

Cash Benefits for Short-Term Sickness, 1948-69

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There is today in the United States one major risk of income loss against which workers are not protected through a general social insurance program. The current gap in income-maintenance protection for short-term non-work-connected disability is in marked contrast to the nationwide programs for maintenance of income in the event of unemployment, work-connected disability, retirement, long-term disability, and death. Five States and two other jurisdictions do have mandatory income-maintenance programs for short-term sickness, however. Workers in the rest of the country may have some protection under voluntary private plans, usually established through their place of employment.

This article is the latest in the series of annual reports initiated by the Social Security Administration in 1950. It analyzes the extent of protection available through cash benefit programs.

FOR THE SECOND CONSECUTIVE YEAR, the amount of benefits paid to workers disabled from short-term sickness increased very rapidly. The \$5.1 billion paid in 1969 was 14 percent more than the 1968 total, which in turn was 16 percent higher than the previous year's total. These annual rates were roughly twice those recorded in the 8 previous years of the 1960's. Inflation and some real gains in the protection available to workers were both important factors responsible for this fast growth in the benefit totals.

Benefits paid through voluntary private insurance and self-insurance amounted to \$1,664 million in 1969, and the largest component was the \$942 million in group insurance benefits. Private group insurance plans and publicly operated plans under mandatory laws paid out \$655 million in 1969. The part of these benefits paid through the publicly operated funds increased in 1969 almost 17 percent to \$374 million, largely because of improvements in the New Jersey and railroad workers' programs.

Sick-leave payments provide the larger part of total benefits paid, since they often represent

full-pay replacement benefits rather than partial pay under an insurance plan with a waiting period. In 1969, sick-leave accounted for \$2.8 billion or 54 percent of all the benefits paid for short-term sickness. Sick leave and insurance benefits together replaced 33.7 percent of the income-loss recorded for 1969. This is the second successive year that the ratio has been higher than 30 percent, after a 10-year period during which it remained within a 28-30 percentage range.

The estimated number of workers under formal plans providing cash benefits for short-term disability went from 44 million in 1968 to 47 million in 1969. Almost two-thirds of all wage and salary workers are now under such public and private plans. For those in private industry and not working in a jurisdiction with a statutory program, however, the proportion covered is only 50 percent (up 1 percentage point from 1968).

MEASURING INCOME LOSS

Concepts

The work-loss estimates for this series are designed to cover the loss of current earnings during the first 6 months of nonoccupational illness or injury, including the loss during the first 6 months of a long-term disability. Estimates have been developed by the Social Security Administration for each of the major classes of earners: private industry wage and salary workers, Federal Government employees, State and local government employees, and the self-employed.

As a result of a detailed review of recently available data, the conclusion has been reached that the loss of income attributable to State and local government employees has been overstated in the past few years. Data by class of worker compiled by the U.S. Public Health Service from its annual Health Interview Survey indicate that State and local workers lose about the same number of workdays through sickness as private industry workers. The Social Security Administration has been assuming a somewhat greater

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loss for State and local government employees—7.5 days a year, compared with 7.0 days for private industry workers (before adjustment for annual fluctuations). Therefore, starting with data for 1967, the average number of work-loss days attributable to State and local government employees has been revised—to reach 7.0 days in 1969. The average number of work-loss days for the other classes of workers remains the same as in previous years.

The lowering of the estimated amount of work loss for State and local government employees is also consistent with observed employment trends. Teachers and other educational employees have gradually become a larger part of all State and local government employment over the years. In 1955, education represented 43 percent of State and local government employment; by 1969 educational employment had risen to 50 percent of the total. Since the school year generally is at least 2 months short of a full calendar year, it may be expected that the increasing concentration of educational employment in the State and local government sector would be accompanied by a decline in the average number of work-loss days a year.

The number of work-loss days shown by the Public Health Service Survey has generally been lower than that used in the Social Security Administration series. The Health Interview Survey concept of workdays lost differs from that used here since it (1) pertains only to workers aged 17 and over who are currently employed, (2) excludes disability among persons in institutions, (3) counts only full days of sickness, and (4) includes occupational as well as non-occupational disability.¹

Because of these differences between the Social Security Administration series and the Health Interview Survey data, the latter have been used as a measure of year-to-year variations rather than as a measure of the aggregate amount of work time or average number of workdays lost. With 1958 as the base year—that is, 1958 equals 100—the applicable sickness rate (or index) has been computed in each subsequent year. These annual adjustments are then applied across the

¹ For full discussion of these and other factors responsible for the differences between the two series, see Alfred M. Skolnik, "Income-Loss Protection Against Illness, 1948-66," *Social Security Bulletin*, January 1968.

board to the estimates of income loss derived through the regular methods for the various labor-force components (table 1).

Public Health Service data are not yet available for calendar year 1969. Current data for first-quarter average work-loss days are slightly higher than the figures for the comparable period 1 year earlier. Similar information compiled from a monthly household survey by the U.S. Department of Labor also indicate a slightly higher level of illness among workers in 1969 than

TABLE 1.—Estimated income loss from nonoccupational short-term sickness,¹ by type of employment, 1948-69²

(In millions)

Year	Total	Wage and salary workers					Self-employed person ⁸
		Total	In private employment ³		In public employment		
			Covered by temporary disability insurance laws ⁴	Other ⁵	Federal ⁶	State and local ⁷	
1948...	\$4,568	\$3,630	\$391	\$2,807	\$174	\$258	\$938
1949...	4,424	3,601	483	2,643	190	285	823
1950...	4,795	3,921	712	2,703	201	305	874
1951...	5,473	4,494	1,059	2,842	259	334	979
1952...	5,814	4,831	1,132	3,039	291	369	983
1953...	6,144	5,199	1,213	3,295	290	401	945
1954...	6,094	5,161	1,212	3,232	280	437	933
1955...	6,546	5,573	1,299	3,507	297	470	973
1956...	7,031	6,034	1,430	3,773	313	518	997
1957...	7,363	6,335	1,512	3,930	323	570	1,028
1958...	7,458	6,371	1,507	3,884	352	628	1,087
1959...	7,724	6,671	1,580	4,070	356	656	1,053
1960...	8,555	7,445	1,773	4,507	403	762	1,110
1961...	8,639	7,498	1,770	4,492	420	816	1,141
1962...	9,622	8,383	1,983	5,005	467	928	1,239
1963...	10,178	8,905	2,084	5,306	504	1,011	1,273
1964...	10,248	9,015	2,085	5,383	506	1,041	1,233
1965...	11,278	9,902	2,244	5,945	548	1,165	1,376
1966...	12,205	10,746	2,408	6,462	597	1,279	1,459
1967...	12,582	11,146	2,479	6,688	626	1,353	1,436
1968...	13,694	12,214	2,689	7,343	691	1,491	1,480
1969...	15,050	13,490	2,994	8,121	757	1,618	1,560

¹ Short-term or temporary non-work-connected disability (lasting not more than 6 months) and the first 6 months of long-term disability.

