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ACCOUNTING FOR EMPLOYEE BENEFITS:
Issues of Measurement, Valuation and Social Equivalencies

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Employee benefits encompass all of the supplemental compensations beyond direct pay for time worked in the employee's remuneration package. These add-ons are often characterized as "fringe" benefits because they supplement salary and wages for time worked, which represent the monetary core of the employee remuneration package. (See, Table 1) Some of the fringe benefits are voluntarily offered by employers; others are mandated by government. These benefits include a wide range of cash and in-kind allocations such as, chauffeured limousines and company cars, parking, education, free lunches and dinners, private pensions and mandated employer contributions to public pensions, day care, health and disability insurance, massage therapy, club memberships, vacations, family leave, and subsidized housing – all of which can amount to a decent standard of living.

Many (though not all) of these benefits receive favorable tax treatment, which varies among different countries – a matter to which we shall return in due course. Given the wide range of employee benefits and the rising number of two-earner families, in the 1970s working families in the U.S. increasingly began to experience a duplication of benefits, particularly health insurance coverage, which is one of the most expensive benefits offered by employers. This spurred the development of flexible benefit packages, sometimes called "cafeteria plans," under which employees are permitted to select a package of benefit tailored to their needs. These plans allow employees to make the best use of available funds according to their individual situations, which might involve the

presence of children and the coverage by a spouse's health care benefits. By 1997 these plans covered about 13 percent of workers employed in medium and large private establishments.¹

There are, of course, gray areas concerning exactly what supplemental compensations to include under the rubric of fringe benefits. A high-profile case in point was Thomas Daschle's ((President Obama's Secretary of Health and Human Services nominee) failure to treat the receipt of a car and driver as a form of supplemental compensation, which in this case was taxable. Mr. Daschle said he considered the transportation service a gift from a wealthy friend -- with whom he also happened to do business. Gifts are normally not considered remuneration for services rendered. Yet, the line begins to blur when an employer gives a worker (or his spouse) a gift.

Efforts to assess the value of employee benefits tend to focus on their costs to the employer. National data on the costs and distribution of these benefits are usually reported as a percent of the employer's hourly compensation costs under the functional categories in Table 1, which are used by the U.S. Department of Labor, Bureau of Labor Statistics (BLS). Although not exhaustive, these categories illustrate the variety and range of benefits. (A more detailed classification of labor costs adopted by the International Labor Organization (ILO) is shown in Appendix A.) Data compiled by the BLS offer the "most reliable available series in terms of international comparability."²

Much of the gray area in benefit calculations resides in categories such as pay in-kind, which covers numerous possibilities. The hourly direct pay for time worked in Table 1 (Direct wages and salaries in Appendix A) represents the monetary core of the remuneration package. All the other costs are the fringe benefits.

Table:1

Hourly Compensation Costs:

* Hourly Direct Pay

Pay for Time Worked

Basic wages

Piece rate

Overtime premiums

Shift differentials

Bonuses and premiums paid regularly

Cost-of-living adjustments

Other Direct Pay

Pay for time not worked (vacations, holidays, and other leave, except sick leave)

Seasonal and irregular bonuses

Social allowances

Pay in kind

* Employer Social Insurance Expenditures (both legally required and contractual and private) and Other Labor Taxes

Retirement and disability pensions

Health insurance

Income guarantee insurance and sick leave

Life and accident insurance

Occupational injury and illness compensation

Unemployment insurance

Family allowances

Other social insurance expenditures

Taxes (or subsidies) on payrolls or employment

Source: U.S. Department of Labor, Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs in Manufacturing, 1975-2006." January 2008.

How do employee benefits impact existing income-based measures of poverty and inequality? In considering this issue, the analytic focus is on those benefits that are

currently excluded from these measures (i.e. they are not counted as employee income). On certain aspects of this issue the evidence is relatively unambiguous and on others it is more equivocal. To frame the broader context of this analysis, the first two sections of this paper review the relatively clear-cut data, which show that: a) employee benefits have come to form an increasingly significant part of remuneration, accounting for a higher proportion of the costs of hourly compensation in Europe than in the United States; and b) these benefits tend to disproportionately favor those already earning high incomes. To pin down the actual impact of these benefits is a more complicated issue. In sections 3 and 4 we turn to the thorny questions of exactly what benefits to count and how to value them for inclusion in measures of poverty and inequality. The concluding section examines some of the broader implications for the treatment of functionally equivalent social benefits. This analysis draws upon the Bureau of Labor Statistics series on employee benefits for production workers in manufacturing to illustrate the measurement issues. The discussion is limited to this occupational category mainly because it is the group for which comparative international data are most readily available.

