care Services," *Monthly Labor Review*, November 1992, pp. 17-32.

to the fact that federally qualified HMO's must provide this benefit. The vast majority of HMO participants in the survey belong to federally qualified plans. When home health care benefits are provided in HMO's, coverage is typically unlimited. The most common type of restriction placed on home health care is duration of visits, with 100 visits per year a frequent limit.

Another expanding alternative to hospitalization is hospice care. A hospice offers nursing care and psychological support to terminally ill patients—usually defined as having 6 months or less to live—and to their families. Plans often place ceilings on maximum dollar amounts payable during a hospice stay. Medical care plans cover hospice care less often than other alternatives to hospitalization.⁹

Surgical coverage

Medical plans base payments for in-hospital surgery on the “usual, customary, and reasonable” (UCR) charges for the specific procedure performed.¹⁰ In-hospital surgical benefits, as is true with hospitalization, are typically covered at a specified percentage rate, usually after any required over-all plan deductible. Commonly, participants are covered at 80 percent of the UCR charges. Others are covered for the full UCR charges or according to a schedule establishing a maximum amount payable for each procedure. Charges exceeding the scheduled maximums, however, are generally covered, subject to the plan's overall deductible and coinsurance.

Medical plans usually cover outpatient surgery the same way as in-hospital surgery, whether in full, a percent of UCR charges, or subject to a schedule of maximum payments. For HMO enrollees, both inpatient and outpatient surgery normally are covered in full.

With the steady rise in costs of medical care, health care insurers are encouraging enrollees to substitute less expensive outpatient services, such as outpatient surgery, for inpatient hospital services. To encourage the use of outpatient surgery, non-HMO's may provide higher reimbursement rates over those provided for inpatient surgery.¹¹

Plans with surgical benefits generally require enrollees to satisfy a deductible for in-hospital procedures. When outpatient surgery is needed, however, a deductible requirement is somewhat less common. Generally, when deductibles do not apply for in-hospital surgery, they do not apply for outpatient procedures either.

⁹ For a more detailed discussion on alternatives to hospitalization, see Thomas P. Burke, “Alternatives to Hospital Care under Employee Benefit Plans,” *Monthly Labor Review*, December 1991, pp. 9-15.

¹⁰ The “usual, customary, and reasonable” charge is defined as being not more than the physician's usual charge; within the customary range of fees charged in the locality; and reasonable, based on the medical circumstances.

¹¹ For more information on incentive for outpatient surgery, see Robert B. Grant, “Outpatient Surgery: Helping to Contain Health Care Cost,” *Monthly Labor Review*, November 1992, pp. 33-36.

Outpatient physicians visits and diagnostic services

Generally, health care participants have coverage for physicians' visits and diagnostic x-ray and laboratory tests (DXL). Expenses for physicians' office visits and DXL are generally covered as a percentage of usual, customary, and reasonable charges and are subject to an annual deductible and a lifetime maximum benefit.

Notable differences in physicians' office visits are evident by type of medical care provider. Although HMO's typically require copayments for office visits, copayments are not the norm in non-HMO plans. When copayments are required under non-HMO's, they are usually under PPO's. Copayments for office visits in HMO and PPO plans are usually minimal, such as \$5 and \$10 per visit.

Prescription drug benefits

Virtually all participants in medical plans have coverage for prescription drugs. Inpatient prescription drugs are covered under hospital miscellaneous services, generally in the same fashion as room and board charges. Outpatient prescription drugs are covered under separate provisions of the medical plan.

Coverage for outpatient prescription drugs differs by type of medical plan. Usually, in non-HMO plans, outpatient prescription drugs are covered under the major medical plan limitations; that is, before any benefits are provided, the participant has to meet a yearly deductible. Services are then covered at the applicable coinsurance rate. However, in HMO's, prescriptions are usually subject to a minimal copayment, for example \$5 or \$10 per prescription. It is rare to have prescription drugs covered in full by either HMO's or non-HMO's.

Perhaps due to the rapidly rising cost of prescription drugs, medical care plans are turning to a variety of alternatives to lower both plan and patient costs. These alternatives include:

- Encouraging patients to have pharmacies substitute less expensive generic drugs for brand-name drugs;
- Setting up mail order programs for drugs needed on a routine basis;
- Establishing relationships between plans and selected pharmacies to provide drugs at lower cost.

Pharmacies can often fill a prescription using either a brand name drug or a generic drug. Participants may receive higher reimbursement for obtaining generic rather than brand name prescription drugs, when generic drugs are available. Generic drugs cost less than brand name drugs.

Mail order drug programs are also often available to participants with prescription drug coverage. These programs supply drugs for maintenance purposes, that is, drugs required on a continuous basis. In such arrangements, participants often receive a higher reimbursement or pay less

for mail order drugs than for drugs purchased directly from a pharmacy.

Some participants may receive higher reimbursements if prescriptions are filled at certain pharmacies with discount policies. The plan providers negotiate the price of prescriptions with the pharmacies, usually at cost plus minimal dispensing fees. Group HMO plans normally have an in-house pharmacy, where minimal copayments are required for prescriptions. IPA HMO plans, on the other hand, might be affiliated with “discount” pharmacies, that also provide prescriptions with minimal copayments.¹²

Mental health coverage and substance abuse treatment

Mental health coverage, though available to nearly all participants, generally is subject to more restrictive limitations than other illnesses. Medical care plans with mental health benefits generally also have more restrictive hospital coverage for mental illness than for other ailments. Plans commonly limit the duration of hospital stays (often to 30 or 60 days per year for mental health care, compared to 365 days per confinement, or unlimited days for other illnesses) and frequently impose a separate, lower dollar maximum on covered hospital expenses (such as a lifetime maximum of \$50,000 on all mental health benefits).

Even more restrictive is coverage for mental health care outside the hospital (psychiatric office visits). Limits for outpatient care are the norm for participants with mental health care coverage. Outpatient mental health care is commonly covered for fewer visits per year than other outpatient services, and it is subject to maximum dollar limits on annual payments. Plans also frequently cover such care at a coinsurance rate of 50 percent rather than the usual 80 percent paid by plans for other illnesses. In addition, expenses for outpatient mental health care often cannot be used to meet the employee’s maximum out-of-pocket expense limit. Reimbursement for these expenses thus does not increase to 100 percent even when the out-of-pocket expense limit is met.¹³

Alcohol and drug abuse treatment benefits are common for medical participants. Generally, alcohol abuse treatment benefits are the same as benefits for drug abuse treatment. Benefits provided under substance abuse care include both detoxification and rehabilitation. Detoxification involves supervised care by medical personnel designed to reduce or eliminate the symptoms of chemical dependency. Rehabilitation provides a variety of services (generally provided once a person completes detoxification) intended to alter the behavior of substance abusers.

Virtually all participants covered by alcohol abuse treat

¹² For a more comprehensive discussion on prescription drug coverage, see Cathy Baker and Natalie Kramer, “Employer-Sponsored Prescription Drug Benefits,” *Monthly Labor Review*, February 1991, pp. 31-35

¹³ A detailed examination of mental health care provisions in employer-provided health care plans is provided by Allan P. Blosin in “Mental Health Benefits Financed By Employers,” *Monthly Labor Review*, July 1987, pp. 23-27.

ment benefits are eligible for inpatient (in-hospital) detoxification, and, can also receive inpatient rehabilitation coverage. Detoxification is considered medically necessary, and thus nearly all medical plans include it. There is a greater tendency to exclude inpatient rehabilitation, because it requires less constant and less immediate care. Outpatient alcohol abuse treatment, generally rehabilitative care, is available to most participants with alcoholism coverage. Coverage patterns are similar for drug abuse treatment benefits.

As is the case with mental health care, plans are more restrictive in covering substance abuse treatment than other illnesses.¹⁴ Participants are more likely to have inpatient detoxification treated the same as any other inpatient confinement than to have inpatient rehabilitation or outpatient care covered the same as any other illness. Limitations for substance abuse treatment commonly include:

- Restrictions on the number of days of inpatient hospital care per year;
- Restrictions on the number of outpatient visits per year;
- Reduced coinsurance levels for outpatient treatment;
- Employee’s share of the cost of outpatient care not included in out-of-pocket expense limit;
- Maximum dollar amounts per year or per lifetime.

A typical limit on inpatient care is 30 days per year. Similarly, outpatient care might be restricted to 20 or 30 visits per year at a coinsurance rate of 50 percent. In non-HMO plans, payments often are limited to a dollar maximum for both inpatient and outpatient care, with \$50,000 per lifetime a common limit. Limitations on days and dollars often are combined for alcohol and drug abuse care.¹⁵ For example, plans often limit coverage to 30 days per year and to \$50,000 per lifetime for both alcohol and drug abuse treatment.

HMO’s frequently impose limits on the number of days of both inpatient and outpatient substance abuse treatment. In addition, an HMO may require a small copayment for outpatient visits, such as \$20 per visit.

Other medical benefits

The survey also captures data on the incidence of several other services provided through medical care plans. For example, some plans cover at least part of the costs for routine physical examinations and for well-baby care. HMO’s

¹⁴ The designation of substance abuse coverage as more restrictive than that for other illnesses results from a comparison of types of coverage. For instance, if a plan limits inpatient substance abuse care to 30 days per year but the limit on inpatient care of any other illness exceeds 30 days per year, that plan contains separate, more restrictive, limit.

¹⁵ For more detailed discussion of employer-provided substance abuse coverage, see Marc E. Kronson, “Substance Abuse Coverage Provided by Employer Medical Plans,” *Monthly Labor Review*, April 1991, pp. 3-10. In addition, see *Substance Abuse Provisions in Employee Benefit Plans*, Bulletin 2412 (Bureau of Labor Statistics, August 1992)

and immunizations and inoculations. HMO's must include these benefits to quality under the Health Maintenance Organization Act of 1973, as amended.¹⁶

Pre-existing condition limitation

Plans may impose restrictions on care provided to individuals who join a plan with a "pre-existing condition." This is a medical condition that existed prior to the individual being covered by the plan. Among the possible restrictions imposed are a limit on the amount the plan will pay for treatment of the condition or a specified time period after joining the plan during which no payment will be made for treatment of the condition.

Coverage for retired workers

Although the Consolidated Omnibus Budget Reconciliation Act of 1985 requires employers to continue health care benefits for employees who are retired, laid off, or otherwise separated from employment, workers may be charged all of the premium costs at group rates. In addition, the continuation period stipulated by the law is limited.¹⁷ The survey of small private establishments focuses on coverage for retired employees that are financed wholly or partly by the employer.

Full-time medical care participants in the survey may work for employers who finance, at least in part, medical care protection after retirement (tables 49-50). These workers are usually in plans that provide postretirement coverage regardless of their age. Retirees are typically covered by the same plan as active employees, although benefits are coordinated with Medicare once a retiree reaches age 65. It is more likely for the coverage to be partly paid by the retiree than to be wholly employer financed.

Dental Care

Dental care benefits often are available to full-time employees in small private establishments. Dental care may be offered as a part of a comprehensive medical and dental plan, or as a separate plan in addition to medical coverage. Often, employers offer a series of medical plans from which employees may choose, as well as a separate dental plan that can accompany any medical plan.

When a single plan includes dental benefits together with medical care benefits, it is not possible to distinguish which portion of the employee's contribution, if applicable, goes toward dental coverage. Therefore, employee contribution data are examined in stand-alone dental plans, that is, those that offer dental benefits separately from medical plans.

¹⁶Under this act, an HMO must provide certain coverage, such as home health care, physical examinations, and children's eye and ear examinations. Under certain circumstances, employers may be required to offer employees medical care coverage through federally qualified HMO's.

¹⁷The act requires employers who maintain health insurance plans to continue coverage to terminated workers for up to 18 months. Workers may be charged up to 102 percent of the premium cost. Based on a 1989 change to this law, employees disabled at the time of termination can have benefits continued for up to 29 months, and can be charged up to 150 percent of the premium cost after 18 months.

When such plans require an employee contribution, that contribution is typically a flat amount—for example, \$5 per month for individual coverage and \$10 per month for family coverage.

Generally, participants covered by dental care plans receive benefits through a fee-for-service plan, which reimburses patients or providers only after services are received (table 51). The remaining participants have their dental benefits provided through either a health maintenance organization or a preferred provider organization.

Dental plans cover preventive and restorative services. Preventive care typically includes dental examinations, prophylaxis (cleaning), and x rays. Restorative procedures include fillings, periodontal care, endodontic care, prosthetics, and crowns. Periodontal care is the treatment of tissues and bones supporting the teeth. Endodontics involves the treatment of the tooth pulp, such as root canal work. Prosthetics deals with the construction and fitting of bridges and dentures.

Orthodontic care, including straightening teeth and maintaining proper spacing of teeth, is covered less often by dental plans than are other procedures. In addition, plans frequently limit orthodontic coverage to dependent children only.

There are four methods used by dental care plans to cover dental services:

- Plan pays a percent of dental charges;
- Plan pays up to a specified dollar amount per procedure;
- Plan requires patient to pay an initial copayment, after which the plan pays additional charges;
- Plan pays a varying percent of dental charges, based on a patient's past use of dental services.

Dental payments typically are based on a proportion of the usual, customary, and reasonable charge for a procedure. The proportion covered by a plan often depends on the type of procedure performed. Less costly procedures such as examinations and x rays may be covered at 100 percent. Fillings, surgery, endodontics, and periodontics are more likely to be covered at 80 percent. The most expensive procedures—crowns, prosthetics and orthodontia—often are covered at 50 percent of the usual, customary, and reasonable charge.

Some dental plan participants are offered reimbursement based on a schedule of cash allowances. This is more common for restorative services, such as fillings, crowns, and endodontics, than for preventive services. In this type of arrangement, each procedure is subject to a specified maximum dollar amount that the plan will pay to the participant or the dentist. Orthodontic care is not normally subject to this type of schedule.

Generally, dental plans do not require copayments or have their payments based on incentive schedules, that is, the percent of dental expenses paid by the plan increases each

year if the participant gets regular dental examinations.

Frequently, plans specify a deductible amount before any dental benefits are paid by the plan. Deductibles, such as \$25 and \$50 per year, often apply. Other plans can require the participant to pay a one-time deductible (like \$50), rather than a yearly deductible. Deductibles are common for restorative services, and less common for preventive services and orthodontia. Plans frequently limit the amount of payment each year by specifying an annual maximum benefit, for example, \$1,000 per year. Benefits for orthodontic services often are subject to a separate lifetime maximum, commonly ranging between \$1,000 and \$1,500.¹⁸

As a cost containment technique, many dental participants are in plans that require participants to obtain authorization from the plan before undergoing expensive treatment. Commonly, procedures costing \$200 or more are subject to advance authorization.

Vision Care

Vision care coverage, when available, is typically provided through a fee-for-service plan. Vision benefits may

¹⁸ For more details on dental care benefits, see Rita S. Jain, "Employer-Sponsored Dental Insurance Eases The Pain," *Monthly Labor Review*, October 1988, pp. 18-23.

also be available through an HMO or a PPO, which restrict the providers available to participants (table 52).

Vision benefits cover eyeglasses, and, with few exceptions, eye examinations. Coverage for contact lenses is somewhat less extensive. To be included in the survey, vision plans must cover contact lenses for cosmetic reasons. Plans that provide coverage limited to medically necessary contact lenses are not included in the survey.

Participants with vision care coverage generally have limits placed on their benefits.¹⁹ Typically, coverage for eyeglasses and contact lenses are subject to scheduled dollar allowances. For eyewear, other plans require an employee copayment or offer a discount on the purchase of eyeglasses and contact lenses at specified locations. Eye examinations are commonly subject to either a dollar maximum per visit, or the participant is required to pay a small copayment per visit.

¹⁹ For more details on vision care benefits, see Rita S. Jain, "Employer-Sponsored Vision Care Brought Into Focus," *Monthly Labor Review*, September 1988, pp. 19-23.