² Beginning 1960, data include Alaska and Hawaii. Beginning 1959, data adjusted to reflect changes in sickness experience (average number of disability days), as reported in the Health Interview Survey of the Public Health Service.

³ Annual payrolls of wage and salary workers in private employment, multiplied by 7 (estimated average workdays lost per year due to short-term sickness) and divided by 255 (estimated workdays in year). Data for 1948-64 from table 6.2 of *The National Income and Product Accounts of the United States, 1929-1965, Statistical Tables: A Supplement to the Survey of Current Business*, 1966 (Department of Commerce). Comparable data for 1965-69 from annual *Survey of Current Business, National Income Issue*.

⁴ Total annual payrolls of wage and salary workers in industries covered by temporary disability insurance laws in Rhode Island, California, New Jersey, and New York and in the railroad industry, multiplied by 7 and divided by 255.

⁵ Difference between total loss for all wage workers in private employment and for those covered by temporary disability insurance laws.

⁶ Federal civilian payroll in United States from U.S. Civil Service Commission, multiplied by 8 (estimated average workdays lost per year due to short-term sickness) and divided by 260 (scheduled workdays in year).

⁷ Annual wage and salary payrolls of State and local government employees from Department of Commerce data (see footnote 3) multiplied by estimated average workdays lost per year due to short-term sickness, (for 1948-66, 7.5 days; for 1967, 7.35 days; for 1968, 7.2 days; and for 1969, 7.0 days) and divided by 255 (estimated workdays in year).

⁸ Annual farm and nonfarm proprietors' income from Department of Commerce data (see footnote 3), multiplied by 7 (estimated income-loss days per year due to short-term sickness) and divided by 300 (estimated workdays in year).

in 1968.² An interim sickness index for 1969 has therefore been estimated from these sources as 100—up 1 point from 1968.

The estimates include potential loss of income—that is, income that might be lost if it were not for formal sick-leave plans that continue wages and salaries during periods of illness. Payments under such plans are counted in this series as benefits that offset the potential wage loss.

The concept of short-term income loss (that is, the first 6 months) is based on traditional usage developed in connection with accident and sickness insurance practices and later adopted by government disability insurance programs. In designing various types of insurance policies and programs, the 6-month period was considered a useful administrative device for distinguishing between short-term and long-term disability. Disability that has already lasted such a substantial period of time is customarily dealt with under plans designed for long-continued or permanent disability. The first 6 months of any illness are thus included in the short-term category regardless of the eventual span of illness.

Trends

The loss of wages and salaries and self-employment income because of nonoccupational short-term sickness was \$15 billion in 1969, substantially higher (10 percent) than the 1968 total. Table 1 also reflects the variation in income loss experienced by different groups of workers. As in the past, income loss of the self-employed in 1969 increased at a slower pace than income loss of the various groups of wage and salary workers shown. The loss for the self-employed now accounts for about 10 percent of the total or about half of its share of the total as the series began. This trend in large part reflects the declining numbers of the self-employed in relation to the employed.

For each of the wage and salary employee groups, income loss went up between 9 and 11 percent in 1969. These high annual rates of increase bear witness to the continuation of inflationary forces. Average annual earnings per full-

time civilian employee rose 6.5 percent from 1968 to 1969—almost as much as the 1967 to 1968 increase. The other major factors determining changes in levels of income loss are the amount of sickness experienced and the increase in the employed labor force. As already noted, the amount of sickness in 1969 was up only a small amount in comparison with 1968 levels. Similarly, employment totals increased moderately in 1969: the private wage and salary employed labor force was 3.6 percent higher than it was in 1968—a rate similar in magnitude to other annual increases in the 1960's.

PROTECTION AGAINST INCOME LOSS

Workers Covered and Types of Protection

Protection against loss of earnings in periods of nonoccupational disability is provided in a number of ways. For wage and salary workers in private industry, the most common method is through group or individual insurance policies sold by commercial insurance companies that pay cash amounts during specified periods of disability. Employers may also self-insure, providing either cash benefits or paid sick leave. Some unions, union management trust funds, fraternal societies, and mutual benefit associations also pay cash disability benefits. These methods are not mutually exclusive; employers often use a paid-sick-leave plan to supplement benefits under insurance plans, and workers may, as individuals, purchase insurance policies to supplement the protection provided through their jobs.

This private insured protection may be obtained through voluntary action by the employer or the employee, or—as in California, Hawaii, New Jersey, New York, and Puerto Rico—it may come about as the result of a compulsory temporary disability insurance law.³ In addition, except for Hawaii, some of the protection required by law in these jurisdictions may be provided by publicly operated funds. Under the other two compulsory programs—that of Rhode Island and the Federal program for railroad employees—all the manda-

² Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, January 1970, tables A-19 and A-21 (annual averages section).

³ Mandatory sickness insurance protection was instituted for workers in Puerto Rico on July 1, 1969, and in Hawaii on January 1, 1970. Coverage and benefits data for these areas are not included here; 1969 data for Puerto Rico are not yet available.

tory protection comes from publicly operated funds, though private plans may supplement the government-paid benefits.

The proportion of all private industry workers who are protected by voluntary and compulsory income-maintenance programs for short-term disability rose from 62 percent in 1968 to almost 63 percent in 1969. The degree of coverage in areas without mandatory programs is much lower, however, than that in States with such programs. About half of all workers in private industry in areas without legislated programs were covered, but well over four-fifths of those in States with compulsory programs are protected. In addition, a substantial number of workers (over 10 million) had protection against short-term disability through sick-leave plans provided by Federal, State, and local government employment. In all, 66 percent of the Nation's wage and salary workers had some formal type of coverage in 1969.

