

Supplements to Wages and Salaries

Supplements to wages and salaries consists of employer contributions for employee pensions and insurance funds (previously called other labor income) and employer contributions for government social insurance. In the new presentation of personal income, employer contributions for government social insurance is included as a component of supplements to wages and salaries, compensation, and total earnings, but it also is included in total contributions for government social insurance, which consists of both employer contributions and employee and self-employed contributions and which is deducted in the calculation of personal income and net earnings. This change in presentation provides the user a more comprehensive presentation of the costs of production by industry in an area, but it does not affect personal income or net earnings by place of residence.

Supplements to wages and salaries accounted for 11.7 percent of personal income at the national level in 2002 (table C).

Employer Contributions for Employee Pension and Insurance Funds

Employer contributions for employee pension and insurance funds (formerly, other labor income) consists of the employer contributions to privately administered pension and welfare funds, employer contributions to privately administered workers' compensation plans, employer contributions to government employee health and life insurance plans, and employer contributions to government employee retirement plans. /1/

1 Employer contributions for employee pension and insurance funds excludes employer contributions paid to social insurance funds, such as those for the Old-age, Survivors, and Disability Insurance (social security) program. Generally, government-administered funds that provide benefits to individuals are classified as social insurance; however, government employee retirement plans are treated similarly to private pension plans. The benefits paid from social insurance funds are counted as part of the transfer payments component of personal

Employer contributions for employee pension and insurance funds accounted for approximately 7.58 percent of personal income at the national level in 2002 (table C).

Employer contributions to privately administered pension and welfare funds

Contributions by employers to privately administered benefit funds, which consist of their payments to pension and profit-sharing plans, premiums for private group health and life insurance plans, and payments to supplemental unemployment benefit plans accounted for about 63.77 percent of employer contributions for employee pension and insurance funds in 2002 (table C). For private pension plans, other components of personal income include their investment income, except capital gains (net of losses). However, benefits paid by these plans are not counted as part of personal income.

Private pension and profit-sharing plans, group health and life insurance, and supplemental unemployment insurance.--The national estimates of the employer payments to private pension and profit-sharing plans are based mainly on data tabulated from Internal Revenue Service form 5500 (Annual Return/Report of Pension Plans) and are prepared at the North American Industrial Classification (NAICS) three-digit industry level. /2/

The national all-industry estimates of the payments for group health insurance for years after 1996 are based mainly on data collected by the Medical Expenditure Panel Survey

income.

For the difference in the treatment of government employee retirement plans and social security, see footnote 10 in Brent R. Moulton, Robert P. Parker, and Eugene P. Seskin, "A Preview of the 1999 Comprehensive Revision of the National Income and Product Accounts," Survey of Current Business 79 (August 1999): 11.

2 See the section "Changes in Methodology" in "Improved Estimates of the National Income and Product Accounts for 1959-95: Results of the Comprehensive Revision," Survey 75 (January/February 1996): 22-27.

(MEPS). /3/ The estimates for 1986-1996 are based mainly on extrapolations of the 1996-2001 MEPS data by the relative change in 1986-1996 data on employers' health insurance costs from the Employer Costs of Employee Compensation (ECEC) report of the Bureau of Labor Statistics (BLS); the estimates are disaggregated to the NAICS three-digit industry level based on data from the ECEC and on the distribution of wage and salary accruals. The estimates prior to 1986 are based mainly on the total private expenditures on health insurance (including the cost of self-administered plans) from the 1986 National Health Account of the Centers for Medicare and Medicaid Services(CMS), formerly the Health Care Financing Administration. Premiums paid by employees are subtracted using consumer expenditures for health insurance (excluding Medicare premiums) from the BLS Consumer Expenditure Survey.

The national estimates of premiums paid by employers for group life insurance are based mainly on data provided by the American Council on Life Insurance (ACLI), and the national estimates of payments for supplemental unemployment benefits are based mainly on data from labor union and industry sources and from BLS. The estimates by NAICS Sector are also based on the ACLI, BLS, and union and industry sources. These estimates are allocated to the NAICS three-digit industry industries based on the distribution of wage and salary accruals.