Table 45. Medical care benefits: Requirements for employee contributions, by type of funding arrangement, full-time employees, small private establishments, 1994

Contributory status	All employees			Professional, technical, and related employees			Clerical and sales employees			Blue-collar and service employees		
	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans
Number (in thousands) with single coverage for medical care	23,536	18,951	4,586	5,262	4,231	1,031	8,168	6,611	1,557	10,106	8,109	1,998
Number (in thousands) with family coverage for medical care	20,997	16,829	4,169	4,602	3,675	927	7,195	5,793	1,401	9,201	7,361	1,840
	Percent											
Single coverage												
Total with single coverage for medical care	100	100	100	100	100	100	100	100	100	100	100	100
Employee contributions not required	46	46	44	48	49	44	43	43	40	47	47	47
Employee contributions required	52	52	56	50	49	54	55	54	60	51	51	53
Not determinable	2	2	1	3	3	3	2	2	(¹)	2	2	-
Family coverage												
Total with family coverage for medical care	100	100	100	100	100	100	100	100	100	100	100	100
Employee contributions not required	19	21	14	17	18	12	15	16	13	24	26	16
Employee contributions required	75	73	79	76	75	80	79	78	83	70	69	75
Not determinable	6	6	7	7	6	8	6	6	4	6	6	9

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 46. Medical care benefits: Amount and type of employee contribution for individual coverage,¹ full-time employees, small private establishments, 1994

Type and amount of contribution	All employees			Professional, technical, and related employees			Clerical and sales employees			Blue-collar and service employees		
	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans
Number (in thousands) with contributory coverage	12,318	9,765	2,553	2,621	2,068	553	4,510	3,577	933	5,188	4,120	1,068
	Percent											
Total with contributory coverage	100	100	100	100	100	100	100	100	100	100	100	100
Flat monthly amount	72	68	84	67	62	83	70	66	86	75	74	82
Less than \$5.00	1	1	(²)	(²)	(²)	1	1	1	-	1	1	-
\$5.00 - \$9.99	3	4	1	2	2	1	2	3	1	5	6	(²)
\$10.00 - \$14.99	6	7	2	6	6	5	5	6	1	8	9	2
\$15.00 - \$19.99	6	6	4	4	4	2	4	4	5	8	9	3
\$20.00 - \$29.99	14	14	13	9	10	7	16	16	14	15	15	15
\$30.00 - \$39.99	13	13	11	13	13	14	12	13	9	13	14	10
\$40.00 - \$49.99	8	5	19	9	7	19	8	7	13	7	2	24
\$50.00 - \$59.99	8	8	11	8	8	10	10	8	17	7	8	5
\$60.00 - \$69.99	3	2	7	3	2	8	3	2	7	3	3	6
\$70.00 - \$79.99	2	1	6	3	1	9	3	2	4	2	1	7
\$80.00 - \$89.99	1	(²)	4	1	1	2	1	(²)	4	1	(²)	6
\$90.00 - \$99.99	2	1	2	3	3	4	1	1	2	1	1	1
\$100.00 - \$124.99	2	1	4	1	1	1	3	2	7	1	1	2
\$125.00 or greater	2	2	-	3	4	-	1	1	-	2	3	-
Composite rate ³	10	11	7	11	13	5	11	13	4	8	8	9
Amount varies by employee option ⁴	9	11	4	11	13	5	10	11	5	7	8	1
Amount varies by earnings ...	1	1	2	1	(²)	2	(²)	(²)	1	2	2	3
Other	2	2	2	4	4	4	2	2	2	2	2	2
Contribution not determinable	6	7	2	6	7	1	6	7	2	5	6	3
	Average ⁵											
Average flat monthly contribution	\$40.97	\$38.52	\$48.62	\$46.83	\$46.41	\$47.99	\$40.98	\$37.77	\$50.43	\$38.35	\$35.77	\$47.31

¹ Plans providing services or payments for services rendered in the hospital or by a physician. Excludes plans that provided only dental, vision or prescription drug coverage.

² Less than 0.5 percent.

³ A composite rate is a set contribution covering more than one benefit area, for example, health care and sickness and accident insurance. Cost data for individual plans can not be determined.

⁴ Amount varies by options selected under a "cafeteria plan" or employer-sponsored reimbursement account.

⁵ The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 47. Medical care benefits: Amount and type of employee contribution for family coverage,¹ full-time employees, small private establishments, 1994

Type and amount of contribution	All employees			Professional, technical, and related employees			Clerical and sales employees			Blue-collar and service employees		
	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans	All plans	Non-HMO plans	HMO plans
Number (in thousands) with contributory coverage	17,821	14,155	3,666	4,083	3,250	832	6,561	5,255	1,306	7,177	5,650	1,528
	Percent											
Total with contributory coverage	100	100	100	100	100	100	100	100	100	100	100	100
Flat monthly amount	74	72	80	71	68	83	71	70	75	78	77	83
Less than \$20.00	2	2	1	1	1	1	1	1	1	2	3	-
\$20.00 - \$29.99	2	2	(²)	2	2	1	2	3	(²)	2	2	-
\$30.00 - \$39.99	3	4	1	1	2	(²)	2	2	3	5	6	(²)
\$40.00 - \$49.99	3	3	3	3	3	2	2	2	4	4	5	2
\$50.00 - \$59.99	2	3	1	2	3	(²)	1	2	(²)	3	3	3
\$60.00 - \$69.99	2	2	1	1	1	1	1	1	1	3	3	(²)
\$70.00 - \$79.99	5	5	4	2	2	3	6	6	4	5	5	4
\$80.00 - \$89.99	5	5	5	4	4	6	4	5	4	6	6	6
\$90.00 - \$99.99	2	2	1	1	1	2	3	3	2	1	1	(²)
\$100.00 - \$124.99	8	7	10	8	8	6	9	8	12	7	6	11
\$125.00 - \$149.99	5	4	7	6	5	9	4	5	4	4	3	9
\$150.00 - \$174.99	8	9	4	4	4	4	9	10	5	9	10	3
\$175.00 - \$199.99	5	5	4	7	8	3	4	3	6	4	5	4
\$200.00 - \$224.99	4	4	4	6	6	6	3	4	3	4	5	3
\$225.00 - \$249.99	5	3	12	5	3	15	3	2	4	8	5	17
\$250.00 - \$274.99	4	4	5	4	4	5	4	4	6	3	3	4
\$275.00 - \$299.99	4	3	7	5	5	4	4	3	9	2	1	6
\$300.00 or greater	7	6	10	9	7	15	6	6	7	6	5	9
Composite rate ³	8	9	7	8	10	4	10	10	10	7	7	6
Amount varies by employee option ⁴	7	8	2	8	9	3	7	8	4	5	6	1
Amount varies by earnings ...	1	1	1	(²)	(²)	1	(²)	(²)	(²)	2	2	2
Other	3	2	3	3	3	2	3	3	5	2	2	2
Contribution not determinable	8	8	6	9	10	6	8	9	6	7	7	5
	Average ⁵											
Average flat monthly contribution (dollars per month)	159.63	151.00	189.63	180.73	173.35	204.31	159.56	154.76	177.58	148.84	136.54	190.92

¹ Plans providing services or payments for services rendered in the hospital or by a physician. Excludes plans that provided only dental, vision or prescription drug coverage. If the amount of contribution varied by either size or composition of family, the rate for an employee with a spouse and one child was used. For a small percentage of employees, the employee contributes the same amount for single and family coverage.

² Less than 0.5 percent.

³ A composite rate is a set contribution covering more than one benefit area, for example, health care and sickness and accident insurance. Cost data for individual plans can not be determined.

⁴ Amount varies by options selected under a "cafeteria plan" or employer-sponsored reimbursement account.

⁵ The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 48. Medical care benefits:¹ Fee arrangement, full-time employees, small private establishments, 1994

Fee arrangement and financial intermediary	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with medical care	23,536	5,262	8,168	10,106
	Percent			
Total with medical care	100	100	100	100
Traditional fee-for-service ² ...	55	53	55	57
Preferred provider organization ³	24	27	24	23
Health maintenance organization ⁴	19	20	19	20
Other ⁵	1	(⁶)	2	1

¹ Plans providing services or payments for services rendered in the hospital or by a physician. Excludes plans that provided only dental, vision, or prescription drug coverage.

² These plans pay for specific medical procedures as expenses are incurred.

³ A preferred provider organization (PPO) is a group of hospitals and physicians that contracts to provide comprehensive medical services. To encourage use of organization members, the health care plan limits reimbursement rates when participants use nonmember services.

⁴ Includes federally qualified (those meeting standards of the Health Maintenance Organization Act of 1973, as amended) and other HMO's delivering comprehensive health care on a prepayment rather than fee-for-service basis.

⁵ Includes exclusive provider organizations, which are groups of hospitals and physicians that contract to provide comprehensive medical services. Participants are required to obtain services from members of the organization in order to receive plan benefits.

⁶ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 49. Medical care benefits: Effect of retirement on coverage,¹ full-time employees, small private establishments, 1994

Retiree coverage	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with medical care	23,536	5,262	8,168	10,106
	Percent			
Total with medical care	100	100	100	100
With retiree coverage	22	20	22	22
Without retiree coverage	73	76	73	72
Not determinable	5	4	5	6

¹ Plans providing services or payments for services rendered in the hospital or by a physician. Excludes plans that provided only dental, vision, or prescription drug coverage.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 50. Retiree medical care benefits: Source of plan funding,¹ full-time employees, small private establishments, 1994

Item	All employees		Professional, technical, and related employees		Clerical and sales employees		Blue-collar and service employees	
	Under age 65	Age 65 or greater	Under age 65	Age 65 or greater	Under age 65	Age 65 or greater	Under age 65	Age 65 or greater
Number (in thousands) with medical care	23,536	23,536	5,262	5,262	8,168	8,168	10,106	10,106
	Percent							
Total with medical care	100	100	100	100	100	100	100	100
Retiree coverage provided ...	21	19	20	18	21	19	21	19
Employer paid	3	4	3	3	3	3	4	6
Jointly paid	11	8	10	8	11	9	10	6
Retiree paid	4	4	5	5	5	6	3	3
Cost unknown	3	3	2	2	2	2	4	4
No retiree coverage	73	75	76	78	73	75	72	74
Not determinable	5	6	4	4	5	6	6	6

¹ Plans providing services or payments for services rendered in the hospital or by a physician. Excludes plans that provided only dental, vision, or prescription drug coverage.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 51. Dental care benefits: Fee arrangement, full-time employees, small private establishments, 1994

Fee arrangement	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with dental care	10,135	2,635	3,644	3,856
	Percent			
Total with dental care	100	100	100	100
Traditional fee-for-service ¹ ...	84	84	82	85
Preferred provider organization ²	6	6	5	5
Health maintenance organization ³	8	9	8	8
Other ⁴	2	1	5	1

¹ These plans pay for specific dental procedures as expenses are incurred.

² A preferred provider organization (PPO) is a group of hospitals and dentists that contracts to provide comprehensive dental services. To encourage use of organization members, the dental care plan limits reimbursement rates when participants use nonmember services.

³ Includes federally qualified (those meeting standards of the Health Maintenance Organization Act of 1973, as amended) and other HMO's delivering comprehensive health care on a prepayment rather than fee-for-service basis.

⁴ Includes exclusive provider organizations, which are groups of hospitals and dentists that contract to provide comprehensive dental services. Participants are required to obtain services from members of the organization in order to receive plan benefits.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 52. Vision care benefits: Fee arrangement, full-time employees, small private establishments, 1994

Fee arrangement	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with vision care	3,651	723	1,244	1,683
	Percent			
Total with vision care	100	100	100	100
Traditional fee-for-service ¹ ...	64	63	62	65
Preferred provider organization ²	8	8	8	8
Health maintenance organization ³	23	27	18	25
Other ⁴	6	2	12	3

¹ These plans pay for specific vision procedures as expenses are incurred.

² A preferred provider organization (PPO) is a group of hospitals and physicians that contracts to provide comprehensive vision services. To encourage use of organization members, the vision care plan limits reimbursement rates when participants use nonmember services.

³ Includes federally qualified (those meeting standards of the Health Maintenance Organization Act of 1973, as amended) and other HMO's delivering comprehensive health care on a prepayment rather than fee-for-service basis.

⁴ Includes exclusive provider organizations, which are groups of hospitals and physicians that contract to provide comprehensive vision services. Participants are required to obtain services from members of the organization in order to receive plan benefits.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Chapter 5. Life Insurance

Life insurance is provided to a majority of full-time employees in small private establishments (tables 53-66). Most workers in small private establishments with life insurance are covered by flat dollar amounts, often \$10,000 to \$15,000. Formulas based on earnings, such as multiple-of-earnings formulas, which commonly provide basic insurance of one or two times annual salary, cover many of the remaining life insurance plan participants. Multiple-of-earnings formulas are most prevalent in medium and large private establishments.

Employers generally pay the entire cost of basic life insurance. When employee contributions are required, it is frequently because life insurance benefits are being offered as part of a cafeteria plan or reimbursement account. (For definitions, see chapter 8.) These plans allow workers to choose from various benefit options depending on their needs. In such cases, employees may have to contribute, often in the form of pretax dollars, to obtain the benefit package they desire. Another form of employee contribution is a specified flat dollar amount per \$1,000 of coverage, such as 20 cents per \$1,000 of coverage per month.

Types and amounts of benefit formulas

A flat dollar amount of insurance is the most prevalent means of providing life insurance protection for full-time participants in small private establishments. Insurance amounts ranging from \$5,000 to \$25,000 are quite common in such plans. Blue-collar and service workers are much more likely to receive this type of benefit than professional, technical, and related workers or clerical and sales workers. However, when provided, the flat-dollar amount of life insurance coverage is usually highest for the professional, technical, and related workers.

Basic coverage for most of the other full-time life insurance participants is often linked to their earnings, enabling the level of protection to increase automatically with pay. The most common method of tying life insurance protection to earnings is to multiply the employee's annual earnings by a factor of one or two and round the product to the next higher \$1,000. For example, an employee earning \$22,700 would receive \$46,000 of coverage under a plan providing two times earnings ($\$22,700 \times 2 = \$45,400$, which rounds up to \$46,000). Participants covered by these plans may have a limit placed on the amount of coverage available. Such maximums usually range between \$50,000 and \$500,000.

Other methods of providing life insurance protection cover

a small percent of participants. These include: flat dollar amounts that increase as service increases; flat dollar amounts that increase as wages increase; and multiple-of-earnings formulas that increase the multiple at higher salary levels.

Coverage for older active workers and retirees

Many plans reduce benefits for older active workers. Coverage is reduced to minimize the increased cost of insuring older workers.²⁰ Plans that reduce coverage commonly make their first reduction at age 65 or 70. Rarely do reductions occur before age 65.

Many plans reduce coverage for older workers only once, typically to 50 percent of the original life insurance amount. Other plans reduce coverage in several stages, such as a reduction to 65 percent of original coverage at age 65, then to 50 percent at age 70.

In some instances, basic life insurance coverage continues after retirement for full-time participants in small private establishments. This coverage almost always continues for the rest of the retiree's life, but the amount of the benefit is usually reduced at least once during retirement.²¹

Related protection

Additional life insurance, supplementing basic coverage, often is available. In virtually all cases, employees have to pay the full premium for such benefits. The typical supplemental plan provides term life insurance in multiples of one to three times annual pay, at the employee's option. The availability of supplemental coverage is more prevalent for employees who have their basic insurance determined by a multiple-of-earnings formula than for those with a flat dollar amount of coverage.

Life insurance coverage for dependents also is available to many participants. Workers with this coverage are usually required to pay the entire premium. The most prevalent method used to provide dependent coverage is a flat dollar benefit. In such plans, spousal coverage typically provides benefits of \$5,000 or more while coverage for children usually offers benefits of \$1,000, \$2,000, or \$5,000 per child. Among other plans, the employee has the option to select specific benefits.

²⁰Details on life insurance benefits for older workers are discussed by Michael A. Miller in "Age-Related Reductions in Workers' Life Insurance," *Monthly Labor Review*, September 1985, pp. 29-34.

²¹For more information on retiree life insurance, see Margaret Simons and Cynthia Thompson, "Life Insurance Benefits for Retired Workers," *Monthly Labor Review*, September 1990, pp.17-21.

Service requirement

Life insurance participants often have to work a minimum period to qualify for the plan. The most prevalent service requirements for such workers are 1 to 3 months. However, most of the other participant in life insurance plans do not have to meet any qualifying service requirements.

Accident death and dismemberment

Accidental death and dismemberment insurance is available to about half of full-time employees in small private establishments. This insurance provides additional benefits if a worker dies or loses an eye or a limb in an accident. The accidental death and dismemberment benefit commonly equals the basis life insurance benefits for accidental death, and a portion of that benefit for dismemberment.²²

Survivor income benefits

A few full-time employees in small private establishments are covered by plans that provide a monthly income to surviving members of a deceased employee's family. These survivor income benefits are in addition to other benefits, such as basic life insurance and survivor pension benefits. Survivor income payments are generally a percentage of the employee's pay or a flat dollar amount. Benefits usually continue for 24 months, although some continue until a specific event occurs, such as the surviving spouse remarries or reaches age 65, or surviving children reach a given age.

²² For more information on accidental death and dismemberment benefits, see Cynthia Thompson, "Compensation for Death and Dismemberment," *Monthly Labor Review*, September 1989, pp. 13-17.

Table 53. Life insurance: Summary of provisions, full-time employees, small private establishments, 1994

Item	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with basic life insurance	21,955	4,830	7,904	9,222
	Percent			
Total with basic life insurance ...	100	100	100	100
Multiple of earnings benefit ...	32	38	39	22
Dollar amount benefit	68	62	61	78
Benefits reduced for older active workers	27	29	32	21
Retiree coverage available ...	20	17	21	20
Supplemental coverage available	29	29	34	25
Dependent coverage available	31	31	33	29
Spouse coverage available	31	31	33	29
Child coverage available ..	30	30	32	29
Required employee contribution	18	13	17	20

NOTE: Where applicable, dash indicates no employees in this category.