Public programs.—Virtually all railroad workers are included in the Federal statutory program for that industry. The other six compulsory programs (in California, Hawaii, New Jersey, New York, Puerto Rico, and Rhode Island) safeguard more than four-fifths of the employees in these jurisdictions. Protection provided for these programs, like that under the unemployment insurance laws in these States, is extended mainly to employees in industrial and commercial firms. California, Hawaii, and Puerto Rico also cover hired farm workers. Domestic service workers and employees of governments and nonprofit organizations are generally not covered.

One notable change in coverage provisions has occurred in New Jersey where, effective January 1, 1969, workers in the smallest size firms (with one to three employees) were blanketed into the program. This extension affected 50,000 establishments and was probably responsible for at least half of the 150,000 increase in the number of covered workers in New Jersey from 1968 to 1969. Workers in small establishments are covered in all the other jurisdictions with temporary disability programs, although Puerto Rico's protection did not apply to firms with only one worker until July 1970.

Many workers not protected by statutory programs in these jurisdictions nevertheless have sickness benefit plans provided voluntarily by their employers, especially in State and local gov-

TABLE 2.—Degree of income-loss protection against short-term sickness for employed wage and salary workers in private industry not under temporary disability insurance laws, selected years, 1954-69

Year	Wage and salary workers		
	Total number (in thousands) ¹	With protection	
		Number (in thousands) ²	Percent of total
1954.....	31,400	15,000	47.8
1956.....	34,203	16,460	48.0
1958.....	33,806	16,000	47.6
1960.....	34,300	16,800	49.0
1962.....	35,900	17,300	48.2
1964.....	38,100	18,500	48.6
1965.....	40,609	19,500	48.7
1966.....	41,600	18,400	44.9
1967.....	41,700	18,800	45.1
1968.....	42,600	20,900	49.1
1969.....	43,900	22,000	50.1

¹ Number in private industry (excluding railroad employees), as adjusted by ratio of private industry employees on nonagricultural payrolls in the four States with temporary disability insurance laws to all such employees. Data from Bureau of Labor Statistics, *Employment and Earnings and Monthly Report on the Labor Force*. Beginning with 1967, data not strictly comparable with that for earlier years. Labor-force information for 1967 and thereafter excludes those aged 14 and aged 15 and includes certain workers previously classified as self-employed.

² Estimated number of private-industry workers (1) with group accident and sickness insurance (except group credit insurance); (2) under paid sick-leave plans; and (3) under union and mutual association plans—after subtraction of the number of workers with such protection in jurisdictions with temporary disability laws. Beginning with 1966, group accident and sickness insurance coverage has been adjusted to exclude those with long-term benefit policies, which usually do not provide short-term benefits. Estimates of private protection based on data from Health Insurance Association of America and from State administrative agencies.

ernment employment and in employment by non-profit organizations. Altogether, relatively few wage and salary workers in these areas are not under some formal sick-leave or sickness and accident insurance program.

Voluntary protection.—Half the workers in areas without statutory temporary disability insurance programs had protection in 1969, primarily through labor-management contracts or voluntary employer fringe benefit programs. This rate of coverage was slightly higher than that for 1968, which in turn was well above earlier rates. For most years before 1968 the extent of voluntary protection had been relatively stable. Table 2 does show a drop from the 48.7 percent covered in 1965 to 44.9 percent in 1966, but this change was largely attributable to a refinement in measurement.⁴

Besides group insurance policies and self-insurance benefit programs, the other major means of maintaining a worker's wage when he cannot work because of illness or accident is sick leave. Although sickness insurance and sick leave have

⁴ For differences between 1966 and earlier data, see footnote 2 of table 2, page 22; see also the *Social Security Bulletin*, January 1970, page 25.

the same objectives of preventing the stoppage of income during temporary periods of incapacity, they operate in very different fashions. Sick leave generally is paid in full replacement of earnings from the first day of illness for a specified number of days, usually between 5 and 15 a year; sometimes unused leave can be accumulated from year to year. In contrast, sickness insurance may pay up to 26 weeks of benefits after a waiting period of a week, at some fraction of weekly wages—between one-half and two-thirds—subject to a specified maximum amount.

Sick leave is available to administrative, executive, and other salaried employees to a greater extent than it is to production workers. A 1967–68 study by the Bureau of Labor Statistics found that 7 out of 10 office workers in metropolitan areas but only 3 out of 10 plant workers had paid sick-leave benefits.⁵

Consideration must be given not only to the proportion but also to the types of workers not protected against income loss from short-term disability. In jurisdictions with legislative programs, workers excluded from the programs are often those who presumably are most in need of such protection—domestic service workers, farm workers, or workers in low-paid sectors of nonprofit industry. This situation exists perhaps to an even greater extent in the States without temporary disability insurance laws. Low-paid workers generally, nonunion workers, seasonal industry employees, farm workers, and day-labor workers are examples of those least likely to have protection under private voluntary auspices.

Benefits Paid

Private insurance.—Benefits through insurance and self-insurance in 1969 came to \$1,945.6 million, or 64 percent of the \$3,035.7 million in premiums collected in that year. This ratio is typical of the benefit-premium relationship throughout the 1960's, which ranged from a low of 62 percent in 1967 to a high of 66 percent in 1960. This ratio represents several types of insurance in which the relationship of benefits to premiums varies considerably and so must be examined with considerable caution. Nonetheless, the general range of the premium-to-loss

⁵ See Dorothy R. Kittner, "Changes in Health and Insurance Plans for Salaried Employees," *Monthly Labor Review*, February 1970.

relationship and the substantial stability of the overall ratio in recent years are worth noting.

