

Employee Benefits in the United States, 1994-95

BY ANN C. FOSTER

A majority of U.S. workers received paid holidays, vacations, life insurance, and medical care coverage in 1994-95. However, few of them were eligible for supplemental unemployment benefits, long-term care insurance, and childcare assistance. Benefit availability differed by full- and part-time work status and by private and public sector employment.

The employee benefits information in this article is based on data from the 1994 employee benefits surveys of small private establishments (those with fewer than 100 employees) and State and local governments, as well as the 1995 survey of medium and large private establishments (those with 100 or more employees). These surveys cover 104 million employees (82 million full time and 22 million part time) in the private and public sectors. The employee benefits surveys are conducted by the Bureau of Labor Statistics to obtain information on the incidence and characteristics of employer-provided benefits.¹

Types of benefits and coverage

The Employee Benefits Survey collects detailed information about time-off, disability, medical and dental care, life insurance, and retirement benefits. This article gives a brief description of, and coverage information for, these benefits, as well as for IRS Section 125 plans and other selected benefits.

Time-off. The most common forms of paid leave available to workers were holidays (73 percent) and vacations (77 percent). The least common was paid family leave (2 percent). (See table 1.)

The average number of paid vacation days increased with an employee's length of service, ranging from 9 days after 1 year of service to almost 18 days after 20 years of service. (See table 2.)

Disability. Protection against loss of income due to illness or injury was available to many workers. This protection included paid sick leave, short-term disability coverage, and long-term disability insurance.

Paid sick leave and short-term disability coverage provide short-term protection.² Paid sick leave, available to one-half of all workers, provides an employee with a number of fully paid days per year to cover absences due to illness or injury. Short-term disability coverage, available to one-third of all workers, provides for salary replacement, most often partial,³ for a 6- to 12-month period.

Long-term disability (LTD) insurance, provided to one-fourth of all workers, replaces a portion of an employee's salary, but for a longer period than short-term disability. LTD benefits are generally paid until the disability ends or until retirement. In addition to LTD benefits, many defined benefit pension plans provide totally disabled workers with retirement income benefits before the normal or early retirement age.⁴

Medical and dental care. In 1994-95, 61 percent of all employees were covered by a medical care plan. Among full-time workers with coverage, 41 percent were in plans with fully employer paid individual coverage, while 20 percent were in plans with fully employer paid family coverage.⁵ (See table 3.) Thirty-seven percent of all employees had dental care coverage.

Life insurance. A majority (63 percent) of all workers had life insurance coverage. The amount provided was often a flat amount or a multiple of the employee's earnings. For most covered employees (84 percent), benefits were entirely employer financed.⁶

Retirement. Fifty-seven percent of all workers were covered by at least one retirement plan. Thirty-six percent of all workers participated in defined benefit pension plans, which use predetermined formulas to calculate retirement

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benefits. About three-fourths of participants were in plans that were entirely employer financed.

About one-third of all workers were covered by defined contribution plans, which specify employer and employee contributions, but not the level of future benefits. Savings and thrift and deferred profit sharing were the most prevalent defined contribution plans.⁷

Section 125 plans. Section 125 of the Internal Revenue Code governs flexible benefits plans, flexible spending (reimbursement) accounts, and premium conversion plans.⁸ In 1994-95, Section 125 plans were available to one-third of all workers.

Six percent of all employees were eligible for Section 125 flexible benefits plans, often called cafeteria plans.⁹ (See table 4.) Flexible benefits plans allow employees to determine how their employers' contributions will be allocated among the benefits offered. Employees are often able to purchase additional benefits on a salary reduction basis.¹⁰

Other benefits. Among the other benefits studied, job-related education assistance was the most frequently offered. This benefit was available to 46 percent of all workers. In addition, non-job-related education assistance was available to 11 percent of all workers.

Two employer-subsidized health improvement benefits, employee assistance programs and wellness programs, were available to 36 and 19 percent, respectively, of all workers. Employee assistance programs generally provide counseling and referral services for acute conditions, such as alcohol and drug abuse and emotional and financial problems, that affect job performance. Wellness programs, which include physical fitness, smoking cessation, stress management and weight loss seminars and programs, emphasize prevention of problems that can lead to poor health.

Few workers were offered supplemental unemployment benefits (1 percent), long-term care insurance (3 percent), and childcare assistance (5 percent).

Full time versus part time¹¹

Full-time workers were more likely to be offered benefits than were part-time workers. Retirement benefits, for

example, were available to 66 percent of full-time employees compared to 23 percent of part-time employees.

Paid vacations and holidays were among the most prevalent benefits available to part-time workers. When these benefits were available, they were usually similar to those provided to full-time workers, but were prorated based on the part-time worker's hours. Part-time workers with paid holidays averaged 7 days per year compared to 8.8 for full-time employees. For part-time employees with vacation benefits, the average days available ranged from 7.3 after 1 year of service to 14 after 20 years of service. For full-time employees, these figures were 9.1 and 18.1, respectively.