The state estimates of the payments to these private benefit plans are prepared for each private industry. Because state data are not available from the sources used to prepare the national estimates, the payments amount for each industry is allocated to the states in proportion to the state estimates of wages and salary disbursements for the industry. /4/

3 See the section "Changes in Methodology" in "Annual Revision of the National Income and Product Accounts: Annual Estimates, 1997-99, and Quarterly Estimates, 1997:I-2000:I," Survey 80 (August 2000): 27-29.

4 Because wage and salary disbursements by industry are used to allocate the national estimates to states, the state estimates reflect the various mixes of industries among the states

However, for the large payments made by two motor vehicle manufacturing firms to previously underfunded pension funds in 1992-95, the contribution made by each firm was allocated to states in proportion to the firm's employment in motor vehicle manufacturing plants.

Employer contributions (private and government) to privately administered workers' compensation plans

The contributions by employers to privately administered workers' compensation plans consist of net premiums paid by employers to private insurance companies for workers' compensation insurance, benefit payments by self-insured employers, and court-awarded payments by the railroad industry and the water transportation industry for work-related injuries.^{5/} The employer contributions to these plans accounted for about 7.06 percent of employer contributions for employee pension and insurance funds in 2002 (table C).

Workers' compensation plans.--The national estimate for the employers' premium payments to private insurance companies is based on data compiled annually by A.M. Best Company, Inc., supplemented by data from the National Council on Compensation Insurance (NCCI), the National Association of Insurance Commissioners (NAIC), and the American

and the wide variation in contribution rates relative to wages among industries, but not the variation in contribution rates among states for a given industry.

5 Programs for workers' compensation insurance are authorized by law in all states, and laws in the District of Columbia and in all but five states authorize programs for private workers' compensation insurance. Federal laws authorize the court-awarded payments by the railroad industry and the water transportation industry. Laws in many states authorize self-insurance. Workers' compensation insurance provided by government-operated funds is classified as social insurance, and the premiums paid to these funds are classified as employers' contributions for social insurance, which is a component of compensation, but deducted in the calculation of personal income. The benefits paid by these funds are classified as transfer payments to persons, and are therefore part of personal income.

Association of State Compensation Insurance Funds (AASCIF).^{6/} The estimate of employers' costs for self-insurance is based on state-level data compiled by the Social Security Administration (SSA) and by the National Academy of Social Insurance (NASI).^{7/} The allocation of the national estimates to the NAICS three-digit industries is based on BEA estimates of employment by industry and on BLS data on occupational injury incidence rates.

The national estimates of the payments made under court awards are based on data provided by the Federal Railroad Administration and the Maritime Administration of the Department of Transportation.

The state estimates are prepared in three parts: For railroad transportation, for water transportation, and for all other industries.

State data for the court-awarded payments by the railroad and water transportation industries are unavailable. For the railroad industry, the national estimate of these payments is allocated to states in proportion to the number of workers killed or injured in railroad accidents, as reported in the Annual Accident/Incident Bulletin by the Federal Railroad Administration. For the water transportation industry, the national estimate of the court-awarded payments is allocated to states in proportion to the estimates of wages and salaries for this industry.

The state estimates of the premiums and benefits paid by employers in the other industries are prepared with a dual allocation.^{8/} In this three-step procedure, first, the national

6 Some state-chartered workers' compensation insurance funds have mixed public and private characteristics and are not included in the A.M. Best data for private insurance carriers or in the Census Bureau data for social insurance funds. BEA treats these funds as private and obtains data for them from the other sources.

7 The SSA series of employer costs for self-insurance was discontinued after 1995 and succeeded by the NASI series.

8 See "Dual allocation" in the technical notes.

estimates for each industry is allocated to each state in proportion to state estimates of wages and salaries for each industry.^{9/} Second, for each state the sum of two data series: (1) Earned premium data collected from the NAIC, supplemented with data from the NCCI and the AASCIF, and (2) data on benefits paid by self-insured employers from the SSA and the NASI is allocated in proportion to the output of the first step. Third, the national estimates for each industry are allocated to states in proportion to the output of the second step.