The \$1,945.6 million benefits paid through private insurance in 1969 was \$233.7 million, or 14 percent, above the 1968 total (table 3). In both

TABLE 3.—Premiums and benefit payments for private insurance against income loss, 1948–69¹

Year	[In millions]							
	Total	Under voluntary provisions				Under public provisions		
		Total	Group insurance ²	Individual insurance ²	Self-insurance ³	Total	Group insurance ²	Self-insurance ⁴
Premiums								
1948	\$558.9	\$545.8	\$162.2	\$350.0	\$33.6	\$13.1	\$12.7	\$0.4
1949	603.6	564.8	177.8	355.0	32.0	38.8	31.9	6.9
1950	685.3	609.4	225.6	360.0	23.8	75.9	58.3	17.6
1951	804.7	660.9	269.4	366.0	25.5	143.8	102.9	40.9
1952	874.0	718.2	286.2	405.4	26.6	155.8	112.8	43.0
1953	1,026.0	839.5	321.5	494.8	23.2	186.5	136.2	50.3
1954	1,074.1	896.0	340.1	534.2	21.7	178.1	129.8	48.3
1955	1,133.9	955.1	386.2	547.8	21.1	178.8	128.3	50.5
1956	1,206.3	1,029.2	418.3	591.2	19.7	177.1	128.5	48.6
1957	1,346.9	1,129.7	453.7	654.4	21.6	217.2	157.9	59.3
1958	1,417.9	1,185.6	449.6	714.6	21.4	232.3	167.8	64.5
1959	1,526.4	1,293.6	484.1	787.8	21.7	232.8	166.1	66.7
1960	1,561.9	1,323.1	516.8	783.0	23.3	238.8	168.2	70.6
1961	1,630.5	1,375.2	516.0	836.9	23.3	255.3	179.1	76.2
1962	1,692.6	1,437.2	556.9	856.5	23.8	255.4	179.6	75.8
1963	1,697.7	1,453.3	560.0	870.0	23.3	244.4	161.0	83.4
1964	1,815.6	1,577.6	620.8	933.0	23.8	238.0	153.2	84.8
1965	1,927.1	1,668.7	710.9	933.1	24.7	258.4	163.0	95.4
1966	2,134.9	1,854.8	810.6	1,018.5	25.7	280.1	175.9	104.2
1967	2,237.4	1,926.8	853.1	1,048.6	25.1	310.6	194.3	116.3
1968	2,697.9	2,355.9	1,131.8	1,198.0	26.1	342.0	209.2	132.8
1969	3,035.7	2,644.5	1,310.6	1,304.5	29.4	391.2	238.9	152.3
Benefit payments								
1948	286.8	277.5	115.0	141.0	21.5	9.3	9.0	0.3
1949	322.0	294.9	124.7	150.0	20.2	27.1	22.3	4.8
1950	383.8	329.5	161.3	153.0	15.2	54.3	41.7	12.6
1951	500.8	387.5	212.4	157.0	18.1	113.3	81.1	32.2
1952	559.1	431.3	234.6	177.0	19.7	127.8	92.5	35.3
1953	606.2	466.5	241.0	209.0	16.5	139.7	102.0	37.7
1954	629.1	497.1	251.8	230.0	15.3	132.0	96.2	35.8
1955	692.4	557.2	292.0	250.0	15.2	135.2	97.0	38.2
1956	802.5	651.3	357.3	278.0	16.0	151.2	109.7	41.5
1957	874.4	696.3	372.3	307.2	16.8	178.1	129.5	48.6
1958	909.1	725.4	355.9	353.4	16.1	183.7	132.7	51.0
1959	990.1	800.6	394.2	389.6	16.8	189.5	135.2	54.3
1960	1,031.2	836.1	424.1	392.8	18.2	196.1	138.1	58.0
1961	1,051.6	850.2	406.8	425.9	17.5	201.4	141.3	60.1
1962	1,086.7	882.4	445.8	418.5	18.1	204.3	143.7	60.6
1963	1,117.5	919.3	454.2	447.2	17.9	198.2	130.6	67.6
1964	1,192.4	1,001.0	498.9	483.9	18.2	191.4	123.2	68.2
1965	1,239.7	1,042.1	541.6	482.6	17.9	197.6	124.8	72.8
1966	1,342.7	1,134.3	603.2	512.9	18.2	208.4	130.9	77.5
1967	1,377.4	1,155.0	610.5	527.4	17.1	222.4	139.1	83.3
1968	1,711.9	1,460.2	832.9	609.1	18.2	251.7	154.0	97.7
1969	1,945.6	1,664.3	941.8	702.4	20.1	281.3	171.8	109.5

¹ Beginning 1960, data include Alaska and Hawaii.

² Data on premiums earned and losses incurred by commercial companies (including fraternal) as provided by the Health Insurance Association of America for the United States, by types of insurance benefits, adjusted to include accidental death and dismemberment provisions in individual policies that insure against income loss to offset understatement arising from the omission of current short-term income-loss insurance in automobile, resident liability, life, and other policies. For 1956–69, dividends deducted from earned premiums (2–3 percent for group; 1 percent for individual). Starting with 1956, all credit accident and health insurance classified under individual insurance.

³ Company and union-management trust fund, trade-union, and mutual benefit association plans.

⁴ Company, union, and union-management plans under California, New Jersey, and New York laws, whether or not funded.

absolute and relative terms this increase was much larger than the annual increments throughout the 1960's, except for the 24-percent increase from 1967 to 1968. That rise partly reflected the availability of a new source of information in 1968 that yielded more complete data.

All the categories of benefits incorporated in table 3 increased from their 1968 levels, and all within a fairly narrow range: from the less than 12-percent increase in group insurance benefits under public provisions to the higher-than-15 percent climb of benefits under individual insurance. There was no unusual amount of growth in the covered labor force during 1969 nor any unusually high level of sickness to account for the size of the jump in aggregate benefits. The overall growth of benefits in 1969 must therefore be attributed primarily to the higher benefit amounts that reflect inflationary trends and liberalization of benefit plans.

Benefits under temporary disability insurance laws.—The statutory programs in operation throughout 1969 paid a total of \$655 million in benefits that year. The increase over the 1968 amount paid was \$83 million, by far the largest such annual increment since 1948. The 14.5-percent rise was second only to that from 1956 to 1957. The notable upward movement in benefits from 1968 to 1969 is evident in each of the methods for paying these benefits, as table 4 shows. The 17-percent rise in benefits through publicly operated funds dominates the picture.

The high level of benefits from publicly operated funds is due in large part to statutory liberalizations in California, New Jersey, and the railroad program. The statutory maximum weekly benefit in California, which had been \$80 since January 1965, became \$87 as of January 1969. New Jersey had an increase in its flexible maximum weekly benefit from \$62 to \$65 at the beginning of 1969 and began paying benefits to workers employed in small firms.