Table 54. Life insurance: Method of determining basic coverage, full-time employees, small private establishments, 1994

Type	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with basic life insurance	21,955	4,830	7,904	9,222
	Percent			
Total with basic life insurance ...	100	100	100	100
Multiple of earnings benefit	32	38	39	22
Fixed multiple of earnings ²	31	38	39	22
Multiple varies by earnings	(¹)	(¹)	(¹)	—
Multiple varies by service	(¹)	(¹)	(¹)	(¹)
Dollar amount benefit	68	62	61	78
Flat dollar amount	67	61	59	77
Dollar amount varies by earnings	1	1	1	1
Dollar amount varies by service	(¹)	(¹)	(¹)	1
Other	(¹)	(¹)	(¹)	(¹)

¹ Less than 0.5 percent.

² Includes participants in plans in which insurance equaled a multiple of earnings, plus or minus a specified amount.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 55. Life insurance: Flat dollar benefit amounts, full-time employees, small private establishments, 1994

Amount of insurance	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with dollar amount of basic life insurance	14,947	2,987	4,784	7,176
	Percent			
Total with dollar amount of basic life insurance	100	100	100	100
Flat dollar amount	98	98	98	98
Less than \$5,000	4	1	2	6
\$5,000 - \$9,999	9	5	10	10
\$10,000 - \$14,999	41	35	40	44
\$15,000 - \$19,999	18	19	20	16
\$20,000 - \$24,999	10	14	10	9
\$25,000 - \$29,999	8	10	8	7
\$30,000 - \$49,999	5	7	6	4
\$50,000 - \$99,999	3	6	2	2
\$100,000 and over	1	3	1	(¹)
Dollar amount varies by earnings	1	1	2	1
Dollar amount varies by service	(¹)	(¹)	(¹)	1
	Average ²			
Average flat dollar amount of basic life insurance	\$15,935	\$21,584	\$15,693	\$13,743

¹ Less than 0.5 percent.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 56. Life insurance: Multiple of earnings benefit amounts, full-time employees, small private establishments, 1994

Formula	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with multiple of earnings basic life insurance	6,965	1,840	3,097	2,028
	Percent			
Total with multiple of earnings formula	100	100	100	100
Flat multiple-of-earnings ²	99	100	99	98
Less than 1.0	3	4	2	4
1.0	49	38	50	58
1.1 - 1.9	11	14	10	10
2.0	27	32	28	21
2.1 - 2.9	3	2	4	4
3.0	4	6	3	2
Greater than 3.0	2	4	2	1
Multiple varies by earnings	(¹)	(¹)	1	-
Multiple varies by service	1	(¹)	1	2
	Average ³			
Average flat multiple of earnings formula	1.5	1.7	1.5	1.4

¹ Less than 0.5 percent.

² Includes participants in plans in which insurance equaled a multiple of earnings, plus or minus a specified amount.

³ The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 57. Life insurance: Maximum benefits placed on multiple of earnings formulas, full-time employees, small private establishments, 1994

Maximum	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with multiple of earnings formula	6,965	1,840	3,097	2,028
	Percent			
Total with multiple of earnings formula	100	100	100	100
With maximum benefit amount	57	65	63	40
Less than \$50,000	1	(¹)	1	1
\$50,000 - \$99,999	20	19	22	19
\$100,000	8	12	8	4
\$100,001 - \$249,999	11	15	12	5
\$250,000 - \$499,999	10	13	10	6
\$500,000	4	4	5	4
\$500,001 - \$999,999	1	(¹)	1	(¹)
\$1,000,000 or more	3	2	4	1
No maximum specified	34	26	27	53
Not determinable	9	10	10	7
	Average ²			
Average maximum	\$237,305	\$217,830	\$268,513	\$190,133

¹ Less than 0.5 percent.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 58. Life insurance: Minimum benefits placed on multiple of earnings formulas, full-time employees, small private establishments, 1994

Minimum	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with multiple of earnings formula	6,965	1,840	3,097	2,028
	Percent			
Total with multiple of earnings formula	100	100	100	100
With minimum benefit amount	11	9	12	12
Less than \$5,000	1	1	2	(¹)
\$5,000 - \$9,999	1	2	1	(¹)
\$10,000 - \$24,999	7	5	9	7
\$25,000 - \$49,999	2	2	1	3
\$50,000 - \$74,999	(¹)	(¹)	(¹)	(¹)
No minimum specified	76	75	74	78
Not determinable	13	15	13	10
	Average ²			
Average minimum	\$14,266	\$14,268	\$11,935	\$17,976

¹ Less than 0.5 percent.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 59. Life insurance: Retiree coverage, full-time employees, small private establishments, 1994

Coverage	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with basic life insurance	21,955	4,830	7,904	9,222
	Percent			
Total with basic life insurance ...	100	100	100	100
With retiree coverage	20	17	21	20
Employer paid	10	7	8	12
Retiree paid	8	8	10	6
Jointly paid	1	(¹)	1	1
Source of payment unknown	1	2	2	1
No retiree coverage	77	81	77	76
Not determinable	3	2	2	4

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 60. Life insurance: Reductions in benefits for retirees, full-time employees, small private establishments, 1994

Reduction policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with basic life insurance	21,955	4,830	7,904	9,222
	Percent			
Total with basic life insurance ...	100	100	100	100
With retiree coverage	20	17	21	20
No reductions	4	2	5	3
With reductions				
Reduced once	8	7	8	10
Reduced more than once	3	3	3	3
Reduction not determinable	4	5	5	4
No retiree coverage	77	81	77	76
Not determinable	3	2	2	4

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 61. Life insurance: Method of reducing benefits for retirees, full-time employees, small private establishments, 1994

Method	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with retiree coverage	4,317	840	1,670	1,807
	Percent			
Total with retiree coverage	100	100	100	100
With reductions	59	59	53	66
Percent of coverage	9	14	10	7
Percent of coverage with minimum and/or maximum	2	2	2	1
Percent of salary	1	(¹)	1	1
Percent of salary with minimum and/or maximum	1	3	1	(¹)
Minimum and/or maximum benefit only	1	2	1	1
Flat amount	18	12	19	20
Other	1	1	1	—
Not determinable	26	25	17	35
No reductions	18	13	24	15
Reductions not determinable	23	28	23	19

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 62. Life insurance: Supplemental coverage, full-time employees, small private establishments, 1994

Coverage	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with basic life insurance	21,955	4,830	7,904	9,222
	Percent			
Total with basic life insurance ...	100	100	100	100
With supplemental coverage	29	29	34	25
Employee paid	26	27	29	23
Jointly paid	1	1	2	1
Flexible benefits	1	1	2	1
Composite rate	(¹)	1	(¹)	(¹)
Financing not available	(¹)	(¹)	(¹)	(¹)
No supplemental coverage	69	69	65	72
Not determinable	2	1	1	3

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 63. Life insurance: Availability of supplemental coverage by method of determining basic coverage, full-time employees, small private establishments, 1994

Type	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with basic life insurance	21,955	4,830	7,904	9,222
	Percent			
Total with basic life insurance ...	100	100	100	100
Multiple of earnings formula	32	38	39	22
With supplemental benefits ..	15	15	20	10
Without supplemental benefits	17	23	19	12
Not determinable	(¹)	(¹)	(¹)	(¹)
Flat dollar amount formula	68	62	61	78
With supplemental benefits ..	14	14	14	15
Without supplemental benefits	52	47	46	60
Not determinable	2	1	1	3
Other formula	(¹)	(¹)	(¹)	(¹)
With supplemental benefits ..	(¹)	(¹)	(¹)	—
Without supplemental benefits	(¹)	—	—	(¹)

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 64. Life insurance: Dependent coverage, full-time employees, small private establishments, 1994

Coverage	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with basic life insurance	21,955	4,830	7,904	9,222
	Percent			
Total with basic life insurance ...	100	100	100	100
With dependent coverage	31	31	33	29
Employer paid	8	8	6	9
Employee paid	19	21	23	15
Jointly paid	1	1	1	2
Source of payment unknown	1	(¹)	1	1
Flexible benefits	1	1	2	(¹)
Composite rate	1	1	1	2
No dependent coverage	67	68	65	69
Not determinable	2	1	2	3

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 65. Accidental death and dismemberment insurance: Method and amount of coverage, full-time employees, small private establishments, 1994

Amount of coverage	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with AD&D insurance	17,178	3,968	6,087	7,122
	Percent			
Total with AD&D insurance	100	100	100	100
Multiple of life insurance	90	91	91	90
Flat amount	6	4	5	8
Multiple of earnings	3	3	3	2
Other	1	2	1	1

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 66. Life insurance: Eligibility requirement, full-time employees, small private establishments, 1994

Length-of-service requirement	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with basic life insurance	21,955	4,830	7,904	9,222
	Percent			
Total with basic life insurance ...	100	100	100	100
With service requirement	54	46	54	59
1 month	19	20	23	16
2 months	6	4	4	9
3 months	19	14	19	23
4 - 5 months	1	1	1	1
6 months	6	3	5	8
7 - 11 months	(¹)	1	(¹)	0
12 months	3	2	2	3
Greater than 12 months	(¹)	-	(¹)	(¹)
No service requirement	22	25	23	20
Closed to new employees	(¹)	(¹)	(¹)	(¹)
Not determinable	23	30	23	20
	Average ²			
Average service requirement (in months)	3.1	2.8	3.0	3.3

¹ Less than 0.5 percent.

² The average is presented for all covered workers; averages exclude workers without the plan provision.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Chapter 6. Defined Benefit Plans

A *defined benefit pension plan* obligates an employer to provide retirement benefits calculated by a formula specified in the plan. Benefits generally are based on salary, years of service, or both. An employer, however, ordinarily has considerable latitude in financing these benefits. Most full-time employees in small private establishments are not offered defined benefit pension plans. However, in recent years defined contribution plans have become increasingly prevalent. *Defined contribution plans*, which specify employer and—if applicable—employee contributions, but do not guarantee a specific benefit, are discussed in the next chapter.

The Employee Benefits Survey captures data on a variety of defined benefit pension plan provisions, such as:

- Formulas for calculating benefits;
- How benefits are coordinated with Social Security payments;
- Ceilings on benefit payments;
- Survivor annuities;
- Age and service requirements for retirement;
- Availability of supplements to normal and early retirement pension benefits;
- Disability retirement benefits;
- Vesting schedules;
- Postretirement pension increases;
- Employee contributions; and
- Plan participation requirements.

Benefit formulas

Earnings-based formulas frequently are used to determine retirement payments for employees covered by defined benefit pension plans. Such formulas pay a flat percent of the employee's annual earnings per year of service (for example, 1.5 percent of earnings times 30 years of service, or 45 percent of annual earnings), or a percent that varies by service, earnings, or age.

Approaches to calculating annual earnings and the rate paid per year of service vary. For many participants with earnings-based formulas, pensions are based on earnings in the final years of employment (*terminal-earnings formula*); for the remainder, an average of career earnings is used (*career-earnings formula*). Terminal earnings often are defined

as the average over a 5-year period. Such formulas usually designate the 5 consecutive years with the highest earnings out of the last 10 years before retirement.

Participants in plans with terminal-earnings formulas frequently have benefit formulas that vary according to service, earnings, or a combination of the two factors. As an example of variation by earnings, a terminal-earnings formula might credit an employee with 1 percent of earnings up to the first \$12,000 in each year of service plus 1.5 percent of the earnings exceeding that amount. If total earnings were \$40,000 and service was 30 years, the annual pension payment would be computed as follows:

1 percent times \$12,000.....	\$120
1.5 percent times \$28,000.....	<u>\$420</u>
Total credits per year of service	\$540
Credits (\$540) times 30 years = annual benefit	\$ 16,200

Similarly, formulas based on career earnings can provide participants with percentages that vary, usually by earnings.

The earnings used to compute pension benefits for earnings-based formulas commonly include only “basic” earnings, that is, straight-time earnings. When additional earnings are part of the benefit calculation, such earnings may include overtime pay, shift differentials, bonuses, and commissions.

Most plans that do not use a percent-of-earnings benefit formula specify a *dollar amount* to be paid for each year of service; for example, a plan might pay \$20 monthly for each of an employee's 30 years of service, thus yielding a pension of \$600 a month. Although the dollar amount in these formulas can vary with an employee's earnings or service, the usual method is to multiply a uniform (single) dollar amount by years of service.

The basis of pension payments can differ sharply by employee group. Traditionally, white-collar participants are provided earnings-based pensions. Although this basis also is used for blue-collar participants, dollar-amount formulas are also common for them.

In addition, two other types of defined benefit pension formulas are used. *Percent-of-contribution formulas* specify a periodic contribution by an employer, and occasionally by an employee, to a plan. Benefits are a percent of total contributions, for example, 1 percent of total contributions per month; if career contributions totaled \$40,000, then monthly pension benefits would equal \$400. *Cash account pension formulas* specify an employer contribution and a rate of interest on that contribution. Benefits are computed

as a percent of each employee's account balance. Although both percent-of-contribution and cash account pension formulas resemble the formulas in defined contribution plans, the Internal Revenue Service classifies these plans as defined benefit plans because the employer guarantees a certain level of benefits.

In some pension plans, participants are eligible to receive benefits from either primary or alternative formulas, whichever yields a greater benefit. Alternative formulas often are included to provide a minimum level of benefits for persons with short service or low earnings. For example, a plan may have the two following formulas: a primary formula of 1.25 percent of average career earnings times years of service and an alternative formula of \$15 a month (or \$180 a year) for each year of service. In this case, the alternative formula provides a higher benefit for persons with average career earnings of less than \$14,400 a year.

Private benefits and Social Security payments

Regardless of whether they provide private retirement plans, all employers (except certain exempted ones) share the cost of Social Security coverage equally with their employees. Because many plan sponsors feel that private pension and Social Security benefits should not be duplicative, pension plans may contain Social Security integration provisions. Such integration may take the form of an offset provision, under which part of the Social Security benefit is subtracted from the annuity, or a provision to calculate the pension at a lower rate for earnings below the Social Security taxable wage base²³ than for earnings above the base.

Social Security offsets are usually applied immediately upon retirement, whether or not the retiree is eligible for Social Security benefits. The offset typically is specified as a small percentage of the Social Security payment, for example, 1 percent times years of service. Frequently there is a maximum offset, such as 50 percent of the Social Security payment.

Plans that apply lower pension benefit rates to an employee's earnings below a specified level and higher rates above that level are known as "step-rate excess" plans. For example, a plan may provide a benefit equal to 1 percent of earnings up through the Social Security taxable wage base and 1.5 percent of earnings above the base for each year of service.

Benefit formulas are often coordinated with Social Security for pension plan participants. In 1989 and earlier surveys in medium and large private establishments, the offset approach to coordinating private pension plans and Social Security was more prevalent than the step-rate excess approach, especially among terminal-earnings-based plans. Since 1991, step-rate excess plans in all private sector EBS have been the most frequently observed method of coordinating benefits for all earnings-based plans. This

²³The Social Security taxable wage base increases annually. In 1993 it was \$57,600.

change resulted from the Tax Reform Act of 1986, which imposed new rules for pension plans that coordinate with Social Security benefits.²⁴

Maximum and minimum benefit provisions

The Employee Retirement Income Security Act of 1974 (ERISA) and subsequent amendments place ceilings on the size of annual pensions from defined benefit plans. These restrictions largely affect only highly compensated employees. Many plans, however, have provisions that restrict benefit levels for all participants. For example, some participants are in plans that limit the number of years of service included in benefit computations; maximums of 30 to 40 years are typical. For other participants, annual pensions (usually including Social Security payments) can not exceed either a specified percent of average annual earnings, or a specified dollar amount.

In some pension plans, participants can be covered by a provision for a minimum retirement benefit, regardless of age or service. Such minimum benefits provide a level of protection, such as a flat amount of \$100 a month, below which retirement benefits can not fall.

Methods of payment

The benefit formulas just described are used to compute a *straight-life annuity*, that is, a periodic payment for the life of the retiree, with no additional payments to survivors. Defined benefit pension plans offer a variety of additional payment methods, although each is based on the straight-life annuity. For married employees, the standard benefit prescribed by law is the *joint-and-survivor annuity*, which provides payments to a surviving spouse after a retiree dies. Such employees may choose a straight-life annuity or some other form of benefit, but only upon written approval of both the employee and spouse.

Another optional method of payment is for the employee to receive some or all of the pension benefit in a *lump-sum* payment. This lump sum provides the employee with the actuarial equivalent of all or part of the annuity. Commonly, only a full lump-sum option is available. If a participant elects a full lump-sum distribution, he or she receives no further benefits from the pension plan. Where a partial distribution is available, the participant generally receives a reduced annuity for the remainder of her or his life.

Survivor annuities

ERISA also requires defined benefit pension plans to provide a spouse with at least 50 percent of the retiree's payments after the retiree's death. When this type of pension is paid, the employee will generally receive a lower benefit during retirement to account for the likely increase

²⁴For a comprehensive analysis of pension benefit formulas integrated with Social Security, see Avy D. Graham, "Coordinating Private Pension Benefits with Social Security," *Monthly Labor Review*, March 1984, pp. 35-38.

in the length of time the plan will have to make payments. When the retiree dies, a pension benefit will be payable for the life of the surviving spouse. All defined benefit pension plan participants have survivor annuity options available to them.²⁵

The prevalent type of survivor benefits—joint-and-survivor annuities—provides a reduced benefit to the retiree and a percentage of that reduced benefit to the spouse upon the retiree's death. The reduction may be a percent of the benefit—for example, 10 percent—or may be actuarially determined based on the life expectancy of the retiree and spouse. Although some participants have plans that offer only one joint-and-survivor option that pays a surviving spouse 50 percent of the retiree's adjusted pension, many participants have a choice of two alternative percentages or more (for example, 50, 67, or 100 percent) to be continued to the spouse, with corresponding reductions in the employees' annuities. In some cases, when the spouse predeceases the retiree, the retiree's unreduced benefit may be restored.