Private versus public sector

The incidence of coverage for sick leave, medical and dental care, and life insurance was much higher among public sector workers than among private sector workers. Another area with differing coverage was retirement income with 91 percent of public employees covered compared to 51 percent of private employees. Public employees were much more likely (86 percent) to be covered by a defined benefit pension plan than were private employees (28 percent). Most public employees with a defined benefit pension plan (73 percent) had to contribute to its cost, while few (3 percent) of their private sector counterparts were required to do so.¹² Public employees, however, were less likely (9 percent) to be covered by a defined contribution plan than were private sector employees (37 percent).

The incidence of benefits for paid holidays and vacations was higher in the private sector. The lower incidence of vacation coverage in the public sector is due to the large number of teachers who rarely receive paid vacations. Among public employees with these benefits, however, the average number of days available was higher than that for their private sector counterparts.

Additional information

Benefits information tabulated by full- and part-time status within the private and public sectors may be found in "Employee Benefits Survey," *Compensation and Working Conditions*, Winter 1997, pp. 91-94.

¹ For more information, see *Employee Benefits in Small Private Establishments, 1994*, Bulletin 2475, Bureau of Labor Statistics, 1996; *Employee Benefits in State and Local Governments, 1994*, Bulletin 2477, Bureau of Labor Statistics, 1996; and *Employee Benefits in Medium and Large Private Establishments, 1995*, Bulletin 2496, Bureau of Labor Statistics, 1997.

² The definitions of paid sick leave and short-term disability coverage, (previously called sickness and accident insurance) were changed in the 1995 survey of medium and large private establishments. Paid sick leave now includes only plans that either specify a maximum number of days per year or unlimited days on an "as needed" basis. Short-term disability coverage now includes all plans previously categorized as sickness and accident insurance plans, as well as per-disability plans previously reported as sick leave. For an explanation of these plans, see Hilery Simpson, "Short-term Disability Benefits," *Compensation and Working Conditions*, Summer 1997, pp. 52-56.

Data from the 1994 surveys were recomputed using these new definitions. These new definitions mean that the sick leave and short-term disability percentages shown in table 1 are not comparable to those reported for sick leave and sickness and accident insurance, respectively, in previous years.

³ Per-disability plans provide covered workers with a fixed number of fully and partially paid days per disability. Plans previously included under sickness and accident insurance generally replace only part of a covered worker's salary. For more information, see Simpson, "Short-term Disability Benefits."

⁴ In 1994, 91 percent of full-time State and local government employees participating in defined benefit pension plans had disability retirement provisions. Among full-time workers in medium and large private establishments who were participating in defined benefit pension plans in 1995, 73 percent had some form of disability retirement provisions.

⁵ For more information on employee costs for medical care plans see Allan P. Blostin and Jordan N. Pfunter, "Employee Medical Care Costs on the Rise," in this issue, and Ann C. Foster, "Employee Contributions for Medical Care Coverage," *Compensation and Working Conditions*, September 1996, pp. 51-53.

⁶ For more information on life insurance benefits, see Ann C. Foster, "Life Insurance," *Compensation and Working Conditions*, Winter 1997, pp. 47-50.

⁷ For more information on defined contribution plans, see Ann C. Foster, "Defined Contribution Retirement Plans Become More Prevalent," *Compensation and Working Conditions*, June 1996, pp. 42-44.

⁸ Flexible spending accounts help employees pay for expenses, such as childcare and medical care deductibles, not covered by other benefit plans. Accounts may be financed with employer funds, employee pretax funds, or both. Premium conversion plans are established solely for medical care plan participants to pay their share of medical care premiums with pretax dollars. For more information, see Foster, "Employee Contributions for Medical Care Coverage."

⁹ A cafeteria plan is an employee benefit plan that offers an employee certain choices in accordance with Internal Revenue Code Section 125. The term "cafeteria plan" is often used interchangeably with flexible benefits plan. However, a flexible benefits plan does not necessarily need to be a Section 125 (tax advantaged) cafeteria plan, but a cafeteria plan is a type of flexible benefits plan. For more information, see *Fundamentals of Employee Benefit Programs*, Fifth Edition, Employee Benefit Research Institute, Washington, DC, 1997.

¹⁰ For more 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.

¹¹ Employees are classified as full or part time according to the practices of surveyed establishments. Part-time employees are usually scheduled to work fewer hours than full-time employees in the same work activity.

¹² Employee contributions may be one reason why defined benefit pension plans, on average, replace a larger proportion of a public employee's preretirement income than that of a comparable private sector employee. For more information, see Ann C. Foster, "Public and Private Sector Defined Benefit Pensions: A Comparison," *Compensation and Working Conditions*, Summer 1997, pp. 37-43.