The railroad benefits program began paying extended benefits to those sick longer than 26 weeks and raised its maximum benefit from \$51 to \$63.50. These major changes were instituted in July 1968, but 1969 was the first full year they were in effect. Because of long-term declining employment in the railroad industry, annual benefit totals had declined in each of the 8 years before 1968. In 1968 the benefit total was 19

TABLE 4.—Cash benefits under temporary disability insurance laws provided through private plans and through publicly operated funds, 1948–69¹

Year	Total	Type of insurance arrangement		
		Private plans ²		Publicly operated funds ⁴
		Group insurance	Self-insurance ³	
1948	\$66.4	\$9.0	\$0.3	\$57.1
1949	89.2	22.3	4.8	62.1
1950	117.4	41.7	12.6	63.1
1951	174.2	81.1	32.2	60.9
1952	202.3	92.5	35.3	74.5
1953	230.2	102.0	37.7	90.5
1954	235.1	96.2	35.8	103.1
1955	244.6	97.0	38.2	109.4
1956	265.0	109.7	41.5	113.8
1957	305.3	129.5	48.6	127.2
1958	325.1	132.7	51.0	141.4
1959	353.2	135.2	54.3	163.7
1960	368.2	138.1	58.0	172.1
1961	396.6	141.3	60.1	195.2
1962	416.3	143.7	60.6	212.0
1963	442.2	130.6	67.6	243.9
1964	455.8	123.2	68.2	264.4
1965	466.7	124.8	72.8	269.1
1966	481.6	130.9	77.5	273.2
1967	507.1	139.1	83.3	284.7
1968	571.9	154.0	97.7	320.2
1969	655.0	171.8	109.5	373.7

¹ Programs under the Railroad Unemployment Insurance Act and the laws of Rhode Island, California, New Jersey (beginning 1949), and New York (beginning 1950). Excludes hospital benefits in California and hospital, surgical, and medical benefits in New York.

² Under the laws of California, New Jersey, and New York.
³ Employers may self-insure by observing certain stipulations of the law. Includes some union plans whose provisions come under the law.

⁴ Includes State-operated plans in Rhode Island, California, and New Jersey, the State Insurance Fund and the special fund for the disabled unemployed in New York, and the railroad program.

percent higher than the amount in the previous year, and it rose an additional 40 percent in 1969. An idea of the combined impact of the new extended-benefits provision and higher maximum weekly amount may be gleaned from comparing the amount of average weekly benefits received in fiscal year 1969 with those of earlier years:

Fiscal year	Average weekly benefit
1965–66	\$44.60
1966–67	44.00
1967–68	44.60
1968–69	55.40

A July 1968 increase in the maximum weekly benefit (from \$55 to \$65) helped produce the substantially higher benefit total in New York in 1969. In Rhode Island, a succession of such increases (to \$53 in July 1968 and to \$56 in July 1969) were somewhat offset by a 1969 reduction in the benefits payable during pregnancy from 14 weeks of benefits to a \$250 lump sum.

Although workers covered by the five laws

for which data are available incurred only 28 percent of the Nation's actual wage and salary loss in private employment in 1969, they received benefits representing 41 percent of all cash sickness benefits (excluding sick leave), disbursed as group protection to private wage and salary workers. For these jurisdictions, the share of wage loss has remained at the 27-28 percent level throughout most of the years since the beginning of this series. The proportion of group benefits paid under these programs has varied from a high of 49 percent in 1953 to 40 percent in 1968. Benefit ratios are dependent on such factors as fluctuations in business activity—which influence the rate of growth of accident and sickness insurance in areas not having compulsory programs—and statutory liberalizations in benefit provisions.

In the 1950's and early 1960's, the role of publicly operated funds in the temporary disability insurance programs gradually increased so that by 1964, they accounted for 58 percent of all benefits paid under statutory programs. In comparison, 37 percent of the 1952 benefits had been paid through public programs. From 1964 through 1969 the balance between publicly and privately operated plans has been fairly stable, with 57 percent of the 1969 total benefit disbursements coming from public programs.

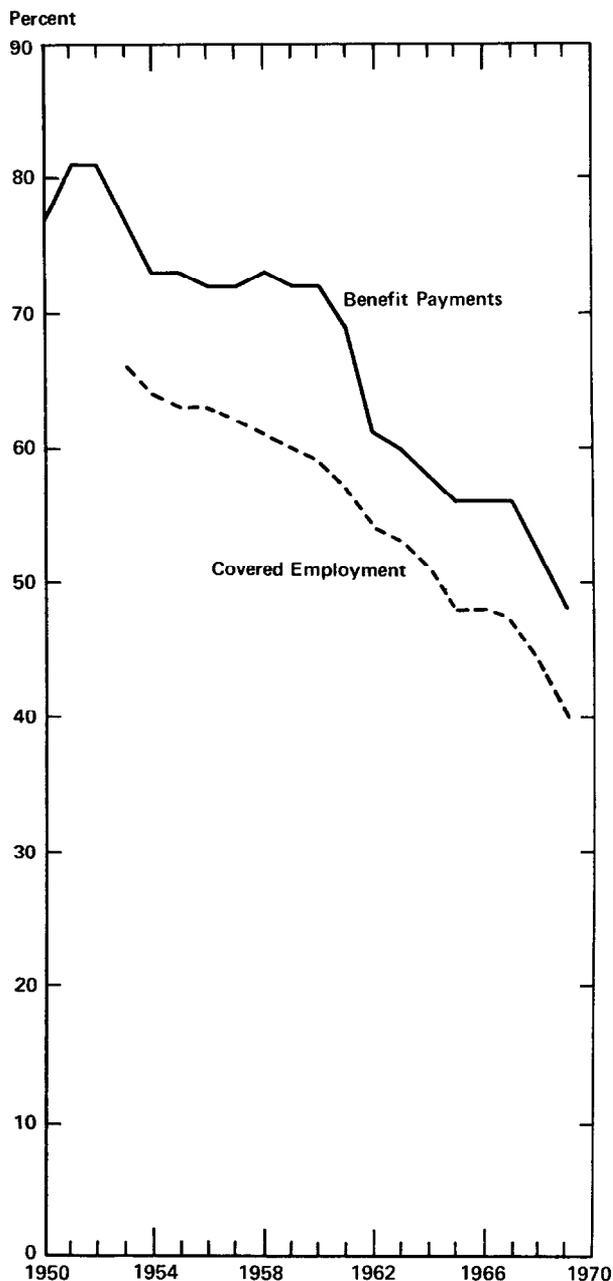
Underlying the relationship between public and private plans are some dramatic changes within State programs. California had a significant private-plan sector at the beginning of the program (accounting for 45 percent of 1950 benefits), but by 1964 the benefits paid by private plans in California had shrunk to 5 percent of the total, and benefits have remained at very low levels ever since. The only other jurisdiction with substantial private and publicly operated funds has been New Jersey.