Employer contributions to government employee health and life insurance plans

Government employee health and life insurance plans are treated similarly to private health and life insurance plans in the national income and product accounts. For the measurement of personal income, employer contributions to the plans are counted as part of employer contributions for employee pension and insurance funds. The employer contributions to these plans accounted for about 12.87 percent of employer contributions for employee pension and insurance funds in 2002 (table C). The employee contributions to the plans and the payment of benefits by these plans are not reflected in personal income.

Contributions for Federal and state and local government employees--The national estimates of the payments for government employees for group health insurance for 1997 are based mainly on data collected by the Medical Expenditure Panel Survey.^{10/} The estimates for 1991-1996 and for 1998-forward are based mainly on extrapolations of 1997 MEPS data by

9 For West Virginia, the state estimate is allocated to industries in proportion to data from the Annual Report of the West Virginia Workers' Compensation Fund.

10 See the section "Changes in Methodology" in "Annual Revision of the National Income and Product Accounts: Annual Estimates, 1997-99, and Quarterly Estimates, 1997:I-2000:I," Survey 80 (August 2000): 27-29.

the relative change in 1991-1996 and 1998-forward data on employers' health insurance costs from the Employer Costs of Employee Compensation (ECEC) report of the Bureau of Labor Statistics (BLS). The estimates prior to 1991 are based mainly on the total private expenditures on health insurance (including the cost of self-administered plans) from the 1991 National Health Account of the Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration. Premiums paid by employees are subtracted using consumer expenditures for health insurance (excluding Medicare premiums) from the BLS Consumer Expenditure Survey.

The national estimates of premiums paid by employers for group life insurance are based mainly on data provided by the American Council on Life Insurance (ACLI).

The national estimates of Federal, state, and local government payments to government employee group health and life insurance plans are allocated to states in proportion to ES-202 employment data for each level of government.

Employer contributions to government employee retirement plans

Government employee retirement plans are treated similarly to private pension plans in the national income and product accounts.^{11/} For the measurement of personal income, employer contributions to the plans are counted as part of employer contributions for employee pension and insurance funds, and the investment income (excluding capital gains) received by the plans is counted as part of personal dividend income or personal interest income. The

11 In addition to or instead of coverage under government employee retirement plans, many government employees are covered by the Old-age, Survivors, and Disability Insurance Program (social security); see footnote 1.

employer contributions to these plans accounted for about 16.31 percent of employer contributions for employee pension and insurance funds in 2002. The employee contributions to the plans and the payment of benefits to retired persons and survivors are not reflected in personal income.

Contributions for Federal civilian employees.--The government employee retirement plans for Federal civilian employees consist of the Civil Service Retirement System (CSRS), which covers only employees hired before 1984; the Basic Benefit Plan of the Federal Employees Retirement System (FERS), which covers mainly employees hired after 1983; the Thrift Savings Plan (TSP); and several plans that cover specified groups of employees, such as the plan for the Foreign Service. Employees covered by FERS are also covered--but those covered by CSRS are not covered--by Old-age, Survivors, and Disability Insurance (social security). Employees covered by both CSRS and FERS are eligible to participate in the TSP, but employer contributions to the TSP are made only on behalf of employees covered by FERS. Employee contributions are required to both the CSRS and the Basic Benefit Plan of FERS; employee contributions to the TSP are optional.

The national estimate of the employer contributions to all of the retirement plans for Federal civilian employees--which is based mainly on data from the Monthly Treasury Statement--is allocated to states in proportion to Federal civilian wages and salaries.

Contributions for military personnel.--Military personnel are covered both by social security and by the military retirement system. Retirement benefits under the latter require a minimum of 20 years of service, but the benefits begin immediately upon retirement, regardless of age. No employee contribution is required.

The national estimate of the employer contributions for military retirement--which is based mainly on data from the Monthly Treasury Statement--is allocated to states in proportion to military wages and salaries.

Contributions for state and local government employees--The government employee retirement plans for state and local government employees consist of both plans operated by state and local governments and by private carriers. The pension plans for state and local government employees operated by private carriers consist only of contributions to annuity plans made on behalf of selected groups of employees—primarily teachers. Some local government employees are covered by plans operated by state governments. Employee contributions to the state and local government plans may or may not be required.