Table 1. Percent of employees participating in selected benefits, by private and public sectors and full- and part-time status, 1994-95

Benefit	All employees	Private sector	Public sector	Full time	Part time
Paid time off					
Holidays	73	74	68	84	32
Vacations	77	80	60	88	36
Personal leave	18	15	35	20	8
Funeral leave	56	55	58	64	24
Jury duty leave	66	62	88	75	33
Military leave	31	25	69	37	9
Sick leave ¹	50	44	86	59	15
Family leave	2	1	4	2	(²)
Unpaid time off					
Family leave	62	58	89	69	36
Short-term disability coverage ¹	33	35	20	38	16
Long-term disability insurance	25	25	27	31	3
Medical care	61	58	79	73	13
Dental care	37	34	58	45	9
Life insurance	63	60	80	76	13
All retirement^{3,4}					
Defined benefit pension plan	36	28	86	42	15
Defined contribution plan ⁴	33	37	9	39	12
Savings and thrift	21	24	2	24	6
Deferred profit sharing	10	11	-	11	4
Employee stock ownership	2	3	-	3	-
Money purchase pension	5	5	6	6	2

¹ Prior to 1995, unfunded per-disability plans—where employees receive sick leave benefits for each illness—were reported as sick leave. Paid sick leave now includes only plans that either specify a maximum number of days per year or unlimited days for sick leave. Short-term disability coverage now includes all insured, self-insured, and State-mandated sickness and accident plans available on a per-disability basis, as well as unfunded per-disability plans. The 1994 data were computed to

reflect this change.

² Less than 0.5 percent.

³ Includes defined benefit pension plans and defined contribution retirement plans.

⁴ The total is less than the sum of the individual items because some employees participated in more than one plan.

NOTE: Dash indicates no employees in this category.

Table 2. Average¹ annual number of days provided to participants in selected paid leave plans, by private and public sectors and full- and part-time status, 1994-95

Paid leave plan	All employees	Private sector	Public sector	Full time	Part time ²
Holidays	8.6	8.2	11.4	8.8	7.0
Vacation days by minimum length of service requirement:					
After 1 year	9.0	8.5	12.2	9.1	7.3
After 10 years	15.1	14.7	18.2	15.5	11.2
After 15 years	16.7	16.3	20.2	17.1	13.3
After 20 years	17.7	17.2	21.8	18.1	14.0
Personal leave	3.0	3.0	2.9	3.1	2.3
Funeral leave ³	3.3	3.2	3.7	3.3	3.1
Military leave	14.0	13.9	14.1	14.1	12.6

¹ The average shown is for covered workers only.

² Leave provisions for part-time employees are usually prorated

based on their work schedule.

³ Funeral leave averages are per occurrence.

Table 3. Percent of participants with selected benefits by source of financing, by private and public sectors and full- and part-time status, 1994-95

Source of financing benefit	All employees	Private sector	Public sector	Full time	Part time
Short-term disability coverage					
Total	100	100	100	100	100
Wholly employer financed	72	72	78	75	48
Partly employer financed	25	25	22	23	43
Not determinable	3	3	-	2	9
Long-term disability insurance					
Total	100	100	100	100	100
Wholly employer financed	78	78	77	78	49
Partly employer financed	21	21	22	20	48
Not determinable	1	2	(¹)	1	3
Medical care					
Employee coverage					
Total	100	100	100	100	100
Wholly employer financed	(²)	(²)	49	41	(²)
Partly employer financed	(²)	(²)	47	58	(²)
Not determinable	(²)	(²)	3	1	(²)
Family coverage					
Total	100	100	100	100	100
Wholly employer financed	(²)	(²)	23	20	(²)
Partly employer financed	(²)	(²)	71	76	(²)
Not determinable	(²)	(²)	6	4	(²)
Dental care					
Employee coverage					
Total	100	100	100	100	100
Wholly employer financed	(²)	(²)	64	(²)	(²)
Partly employer financed	(²)	(²)	34	(²)	(²)
Not determinable	(²)	(²)	2	(²)	(²)
Family coverage					
Total	100	100	100	100	100
Wholly employer financed	(²)	(²)	40	(²)	(²)
Partly employer financed	(²)	(²)	55	(²)	(²)
Not determinable	(²)	(²)	5	(²)	(²)
Life insurance					
Total	100	100	100	100	100
Wholly employer financed	84	84	86	84	82
Partly employer financed	15	15	14	15	16
Not determinable	1	1	-	1	2
Defined benefit pension					
Total	100	100	100	100	100
Wholly employer financed	73	97	27	74	71
Partly employer financed	27	3	73	26	29

¹ Less than 0.5 percent.

² Data do not meet publication criteria.

NOTE: Because of rounding, sums of individual items may not equal total. Dash indicates no employees in this category.

Table 4. Percent of employees eligible for selected benefits, by private and public sectors and full- and part-time status, 1994-95

Benefit	All employees	Private sector	Public sector	Full time	Part time
Section 125 plans ¹	34	30	59	41	11
Flexible benefits plans	6	6	5	7	2
Severance pay	22	21	27	26	7
Supplemental unemployment benefits	1	2	(²)	2	(²)
Employer assistance for child care	5	4	9	5	3
Long-term care insurance	3	3	3	3	2
Wellness programs	19	16	32	22	7
Employee assistance programs	36	31	65	41	19
Job-related travel accident insurance	22	23	13	24	12
Nonproduction bonuses	37	38	31	42	19
Job-related education assistance	46	44	60	53	24
Non-job-related education assistance	11	10	18	13	5

¹ Includes all types of plans under Internal Revenue Service Code Section 125.

² Less than 0.5 percent.