New Jersey experience.—Attention may be usefully centered on the New Jersey program because of the persistent decline in private-plan participation to date, and because of the recent drastically altered financial status of the publicly operated fund.⁶

Each year since 1953, the first year for which

data were available, has seen a decline in the proportion of workers covered by private plans. This proportion was 66 percent in 1953 and 40 percent in 1969. In benefit terms too, the private-plan share has dropped from almost four-fifths

Benefit payments and covered employment in New Jersey temporary disability insurance plans: Private plans as percent of total, 1950-69¹



¹ Derived from *Two Decades of Temporary Disability Insurance in New Jersey* (New Jersey Department of Labor and Industry), March 1970; data for covered employment before 1953 not available.

⁶ For much of the data relied on in this discussion, see *Two Decades of Temporary Disability Insurance in New Jersey*, New Jersey Department of Labor and Industry, March 1970.

of the total in 1950 to less than half in 1969. The decline in benefits, however, was not steady during the whole period but was concentrated primarily in the years from 1960 to the present (chart 1).

The decline in New Jersey private programs has not affected all types of plans equally. It has been characterized by a large drop in commercial insurance plans from more than 17,000 in 1952 to less than half that number by the end of the 1960's. The number of self-insured plans, although much smaller, showed a sharply contrasting pattern. These plans increased from 152 in 1950 to 183 in 1960 and stayed at about the same level since then. Union-sponsored self-insured plans had risen to 2,770 by 1961, and declined slightly thereafter.

It is not clear why in the 1950's the share of employment covered under private plans steadily declined. The publicly operated plan was being adequately financed (annual fund revenues more than matched expenditures), so that private insurance plans presumably could have competed effectively with the public plan.⁷ Private insurance, on the one hand, entails costs beyond those incurred by publicly operated programs: The New Jersey State plan has little sales or advertising expense, does not have to allow for underwriting gains or tax liability, and by virtue of its size enjoys any cost benefits that derive from economy of scale. On the other hand, private plans have virtually no adverse risk restrictions and private insurers can thus select their risks as the public program cannot.

The decline in the 1960's can be more easily understood. A number of liberalizations in the program raised benefit costs substantially, but did not produce comparable increases in revenue. A growing imbalance between benefits paid and revenue being raised to support the publicly operated program is reflected in the net decrease in the State disability benefits fund occurring each year beginning in 1962.

Amendments to the New Jersey law in 1961 provided for increased benefit rates and for pregnancy benefits; the latter provision was of special significance in terms of benefit costs. In the past few years, several more substantial improvements in the program have been instituted. They in-

clude retroactive payment for the waiting week, introduction of a benefit formula providing a weekly benefit equal to two-thirds of average wages (instead of the previous scale ranging between one-half and two-thirds of the weekly wage), a flexible maximum benefit that automatically rises as the State average wage rises, and inclusion of small-firm employees.

The only substantial change in the financing provisions during the 1960's was the modest increase of the taxable wage base from \$3,000 to \$3,600 beginning January 1968. The average employer contribution rate as a percentage of taxable wages under the experience rating provisions of the State plan was 0.240 percent in 1960; it had moved up to 0.337 percent by 1969. Nevertheless by the end of 1969, the State disability fund had shrunk to less than one year's benefit disbursements at the 1969 rate of \$53 million.

At least since the early 1960's, benefit liberalizations, not matched by higher employer tax rates or increased wage base levels to pay for these benefits, have resulted in what appear to be artificially low costs for employers under the publicly operated funds. Employers may thus have gradually been attracted away from private insurance contracts for which premiums must be charged commensurate with benefit costs.

Yet other less visible factors may affect the relationship between public and private plans in the New Jersey disability program. The competitive situation of private insurance companies has no doubt been enhanced to the extent that pregnancy benefits are mainly the liability of the State program. The New Jersey Department of Labor and Industry has found that, "Since the practice of many employers had been to lay off the employee significantly earlier than four weeks prior to expected birth, the bulk of payments for pregnancy were paid through the disability-during-unemployment program."⁸ The disability-during-unemployment program is largely paid through the State plan benefits fund (and to a very minor extent by special assessments on private-plan employers). To the extent that private plans can charge lower rates because of a less-than-proportionate burden of pregnancy benefit costs, these plans should be favored by employers.

⁷ Private plans are required by law to provide benefits at least as favorable as those under the State-operated plan.

⁸ New Jersey Department of Labor and Industry, *ibid.*, page 15.

In addition, despite the apparent adverse position of private plans, benefit totals for these plans have been consistently high in relation to the number of covered workers. Are these high bene-

TABLE 5.—Estimated value of formal paid sick leave in private industry and in Federal, State, and local government employment, 1948-69¹

Year	[In millions]						
	Total	Workers in private industry ²			Government workers		
		Total	Not covered by temporary disability insurance laws	Covered by temporary disability insurance laws ³	Total	Federal ⁴	State and local ⁵
1948	\$413	\$157	\$145	\$12	\$256	\$148	\$108
1949	462	162	147	15	300	173	127
1950	492	177	154	23	315	172	143
1951	588	198	164	34	390	221	169
1952	607	214	178	36	453	254	199
1953	713	231	193	38	482	262	220
1954	741	241	201	40	500	252	248
1955	813	268	224	44	545	269	276
1956	884	293	243	49	591	280	311
1957	951	324	270	54	627	290	337
1958	1,034	338	283	55	696	315	381
1959	1,076	351	295	56	725	315	410
1960	1,219	392	327	65	827	348	479
1961	1,310	410	344	67	900	376	524
1962	1,459	461	384	77	998	414	584
1963	1,624	513	428	85	1,110	450	660
1964	1,629	492	412	80	1,137	445	692
1965	1,822	553	464	90	1,269	488	781
1966	2,001	606	508	99	1,395	523	872
1967	2,159	656	551	105	1,503	558	945
1968	2,412	744	627	117	1,668	606	1,062
1969	2,760	902	761	141	1,858	662	1,196

¹ Beginning 1960, data include Alaska and Hawaii. Beginning 1959, data adjusted to reflect changes in sickness experience (average number of disability days), as reported in the Health Interview Survey of the Public Health Service.