An Increasing Proportion of Total Employee Compensation:

In the United States, employee benefits date back well over a century. Voluntary employee pensions, among the most costly and important of these benefits, were first established by the American Express Company in 1875.³ Before the 1940s, employee pension plans were prevalent in only a few industries, primarily railroads, banking, and public utilities. After World War II, these private schemes began to spread rising in

number to 489,000 pension plans by 1980. Between 1980 and 1995 participation in private pension plans climbed by over 50 percent, from 57.9 to 87.5 million people.⁴ By the mid-1990s, more than one half of the civilian labor force participated in private occupational-based pensions. Although employers have much discretion in how they structure private plans, to receive favorable tax treatment, these plans must meet both the terms of the Internal Revenue Code and minimum standards of the 1974 Employee Retirement Income Security Act regarding participation, vesting, nondiscrimination against lower paid workers, and other criteria.⁵

Occupational pensions also constitute an increasingly significant portion of employee benefits in European countries. Between 1980 and 1995, the percent of pensioner households with income from private pensions climbed throughout most of western Europe. By the mid-1990s more than half of the pensioner household received occupational pensions in Norway, Sweden, Finland, the Netherlands and the U.K.⁶ Occupational pensions rose significantly as a share of the aggregate income of old-age pensioners in Norway, U.K. Germany and Denmark. In Norway the share of income in this group almost doubled from 11-to-20%; in the Netherlands occupational pensions accounted for about 30% of the retirement income throughout this period.⁷

Private pensions, however, are just one of many provisions in the overall package of employee benefits, which has expanded considerably over the last three decades in the United States and throughout Europe. From 1975 to 2006, for example, employee benefits as a proportion of total compensation for production workers in manufacturing

Table 2:
Employee Benefits as % of hourly compensation
costs for production workers in manufacturing 1975-2006 *

| | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 | 2006 |
|---------------|------|-------|-------|------|------|------|------|
| United States | 23.6 | 25.8 | 26 | 27.2 | 28.1 | 27.1 | 29.5 |
| Austria | 46 | 47.7 | 49.7 | 49.9 | 49.4 | 48.6 | 48.5 |
| Denmark | 14.9 | 16.5 | 17.7 | 16.3 | 21.4 | 26.1 | 28 |
| Finland | 28.2 | 32.7 | 33.7 | 38.2 | 38.8 | 37.6 | 40.6 |
| France | 40 | 41.5 | 44.7 | 46.3 | 45.7 | 45.3 | 44.3 |
| Germany | ---- | ----- | ----- | ---- | 43.6 | 42.2 | 42.1 |
| Netherlands | 40.9 | 42.3 | 42.6 | 42.5 | 42.6 | 40.3 | 41.8 |
| Norway | 28.3 | 30.7 | 31.3 | 31.4 | 29.2 | 29.8 | 32.9 |
| Spain | 48.1 | 44.6 | 43.8 | 46.2 | 47.3 | 44.1 | 45.5 |
| Sweden | 31 | 38.1 | 40.5 | 40.8 | 39.7 | 41.6 | 43.5 |
| U. K. | 21.1 | 27.9 | 26.2 | 25.8 | 26.2 | 31.1 | 30.3 |

*Employee benefits include the employer's costs of all compensation minus pay for time worked

Source: calculated from U.S. Department of Labor, Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs in Manufacturing, 1975-2006, Table 13.

rose from 31-to-44% in Sweden and 23-to-30% in the U.S. Among nine of the major European countries in Table 2, the average employee benefits in manufacturing climbed from 33% in 1975 to 40% in 2006. The pattern of growth in Table 2 shows that between 1975 and 1985 the level of employee benefits rose in every country except Spain. After 1990, the level of benefits varied only a few percent in most countries, except for steeper increases in the U.K and Denmark. In 2006, employee benefits for production workers in the United States accounted for a smaller proportion (in most cases

a substantially lower %) of hourly compensation than that of all of the major European countries in Table 2, except Denmark.⁸