Unlike joint-and-survivor annuities, survivor annuities based on the retiree's accrued benefit do not reduce the employee's pension to adjust for survivor benefits. The retiree receives the straight-life annuity; following the retiree's death, the spouse receives a percent of that annuity—often 50 percent.

Some pension plans provide a lump sum or installment death benefit to the survivor of a deceased retiree. Payments are in the form of a flat amount, such as \$5,000, in addition to the survivor annuity *or* a certain number of monthly payments, such as 60 or 180, less payments already received by the retiree. The latter usually occurs when the retiree and the spouse do not elect to take the joint-and-survivor annuity option.

A few pension plans provide survivor benefits for children, usually after the retiree with no surviving spouse dies. Commonly, the payment is a monthly flat-dollar amount to each child.

Preretirement survivor benefits

The normal defined benefit pension plan offers survivor benefits in case the employee dies before retirement. Participants usually have to be vested, that is, have a permanent right to accrued pension benefits before plans would make such benefits available. Very often, a surviving spouse would receive an annuity equivalent to the amount payable if the employee had retired on the day prior to death with a joint-and-survivor form of payment in effect. Most survivor pensions like these are based on an early retirement benefit and, aside from the joint-and-survivor reduction, are provided at no cost to the employee. For some participants, however, preretirement joint-and-survivor protection may involve an extra cost to the employee and is available only

if elected. The employee normally pays this cost through a small deduction in the pension, ultimately payable to either the employee or the surviving spouse.

Other participants have a preretirement survivor annuity calculated as a portion of their accrued benefit (the benefit earned as of the date they died, without a joint-and-survivor reduction). If an active employee dies after completion of the vesting requirement, a typical survivor would receive an annuity equal to 50 percent of the employee's accrued benefit to date. Payments may be reduced by the early retirement adjustment, and begin when the employee would have reached early retirement age. If the employee lives to become eligible for early retirement, the survivor benefit in many cases switches to the equivalent of a 50-percent joint-and-survivor benefit calculated as if the employee had retired on the day of death. (When provisions change based on age of the employee, the earliest available preretirement survivor annuity is tabulated.)

Some plans also provide lump-sum death benefits to the survivors of employees who die before retirement. Payments are in the form of a flat amount, such as \$3,000, or the equivalent of a specified number of monthly retirement payments, such as 60.

Normal retirement

Many of the defined benefit pension plan participants in small private establishments can retire before age 65 and still receive full private pensions (normal retirement benefits). Participants who are required to be age 65 to receive unreduced benefits usually do not have to satisfy a length-of-service requirement; however, some plans may require workers hired after age 60 to complete at least 5 years of service.

When plans permit normal retirement prior to age 65, they generally impose a minimum service requirement. For example, normal retirement at age 60 and 62 is available to a large number of participants, but these workers can also have a service requirement, commonly 5 or 10 years. Participants who can retire with unreduced benefits prior to age 60, including those who can retire at any age, usually have to work a very long period, such as 30 years.

Plans that require combining a worker's age and service to reach a specified sum, such as 80 or 85, for retirement with full benefits cover some participants. This type of arrangement usually specifies a minimum age. Minimum lengths of service are less common.

A few pension plans provide monthly payments to supplement normal retirement pension benefits. These supplements are usually found in plans where participants can retire before age 62 and generally last until retirees are eligible for Social Security benefits.

Early retirement

It is commonly permissible for employees participating in defined benefit pension plans to retire before normal retirement age and receive an immediate, but reduced,

²⁵ Survivor benefits are discussed in more detail in Donald Bell and Avy Graham, "Surviving Spouse's Benefits in Private Pension Plans," *Monthly Labor Review*, April 1984, pp. 23-31.

pension. Early retirement normally is solely at the employee's option; plans generally do not require employer approval for early retirement benefits. The amount of an early retirement pension is reduced because benefits begin at an early age, and the retiree is expected to receive plan payments over a longer period.

Early retirement benefits are generally computed based on the normal retirement formula. The benefit is then reduced by a percentage (factor) for each year between the actual and normal retirement ages. If a plan's normal retirement age is 62, for example, and the reduction factor is 6 percent, a person retiring at age 59 would receive 82 percent of the normal formula amount (that is, the person loses 6 percent for every year under the normal retirement age). In addition to the 18-percent reduction for early retirement, the annuity in this example would be based on fewer years of service and possibly lower earnings than at age 62.

The reduction factor may be uniform or may vary by age or service. For example, reduction factors may differ for each year of early retirement, based on the employee's life expectancy at that age (actuarial reductions), or the reduction factor may differ for age brackets of several years instead of changing each year. Many participants with early retirement opportunities have uniform reduction factors, for example, 4 or 6 percent, for each year of early retirement. In plans with a lower uniform reduction, such as 3 percent per year, the employer subsidizes some of the early retirement benefit by making the reduction less severe than if benefits are computed actuarially.

A small number of pension plans provide additional monthly payments to supplement the early retirement pension if employees retire after meeting a specified age or length-of-service requirement generally higher than the minimum needed to retire. Plan sponsors include these supplementary benefits either to induce older workers to retire or as a reward for long service. Supplements generally last until Social Security benefits are payable.

Disability retirement

A career-ending disability may entitle an employee to a pension before retirement age. If the disability satisfies the plan's definition of total disability, pension benefits often begin immediately. When an employer provides other sources of disability income, such as long-term disability insurance, the plan might defer disability retirement benefits until the other forms of income have ceased. Most pension plan participants are covered by some type of disability retirement provision.

While blue-collar workers with disability retirement coverage are generally in plans with immediate benefits, many white-collar workers are in plans that defer benefits. Workers with deferred benefits often receive long-term disability insurance (LTD) benefits that typically provide 50 or 60 percent of earnings at the time of disability; this frequently exceeds the amount that pension plans with immediate disability retirement provide. Furthermore, deferred

retirement benefits are often greater than immediate pension, primarily because the time during which LTD benefits are paid is typically added to an employee's length of service for computation of pension benefits. (See chapter 3 for details of LTD benefit plans.)

Eligibility for disability retirement benefits usually depends on length of service; often 10 years or more are required. Some plans, however, have no age or service requirement or require participants to meet the qualifications of their LTD plans, which usually impose service requirements of 6 months or less.

Vesting

Even when an employee leaves an employer before becoming eligible for either a normal, early, or disability retirement benefit, a plan may ultimately pay a pension. If certain conditions are satisfied at the time of separation, workers have a vested interest in all or a portion of their accrued pension benefits and may begin receiving benefits years later.

Although all pension participants are entitled to vested benefits under ERISA, some variations exist as to when vesting occurs. As a result of the Tax Reform Act of 1986, however, most plan sponsors have shortened their vesting schedules in the past few years.²⁶ For example, participants in defined benefit pension plans normally have to complete 5 years of service at any age before benefits are guaranteed (cliff vesting). Most of the remaining participants are in plans requiring 10 years of service. Participants not in plans with cliff vesting are covered by a graduated vesting provision, which increases the portion of guaranteed benefits as years of service increase. Full vesting usually comes after 7 years.

Most commonly, participants accrue years of vested service regardless of age, although a few can be affected by the plan sponsor's right to exclude years of service before a specified age in determining vesting eligibility.

Unreduced vested pension payments begin at the plan's normal retirement age, based on the benefit formula in effect when the employee left the plan. As an alternative, terminated and vested participants may receive a reduced pension prior to normal retirement age if the participant had satisfied the early retirement service requirement before leaving the plan.

For terminated and vested employees who wish to receive a pension beginning prior to normal retirement age, ERISA requires the benefit to be at least the actuarial equivalent of what would have been received starting at age 65. The actuarial equivalent benefit is a reduced amount determined by the life expectancy at the age that pension payments begin. Although under ERISA the reduction factor used in determining the pension for terminated and vested employees can be more severe than for early retirement, the same factor is used in plan covering many participants with portability provision. When reductions differ, it is common

²⁶ Multiemployer plans may continue to use 10-year vesting schedules pursuant to a collectively bargained agreement.

to provide actuarial reductions to deferred vested benefits, eliminating the subsidy employers give to employees choosing early retirement.²⁷

Portability

When employees change employers, vested pension benefits are frequently held by the employer until the employee reaches retirement age. Alternatively, a plan may include a portability provision, that is, the ability to transfer years of credited service or accumulated benefits from one employer to another. Currently, it is not very common for employees with a defined benefit pension plan to be covered by a portability provision. Commonly, these participants are covered by either a multiemployer plan established by a union or a single employer plan offered by an establishment that has a reciprocity agreement with related establishments, such as in the utilities industry. In these plans, if a vested employee moves to another employer, benefits from the prior employer usually in the form of years of credited service are transferred over to the new employer. Some participants covered under a portability provision may have an option to cash out vested pension benefits valued at greater than \$3,500.

Postretirement pension increases

Inflation can severely erode the purchasing power of a fixed pension over a worker's retirement years. To guard against this, some pensions are adjusted on a discretionary basis, and others are subject to automatic increases specified in the pension plans. The Employee Benefits Survey studies automatic increases and discretionary, or ad hoc, increases granted during the 5-year period prior to the survey.

²⁷For additional details on plan vesting requirements, see Avy D. Graham, "How Has Vesting Changed Since Passage of Employee Retirement Income Security Act?," *Monthly Labor Review*, August 1988, pp.20-25.

survey. Ad hoc increases are usually more common than automatic postretirement adjustments (usually annual adjustments based on CPI changes) in the private sector.

Because the survey captures the number of current employees covered by defined benefit pension plans and not the number of retirees, the survey cannot specify the proportion of annuitants actually receiving postretirement pension increases. Thus, the following statements relate to the provisions for postretirement increases among active plan participants.

Ad hoc pension increases are not directly linked to a cost-of-living index. Instead, retirees' current pensions usually increase by a percent of the present benefit, commonly a uniform amount. For example, a plan may provide a 5-percent pension increase to all individuals who retired prior to the survey year. Other plans may provide greater pension increases for individuals retired longer. For instance, a plan might grant a 5-percent pension increase if retired 10 years or less, and a 10-percent increase if retired more than 10 years.

In some instances, formulas to compensate for increases in the cost of living are based on changes in the BLS Consumer Price Index. Adjustments can be restricted, however, by provisions that limit the benefit change to a portion of the CPI change or by ceilings (generally 3 percent or less) on the periodic increase that can be applied. Plans providing cost-of-living increases usually call for annual adjustments.

Employee contributions

The employer usually pays the full cost of defined benefit pension plans for private sector participants (table 6). For employees who have to pay part of the cost, contributions are most commonly expressed as a percent of earnings. Most participants in contributory plans pay a flat percent of all earnings, for example, 3 or 4 percent.

Chapter 7. Defined Contribution Plans

Defined contribution plans generally specify the level of employer contributions to a plan, but not the formula for determining eventual benefits as in a defined benefit plan. Instead, individual accounts are set up for participants, and benefits depend on amounts credited to these accounts, plus investment earnings. Although employers normally guarantee they will make contributions, the employee bears the risk of fluctuation in investment earnings. Full-time employees in small private establishments are more likely to be covered by a defined contribution plan than a defined benefit plan.

This chapter examines details of defined contribution plans, including:

- Types of defined contribution plans available;
- Provisions, such as contributions and distributions, associated with several types of plans; and
- Pretax arrangements, known as 401(k) plans, and their unique features.

Since 1975, when the Employee Retirement Income Security Act (ERISA) became effective, the number of participants in private sector defined contribution plans has risen steadily, while the number of participants in defined benefit plans has increased only slightly. Most of the recent participation growth in defined contribution plans is occurring in new plans, particularly in 401(k) type plans, which offer cash or tax-deferred options on currently taxable compensation.²⁸

Defined contribution plans are primarily designed to provide retirement benefits. Most retirement plans do not allow withdrawal of employer contributions until retirement age, death, disability, separation from service, age 59½, or hardship. However, some plans may impose less stringent restrictions for withdrawal of employer contributions, for example, permitting one or two withdrawals per year, or allowing withdrawal after 2 or 5 years of service.²⁹ Nevertheless, these defined contribution plans may also furnish retirement income because withdrawals of the employer's contributions are voluntary, not mandatory. For purposes of the Employee Benefits Survey, all defined contribution plans are considered retirement plans.

²⁸For more information on the growth of 401(k) plans, see U.S. Department of Labor, Pension and Welfare Benefits Administration, *Private Pension Plan Bulletin*, No. 2, Summer 1993.

²⁹Such withdrawals, while permitted by the plan, may trigger current income tax liability and tax penalties for the recipient.

Plan types

Defined contribution plans may be classified by type of plan (table 1). The survey provides data on the following types: Savings and thrift plans, deferred profit-sharing plans, money purchase pension plans, employee stock ownership plans (ESOP's), and stock bonus plans.³⁰ Savings and thrift and money purchase pension plans are common among white-collar workers, while deferred profit-sharing plans are often common among both white-collar and blue-collar workers. Stock plans cover only a small portion of employees.

Participants in defined contribution plans often make contributions to their plans. In savings and thrift plans, participants are required to make contributions as a condition of joining the plan, with the employer matching some or all of the employee contribution. In contrast, nearly all participants in private defined benefit plans have all contributions made by the employer.

Employees may receive retirement benefits from defined benefit plans, defined contribution plans, or both. A large number of participants are enrolled in more than one plan. When more than one plan is available, the employer most often provides a defined benefit plan and a savings and thrift plan.

Another type of plan frequently encountered is a 401(k) plan (named after the applicable section of the Internal Revenue Code). Such plans, also known as cash or deferred arrangements, are usually features of other defined contribution plans that give employees the opportunity to defer income and taxes into the future. The features of these plans are discussed in more detail at the end of this chapter.

Savings and thrift plans

Savings and thrift plans enroll a large number of the defined contribution plan participants in small private establishments. Under these plans, employees may contribute a predetermined portion of earnings (usually pretax) to an account, all or part of which the employer matches. Contributions are invested in various vehicles, such as stocks, bonds, and money market funds, as directed by the employee or employer, depending upon the provisions of the plan. Although usually designed as a long-term savings vehicle, savings and thrift plans may allow withdrawals for speci-

³⁰Plans that allow the purchase of company stock at below market value (stock purchase plans) serve to accumulate financial assets and are considered separate employee benefits in chapter 1. They are not included among the defined contribution plans designed for retirement purposes.

fied conditions (such as medical and educational expenses) and may allow participants to borrow funds from their account. Also many savings and thrift plans allow participants to transfer or “roll over” amounts received from a plan of a former employer. Such a rollover continues the tax deferral on money that had been sheltered from taxes by the employee’s former employer.

Employee contributions. Savings and thrift plans allow employees to choose from a range of contribution rates. A plan, for example, might allow employee contributions of any amount from 5 to 20 percent of pay. Maximum contributions are commonly 10, 15, and 16 percent.

The ability to make employee contributions on a pretax basis, known as salary reduction, has, after only a few years, become a dominant feature of savings and thrift plans. Nearly all participants in savings and thrift plans are allowed to make pretax contributions.

The provisions governing pretax contributions vary widely. For example, many participants in plans featuring pretax contributions are allowed to make only pretax contributions; some have an option to make either pretax or posttax contributions; and others must make at least some of their contributions on a pretax basis.

The tax status of employee contributions is important not only because of the current deferral of income taxes, but also because an employee may not withdraw pretax contributions from his or her account—except in limited circumstances—without tax penalties.

Employer-matching contributions. Employers give incentives for participating in a savings and thrift plan by matching all or a portion of the employee’s contribution (adding this amount to the employee’s account). Usually the employer matches a portion of the employee’s contribution up to a specified percent of the employee’s earnings. For example, an employer may match half of the employee’s contribution up to the first 6 percent of earnings. Assuming the employee contributes 8 percent of earnings, the employer would add 3 percent (half of the first 6 percent of the employee’s earnings) for a total contribution of 11 percent to the employee’s account. In contrast with these straight percentage matches, some participants receive matching contribution rates varying by length of service, level of employee contribution, or company profits.³¹

In some savings and thrift plans, the employer may also provide discretionary profit-sharing contributions to the employee’s account.

Investment decisions. Participants in savings and thrift plans can often choose how they want their own contributions invested. Investment vehicles offered by these plans include company stock, common stock funds, guaranteed investment

contracts, government securities, money market funds, and long-term interest bearing securities such as corporate bonds and Treasury notes. The number of choices in these plans varies from two to seven or more. Customarily, employees are allowed to split their contributions among the various options—typically in multiples of 10 or 25 percent. For example, a participant may choose to invest 50 percent in company stock and 50 percent in government securities. In addition, plans often permit participants to change their investment choices periodically, such as 2 or 4 times per year.