² Sum of estimated value of formal paid sick leave for employees with (a) sick leave but no other group protection and (b) sick-leave supplemental to group insurance or other forms of group protection, including publicly operated funds. Under each category, number of employees was adapted from Health Insurance Council, *Annual Survey of Accident and Health Coverage in the United States, 1948-54*, after reducing estimates of exclusive sick-leave coverage in early years by a third to allow for exclusion of informal sick-leave plans and for conversion of exclusive protection to supplemental protection under temporary disability insurance laws. Later-year estimates based on nationwide projection of formal paid sick-leave coverage reported for plant and office workers in the community wage surveys of the Bureau of Labor Statistics. Assumes that workers in private industry receive an average of 4 days of paid sick leave a year, excluding other protection, and 3.2 days when they have other group protection. Daily wages obtained by dividing average annual earnings per full-time private employee as reported in table 6.5 in *The National Income and Product Accounts of the United States, 1929-65, Statistical Tables: A Supplement to the Survey of Current Business, 1966*, and in the annual *Survey of Current Business, National Income Issue* (Department of Commerce), by 255 (estimated workdays in a year).

³ Assumes that some workers entitled to cash benefits under temporary disability insurance laws have sick leave in addition to their benefits under the laws, but only to the extent needed to bring up to 80 percent the replacement of their potential wage loss.

⁴ Based on studies showing that Federal employees use paid sick leave of 7.7 days on the average for nonoccupational sickness, equivalent to 3 percent of payroll. Payroll data derived by multiplying number of paid civilian full-time employees as of June 30 in all branches of the Federal Government in the United States, by their mean earnings, as reported in *Pay Structure of the Federal Civil Service, Annual Reports*, U.S. Civil Service Commission. Practically all full-time employees are covered by paid sick-leave protection.

⁵ Assumes that number of State and local government employees covered by formal sick-leave plans has increased gradually from 65 percent of the total number employed full time in 1948 to 90 percent in 1969 and that workers covered by such plans received on the average paid sick leave ranging from 5.2 days in 1948 to 6.1 days in 1969. Number of full-time employees from *Public Employment, Annual Reports* (Bureau of the Census). Daily wages obtained by dividing average annual earnings per full-time State and local employee as reported in Department of Commerce data (see footnote 2), by 255 (estimated workdays in a year).

TABLE 6.—Estimated value of formal paid sick leave in relation to income loss due to short-term sickness among workers covered by exclusive formal sick-leave plans,¹ 1948-69

[Amounts in millions]

Year	Income loss	Value of sick leave under exclusive plans	Ratio (percent) of sick leave to income loss
1948	\$567	\$375	66.1
1949	601	416	69.2
1950	635	432	68.0
1951	723	507	70.1
1952	804	577	71.7
1953	846	612	72.3
1954	874	634	72.5
1955	952	691	72.6
1956	1,024	745	72.8
1957	1,107	800	72.3
1958	1,203	876	72.7
1959	1,242	908	73.1
1960	1,427	1,034	72.5
1961	1,536	1,125	73.2
1962	1,699	1,243	73.2
1963	1,875	1,384	73.8
1964	1,894	1,399	73.9
1965	2,114	1,564	74.0
1966	2,318	1,711	73.8
1967	2,484	1,841	74.1
1968	2,759	2,049	74.3
1969	3,092	2,290	74.1

¹ Sick-leave plans that do not supplement any other form of group protection, including publicly operated plans.

fit payments attributable to higher incidence of sickness among employees in these plans or to more liberal benefit schedules? And what are the implications of these relationships with respect to the decline in the private plan share of New Jersey disability insurance? A full explanation of the trends exhibited until now in the New Jersey program will have to await comprehensive study beyond the scope of this article.

Paid sick leave.—Sick-leave payments were \$2,760 million in 1969 or more than 14 percent above the 1968 total. This large rate of increase (higher than in any other year during the 1960's) was a result of 1968 and 1969 rises in the proportion of workers in private industry with this type of protection. To a smaller degree, it reflects a revision in the Social Security Administration benchmark estimates of State and local government sick-leave experience.

The Bureau of Labor Statistics area wage surveys are used to estimate the proportion of workers with sick-leave protection in private industry. Data from these surveys in 1968-69 indicate a rise from earlier years in sick-leave coverage in many metropolitan areas.⁹ In particular, supplementary sick leave (leave that supplements other group sick-pay plans) ac-

⁹ Bureau of Labor Statistics, Bulletin 1625-90, 1970.

counted for most of the increase noted. Primarily as a result of this growth, sick-leave benefits paid to workers in private industry in 1969 were \$158 million greater than the 1968 total of \$744 million (table 5).

As a part of the Social Security Administration's continuing efforts to improve this series on cash benefits for short-term sickness, detailed reviews of the literature have been made periodically of different types of such protection. This year, the sick-leave protection available to State and local government workers and the amount of sick leave they use has been reviewed. Ordinarily, such a survey would include a review of Federal Government experience. This part of the survey has been postponed, however, until results of a major study of Federal employee sick leave, currently being made by the Civil Service Commission, are available.

Since the sick-leave provisions and experience of State and local government workers were last reviewed in 1963, there has been a continuing

TABLE 7.—Benefits provided as protection against income loss, summary data, 1948–69

[In millions]