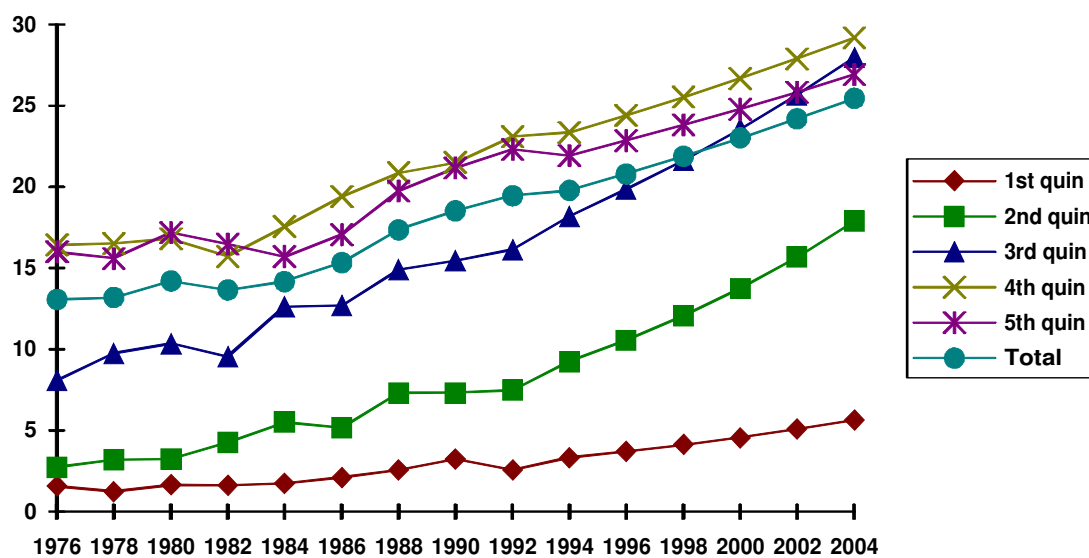
Disproportionately Favoring Those with Higher Incomes

Although it is difficult to get comprehensive data on the distributional impact of fringe benefits in Europe and the U.S., it is generally the case that the greatest benefits go to those with the highest incomes.⁹ Private pensions account for a major portion of the standard costs in the basic fringe benefit package. A number of studies show that private pensions have been a growing component of retirement income and are associated with income inequality among retired households.¹⁰ Studying the U.S., Chung found that while compensations for employee pensions increase inequality, the disproportionate decline in health insurance for less skilled workers from 1987 to 1994 also contributed to growing inequality.¹¹ Analyzing the period from 1987 to 2007, Pierce found that high-end wages grew the most over this span at the same time that employee benefits rose more in high wage than low wage jobs, indicating an increase in inequality in both wages and compensation more broadly defined.¹²

Along similar lines, a study of the U.S. shows that not only is an increasing proportion of the population coming to rely on private pensions as a primary source of retirement income, but that the shifting mix of support from public and private pensions is quite different for people in the upper, middle, and lower income groups. By 1990, private retirement benefits had risen to account for more of the aggregate income than social security benefits among elderly people within the top twenty percent of incomes. As

illustrated in Figure 1. the elderly in the bottom 40 percent of the income distribution continue to remain highly dependent on social security, while reliance on private pensions is climbing for those in the middle and upper middle levels.¹³ Overall, estimates point to the emergence of a two-tiered system of pensions in the not-too-distant future, with a widening inequality of retirement income.¹⁴

Figure 1 : Proportion of Private Pension in the Aggregated Income of Aged Units by Income Quintile: 1976 – 2004



Source: Neil Gilbert and Neung Hoo Park, "Privatization, Provision, and Targeting: Trends and Policy Implications for Social Security in the United States," *International Social Security Review* 49:1 (1996).

Computing Distributional Effects: What Benefits to Count?

In general, it can be said that employee benefits significantly and differentially supplement the resources and standard of living derived from wages received directly for time worked. The differential in these supplements not only favors those with higher incomes but also varies by factors such as occupational categories, union vs. nonunion status, establishment size, and public vs. private sector.¹⁵ In the U.S., for example,

benefits in 2007 for all private industry employees amounted to 29.3% compared to 33.6% for public employees.¹⁶

A precise calculation of how the distributional effects of employee benefits modify conventional income-based measures of poverty and inequality in Europe and the United States requires countries to formulate comprehensive measures of how much these benefits add to household incomes. Although some rough estimates might be made by selecting to focus on one or two major benefits,¹⁷ reasonably precise comprehensive measures currently do not exist and are difficult to construct. They entail decisions regarding conceptual issues about what benefits to count and how to assess their value.