The national and the state-level estimates for government operated plans are based on data from the Census Bureau's annual Finances of Employee-Retirement Systems of State and Local Governments. The state estimates of the contributions for state government employees are based on the total contributions received by the state-operated plans less the contributions made for local government employees to those plans. The state estimates of the contributions for local government employees are based on the total contributions received by the plans operated by local governments plus the contributions made for local government employees to the state-operated plans.

The national and the state-level estimates for pension plans operated by private carriers are based on data from the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF).

Employer Contributions for Government Social Insurance

Employer contributions for government social insurance consists of employer payments under the following government social insurance funds: Old-age, survivors, and disability insurance (OASDI); hospital insurance (HI); unemployment insurance; railroad retirement; pension benefit guaranty corporation; military medical insurance; veterans life insurance; Federal workers compensation; state-administered workers' compensation; and state-administered temporary disability insurance.

These contributions accounted for 4 percent of personal income at the national level in 2002 (table C).

The estimates of employer contributions for government social insurance are developed for each program by industry. The total for all of the programs is included in contributions for government social insurance.

Contributions for OASDI and HI

Contributions by employers for OASDI and HI are made on behalf of private sector, federal, state, and local government employees who are covered by the OASDI and HI programs and account for about 87 percent of total employer contributions for government social insurance.

Most employers contribute to both the OASDI and HI programs on behalf of their employees. However, employees of the railroad industry, federal employees in the Civil Service Retirement System, and state and local government employees covered under their employers'

pension programs are covered by the HI program but not by the OASDI program.

The national estimates of the contributions are based on data from the Social Security Administration. State estimates of employer contributions to OASDI and HI are prepared separately for each private industry, for Federal civilian employees, for state government employees, for local government employees, and for military personnel.

State estimates of the contributions by private sector employers are based on wage and salary disbursements that has been adjusted so that the average wage for each state and industry does not exceed the annual maximum wage that is taxable. The State estimates of the contributions by Federal civilian employers are prepared in proportion to the state estimates of wage and salary disbursements for Federal civilian employees. The state estimates of the contributions by the military are prepared in proportion to the state estimates of military wage and salary disbursements excluding pay-in-kind.

State estimates of the contributions to OASDI and HI by State and local government employers are based on employer contributions to social security program as reported in the 1987 Census of Government. The 1987 State estimates were extrapolated forward by the estimates of State and local government wage and salary disbursements that have been adjusted to reflect coverage rates under OASDI for state and local government employees in each particular state. These coverage rates were provided by the Social Security Administration.

Contributions for unemployment insurance

Employer contributions to unemployment insurance funds consist of employer contributions to the following four funds: state unemployment insurance (UI); Federal

unemployment tax; railroad employees unemployment insurance; and Federal employees unemployment insurance.

State unemployment insurance and Federal unemployment tax fund.--State unemployment insurance and the Federal unemployment tax fund provide for payments of unemployment compensation to workers who have lost their jobs. Private sector employers covered by the unemployment insurance program and state and local governments pay both a Federal and a state unemployment tax.

The national estimates of employer contributions to the state unemployment insurance and federal unemployment tax funds are based on data from the Employment and Training Administration. The state estimates are based on employer contributions data by state and industry from the UI contributions report, which is provided by the Bureau of Labor Statistics of the Department of Labor.

Railroad employees unemployment insurance.—The Railroad Unemployment Insurance Act of 1938, established a system of benefits for unemployed railroad workers that was financed by railroad employers and administered by the Railroad Retirement Board (RRB).

The national estimates of the employer contributions for this program are based on data from the Monthly Treasury Statement of Receipts and Outlays of the United States Government. State estimates of the employer contributions for railroad employees unemployment insurance are based on wage and salary data from the RRB. The data used for the State estimates, which are reported by the RRB on a place-of-residence basis, are converted by BEA to a place-of-work basis using journey-to-work data from the 1990 Census of Population.