Overall, employees have less flexibility in how employer contributions are invested. When no choice is allowed, plans typically specify that the matching contribution is invested in company stock.

Withdrawals and loans. Prior to normal payout at retirement, disability, or termination of employment, many participants in savings and thrift plans are allowed to withdraw all or a portion of employer contributions. As withdrawal provisions are canceled or further restricted (typically due to the tax penalties associated with withdrawals), loan provisions (discussed later in this section) have become more available.

Many participants in plans permitting withdrawal of employer contributions are only allowed access to funds for hardship reasons, such as medical or educational expenses. The remaining participants can withdraw employer contributions for any reason.

Withdrawals of employer contributions may also be subject to a variety of other restrictions. For example, some participants who are allowed to make withdrawals can only withdraw part of their employer’s contribution. Additionally, some who can make withdrawals are penalized if they do so. Common penalties involve suspending employee contributions, and employer matching contributions, for a given period, such as 6 months or 1 year. Other penalties include suspending employer matching contributions only, or forfeiting nonvested employer contributions.

Another method of accessing an employee’s account prior to final payout is a loan, the availability of which has risen steadily in recent years. Loans usually have to be repaid within 5 years, but longer payment periods may apply for home purchase or renovation loans.

Interest rates on employee loans are typically determined by a specific economic indicator (such as the prime rate or U.S. Treasury bill rate), are at the discretion of the plan sponsor (employer, employer association, or union), or vary by the reason for the loan. In the last case, loans for the purchase of a home are often available at lower rates than other loans.

Distribution. At retirement, savings and thrift plans normally allow for payout in the form of a lump sum. Many participants can choose from among a lump sum and other options, such as a lifetime annuity or installments over a specified period.

³¹ For more information on savings and thrift contributions and benefits, see Michael Bucci, “Contributions to Savings and Thrift Plans,” *Monthly Labor Review*, November 1990, pp. 28-36.

Participation requirements. Minimum age and/or service requirements are frequently imposed on new participants in savings and thrift plans. To begin accumulating benefits, savings and thrift plan participants frequently must complete a minimum amount of service, commonly 1 year, but usually are not required to be a designated minimum age.

Vesting. Saving and thrift plans are subject to the same vesting rules under the Employee Retirement Income Security Act as defined benefit plans. Vesting schedules vary significantly, however, between defined benefit and savings and thrift plans. All vesting schedules apply to employer contributions; employee contributions (including pretax contributions) always are 100-percent vested.

Immediate full vesting often is provided in savings and thrift plans. In addition, graduated vesting, in which an employee's nonforfeitable percentage increases over time until it reaches 100 percent, commonly after 5 or 7 years, applies to many participants in savings and thrift plans.

Deferred profit-sharing plans

Deferred profit-sharing plans, although not as common as savings and thrift plans in small private establishments, are available to a significant number of employees. Most deferred profit-sharing plans hold money in employee accounts until retirement or another condition stipulated by the plan (for example, disability or death). In some plans, however, the employee may have a choice to receive a portion of the profits in cash, with the remainder placed in a deferred account.³²

Many participants in deferred profit-sharing plans have employer contributions determined by a specified formula, such as 4 percent of profits if annual sales were \$2 million to \$5 million, and 8 percent if sales exceeded \$5 million. The remaining participants are in plans in which the employer determines its contribution at its own discretion.

Once the employer contribution is determined, the plan may allocate it to individual participants in a number of ways. A common method of allocation is as a proportion of salary. Other allocation methods include formulas based on earnings and service, participants' contributions as a percentage of total contributions, and equal allocations to all participants.

Deferred profit-sharing plans may allow employees to contribute to their plan as a means of increasing the value of their account. However, it is uncommon for employees to be required to contribute to such plans. Plans typically give employees only limited opportunities to make investment choices. Plan participation and vesting requirements tend to be similar to those found in saving and thrift plans.

Money purchase pension plans

Another type of defined contribution plan, available to

³² Profit-sharing plans that pay benefits directly to the participants in cash are not considered defined contribution plans; they are reported in chapter 1.

a small percent of full-time employees in small private establishments, is a money purchase pension plan. These plans accumulate funds through a fixed contribution to accounts set up for each employee. Typically, employer contributions are a percent of employee salary, such as 3 percent per year. These contributions, plus earnings, are available at retirement. In general, employee contributions are neither required nor allowed, employees do not participate in investment decisions, and accounts may not be accessed—by either withdrawal or loan—prior to retirement.

These plans are referred to as pension plans because they often provide a periodic payment to employees at retirement. This is accomplished by using the funds accumulated in each employee's account to purchase an annuity—often from an insurance company—that guarantees a periodic payment for life. Other payment arrangements may be available, though, including a lump sum or series of installments.

Stock plans

Two types of stock plans are considered defined contribution plans—stock bonus plans and employee stock ownership plans.³³ A stock bonus plan specifies employer or employee and employer contributions to a trust fund that invests in various securities. Employee stock ownership plans (ESOP's), however, are generally wholly employer financed and must be designed to invest primarily in company stock. ESOP's may be used as the means by which employees purchase their own company, with stock distributed to individual employee accounts periodically as loans used to finance the purchase are repaid.

Both types of stock plans make benefit distributions in either company stock or cash. Stock plans are found infrequently among full-time employees in medium and large private establishments.

Simplified employee pension plans

A simplified employee pension plan, or SEP, is a "super-IRA" type of employer-funded pension plan. Under this plan, an employer may make contributions to IRA's maintained by employees. Although SEP's are specifically designed for small establishments of 25 employees or fewer to create employee retirement accounts, they are rare because they usually cover only the self-employed, who are excluded from the survey.

Cash or deferred arrangements

Plans with a cash or deferred arrangement enroll many employees within the scope of the survey.³⁴ These arrangements, also known as 401(k) plans, allow participants to choose between receiving currently taxable income or de-

³³ Stock purchase plans are considered separate employee benefits and are discussed in chapter 1.

³⁴ For 401(k) plans with no employer contribution, participants are those workers actually making pretax contributions. For other plans, participants are those workers in plans offering cash or deferred arrangements, whether or not workers actually made pretax contributions.

ferring taxation by placing the money in a retirement account. Cash or deferred arrangements usually take the form of either salary reduction plans or deferrals of profit-sharing allocations.

Salary reduction plans allow employees to contribute a part of their earnings to a retirement plan, and defer income taxes on those contributions and their earnings until distribution. Such contributions are referred to as “employee elective deferrals” or “pretax contributions.”

Salary reduction features, common among white-collar employees, are available through several types of defined contribution plans. A very common vehicle for salary reduction is a savings and thrift plan. The remainder generally make salary reduction contributions through a profit-sharing plan or a free standing plan, that is, a plan set up for employee salary reduction with no employer contribution.

Deferrals of profit-sharing allocations give employees the choice of receiving an employer’s profit-sharing contribution immediately in cash, or deferring the contribution and postponing taxation until distribution. Such arrangements are not common.

In addition to data on provisions of individual defined contribution plans, information is captured on the provi-

sions of 401(k) salary reduction plans that include employer contributions, including:

- Maximum pretax employee contributions;
- Plan participation requirements;
- Investment choices;
- Vesting schedules;
- Transfer or rollover of distribution;
- Availability of withdrawals and loans; and
- Distributions at retirement.

The growth of 401(k) plans has helped to expand the defined contribution plan as a savings vehicle for retirement. Unlike some defined contribution plans, such as money purchase plans, 401(k) plans generally require employee contributions as a condition of participation and then require the individual employee to decide how much pay to save. Finally, the participants determine where to invest the aggregated funds, including matching employer contributions, to enhance retirement income.

Chapter 8. Flexible Benefits Plans and Reimbursement Accounts

Employers traditionally have provided their workers benefits in a number of areas, such as medical care, life insurance, and retirement. Employees may have a choice from among a number of plans in a given benefit area. For example, an employee may be able to choose between a traditional fee-for-service medical plan and a health maintenance organization. In recent years, new approaches to offering benefits have emerged. BLS currently collects data on two of these—flexible benefits plans and reimbursement accounts. Both arrangements are governed by Internal Revenue Code section 125.

Full-time employees in small private establishments are seldom offered flexible benefits plans (table 67), unlike the growth rate of these plans in medium and large private establishments. These plans, often called cafeteria plans, allow employees to design individual benefit packages by choosing from among several types of benefits. In a flexible benefits plan, employers provide each worker with an amount of “benefits credits.” These credits may equal a fixed dollar amount for each worker, or an amount that varies among workers according to earnings, length of service, size of family, or other characteristics. The employee then chooses from various benefits and benefit levels, using credits to purchase the desired benefits. If the credits are not sufficient to pay for the benefit, employees may have the option to fund the difference with pretax contributions.

Flexible benefits plans usually provide several options, including various levels of life insurance, separate dental choices, participation in fee-for-service medical plans (with varying deductibles and out-of-pocket maximums) or in alternative medical plans (such as health maintenance organizations and preferred provider organizations), varying levels of accidental death and dismemberment insurance, and long-term disability insurance coverage. Some employees covered by flexible benefits plans may receive cash in lieu of benefits or deposit unused credits into reimbursement accounts. Or they may choose to purchase short-term disability coverage, deposit credits in a 401(k) plan, or buy and sell vacation days. Participants often are required to purchase minimum levels of coverage, a basic level of life insurance, for example.

Reimbursement accounts are being offered to a growing

number of full-time employees (usually white-collar) in small private establishments. These accounts, also called flexible spending accounts, provide funds from which employees pay for expenses not covered by their regular benefits package. Reimbursement accounts are usually funded solely by employee pretax contributions, although some accounts may be partially funded by employers. Reimbursement accounts may be part of a flexible benefits plan, or they may stand alone.

A large majority of employees eligible for reimbursement accounts may allocate funds for health care deductibles, coinsurances, and the cost of services not covered by their medical care plan, such as dental expenses and vision exams (table 68). Eligible employees often may use money from these accounts to pay for dependent care expenses, generally both child care and care for elderly or disabled relatives. Reimbursement account funds may also be allocated for the payment of the employees’ share of health care premiums, and other insurance premiums, such as life insurance or a spouse’s insurance premiums.

Some accounts, known as premium conversion plans, are established solely to allow medical plan participants to pay required plan premiums with pretax dollars. Although such arrangements differ from the usual reimbursement accounts, where employees are reimbursed with pretax money after a payment is made, these arrangements nonetheless meet the Internal Revenue Code requirements for a section 125 plan.

Nearly all employees participating in flexible benefits plans or reimbursement accounts are required to contribute toward the cost of their benefits, or are allowed to contribute to obtain additional benefits. These contributions usually take the form of a salary reduction arrangement, which results in lower income tax liabilities.

Individual benefit plans offered through a flexible benefits plan are analyzed and included in the tabulations for specific benefit areas in this bulletin.³⁵

³⁵For information on flexible benefits plans in medium and large private establishments, see Joseph R. Meisenheimer and William J. Wiatrowski, “Flexible Benefits Plans: Employees Who Have a Choice,” *Monthly Labor Review*, December 1989, pp. 17-23.

Table 67. Flexible benefits plans and reimbursement accounts¹: Type of plan, full-time employees, small private establishments, 1994

Type of plan	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with flexible benefits plans and reimbursement accounts	6,952	1,830	2,806	2,317
	Percent			
Total with flexible benefits plans and reimbursement accounts	100	100	100	100
Flexible benefits plan with reimbursement accounts	10	6	12	9
Flexible benefits plan without reimbursement account	4	1	7	4
Freestanding reimbursement account	86	93	81	87

¹ Flexible benefits plans, also known as flexible compensation and cafeteria plans, allow employees to choose between two or more benefits or benefits options in determining their individual benefits packages. Reimbursement (flexible spending) accounts, which are used to finance benefits or expenses unpaid by insurance or benefit plans, may be part of a flexible benefits program or stand alone (freestanding accounts). These accounts may be financed by the employer, employee, or both. The employee contribution is usually made through a salary reduction arrangement.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 68. Reimbursement accounts: Expenses covered, full-time employees, small private establishments, 1994

Expenses	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with reimbursement account	6,664	1,814	2,620	2,230
	Percent			
Total with reimbursement account ¹	100	100	100	100
Health premiums	77	79	74	78
Health premiums only	38	39	31	45
Other health expenses	50	51	57	42
Dependent care expenses	51	49	59	42
Legal expenses	1	3	1	-
Expenses not determinable ..	1	1	1	2

¹ Total is less than the sum of individual items because many plans allow funds to be used for multiple purposes.

NOTE: Where applicable, dash indicates no employees in this category.

Chapter 9. Benefits by Selected Characteristics

This chapter presents incidence of employee benefits for five selected characteristics—small independent businesses, geographic region, major industry segment, union status, and part-time employment.

The incidence of benefits for full-time employees in small independent businesses, that is, wholly independently owned small private establishments, presented in tables 69 and 70, was typically less than for workers in all small establishments. Small independent businesses, such as local independent hardware or grocery stores, account for about three-fourths of the total coverage of the small establishments survey, which also includes small operating units of larger companies.

Tables 71 and 72 present the incidence of employee benefits for full-time employees in small private establishments by four geographic regions: Northeast, South, North Central, and West.³⁶ Employment of full-time workers among these establishments in the four regions was as follows:

Northeast	7.7 million
South	12.9
North Central	8.6
West	6.7

The incidence of most insurance and retirement benefits provided to full-time workers in goods-producing industries was slightly higher than that provided to workers in service-producing industries and noticeably higher for blue-collar and service workers.³⁷ (See tables 73-76.) Service-producing industries accounted for about three-fourths of those employed full time in 1994.

In general, full-time employees covered by collective bargaining agreements were more likely to receive insurance and retirement coverage than nonunion workers. About 2.2 million full-time employees in small private establishments were covered by collective bargaining agreements. Tables 77 and 78 show incidence of employee benefits for full-time workers by union status.³⁸

³⁶ Geographic regions are defined as follows: Northeast—Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; South—Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia; North Central—Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin; West—Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming.

³⁷ Goods-producing industries include manufacturing, mining, and construction. Service-producing industries include transportation, communications, electric, gas and sanitary services; wholesale trade; retail trade; finance, insurance, and real estate; and services. See Appendix A for additional information on survey scope.

Finally, tables 79 and 80 present incidence of benefits for part-time workers in small private establishments.³⁹ Part-time workers within the scope of the Employee Benefits Survey were far less likely to be covered by benefit plans than full-time workers. Part-time workers account for about one-fourth of the 48.6 million employees in small private establishments.

The incidence of employee benefits is explained for each of these characteristics in the remainder of this chapter. Any interrelationships between characteristics that may effect benefit incidence are not discussed—the sample of reporting establishments is too small.

Benefits in small, independent businesses

In 1994, the proportion of full-time employees in small independent businesses who received specific employee benefits was typically less than that found among full-time employees in all small establishments. For example, retirement benefits were available to 42 percent of full-time employees in all small establishments and to 35 percent of such employees in small independent businesses. This difference was nearly equally attributed to the lower incidence of both defined benefit and defined contribution plans in small independent businesses.

Paid vacations and holidays were the most prevalent benefits available to full-time employees in small independent businesses in 1994, covering 80 and 86 percent of workers, respectively. Paid jury-duty leave, provided to 51 percent of workers, paid sick leave, to 44 percent, and paid funeral leave, to 42 percent were also commonly provided paid leave benefits. Other paid time-off benefits were less prevalent.

Just over three-fifths of the full-time workers in small independent businesses participated in medical care plans in 1994; slightly more than one-half had life insurance protection. Other insurance coverage was much less prevalent: dental care and sickness and accident insurance plans each covered about one-fourth of full-time employees in small independent businesses in 1994, while about an eighth had long-term disability insurance protection. Coverage for these benefits averaged about 5 percentage points less than the incidence in all small private establishments.

³⁸ Occupations are categorized as union or nonunion at the time of data collection. To be categorized as union, the occupations must meet the following criteria: 1) A labor organization must be recognized as the bargaining agent for workers in the occupation; 2) wage and salary rates must be determined through collective bargaining or negotiations; and, 3) settlement terms must be embodied in a signed, mutually-binding collective bargaining agreement.

³⁹ Employees are classified as full time or part time in accordance with the practices of surveyed establishments.

Among other benefits studied, the most prevalent available to full-time employees in small independent businesses was nonproduction bonuses—53 percent of such workers received these bonuses, compared to 47 percent in all small establishments. Twenty-four percent of employees in small independent businesses were eligible for eldercare and 31 percent were eligible for job-related educational assistance, compared to 33 and 37 percent, respectively, for workers in all small establishments. Few of the other items studied were widespread even among full-time workers in all small establishments. In small, independent businesses, these benefits, for the most part, were even less prominent.

Benefits by geographic region

The incidence of paid holidays and vacations varied little by geographic region. Workers in the Northeast were more likely to receive most other types of paid leave. Overall, there was little variation in the incidence of insurance and retirement coverage, although workers in the Northeast generally had a slight edge. Notably, workers in the South were less likely to be covered by retirement plans. The significantly higher incidence of short-term disability benefits, specifically sickness and accident insurance, in the Northeast is due to State mandated coverage in New York and New Jersey (see chapter 3). The incidence of other benefits, such as child care, employee assistance programs, and reimbursement accounts showed no particular regional patterns.