Taxable Benefits - The question of what to count refers to the fact that certain employee cash benefits, such as paid vacations, and some in-kind benefits, such as free lunches, are incorporated into their basic wage as part of a worker's taxable income. Although pay for vacations, rest periods, and special bonuses are part of the fringe benefit package of compensation for employees that goes beyond direct pay for time-worked, these fringe benefits already are normally taken into account as part of a worker's taxable income used to compute income-based measures of poverty and inequality. Payments for time not-worked comprise almost the entire costs of fringe benefits in the broad category of "other direct pay." As shown in Table 3, "other direct pay" ranges from a low of 7.6% of hourly compensation costs for production workers in the U.S. to a high of 21.5% in Austria (or between almost 25-to-50% of the total employee benefits among the sample of 11 countries). The U.S. position at the bottom of the rank largely reflects the fact that

European countries have much more liberal policies mandating paid vacation days (for example, 30 days in France, Austria, Spain and Denmark) than the U.S., which has no mandated policy for paid vacations.

Benefits In-Kind: Diverse Tax Treatment - In trying to interpret the impact of the BLS measure for the hourly compensation costs of “other direct pay” it is important to bear in mind that this figure excludes many, if not most, of the in-kind benefits involving facilities, employee training, and services such as child care, legal assistance, and on-site doctors provided by employers. These benefits are omitted because systematic data are not available for many countries. The BLS estimates that the excluded in-kind compensations can account for up to 2 percent of the total hourly labor costs, a small, but not trivial proportion of employee benefits.

As noted earlier, in-kind employee benefits comprise a broad gray area of compensation that provides additional resources and services, from housing and vehicles to day care and legal assistance, which supplement the recipient’s standard of living. These benefits are subject to tax treatments that vary widely among different countries. The values of employer-provided automobiles and free or subsidized housing are usually taxable (with some exceptions for cases in which the worksite is particularly remote or inconvenient). Other benefits are sometimes taxable only when they exceed a certain cash value. In some cases benefits, such as free plane tickets to airline employees, are not taxable because they incur no (market) cost to the employer.¹⁸ Many in-kind fringe benefits are not taxed as income – more often in the U.S. than in Europe. In the U.S., tax free

benefits include: day care, tuition and other educational assistance, on-site health facilities, adoption assistance, meals on business premises, lodging on business premises, commuting and parking benefits, group term life insurance, accident and health benefits, certain awards, and discounts.¹⁹

Professionals and managerial workers have disproportionate access to in-kind benefits including childcare assistance, adoption assistance, subsidized commuting, education, fitness, centers, and the like. Recent data from the National Compensation Survey (Appendix: Tables B and C) in the U.S., for example, show that while 52% of all employees in private industry have access to work-related educational assistance, 70-to-78% of those in the professional and managerial categories have access to these benefits. Similar differentials favoring white collar employees appear for access to adoption assistance, childcare, subsidized commuting, long-term care insurance and other benefits-in-kind. As noted above, educational assistance and dependent care in the U.S. are tax exempt up to a certain level. In some cases these benefits are quite substantial. Google, one of the U.S. companies most highly rated for employee benefits, provides up to \$8000 per year in tuition reimbursement (but only if the employee receives a grade of “B” or better). Beyond basic items, such as health insurance and pensions, the list of employee quality-of-life benefits covered in the BLS National Compensation Survey changes periodically, with new benefits being added and those that showed no growth or limited user interest dropped. Thus, for example, items related to educational assistance, adoption assistance and fitness centers were dropped from the survey between 2008 and 2009.²⁰

Untaxed and Tax Deferred Benefits - Since the vast majority of additional compensation included in the BLS measures of “other direct pay” is already counted as taxable income these benefits have no additional bearing on the outcome of current income-based measures of poverty and inequality. Thus, for the purpose of estimating the impact of uncounted fringe benefits on poverty and inequality we would concentrate on the category of social insurance and related expenditures. This is the main source of additional compensations (on which data are available) that should be taken into account for comprehensive measures of poverty and inequality. Examining this category in Table 3 we find that the U.S. which had next to the lowest percent of hourly costs for the total employee benefits, is now virtually in the middle of pack among the European countries.