Federal employees unemployment insurance.--The Unemployment Compensation for Federal Employees (UCFE) program and the Unemployment Compensation for Ex-Servicemembers (UCX) program provide unemployment compensation benefits to former

Federal civilian employees and to unemployed, newly discharged servicemen. The estimates of the employer contributions of these two programs are the equivalent of the unemployment benefits for former Federal employees.

The employer contributions for the UCFE and UCX programs are estimated separately. The national estimates are based on data from both the Office of Management and Budget and the Employment and Training Administration. The state estimates are based on wage and salary disbursements for Federal civilian workers and for active duty military personnel.

Contributions for railroad retirement

Railroad retirement is treated in the NIPAs as a social insurance fund. Railroad employers contribute a percentage of wages that matches the rate of OASDI and HI. In addition, employers contribute a supplemental tax that is calculated to yield benefits comparable to private pensions.

The national estimates of the employer contributions for this federally-administered program are based on taxable wages and tax rate data from the RRB. The state estimates are prepared in proportion to wages and salaries as reported by RRB. The data used for the State estimates, which are provided on a place-of-residence basis, are converted by BEA to a place-of-work basis using journey-to-work data from the 1990 Census of Population.

Contributions for the Pension Benefit Guaranty Corporation

The Pension Benefit Guaranty Corporation (PBGC) is a Federal government corporation established by Title IV of the Employee Retirement Income Security Act of 1974 to encourage the continuation and maintenance of defined benefit pension plans, and to provide timely and uninterrupted payment of pension benefits to participants and beneficiaries in plans covered by

the PBGC. The PBGC collects insurance premiums from employers that sponsor insured pension plans. Coverage in this program is not universal.

The national estimates of employer contributions to PBGC are based on data from the budget of the United States. The state estimates are prepared separately for each industry and are based on estimates of wage and salary disbursements.

Contributions for veterans life insurance

These contributions are the premiums that are paid by the Federal government for life insurance under the five life insurance programs administered by the Department of Veterans Affairs (DVA).

The national estimate of these contributions is based on unpublished data provided by DVA. The state estimates are based on BEA estimates of military wage and salary disbursements.

Contributions for military medical insurance

Military medical insurance (TRICARE) is a health care program that covers health care at nonmilitary facilities for active duty and retired members of the uniformed services, their families, and survivors. The benefits to dependents of active duty personnel of this program are treated as paid by a social insurance fund in order to make the compensation of military personnel comparable to the compensation of other government and private sector employees. A social insurance contribution—equal to the benefits paid—is imputed to the military employer.

The national estimates of employer contributions for military medical insurance are based on data from the Department of Defense. The state estimates are based on BEA estimates of military wage and salary disbursements.

Contributions for Federal workers' compensation

The Federal government pays workers' compensation benefits to Federal employees injured on the job. All estimates of workers' compensation contributions are imputations based on estimates of benefits paid to employees.

The national estimates of employer contributions for Federal workers' compensation are based on data from the Employment Standards Administration of the Department of Labor. The state estimates are based on BEA estimates of Federal civilian and military wages and salaries.

Contributions for state-administered workers' compensation

Many states have created state-administered workers' compensation funds to provide benefits to individuals with employment-related injuries and illnesses and to survivors of individuals who died from employment-related causes. These government insurance funds and state-administered second injury funds are treated in the NIPAs as social insurance funds.

The national estimates of employer contributions for state-administered workers' compensation are based on government finance data provided by the Census Bureau. State estimates of these contributions are based on data from the Census Bureau's annual State Government Finances.

Contributions for state-administered temporary disability insurance

State-administered temporary disability insurance programs provide workers with partial compensation for loss of wages caused by temporary non-occupational disability. Five states have a temporary disability insurance program in place: California, Hawaii, New Jersey, New York, and Rhode Island. Of these five states, only New Jersey has a program that requires

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employers to contribute. Therefore, the national estimate equals the estimate for the state of New Jersey.

The national estimates of employer contributions for temporary disability insurance are based on government finance data provided by the Census Bureau. The estimates are distributed to industries by BEA estimates of New Jersey wage and salary disbursements.