Benefits by industry

The incidence of all paid leave benefits provided to full-time workers in service-producing industries was higher than in goods-producing industries. Workers in service-producing industries were also more likely to receive unpaid family leave.

Workers in goods-producing industries were more likely to be covered by most insurance and retirement benefits—except for long-term disability insurance. Nearly twice as many workers in service-producing industries had long-term disability insurance compared to workers in goods-producing industries. Incidence among other benefits was higher for workers in service-producing industries, with the exception of nonproduction bonuses, which were more commonly provided to workers in goods-producing industries, and financial counseling benefits that were rare in both sectors.

Benefits by union status

Nearly 9 in 10 union workers received medical care, retirement, and life insurance coverage, a much greater incidence of coverage than for nonunion workers. Union workers were also more likely to receive most other benefits. Nonunion workers, however, were more commonly provided paid holidays, vacations, and sick leave as well as long-term disability insurance coverage.

The method for proving retirement income coverage

varied considerably between union and nonunion workers. Four-fifths of union workers with retirement benefits received a defined benefit pension plan, while about two-fifths received a defined contribution plan. However, only three-tenths of nonunion workers with retirement benefits received defined benefits plans, while nearly nine-tenths had a defined contribution plan. Some employees participated in both types of plans.

Nonunion workers were more likely to be eligible for most other benefits such as nonproduction bonuses, job-related education assistance, and reimbursement accounts. Eldecare and employee assistance programs, however, were more commonly provided to union workers.

Benefits for part-time employees

Few part-time workers within the scope of this survey received benefits usually provided to full-time worker, such as medical care, life insurance, private retirement plans, or unpaid family leave. Full-time employees in small private establishments were about 10 times as likely as part-time employees to have medical care and life insurance, 4 times as likely to be covered by retirement plans, and 2 or 3 times as likely to receive most leave benefits and short-term disability protection. Sickness and accident insurance was available to just under one-fifth of part-time workers. Retirement plans, life insurance, medical care, dental care, and long-term disability insurance were available to one-tenth or fewer of part-time workers.

Because of both the limited sample size and incidence of benefits among part-time workers, plan provisions could not be examined to the same extent as for full-time workers. Paid time-off was the most prevalent type of benefit program available to the part-time workforce. About one-fourth of all part-time employees were eligible for paid vacations, paid holidays, and paid jury duty leave. Other types of leave were less common. Just under one-tenth of part-time employees were eligible for paid sick leave. Paid time-off was commonly prorated based on the work schedule of the part-time employee. For example, an employee working 4 hours per day would receive 4 hours of pay for each vacation day granted. Unpaid family leave was provided to about three-tenths of part-time workers.

Paid time-off benefits for part-time employees were significantly lower than the benefits for full-time employees. For example, part-time employees received an average of 6 paid holidays per year, while full-time workers received pay for 8 holidays. Additionally, part-time employees received fewer paid vacation days than full-time workers. Part-time employees eligible for paid vacations were granted an average of 10 days at 5 years of service, compared to 12 days for full-time workers. At 20 years of service, part-time employees averaged 12 days, while full-time employees averaged 15 days.

The incidence of other benefits, such as eldercare, nonproduction bonuses, and job-related education assistance was also less common than for full-time workers.

Table 69. Summary: Participation¹ in selected employee benefit programs, full-time employees, small independent businesses, 1994 (in percent)

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Paid time off:				
Holidays	80	92	88	72
Vacations	86	93	93	80
Personal leave	11	18	16	6
Funeral leave	42	51	45	36
Jury duty leave	51	70	58	41
Military leave	11	15	12	8
Family leave	2	5	2	1
Unpaid family leave	37	45	36	36
Disability benefits:				
Short-term disability protection	56	73	64	45
Paid sick leave	44	66	55	30
Sickness and accident insurance	24	26	24	24
Long-term disability insurance	14	32	19	5
Survivor benefits:				
Life insurance	54	69	60	46
Accidental death and dismemberment	42	57	47	34
Survivor income benefits	(²)	(²)	(²)	(²)
Health care benefits:				
Medical care	62	78	67	53
Dental care	23	35	25	18
Vision care	9	11	9	9
Outpatient prescription drug coverage	56	72	61	47
Retirement income benefits:				
All retirement ³	35	48	38	29
Defined benefit	9	10	9	9
Defined contribution	29	42	33	23
Savings and thrift	12	19	13	9
Deferred profit sharing	13	17	16	10
Employee stock ownership	1	(²)	(²)	1
Money purchase pension	5	9	5	4
Simplified money purchase	1	1	1	1
Cash or deferred arrangements:				
With employer contributions	15	25	16	11
Salary reduction	15	25	16	11
Savings and thrift	12	19	13	9
Deferred profit sharing	3	4	2	2
Money purchase pension	1	2	1	(²)
Deferral of profit sharing allocation	(²)	(²)	(²)	-
Other ⁴	(²)	(²)	(²)	(²)
No employer contributions	2	3	2	1
Other benefits:				
Stock purchase	(²)	-	(²)	(²)
Cash profit-sharing only	(²)	(²)	(²)	(²)

¹ Participants are workers covered by a paid time off, insurance, or retirement plan. Employees subject to a minimum service requirement before they are eligible for benefit coverage are counted as participants even if they have not met the requirement at the time of the survey. If employees are required to pay part of the cost of a benefit, only those who elect the coverage and pay their share are counted as participants. Benefits for which the employee must pay the full premium are outside the scope of the survey. Only current employees are counted as participants; retirees are excluded.

² Less than 0.5 percent.

³ Includes defined benefit pension plans and defined contribution retirement plans. The total is less than the sum of the individual items because many employees participated in both types of plans.

⁴ Includes required contributions made to plans on a pretax basis.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 70. Other benefits: Eligibility for specified benefits, full-time employees, small independent businesses, 1994 (in percent)

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Income continuation plans:				
Severance pay	12	20	17	6
Supplemental unemployment benefits	(¹)	(¹)	(¹)	(¹)
Family benefits:				
Employer assistance for child care	1	2	1	1
Employer-provided funds	(¹)	1	1	(¹)
On-site child care	1	1	(¹)	1
Off-site child care	(¹)	–	(¹)	(¹)
Eldercare	24	29	23	22
Long-term care insurance	(¹)	1	(¹)	(¹)
Health promotion programs:				
Wellness programs	3	5	4	1
Employee assistance programs	8	12	8	7
Miscellaneous benefits:				
Employer-subsidized recreation facilities	4	6	4	4
Job-related travel accident insurance ...	7	10	7	6
Nonproduction bonuses	53	53	57	51
Financial counseling	2	3	1	2
Subsidized commuting	1	2	(¹)	(¹)
Sabbatical leave	1	2	(¹)	1
Education assistance:				
Job-related	31	45	40	22
Not job-related	4	7	6	2
Flexible benefits plans	1	1	2	1
Reimbursement accounts	11	22	13	7

¹ Less than 0.5 percent.

items may not equal totals. Where applicable, dash indicates no employees in this category.

NOTE: Because of rounding, sums of individual

Table 71. Summary: Participation¹ in selected employee benefit programs, full-time employees, by geographic region, small private establishments, 1994 (In percent)

Benefit	Northeast	South	North Central	West
Paid time off:				
Holidays	88	83	82	75
Vacations	89	88	89	85
Personal leave	26	9	12	6
Funeral leave	62	48	49	42
Jury duty leave	72	61	54	43
Military leave	21	17	15	13
Family leave	2	2	3	1
Unpaid time off:				
Family leave	55	43	44	52
Disability benefits:				
Short-term disability protection	83	55	56	54
Paid sick leave	57	49	46	50
Sickness and accident insurance	65	15	21	8
Long-term disability insurance	17	21	21	22
Survivor benefits:				
Life insurance	62	64	63	53
Accidental death and dismemberment	48	51	48	41
Survivor income benefits	1	1	1	(²)
Health care benefits:				
Medical care	69	65	65	65
Dental care	30	25	26	36
Vision care	15	6	7	17
Outpatient prescription drug coverage	62	60	60	57
Retirement income benefits:				
All retirement ³	48	37	43	45
Defined benefit	20	12	12	20
Defined contribution	36	31	35	35
Savings and thrift	15	16	18	20
Deferred profit sharing	13	13	15	13
Employee stock ownership	2	2	1	(²)
Money purchase pension	9	3	5	5
Cash or deferred arrangements:				
With employer contributions	19	18	22	22
No employer contributions	2	2	4	2

¹ Participants are workers covered by a paid time off, insurance, or retirement plan. Employees subject to a minimum service requirement before they are eligible for benefit coverage are counted as participants even if they have not met the requirement at the time of the survey. If employees are required to pay part of the cost of a benefit, only those who elect the coverage and pay their share are counted as participants. Benefits for which the employee must pay the full premium are

outside the scope of the survey. Only current employees are counted as participants; retirees are excluded.

² Less than 0.5 percent.

³ Includes defined benefit pension plans and defined contribution retirement plans. The total is less than the sum of the individual items because many employees participated in both types of plans.

Table 72. Other benefits: Eligibility for specified benefits, full-time employees, by geographic region, small private establishments, 1994

Benefit	Northeast	South	North Central	West
Income continuation plans:				
Severance pay	21	15	14	11
Supplemental unemployment benefits	(¹)	(¹)	(¹)	1
Family benefits:				
Employer assistance for child care	2	(¹)	2	1
Employer-provided funds	1	(¹)	1	1
On-site child care	1	(¹)	1	(¹)
Off-site child care	(¹)	(¹)	(¹)	-
Eldercare	42	34	35	16
Long-term care insurance	1	(¹)	1	(¹)
Health promotion programs:				
Wellness programs	7	5	7	3
Employee assistance programs	13	15	13	20
Miscellaneous benefits:				
Employer-subsidized recreation facilities	4	5	5	4
Job-related travel accident insurance ...	12	14	11	13
Nonproduction bonuses	49	52	45	38
Financial counseling	2	2	2	1
Subsidized commuting	1	(¹)	(¹)	1
Sabbatical leave	2	2	1	1
Education assistance:				
Job-related	32	37	40	41
Not job-related	5	7	4	4
Flexible benefits plans	2	2	3	5
Reimbursement accounts	16	22	18	16

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

**Table 73. Summary: Participation¹ in selected employee benefit programs, full-time employees in goods-producing industries, small private establishments, 1994
(In percent)**

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Paid time off:				
Holidays	79	100	93	73
Vacations	80	95	94	76
Personal leave	9	19	15	6
Funeral leave	42	55	51	38
Jury duty leave	48	75	64	41
Military leave	11	15	16	10
Family leave	1	2	—	1
Unpaid family leave	41	54	44	39
Disability benefits:				
Short-term disability protection	46	63	55	42
Paid sick leave	28	51	43	21
Sickness and accident insurance	29	39	30	27
Long-term disability insurance	12	30	20	8
Survivor benefits:				
Life insurance	61	80	69	56
Accidental death and dismemberment	46	64	51	42
Survivor income benefits	1	4	1	1
Health care benefits:				
Medical care	67	85	73	63
Dental care	26	45	23	23
Vision care	10	7	7	11
Outpatient prescription drug coverage	59	76	67	55
Retirement income benefits:				
All retirement ²	44	62	43	42
Defined benefit	18	18	11	19
Defined contribution	33	53	38	28
Savings and thrift	13	26	9	11
Deferred profit sharing	16	26	26	13
Employee stock ownership	1	3	—	1
Money purchase pension	6	3	2	6
Simplified money purchase	1	1	1	1
Cash or deferred arrangements:				
With employer contributions	16	30	12	14
Salary reduction	16	30	12	14
Savings and thrift	12	25	8	11
Deferred profit sharing	4	6	4	3
Money purchase pension	(³)	—	—	(³)
No employer contributions	2	3	3	1
Other benefits:				
Cash profit-sharing only	1	—	2	(³)

¹ Participants are workers covered by a paid time off, insurance, or retirement plan. Employees subject to a minimum service requirement before they are eligible for benefit coverage are counted as participants even if they have not met the requirement at the time of the survey. If employees are required to pay part of the cost of a benefit, only those who elect the coverage and pay their share are counted as participants. Benefits for which the employee must pay the full premium are outside the scope of the survey. Only current employees are included.

² Includes defined benefit pension plans and defined contribution retirement plans. The total is less than the sum of the individual items because many employees participated in both types of plans.

³ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 74. Other benefits: Eligibility for specified benefits, full-time employees in goods-producing industries, small private establishments, 1994 (In percent)

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Income continuation plans:				
Severance pay	10	22	26	6
Supplemental unemployment benefits	1	(¹)	—	1
Family benefits:				
Employer assistance for child care	(¹)	—	—	(¹)
On-site child care	(¹)	—	—	(¹)
Eldercare	29	40	33	27
Long-term care insurance	(¹)	2	1	(¹)
Health promotion programs:				
Wellness programs	4	7	8	3
Employee assistance programs	13	18	11	13
Miscellaneous benefits:				
Employer-subsidized recreation facilities	3	3	7	3
Job-related travel accident insurance ...	11	20	14	9
Nonproduction bonuses	60	60	64	59
Financial counseling	3	8	1	3
Subsidized commuting	1	4	1	(¹)
Sabbatical leave	(¹)	1	—	(¹)
Education assistance:				
Job-related	33	42	47	29
Not job-related	5	2	9	5
Flexible benefits plans	1	2	1	1
Reimbursement accounts	15	35	17	11

¹ Less than 0.5 percent.

may not equal totals. Where applicable, dash indicates no employees in this category.

NOTE: Because of rounding, sums of individual items

**Table 75. Summary: Participation¹ in selected employee benefit programs, full-time employees in service-producing industries, small private establishments, 1994
(In percent)**

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Paid time off:				
Holidays	83	89	88	76
Vacations	91	92	93	87
Personal leave	14	22	17	7
Funeral leave	53	58	55	49
Jury duty leave	62	74	66	52
Military leave	19	24	20	15
Family leave	3	5	3	1
Unpaid family leave	49	53	51	46
Disability benefits:				
Short-term disability protection	66	78	71	55
Paid sick leave	57	72	63	45
Sickness and accident insurance	25	25	26	24
Long-term disability insurance	23	38	27	12
Survivor benefits:				
Life insurance	61	72	68	50
Accidental death and dismemberment	48	60	52	39
Survivor income benefits	(²)	(²)	(²)	1
Health care benefits:				
Medical care	65	79	70	54
Dental care	29	39	32	21
Vision care	10	12	11	9
Outpatient prescription drug coverage	60	75	64	49
Retirement income benefits:				
All retirement ³	41	51	48	31
Defined benefit	14	13	16	12
Defined contribution	34	43	39	25
Savings and thrift	18	22	21	14
Deferred profit sharing	12	14	16	9
Employee stock ownership	1	1	2	1
Money purchase pension	5	10	5	2
Simplified money purchase	1	2	1	1
Cash or deferred arrangements:				
With employer contributions	21	27	24	15
Salary reduction	21	27	24	15
Savings and thrift	18	22	20	14
Deferred profit sharing	2	3	2	1
Money purchase pension	1	2	1	(²)
Deferral of profit sharing allocation	(²)	(²)	(²)	-
Other ⁴	(²)	(²)	(²)	(²)
No employer contributions	3	5	3	2
Other benefits:				
Stock option	(²)	(²)	(²)	(²)
Stock purchase	(²)	(²)	1	(²)
Cash profit-sharing only	(²)	(²)	(²)	(²)

¹ Participants are workers covered by a paid time off, insurance, or retirement plan. Employees subject to a minimum service requirement before they are eligible for benefit coverage are counted as participants even if they have not met the requirement at the time of the survey. If employees are required to pay part of the cost of a benefit, only those who elect the coverage and pay their share are counted as participants. Benefits for which the employee must pay the full premium are outside the scope of the survey. Only current employees are counted as participants; retirees are excluded.

² Less than 0.5 percent.

³ Includes defined benefit pension plans and defined contribution retirement plans. The total is less than the sum of the individual items because many employees participated in both types of plans.

⁴ Includes required contributions made to plans on a pretax basis.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 76. Other benefits: Eligibility for specified benefits, full-time employees in service-producing industries, small private establishments, 1994 (In percent)

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Income continuation plans:				
Severance pay	17	24	22	9
Supplemental unemployment benefits	(¹)	(¹)	(¹)	(¹)
Family benefits:				
Employer assistance for child care	2	2	2	1
Employer-provided funds	1	2	1	1
On-site child care	1	1	(¹)	1
Off-site child care	(¹)	—	(¹)	(¹)
Eldercare	34	38	36	30
Long-term care insurance	1	1	1	(¹)
Health promotion programs:				
Wellness programs	6	8	8	4
Employee assistance programs	15	19	19	10
Miscellaneous benefits:				
Employer-subsidized recreation facilities	5	8	5	4
Job-related travel accident insurance ...	13	18	14	10
Nonproduction bonuses	43	45	48	38
Financial counseling	2	2	2	1
Subsidized commuting	1	1	(¹)	(¹)
Sabbatical leave	2	3	1	2
Education assistance:				
Job-related	39	50	46	27
Not job-related	6	8	7	3
Flexible benefits plans	3	2	5	2
Reimbursement accounts	20	26	23	14

¹ Less than 0.5 percent.

may not equal totals. Where applicable, dash indicates no employees in this category.