Looking at the total costs of fringe benefits, one might have concluded that employee benefits would have the least impact on current measures of poverty and inequality in the U.S and Denmark, since their total employee benefits (29.5% and 28% of hourly costs) amounted to considerably lower proportions of hourly compensation than the other countries – and that the largest impact would be found in Spain and Austria. But these rankings shift when the focus narrows to include only the benefits of social insurance and related expenditures. While Denmark remains at the bottom joined now by Norway, France and Sweden rise to the top of the group, and the U.S. falls close to the middle. (Denmark’s relatively low level of employee benefits in this category is due to the fact that in comparison to other European countries employer contributions to statutory and

occupational pensions are exceptionally low because a considerable share of national pensions is financed by tax revenues.)²¹

Table 3. Primary Categories of Employee Benefits

| | 2006 | | |
|---------------|--|------------------|------------------------------------|
| | Employee Benefits for Production Workers | | |
| | Total Benefits | Other Direct Pay | Social insurance and related costs |
| United States | 29.5 | 7.6 | 21.9 |
| Austria | 48.5 | 21.5 | 27.0 |
| Denmark | 28 | 17.6 | 10.4 |
| Finland | 40.6 | 19.6 | 21.0 |
| France | 44.3 | 12.2 | 32.1 |
| Germany | 42.1 | 19.1 | 23.0 |
| Netherlands | 41.8 | 19.4 | 22.4 |
| Norway | 32.9 | 12.9 | 20.0 |
| Spain | 45.5 | 19.9 | 25.6 |
| Sweden | 43.5 | 10.4 | 33.1 |
| U. K. | 30.3 | 9.0 | 21.3 |

Source: calculated from U.S. Department of Labor, Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs Manufacturing, 1975-2006, Tables 13, 14, 15

Tax treatments of social insurance and related benefits vary. Some benefits, such as employer provided health insurance are exempt from taxation in the U.S., but not in the U.K.. Employer-provided health benefits to workers, their dependents, and retirees in the U.S. were estimated as amounting to \$480 billion (or 5% of the GDP) in 2001.²² Over the last decade the idea of taxing employees on these benefits has been put forth

periodically. If such a reform came to pass, it would be accompanied by a substantial rise in the taxable income of the 53% of workers in private industry and 73% of state and local government workers participating in employer-provided health insurance schemes in 2008.²³ Other major benefits involving employer contributions to a variety of occupational pension and old-age savings schemes are exempt at the contribution stage and during investment period, but taxed throughout the pay-out period during retirement.

Although employer contributions to occupational pension should be taken into account in formulating comprehensive income-based measures of poverty and inequality, it is important to consider when they are counted. For example, occupational pensions have been used to show how fringe benefits contribute to growing inequality in total compensation among workers as well as how income from occupational schemes contribute to inequality in retirement income.²⁴ This suggests that inclusion of employee tax deferred benefits produced by employer contributions to occupational pensions poses a complicating issue for measuring long-term national trends in income-related poverty and inequality. One must watch that employer pension contributions to the worker's benefits do not get counted twice. That is when measuring rates of poverty or inequality over time, employer contributions might initially be counted as workers' deferred income (a non-taxable share of their current gross income), which in the case of defined benefit schemes cannot be consumed or accessed. In later years, the same contributions might again be included as part of the occupational pension benefits that provide the same workers' retirement income. Employer contributions to IRA plans presents a somewhat different situation, since workers are permitted access to the money

contributed into their accounts before the age of retirement. But they must pay income taxes and a penalty for early access to IRA funds, which then are no longer deferred income.

Computing Distributional Effects: How to Value Employee Benefits?

Once issues about which employee benefits to count are resolved, the question arises of how best to calculate their monetary value. There are several methods for valuing employee benefits, each of which can result in a different value for the same benefit. The BLS data presented in this paper are based on the costs of benefits to the employer. The advantages of this approach are that it draws upon the most easily established and readily available figures. The problems are that there can be large discrepancies between costs to the employer and value of the benefits to the employee. As noted earlier some types of fringe benefits that would be of tangible value to the employee (e.g. airline passage for United Airlines employee's or private school's giving free enrollment to its teacher's children) may entail no or limited costs for the employer. An employer's hourly costs per worker for providing access to certain types of benefits, such as health centers, meals, and on-site day care, are most easily be calculated by averaging the total expenditure per worker. The real value of such benefits to employees, however, is not a matter of access, but of actual use. Benefits only accrue to those who regularly eat the meals, exercise in the gym, and place their children in the day care center.

An alternative to the employer's cost involves using the market value of employee benefits. As with the method of employer costs, the market value of a benefit does not always coincide with its value to employees. A vegan employee would not pay much for

a steak dinner in the company cafeteria. Moreover the market values of some benefits, such as a company car that can only be used to drive to and from work, are difficult to ascertain. Rather than the market value, for tax purposes some countries administratively establish low-end standard values for popular employee benefits such as company cars and meals.

Arguably the fairest measure for calculating the value of fringe benefits is their value to the employees. This approach is somewhat subjective and circumstantial. With the increasing number of two-earner households, duplication of coverage often negates the value of one or the other benefits. Employer contributions for health insurance, for example, are of little or no value to an employee who is already covered by his working spouse's more comprehensive family health plan benefits. The same is true for services such as day care and legal assistance. On the other side, group health care coverage through an employee benefit plan is of immense value to a single employee with a record of chronic illness, who otherwise might be unable to qualify for any health insurance. A variety of these methods are used by different countries to calculate the value of fringe benefits for tax purposes. ²⁵

Implications for Functionally Equivalent Social Benefits

Once we begin to consider how reframing the conventional measure of income impacts poverty and inequality, the question arises of where to draw the new lines, particularly in relation to the cash value and distribution of functionally equivalent social benefits. If the untaxed value of employer subsidies for low interest housing loans should be added to the

conventional measure of employee's income, for example, then it would seem to follow that the value of publicly subsidized housing should also be included in measuring the income of residents, whose standard of living is augmented by this social benefit.

There are two main differences between untaxed employee benefits in Europe and the U.S. Employee health insurance in the U.S. constitutes a much larger portion of the social insurance-related benefits than in Europe. European countries tax a considerably larger number of employee in-kind benefits than the U.S. According to one survey, the U.S. taxes only 5 of the 16 most popular fringe benefits compared to an average of 9.5 benefits taxed among 10 western European countries in Table 3.²⁶

A few illustrative examples of how reframing the conventional accounting may impact poverty and inequality can be drawn from analyses conducted in the U.S. using alternative definitions of income, which include benefits in-kind. One study shows a decrease in the degree of income inequality (Gini index declines from .450 to .418) as the definition of aggregate household income shifts from the standard measure of "money" income (all cash received by individuals over age 15) to "disposable" income, which includes money income (minus major taxes and work expenses) plus the imputed values of rent, capital gains and noncash social benefit transfers involving food stamps, public or subsidized housing and school lunches.²⁷ Although the inclusion of in-kind social benefits in the broader definition contributes to greater equality, the results remain inconclusive in the absence of employee in-kind benefits such as the cash value of day

care, meals, subsidized housing loans, education tuitions, commuting and others, along with the monetary values of both public and private health insurance.

Another study finds the rate of poverty according to the official U.S. poverty measure declines from 12.5% to 9.7% when the definition shifts from “money” income to an alternative measure that includes money income (minus major taxes) plus a broader range of noncash transfers, which take account of employer-provided health benefits along with Medicare and Medicaid, in addition to food stamps, public or subsidized housing, and school lunches.²⁸

When a poverty line is drawn according to a specified level of need (adjusted for family size) as in the U.S., the official rates of poverty would be expected to decline as in-kind benefits, both public and private, are included in the definition of family income (unless the poverty line was adjusted upward to reflect a higher level of need). In contrast, the impact of these in-kind benefits on poverty as defined in many European countries as 60% of the median income would depend upon how the untaxed employee benefits were actually distributed throughout the population.

In conclusion, while employer provider benefits constitute a significant stream of resources that enhance the employees’ standard of living, much of their cash value remains uncouned in measures of poverty and inequality. Efforts to estimate the impact of employee benefits on income-based measures of poverty and inequality encounter at least three fundamental tasks, which have yet to be accomplished : decisions have to be

made about conceptual and methodological issues concerning what to count and how to value employee benefits; once decisions are made the consistent application of these measures is needed to obtain reliable and comparable data; and before the value of these additional benefits are incorporated into measure of poverty and inequality questions about the treatment of functionally equivalent social benefits have to be systematically addressed.

Appendix A

Table A. ILO Standard Classification of Labour Cost

I. Direct wages and salaries

1. Straight-time pay of time-related workers
2. Incentive pay of time-rated workers
3. Earnings of piece-workers (excluding overtime premiums)
4. Premium pay for overtime, late shift and holiday work

II. Remuneration for time not worked

1. Annual vacation, other paid leave, including long-service leave
2. Public holidays and other recognized holidays
3. Other time off granted with pay (e.g. birth or death of family members, marriage of employees, functions of titular office, union activities)
4. Severance and termination pay where not regarded as social security expenditure

III. Bonuses and gratuities

1. Year-end and seasonal bonuses
2. Profit-sharing bonuses
3. Additional payments in respect of vacation, supplementary to normal vacation pay and other bonuses and gratuities