NOTE: Because of rounding, sums of individual items

**Table 77. Summary: Participation¹ in selected employee benefit programs, full-time employees, by union status, small private establishments, 1994
(In percent)**

Benefit	Union	Nonunion
Paid time off:		
Holidays	73	83
Vacations	76	89
Personal leave	16	12
Funeral leave	57	50
Jury duty leave	59	58
Military leave	13	17
Family leave	2	2
Unpaid Family leave	61	47
Disability benefits:		
Short-term disability protection	79	60
Paid sick leave	44	50
Sickness and accident insurance	61	24
Long-term disability insurance	13	21
Survivor benefits:		
Life insurance	86	59
Accidental death and dismemberment	68	47
Survivor income benefits	1	1
Health care benefits:		
Medical care	94	64
Dental care	57	26
Vision care	46	8
Outpatient prescription drug coverage	88	58
Retirement income benefits:		
All retirement ²	85	39
Defined benefit	72	12
Defined contribution	32	34
Savings and thrift	11	17
Deferred profit sharing	1	14
Employee stock ownership	–	1
Money purchase pension	20	4
Cash or deferred arrangements:		
With employer contributions	12	20
No employer contributions	–	3

¹ Participants are workers covered by a paid time off, insurance, or retirement plan. Employees subject to a minimum service requirement before they are eligible for benefit coverage are counted as participants even if they have not met the requirement at the time of the survey. If employees are required to pay part of the cost of a benefit, only those who elect the coverage and pay their share are counted as participants. Benefits for which the employee must pay the full premium are outside the scope of the survey. Only current employees are counted as participants; retirees are excluded.

² Includes defined benefit pension plans and defined contribution retirement plans. The total is less than the sum of the individual items because many employees participated in both types of plans.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 78. Other benefits: Percent of full-time employees eligible for specified benefits, by union status, small private establishments, 1994

Benefit	Union	Nonunion
Income continuation plans:		
Severance pay	16	15
Supplemental unemployment benefits	3	(¹)
Family benefits:		
Employer assistance for child care	1	1
Eldercare	47	32
Long-term care insurance	1	1
Health promotion programs:		
Wellness programs	6	6
Employee assistance programs	21	15
Miscellaneous benefits:		
Employer-subsidized recreation facilities	2	5
Job-related travel accident insurance ...	12	13
Nonproduction bonuses	38	48
Financial counseling	1	2
Subsidized commuting	–	1
Sabbatical leave	1	1
Education assistance:		
Job-related	33	38
Not job-related	6	6
Flexible benefits plans	1	3
Reimbursement accounts	9	19

¹ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 79. Summary: Participation¹ in selected employee benefit programs, part-time employees, small private establishments, 1994 (In percent)

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Paid time off:				
Holidays	26	29	40	18
Vacations	31	31	44	24
Personal leave	4	2	7	3
Funeral leave	15	19	21	11
Jury duty leave	25	17	27	25
Military leave	3	4	6	2
Family leave	(²)	—	1	(²)
Unpaid family leave	28	17	33	27
Disability benefits:				
Short-term disability protection	24	30	27	21
Paid sick leave	9	14	12	7
Sickness and accident insurance	17	20	18	16
Long-term disability insurance	1	3	1	(²)
Survivor benefits:				
Life insurance	6	4	11	4
Accidental death and dismemberment	4	4	7	3
Health care benefits:				
Medical care	7	11	9	5
Dental care	3	2	5	2
Vision care	2	1	3	1
Outpatient prescription drug coverage	5	11	6	4
Retirement income benefits:				
All retirement ³	10	9	17	7
Defined benefit	5	2	8	3
Defined contribution	6	7	11	4
Savings and thrift	3	1	5	1
Deferred profit sharing	3	2	5	2
Employee stock ownership	(²)	(²)	(²)	—
Money purchase pension	1	3	1	1
Simplified money purchase	(²)	—	1	—
Cash or deferred arrangements:				
With employer contributions	3	2	5	1
Salary reduction	3	2	5	1
Savings and thrift	3	1	5	1
Deferred profit sharing	(²)	1	(²)	(²)
Other ⁴	(²)	(²)	—	(²)
No employer contributions	1	4	1	(²)
Other benefits:				
Stock purchase	(²)	—	1	(²)
Cash profit-sharing only	(²)	—	(²)	—

¹ Participants are workers covered by a paid time off, insurance, or retirement plan. Employees subject to a minimum service requirement before they are eligible for benefit coverage are counted as participants even if they have not met the requirement at the time of the survey. If employees are required to pay part of the cost of a benefit, only those who elect the coverage and pay their share are counted as participants. Benefits for which the employee must pay the full premium are outside the scope of the survey. Only current employees are counted as participants; retirees are excluded.

² Less than 0.5 percent.

³ Includes defined benefit pension plans and defined contribution retirement plans. The total is less than the sum of the individual items because many employees participated in both types of plans.

⁴ Includes required contributions made to plans on a pretax basis.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table 80. Other benefits: Eligibility for specified benefits, part-time employees, small private establishments, 1994 (in percent)

Benefit	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Income continuation plans:				
Severance pay	4	3	8	2
Supplemental unemployment benefits	1	—	(¹)	1
Family benefits:				
Employer assistance for child care	1	3	1	1
Employer-provided funds	(¹)	(¹)	(¹)	(¹)
On-site child care	1	4	(¹)	1
Eldercare	22	16	26	20
Long-term care insurance	(¹)	2	—	(¹)
Health promotion programs:				
Wellness programs	2	1	3	1
Employee assistance programs	7	10	11	5
Miscellaneous benefits:				
Employer-subsidized recreation facilities	3	9	2	3
Job-related travel accident insurance ...	4	4	7	3
Nonproduction bonuses	22	35	27	17
Financial counseling	1	2	1	(¹)
Subsidized commuting	(¹)	—	(¹)	(¹)
Sabbatical leave	(¹)	(¹)	(¹)	(¹)
Education assistance:				
Job-related	15	28	13	15
Not job-related	3	1	2	4
Flexible benefits plans	(¹)	—	1	(¹)
Reimbursement accounts	5	3	4	6

¹ Less than 0.5 percent.

items may not equal totals. Where applicable, dash indicates no employees in this category.

NOTE: Because of rounding, sums of individual

Appendix A: Technical Note

Scope of survey

The Employee Benefits Survey (EBS)—the Bureau of Labor Statistics (BLS) survey of the incidence and characteristics of employee benefit plans—is conducted jointly with the Bureau’s Employment Cost Index (ECI). The portion of the sample from which the small establishment EBS estimates are made covers all private-sector establishments¹ in the United States employing fewer than 100 workers at the time of sample selection.² All private-sector industries are covered in the survey with the exception of farms and private households.

The industrial and establishment size coverage of the survey varies on a rotating basis. All surveys cover full-time and part-time workers in all 50 States and the District of Columbia. In even-numbered years, EBS data are collected for small private establishments (those employing fewer than 100 workers) and State and local governments of all sizes. In odd-numbered years, data are collected for medium and large private establishments (those employing 100 workers or more).

The industrial coverage, establishment size coverage, and geographic coverage for the survey were different prior to 1990. From 1979 to 1986, the surveys covered only medium and large private establishments and excluded most of the service industries. Establishments that employed at least 50, 100, or 250 workers, depending on the industry, were included. The survey conducted in 1987 consisted of State and local governments with 50 or more employees. The surveys carried out in 1988 and 1989 included all private-sector establishments that employed 100 or more employees. All surveys conducted from 1979 to 1989 excluded part-time employees and establishments in Alaska and Hawaii.

Data in appendix B indicate the estimated number of full- and part-time employees within the scope of the survey, the number of responding sample establishments, and the number of sampled (and responding) occupational quotes³ within those establishments that are actually studied for each major industry division.

¹ BLS defines an establishment as an economic unit that produces goods or services (such as a factory or a store) at a single location. An establishment is not necessarily a firm; it may be a branch plant, for example, or a warehouse.

² The establishments included in this survey had to be determined in advance of the actual collection because BLS only surveyed the smaller establishments. BLS classified establishments by size as of the reference date of the sampling frame. All establishments of fewer than 100 employees that were sampled are included in the survey, even if they employed more workers at the time of data collection.

³ Data are collected individually for narrowly defined occupations that are sampled within establishments. All of the employees in the detailed occupation selected may not be surveyed. Data for a group (manageable number) of employees in the detailed occupation that included the selected employee position are collected. This group is called a quote.

Occupational groups

Each of the narrowly defined occupations selected for study is classified into one of the following three broad occupational groups:

Professional, technical, and related. Includes professional, technical, executive, administrative, managerial, and related occupations.

Clerical and sales. Includes clerical, administrative support, and sales occupations.

Blue-collar and service. Includes precision production, craft, and repair occupations; machine operators and inspectors; transportation and moving occupations; handlers, equipment cleaners, helpers, and laborers; and service occupations.

Excluded from the survey are self-employed persons, proprietors, major stockholders, members of a corporate board who are not otherwise officers of the corporation, volunteers, unpaid workers, family members who are paid token wages, the permanently disabled, partners in unincorporated firms, and U.S. citizens working overseas.

Benefit areas

BLS requests that sampled establishments provide data for a sample of their occupations on work schedules and details of plans in each of the following benefit areas: Paid holidays, paid vacations, paid personal leave, paid funeral leave, paid military leave, paid jury-duty leave, paid and unpaid family leave, paid sick leave, sickness and accident insurance, long-term disability insurance, medical care, dental care, vision care, life insurance, defined benefit pension plans, defined contribution plans, flexible benefits plans, and reimbursement accounts.

Data are also collected on the incidence of the following additional benefits: Severance pay, supplemental unemployment benefits, travel accident insurance, nonproduction cash bonuses, child care, eldercare, long-term care insurance, wellness programs, recreation facilities, job-related and non-job-related educational assistance, employee assistance programs, financial counseling, subsidized commuting, sabbatical leave, stock option plans, stock purchase plans, and cash profit-sharing plans.

Sample design

The State Unemployment Insurance (UI) reports for the 50 States and the District of Columbia comprise the list of establishments from which the sample is selected (called the sampling frame). The sample design for this survey and

the Employment Cost Index (ECI) is a 2-stage probability sample of detailed occupations. The first stage of sample selection is a probability sample of establishments; the second stage is a probability sample of occupations within those establishments.

The sample of establishments is a subset of the ECI sample that covers establishments having fewer than 100 employees at the time of selection. The ECI sample is updated over a 4-year cycle. Each year, new sample establishments are introduced into the survey in selected industries, replacing previously selected sample units in those same industries. Using this procedure, the entire sample is replaced approximately every 4 years.

To ensure that the sample is representative of all establishments that began business after the various industry samples were selected, a sample of “births” (newly opened establishments) is added to the existing sample each year.

The sample of establishments is selected by first stratifying the sampling frame by industry group, and then by region and establishment employment. The industry groups usually consist of 3-digit Standard Industrial Classification groups, as defined by the Office of Management and Budget.

The number of sample establishments allocated to each stratum (defined by industry) reflects the ratio of employment in the stratum to employment in all sampling frame establishments. Thus, a stratum that contains 1 percent of the total employment within the scope of the survey receives approximately 1 percent of the total sample establishments. Some industries are sampled at a higher rate than other industries because of publication requirements or highly variable data.

Each sampled establishment within an industry group (stratum) has a probability of selection proportional to its employment. For example, consider two establishments, A and B, with respective employment of 5,000 and 1,000. Establishment A is five times more likely to be selected than establishment B.

At the beginning of each visit by a Bureau field economist to a sampled establishment, a second-stage probability sample of occupations is selected from the establishment. Data are then collected for these sampled occupations. The number of occupations selected from an establishment is four or six, depending on the employment size of the establishment. The probability of an occupation being selected is proportional to its employment size within the establishment.

The narrowly defined occupations are based on the Standard Occupational Classification (SOC) system compiled by the Department of Commerce. They are then classified into the three occupational groups shown in this bulletin.

Data collection

Bureau field economists visit or contact sampled establishments by telephone to collect data for the survey. To reduce the reporting burden, respondents are asked to

provide documents describing their flexible benefits plans; reimbursement accounts; defined benefit pensions; defined contribution plans; medical, dental, and vision care plans; and insurance plans. BLS analyzes these plans in Washington to garner the required data on plan provisions. Data on paid leave benefits generally are obtained directly from the employer at the time of the visit.

Data calculation

Tabulations in this bulletin show the percent of all employees who receive specified benefits, such as paid holidays or medical care, as well as information on the provisions of many of these benefits. Tabulations of specific provisions generally indicate the percent of all employees receiving a benefit (participants) who are covered by specified features. For example, a tabulation may show the percent of workers with medical care benefits who are covered by a health maintenance organization.

The majority of tables in the bulletin indicate the percent of employees covered by a particular benefit plan or provision. In addition, average benefit provisions—such as the average number of paid holidays per year—are presented. In some cases, tabulations indicate both the percent of employees with a given provision and the average value of that provision. For example, EBS tabulations indicate the percent of employees in fee-for-service medical care plans who must pay selected deductibles (such as \$100, \$150, and \$200 per year), as well as the average deductible. (All tabulations of averages include only those employees actually covered by the provision being averaged.)

Most tables in this bulletin also include the number of employees receiving the benefit. This provides the reader with additional information on the prevalence of various benefit plans and provisions.

Survey estimation methods

The survey design uses an estimator that assigns the inverse of each sample unit’s probability of selection as a weight to the unit’s data at each of the two stages of sample selection. Three weight-adjustment factors are applied to the establishment data. The first factor is introduced to account for establishment non-response, a second factor for occupational non-response, and a third poststratification factor is introduced to adjust the estimated employment totals to actual counts of the employment by industry for the survey reference date.

The general form of the estimator for a population total Y is:

$$Y = \sum_{i=1}^{n'} \frac{f_{2i} f_{1i}}{P_i} \sum_{j=1}^{o_i} \frac{Y_{ij} f_{ij}}{P_{ij}}$$

where,

n' = number of responding sample establishments;

o_i = occupation sample size selected from the i^{th} establishment;

Y_{ij} = value for the characteristics of the j^{th} selected occupation in the i^{th} selected establishment;

P_i = the probability of including the i^{th} establishment in the sample;

P_{ij} = the probability of including the j^{th} occupation in the sample of occupations from the i^{th} establishment;

f_{1i} = weight adjustment factor for nonresponse for the i^{th} establishment;

f_{1j} = weight adjustment factor for nonresponse for the j^{th} occupation in the i^{th} establishment;

f_{2i} = weight adjustment factor for poststratification totals for the i^{th} establishment.

Appropriate employment or establishment totals are used to calculate the proportion, mean, or percentage that is desired.

Reliability of estimates

The statistics in this bulletin are estimates derived from a sample of usable occupation quotes selected from the responding establishments. They are not tabulations based on data from all employees in small establishments within scope of the survey. Consequently, the data are subject to sampling and nonsampling errors.

Sampling errors are the differences that can arise between results derived from a sample and those computed from observations of all units in the population being studied. When probability techniques are used to select a sample, as in the Employee Benefits Survey, statistical measures

called “standard errors” can be calculated to measure possible sampling errors.

This evaluation of survey results involves forming confidence intervals that can be interpreted in the following manner: Assume that repeated random samples of the same size were drawn from a given population and an estimate of some value, such as a mean or percentage, was made from each sample. Then, the intervals described by one standard error below each sample’s estimate and one standard error above the estimate would include the population’s value for 68 percent of the sample. Confidence rises to 90 percent if the intervals surrounding the sample estimates are widened to plus and minus 1.6 standard errors, and to 95 percent if the intervals are increased to plus and minus 2 standard errors.

Nonsampling errors also affect survey results. They can be attributed to many sources: Inability to obtain information about all establishments in the sample; definitional difficulties; differences in the interpretation of questions; inability or unwillingness of respondents to provide correct information; mistakes in recording or coding the data; and other errors of collection, response, processing, coverage, and estimation for missing data.

Computer edits of the data and professional review of both individual and summarized data reduce the non-sampling errors in recording, coding, and processing the data. However, to the extent that the characteristics of non-respondents are not the same as those of respondents, nonsampling errors are introduced in the development of estimates. Because the influence of these limitations on the EBS estimates is unknown, reliability measurements are incomplete.

Appendix B: Survey Response

Information on 1994 survey response

Data for the 1994 Employee Benefits Survey in small private establishments were collected from November 1993 to October 1994, reflecting an average reference period of June 1994. A sample of 4,611 establishments was chosen from Unemployment Insurance reports with reference dates from 1986 to 1992; also included was the “birth” sample, which represents establishments beginning operations through 1993. (A description of sampling procedures appears in appendix A.) Respondents were asked for information as of the time of the data collection contact.