IV. Food, drink, fuel and other payments in kind

V. Cost of workers' housing borne by employers

1. Cost for establishment-owned dwellings
2. Cost for dwellings not establishment-owned (allowances, grants, etc.)
3. Other housing costs

VI. Employers' social security expenditure

1. Statutory social security contributions (for schemes covering old age, invalidity and survivors, sickness, maternity, employment injury, unemployment, and family allowances)
2. Collectively agreed, contractual and non-obligatory contributions to private social security schemes and insurances (for schemes covering old age, invalidity and survivors, sickness, maternity, employment injury, unemployment and family allowances)
 - 3a. Direct payments to employees in respect of absence from work due to sickness, maternity or employment injury, to compensate for loss of earnings
 - 3b. Other direct payments to employees regarded as social security benefits
4. Cost of medical care and health services
5. Severance and termination pay where regarded as social security expenditure

VII. Cost of vocational training, including fees and other payments for services of outside instructors, training institutions, teaching material, reimbursements of school fees to workers, etc.

VIII. Cost of welfare services

1. Cost of canteens and other food services
2. Cost of education, cultural, recreational and related facilities and services
3. Grants to credit unions and cost of related services for employees

IX. Labour cost not elsewhere classified, such as costs of transport of workers to and from work undertaken by employer (including reimbursement of fares, etc.), cost of work clothes, cost of recruitment and other labour costs

X. Taxes regarded as labour cost, such as taxes on employment or payrolls, included on a net basis, i.e. after deduction of allowances or rebates made by the State

Source: International Labour Office, Key Indicators of the Labour Market (5th edition) (Geneva: ILO, 2007), chapter 17.

Table B. Quality of life benefits: Access, civilian workers, National Compensation Survey, March 2008

| Percent of Workers | | | | | | | | | |
|---------------------------------------|-----------------------------------|-------------------------|----------------------|--------------------------------|---------------------|--------------------------|--------------------|---------------------------|----------------------|
| Characteristics | Employer assistance for childcare | | | | Adoption assistance | Long-term care insurance | Flexible workplace | Employer-provided home PC | Subsidized commuting |
| | Total ² | Employer-provided funds | On-site and off-site | Resource and referral services | | | | | |
| All workers | 16 | 3 | 6 | 11 | 11 | 15 | 4 | 2 | 6 |
| Worker characteristics | | | | | | | | | |
| Management, professional, and related | 26 | 5 | 11 | 18 | 17 | 24 | 9 | 5 | 10 |
| Management, business, and financial | 27 | 6 | 10 | 22 | 23 | 26 | 14 | 7 | 12 |
| Professional and related | 25 | 5 | 12 | 17 | 14 | 23 | 7 | 4 | 10 |

Table C. Selected benefits: Access, civilian workers, National Compensation Survey, March 2008

| Percent of Workers | | | | | | |
|---------------------------------------|---------------------------------------|----------------------|------------------|-------------------|-----------------|------------------------------|
| Characteristics | Job-related travel accident insurance | Education assistance | | Wellness programs | Fitness centers | Employee assistance programs |
| | | Work related | Non-work related | | | |
| All workers | 21 | 52 | 16 | 29 | 15 | 47 |
| Worker characteristics | | | | | | |
| Management, professional, and related | 30 | 72 | 24 | 46 | 25 | 64 |
| Management, business, and financial | 40 | 78 | 27 | 45 | 25 | 64 |
| Professional and related | 26 | 70 | 22 | 47 | 25 | 64 |

Source: U.S. Dept. of Labor , U.S. Bureau of Labor Statistics, “National Compensation Survey, 2008”

Notes

¹ Thomas Moehrle, “The Evolution of Compensation in a Changing Economy,” Compensation and Working Conditions. (Fall 2001).

² International Labour Office, Key Indicators of the Labour Market (5th edition) (Geneva: ILO, 2007), chapter 17.

³ . B. Stein. Social Security and Pensions in Transition: Understanding the American Retirement System. (New York: The Free Press, 1980).

⁴ This figure does not include those covered by private individual plans, such as Individual Retirement Accounts – the value of which multiplied from \$200 billion to \$1.3 trillion between 1985 and 1996 – and Keogh Plans. U.S. Census Bureau. Statistical Abstract of the United States:1999. (Washington D.C., 1999), p.394.

⁵ .Even with mandatory minimum funding standards, however, private sponsors have considerable leeway in funding contributions, which leaves some schemes poorly funded According to the Pension Guarantee Corporation , underfunding among private pensions has more than doubled from \$18 billion in 1982 to about \$40 billion in 1991 for single-employer plans. Another \$11 billion in underfunding among multi-employer plans brought the 1991 total underfunding in the federally insured pensions to about \$51 billion. Although most of the underfunding is concentrated in a relatively small number of companies, public liability is substantial and warrants reforms that strengthen the funding rules for private plans. Pension Benefit Guarantee Corporation. Annual Report, 1992. (Washington, D.C.: Pension Benefit Guarantee Corporation, 1992).

⁶ Christina Behrendt, “Private Pensions – a Viable Alternative? Their Distributional Effects in a Comparative Perspective,” International Social Security Review. 53 (3), 2000, pp.3-26

⁷ Axel W. Pedersen, “ The privatization of retirement income? Variations and trends in the income packages of old age pensioners,” Journal of European Social Policy 14(1) 2004, pp. 5-23.

⁸ Ibid.

⁹ Data from the U.K indicate that in 1983-84 directors accounted for 25% of the recipients, but received 45% of the total taxable value of fringe benefits. Organization for Economic Cooperation and Development, The Taxation of Fringe Benefits (Paris: OECD 1988).

¹⁰ P. Pestieau, “The Distribution of Private Pension Benefits: How Fair is It?” E. Duskins (ed.) Private Pensions and Public Policy (Paris: OECD, 1992).

¹¹ Wankyo Chung, “Fringe Benefits and Inequality in the Labor Market,” Economic Inquiry 41:3 (July 2003), pp.517-529.

¹² Brooks Pierce, “Recent Trends in Compensation Inequality,” in Katherine Abraham, James Spietzer, and Michael Harper (eds.) Labor in the New Economy (Chicago: University of Chicago Press, forthcoming). Pierce notes that the data are based on estimates of employer costs, which for several reasons, including tax considerations, will differ from employee valuations.

¹³ Neil Gilbert and Neung Hoo Park, “Privatization, Provision, and Targeting : Trends and Policy Implications for Social Security in the United States,” International Social Security Review 49:1 (1996), pp.19-29.

¹⁴ .Neung Hoo Park and Neil Gilbert, “Social Security and the Incremental Privatization of Retirement Income,” Journal of Sociology and Social Welfare . 26:2 (June 1999).

¹⁵ Bureau of Labor Statistics, “Employer Costs for Employee Compensation: Supplemental Tables December 2006,” March 29, 2007.

¹⁶ Employee Benefits Research Institute, EBRI Databook on Employee Benefits (EBRI: Washington D.C., updated December, 2008) Access 2/8/09 at <http://www.EBRI.org/publications/books/index>.

¹⁷ See, for example, Chung, “Fringe Benefits..”

¹⁸ OECD, The Taxation of Fringe Benefits

¹⁹ Robert Turner, “Fringe Benefits,” in Joseph J. Cordes, Robert D. Ebel, and Jane G. Gravelle, (eds.) The Encyclopedia of Taxation and Tax Policy, Second Edition. (Washington D.C.: Urban Institute Press).

²⁰John Buckley, “Beyond Basic Benefits: Employee Access to Other Types of Benefits, 1979-2008.” U.S. Bureau of Labor Statistics, Compensation and Working Conditions Online, <http://www.bls.gov/opub/cwc/print/cm20090527ar01p1.htm> Accessed 7/7/09.

²¹ Jarna Bach, Sini Laitinen-Kuikka, and Mika Vidlund (eds.) Pension contribution level in certain EU countries. Intergroup Reviews (Helsinki: Finnish Center for Pensions, 2004), p.14.

²² Willem Adema and Maxime Ladaique, “Net Social Expenditures, 2005 Edition,” OECD Social, Employment and Migration Working Papers No. 29 (Paris: OECD, 2005)

²³U.S. Bureau of Labor Statistics, “Recent Data on Employers’ costs and employees’ access” Program Perspectives on Health Benefits, 1 (October 2008).

²⁴ See, for example, Chung, “Fringe Benefits...” and Christina Behrendt, “Private Pensions – a Viable Alternative? Their Distributional Effects in a Comparative Perspective,” International Social Security Review. 53 (3), 2000, pp.3-26

²⁵ OECD, The Taxation of Fringe Benefits

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²⁷ U.S. Census Bureau, “The Effect of Taxes and Transfers on Income and Poverty in the United States: 2005,” Current Population Reports: P60-232 (March 2007).

²⁸ Joe Dalker, “Alternative Poverty Estimates in the United States:2003,” U.S. Census Bureau Current Population Reports P60-227 (June 2005).