The following summary is a composite of establishment responses to the survey:

<i>Establishments</i>	<i>Number</i>
In sample	4,611
Out of business and out of scope	1,519
Refusing to respond	975
Responding fully or partially	2,135

The 2,135 responding establishments (tables A1-A2) yielded 6,489 occupational observations (quotes) for which data were collected.

There were four procedures used to adjust for missing data from partial and full refusals. First, imputations for the number of plan participants are made for cases in which this number is not reported (approximately 7 percent of participants in health plans, 10 percent in retirement plans, and less than 1 percent of participants in all other types of plans). Each of these participant values is imputed by selecting a similar plan from another establishment with similar employment in a similar industry. The participant rate from this selected plan is then used to approximate the number of participants for the plan that is missing a participation value.

Second, imputations for plan provisions were made when they are not available in a responding establishment. These plan provisions are imputed by selecting a plan from another establishment with similar characteristics. Provisions from this selected plan are then used to represent the missing data. (This was necessary for about 15 percent of the participants in sickness and accident insurance plans; 10 percent of flexible benefits plan participants; 51 percent of medical, dental, and vision care participants; 36 percent of long-term disability insurance participants; 69 percent of

retirement plan participants; and 12 percent of life insurance plan participants. Imputations were done for less than 1 percent of the participants in paid leave plans.) The rates of nonresponse for detailed plan provisions in the health and retirement benefit areas precludes publishing most estimates of their plan features.

For establishments that refuse, or are unable to provide the minimum amount of usable data, a weight adjustment is made using the sample unit employment. This technique assumes that the mean value of the nonrespondents equals the mean value of the respondents at some “detailed” cell level. These cells are defined in a manner that groups establishments together that are homogeneous with respect to the characteristics of interest. In most cases, these cells are the same as those used for sample selection.

For establishments that refuse, or are unable to provide data for a specific occupation, a similar cell approach is used to make adjustments to the sampled occupation weights in responding establishments. The characteristics of interest include the major occupation group of the unreported occupations.

The survey data do not relate to 6 percent of the estimated 51.9 million employees in the universe of small private establishments. Of the excluded employees, about 1 out of 4 were not within the valid occupation scope of the survey (e.g., owner-employees). The remaining 3 out of 4 were in sampled occupations that were discontinued in their reporting establishments after participation in the survey began. No replacement occupations were selected, nor were adjustments made to the survey estimates to reflect these missing data.

Standard errors

Chart A-1 provides standard errors for use in evaluating the estimates in the tables shown in chapters 1-9 of this bulletin containing percentage estimates. For example, table 1 shows that 34 percent of all employees participated in defined contribution retirement plans in 1994. Chart A-1 shows a standard error of approximately 2.6 percent for this estimate. Thus, at the 95-percent level, the confidence interval for this estimate is 28.8 percent to 39.2 percent (34 percent plus and minus 2 times 2.6 percent).

Standard errors for tables 9, 15, 24, and 26 could not be represented graphically. They are presented as tables A3-A6. For example, the first entry in table 24 shows an average of 8.2 days of paid sick leave annually after 1 year of service. The standard error for this estimate is 0.54 days.

Charting estimates and generalized standard errors

Each estimate used in the production of the tables in this bulletin has an approximately normal distribution.

Standard errors for the percentage estimates were computed from a representative portion of the 1994 survey estimates using a method called “balanced repeated replication.” Estimates are produced for each of 64 half-sample replicates, and the variability or standard error is calculated from these estimates. To simplify their presentation, a curve was fitted to the standard error estimates using regression techniques (chart A-1).

The curve’s equation is:

$$S = Pe^{[a + b\{\ln(P)\} + c\{\ln(100 - P)\} + d\{\ln(P)\ln(100 - P)\}]}$$

where:

S = standard error

P = percentage estimate from the bulletin

e = exponential function

ln = natural logarithm function.

For the 1994 Employee Benefits Survey,

$$a = -51.50706094, b = 10.037344835, \\ c = 11.034774295, \text{ and } d = -2.21323579.$$

These are regression coefficients. The curve fits the data with $R^2 = 0.83549$ and no definite pattern in the residuals.

The equation of the curve was obtained empirically, using the following equation:

$$S = a P^b (100 - P)^c .$$

Chart A-1. Generalized standard errors, small private establishments, 1994

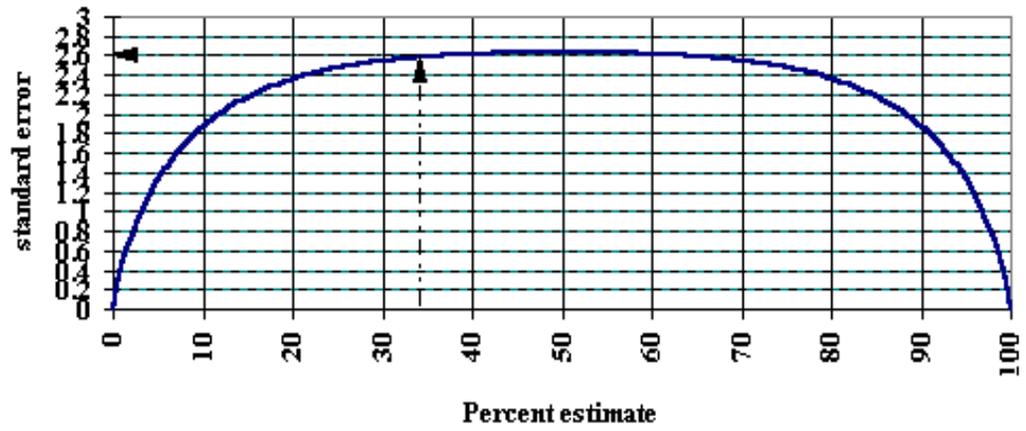


Table A.1: Number of establishments and full-time occupational quotes studied and estimated number of full-time workers within scope of survey, small private establishments, United States, 1994

Industry division ¹	Number of establishments studied	Number of occupational quotes studied ²			
		Total	Professional, technical, and related	Clerical and sales	Blue-collar and service
All industries	2,135	5,320	1,205	2,019	2,096
Manufacturing	132	447	72	66	309
Nonmanufacturing	2,003	4,873	1,133	1,953	1,787
Mining	11	40	5	4	31
Construction	208	514	71	60	383
Transportation, communications, electric, gas, and sanitary services	130	352	81	107	164
Wholesale Trade	294	908	151	449	308
Retail Trade	448	858	62	451	345
Finance, insurance, and real estate	329	875	247	552	76
Services	583	1,326	516	330	480
Estimated number of full-time workers within scope of survey					
All industries		35,909,558	6,571,919	11,629,051	17,708,589
Manufacturing		4,903,795	722,782	673,070	3,507,942
Nonmanufacturing		31,005,763	5,849,137	10,955,980	14,200,646
Mining		298,316	29,619	23,958	244,738
Construction		3,686,660	375,772	326,693	2,984,195
Transportation, communications, electric, gas, and sanitary services		2,038,634	352,640	581,110	1,104,884
Wholesale Trade		4,216,450	593,674	2,057,800	1,564,975
Retail Trade		7,287,770	520,799	3,239,814	3,527,157
Finance, insurance, and real estate		3,121,870	802,174	1,868,565	451,132
Services		10,356,064	3,174,458	2,858,040	4,323,565

¹ As defined in the 1987 edition of the *Standard Industrial Classification Manual*, U.S. Office of Management and Budget. Industry data are shown for informational purposes only and are subject to larger than normal sample error. See section on reliability of estimates.

² These figures refer to all respondents to the survey, whether or

not they provided data for all items studied. See the section on survey response.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table A.2: Number of establishments and part-time occupational quotes studied and estimated number of part-time workers within scope of survey, small private establishments, United States, 1994

Industry division ¹	Number of establishments studied	Number of occupational quotes studied ²			
		Total	Professional, technical, and related	Clerical and sales	Blue-collar and service
All industries	2,135	1,169	127	480	562
Manufacturing	132	32	1	10	21
Nonmanufacturing	2,003	1,137	126	470	541
Mining	11	1	—	1	—
Construction	208	29	2	12	15
Transportation, communications, electric, gas, and sanitary services	130	53	17	21	15
Wholesale Trade	294	99	4	47	48
Retail Trade	448	490	3	235	252
Finance, insurance, and real estate	329	92	5	66	21
Services	583	373	95	88	190
Estimated number of part-time workers within scope of survey					
All industries		12,716,611	914,998	4,153,849	7,647,764
Manufacturing		534,359	9,512	193,714	331,133
Nonmanufacturing		12,182,252	905,486	3,960,135	7,316,631
Mining		3,399	—	3,399	—
Construction		216,232	10,522	60,947	144,763
Transportation, communications, electric, gas, and sanitary services		525,780	122,068	103,911	299,801
Wholesale Trade		427,390	17,252	228,723	181,415
Retail Trade		7,470,681	25,776	2,358,024	5,086,881
Finance, insurance, and real estate		433,837	11,997	286,603	135,238
Services		3,104,933	717,871	918,529	1,468,534

¹ As defined in the 1987 edition of the *Standard Industrial Classification Manual*, U.S. Office of Management and Budget. Industry data are shown for informational purposes only and are subject to larger than normal sample error. See section on reliability of estimates.

² These figures refer to all respondents to the survey, whether or

not they provided data for all items studied. See the section on survey response.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Table A-3. Standard errors for table 9--Paid holidays and vacations: Average number of days for full-time employees, small private establishments, 1994

Item	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Paid holidays	0.09	0.14	0.09	0.16
Paid vacation by minimum length-of-service requirement:				
After 1 year .....	.12	.22	.17	.17
After 3 years .....	.11	.17	.13	.16
After 5 years .....	.13	.19	.18	.17
After 10 years .....	.16	.24	.20	.23
After 15 years .....	.21	.30	.27	.27
After 20 years .....	.21	.30	.29	.29
After 25 years .....	.24	.11	.31	.32

Table A-4. Standard errors for table 15 -- Paid vacations: Average number of days by length of service and cash-in/carryover provisions, full-time employees, small private establishments, 1994

Vacation days by minimum length-of-service requirement	All plans	Cash-in, carryover, or both	Carryover only	Cash-in only	Cash-in and carryover	No cash-in or carryover
After 1 year	1.18	0.20	0.36	0.25	0.59	0.15
After 3 years	1.10	.17	.28	.26	.70	.16
After 5 years	1.32	.22	.29	.57	.56	.20
After 10 years	1.62	.26	.32	.53	.73	.24
After 15 years	2.09	.33	.42	.57	.33	.30
After 20 years	2.08	.36	.47	.60	.39	.31
After 25 years	2.38	.38	.46	.51	.37	.35

Table A-5. Standard errors for table 24 -- Paid annual sick leave: Average number of days at full pay for full-time employees, small private establishments, 1994

Sick leave policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Paid annual sick leave days by minimum length-of-service requirement:				
After 1 year of service	0.54	0.44	0.31	1.52
After 3 years of service .....	.57	.80	.54	1.48
After 5 years of service .....	.69	.98	.84	1.64
After 10 years of service .....	.90	1.19	1.24	1.81
After 15 years of service	1.03	1.31	1.32	1.98
After 20 years of service	1.13	1.43	1.40	2.13
After 25 years of service	1.15	1.49	1.44	2.13

Table A-6. Standard errors for table 26 -- Paid annual sick leave: Average number of days at full pay for full-time employees by accumulation policy, small private establishments, 1994

Sick leave policy	All employees	Professional, technical, and related employees	Clerical and sales employees	Blue-collar and service employees
Sick leave days by minimum length-of-service requirement				
After 1 year of service:				
Cumulative plan	0.25	0.35	0.21	0.42
Noncumulative plan .....	.88	.84	.50	2.41
After 3 years of service:				
Cumulative plan .....	.25	.35	.25	.42
Noncumulative plan .....	.96	1.61	.91	2.38
After 5 years of service:				
Cumulative plan .....	.33	.36	.61	.44
Noncumulative plan	1.16	1.93	1.32	2.67
After 10 years of service:				
Cumulative plan .....	.38	.38	.70	.49
Noncumulative plan	1.50	2.35	1.99	2.94
After 15 years of service:				
Cumulative plan .....	.43	.38	.79	.59
Noncumulative plan	1.72	2.61	2.11	3.24
After 20 years of service:				
Cumulative plan .....	.46	.39	.86	.65
Noncumulative plan	1.86	2.82	2.22	3.48
After 25 years of service:				
Cumulative plan .....	.47	.40	.87	.71
Noncumulative plan	1.91	2.94	2.29	3.47
Data not available .....	.47	.40	.86	.71

Appendix C. Availability of Survey Data

The tables published in this bulletin present the major findings of the Employee Benefits Survey of small private establishments. Survey data are also available in research articles, special bulletins and reports, short publications, and electronic media.

Articles based on Employee Benefits Survey data are published periodically in the Bureau's *Monthly Labor Review and Compensation and Working Conditions*. The following is a list of recent articles:

Bucci, Michael and Grant, Robert B. "Employer-sponsored Health Insurance: What's Offered, What's Chosen?" *Monthly Labor Review*, October 1995, pp. 38-44.

Wiatrowski, William J. "Methods of Providing Child-care Benefits to Employees," *Compensation and Working Conditions*, May 1995, pp. 5-6.

Kramer, Natalie. "Employee Benefits for Older Workers," *Monthly Labor Review*, April 1995, pp. 21-27.

Kymn, Christine. "AIDS Provisions in Health Insurance," *Compensation and Working Conditions*, August 1994, pp. 4-7.

Bucci, Michael and Grant, Robert B. "Health Insurance: Employer Offerings and Employee Choices in Small Private Establishments," *Compensation and Working Conditions*, August 1994, pp. 1-3.

Foster, Ann C. "Employee Benefits in the United States, 1991-92," *Compensation and Working Conditions*, July 1994, pp. 1-6.

Foster, Ann C. "Portability of Pension Benefits Among Jobs," *Monthly Labor Review*, July 1994, pp. 45-50.

Wiatrowski, William J. "On the Disparity Between Private and Public Pensions," *Monthly Labor Review*, April 1994, pp. 3-9.

Scofea, Laura A. "The Development and Growth of Employer-Provided Health Insurance," *Monthly Labor Review*, March 1994, pp. 3-10.

Graham, Avy D. "Coordinating Private Pension Benefits with Social Security," *Monthly Labor Review*, March 1994, pp. 35-38.

Wiatrowski, William J. "Employee Benefits for Union and Nonunion Workers," *Monthly Labor Review*, February 1994, pp. 34-37.

Williams, Arthur C. "Health Care Plans Covering Out-patient X-ray and Lab Tests" *Monthly Labor Review*, August 1993, pp. 44-47.

Thompson, Jerline. "Incidence and Type of Disability Insurance Benefits, 1958-90," *Monthly Labor Review*, July 1993, pp. 51-53.

Bucci, Michael. "Lump-sum Benefits Available from Savings and Thrift Plans," *Monthly Labor Review*, June 1993, pp. 57-60.

Wiatrowski, William J. "Factors Affecting Retirement Income," *Monthly Labor Review*, March 1993, pp. 25-35.

Williams, Dolphene F. "Employer-Provided Retiree Health Care Benefits," *Compensation and Working Conditions*, August 1993, pp. 1-4.

Special bulletins and reports focus on a single topic or combine related themes. Recent publications include:

Employee Benefits for Union and Nonunion Workers, 1991-92, Summary 94-7, July 1994.

Health Insurance: Employer Offering and Employee Choice in State and Local Governments. 1992, Summary 94-12, September 1994.

Payouts from Employee Benefit Plans, Bulletin 2436, December 1993.

Employee Benefits in the United States, Summary 93-4, June 1993.

Employee Benefits in a Changing Economy: A BLS Chartbook, Bulletin 2394, September 1992.

Substance Abuse Provisions in Employee Benefit Plans, Bulletin 2412, August 1992.

To meet the needs of data users interested in specific benefit topics, Employee Benefits Survey data are used to prepare three series of short publications. *Understanding Employee Benefits* is a popularly written series of flyers covering benefits. Recent topics include:

- The Employee Benefits Survey
- The Health Care Puzzle
- Retirement and Capital Accumulation
- Employee Benefits in Small Establishments
- Benefits for the Family
- Employee Benefits for Teachers in the Public Sector
- Mental Health and Substance Abuse Treatment Benefits

Issues in Labor Statistics is one of a series of BLS occasional reports that present information of current interest.

Recent reports on employee benefits include:

Parental Leave Benefits Provided by Employers, Summary 93-1, March 1993.

Health Care Benefits Under Close Scrutiny, Summary 93-2, March 1993.

The public may access a wide range of Bureau of Labor Statistics data and information, including Employee Benefits Survey data, through the Bureau's World Wide Web site at: <http://stats.bls.gov/blshome.html>

Bureau of Labor Statistics data are also accessible on the Internet through Anonymous FTP or Gopher at: stats.bls.gov

Electronic data are also available through the BLS LABSTAT on-line data service; users may access Employee Benefits Survey news releases and historical data on major benefit incidences and provisions.

More information may be obtained by writing to: Employee Benefits Survey, Bureau of Labor Statistics, 2 Massachusetts Avenue, NE., Room 4160, Washington, DC 20212-0001. Public information is also available by telephone at (202) 606-6222.