Year	Total	Benefits provided through individual insurance	Group benefits provided as protection against wage and salary loss					Sick leave for government employees
			Total	Workers in private employment			Sick leave	
				Total	Private cash sickness insurance and self-insurance ¹	Publicly operated cash sickness funds		
1948.....	\$756.9	\$141.0	\$615.9	\$359.9	\$146.8	\$57.1	\$157.0	\$256.0
1949.....	846.1	150.0	696.1	396.1	172.0	62.1	162.0	300.0
1950.....	938.9	153.0	785.9	470.9	230.8	63.1	177.0	315.0
1951.....	1,149.7	157.0	992.7	602.8	343.8	60.9	198.0	390.0
1952.....	1,300.6	177.0	1,123.6	670.6	382.1	74.5	214.0	453.0
1953.....	1,409.7	209.0	1,200.7	718.7	397.2	90.5	231.0	482.0
1954.....	1,473.2	230.0	1,243.2	743.2	399.1	103.1	241.0	500.0
1955.....	1,614.8	250.0	1,364.8	819.8	442.4	109.4	268.0	545.0
1956.....	1,800.3	278.0	1,522.3	931.3	524.5	113.8	293.0	591.0
1957.....	1,952.6	307.2	1,645.4	1,018.4	567.2	127.2	324.0	627.0
1958.....	2,084.5	353.4	1,731.1	1,035.1	555.7	141.4	338.0	696.0
1959.....	2,229.8	389.6	1,840.2	1,115.2	600.5	163.7	351.0	725.0
1960.....	2,422.3	392.8	2,029.5	1,202.5	638.4	172.1	392.0	827.0
1961.....	2,556.8	425.9	2,130.9	1,230.9	625.7	195.2	410.0	900.0
1962.....	2,757.7	418.5	2,339.2	1,341.2	668.2	212.0	461.0	998.0
1963.....	2,984.4	447.2	2,537.2	1,427.2	670.3	243.9	513.0	1,110.0
1964.....	3,085.8	483.9	2,601.9	1,464.9	708.5	264.4	492.0	1,137.0
1965.....	3,330.8	482.6	2,848.2	1,579.2	757.1	269.1	553.0	1,269.0
1966.....	3,616.9	512.9	3,104.0	1,709.0	829.8	273.2	606.0	1,395.0
1967.....	3,821.1	527.4	3,293.7	1,790.7	850.0	284.7	656.0	1,503.0
1968.....	4,444.1	609.1	3,835.0	2,167.0	1,102.8	320.2	744.0	1,668.0
1969.....	5,079.3	702.4	4,376.9	2,518.9	1,243.2	373.7	902.0	1,858.0

¹ Includes a small but undetermined amount of group disability insurance benefits paid to government workers and to self-employed persons through farm, trade, or professional associations.

TABLE 8.—Extent of protection against income loss, 1948–69

[Amounts in millions]

Year	Income loss and protection provided			Income loss not protected	Net cost of providing insurance ³
	Income loss ¹	Protection provided ²	Protection as percent of loss		
1948.....	\$4,568	\$757	16.6	\$3,811	\$277
1949.....	4,424	846	19.1	3,578	287
1950.....	4,795	939	19.6	3,856	307
1951.....	5,473	1,150	21.0	4,323	311
1952.....	5,814	1,301	22.4	4,513	322
1953.....	6,144	1,410	22.9	4,734	428
1954.....	6,094	1,473	24.2	4,621	453
1955.....	6,540	1,615	24.7	4,925	450
1956.....	7,031	1,800	25.6	5,231	413
1957.....	7,363	1,953	26.5	5,410	482
1958.....	7,458	2,084	27.9	5,374	519
1959.....	7,724	2,230	28.9	5,494	548
1960.....	8,555	2,422	28.3	6,133	542
1961.....	8,639	2,557	29.6	6,082	592
1962.....	9,622	2,758	28.7	6,864	620
1963.....	10,178	2,984	29.3	7,194	596
1964.....	10,248	3,086	30.1	7,162	640
1965.....	11,278	3,331	29.5	7,947	704
1966.....	12,205	3,617	29.6	8,588	809
1967.....	12,582	3,821	30.4	8,761	878
1968.....	13,694	4,444	32.5	9,250	1,005
1969.....	15,050	5,079	33.7	9,971	1,110

¹ From table 1.

² Total benefits, including sick leave (from table 7).

³ Includes retention costs (for contingency reserves, taxes, commissions, acquisition, claims settlement, and underwriting gains) of private insurance companies (from table 3) and administrative expenses for publicly operated plans and for supervision of the operation of private plans. Excludes costs of operating sick-leave plans; data not available.

increase in the scope of sick-leave protection.¹⁰ The major groups for whom trends were examined are State, city, and county government workers and employees of the public school systems. In each of these groups the extent of coverage under sick-leave plans grew during the 1960's. It is currently estimated that, for all the groups combined, the proportion of workers under sick-leave plans rose from 85 percent in 1962 to 90 percent in 1969.

Available data on the number of days of paid sick leave allowed under the plans and the extent to which such leave could be accumulated beyond 1 year also indicate growth in sick-leave usage. Average days of sick leave used per year by State and local government workers showed a slow rate of growth from the 5.9 days in 1962 to 6.1 days in 1969.

The combined effect of these modifications of sick-leave coverage and usage was to produce an estimate of sick-leave benefits for State and local government workers in 1969 of \$1,196 million, instead of the \$1,111 million that would

¹⁰ See the *Social Security Bulletin*, January 1964, pages 4-12, for a description of the 1963 review, and some of the major sources of information used.

have been compiled in the absence of the revision. The sick-leave estimates in this series back through 1964 have been raised by this revision.

The sick-leave estimates in table 5 include the value of leave paid as a supplement to group insurance, publicly operated plans, or other types of group protection, as well as the value of exclusive sick leave (sick leave in lieu of any other type of group income-loss protection). Supplemental sick leave often takes the form of wage replacement for an initial waiting period before insurance benefits become available.

In dollar terms, the sick-leave benefits paid to government workers are by far the most important part of all sick-leave payments, for two reasons: (1) the extent of coverage under government sick-leave plans is much higher than that under private industry sick-leave plans and (2) the sick leave provided government workers is almost always exclusive leave. Such a full-replacement benefit will naturally be much higher than those intended to supplement insurance benefits.

As table 6 shows, almost three-fourths of the wage loss is replaced by exclusive sick-leave plans. Comparison between tables 5 and 6 indicates that such payments represented 83 percent of all sick-

leave benefits in 1969. The total amount of exclusive sick-leave payments in that year was \$2,290 million—\$1,858 million paid by Federal, State, and local governments and \$432 million by private industry.

SUMMARY OF PROTECTION PROVIDED

Table 7 brings together data on the various sources of benefits—individual and group insurance, sick leave, and public and private employment-related benefits. Sick leave is responsible for more than half of all the payments made, with the public sector predominant. Total benefit payments increased 14 percent in 1969 to \$5,079 million. The rise was not as large as that recorded in the preceding year but was nevertheless roughly double the annual rate of increase of all other years in the sixties.

In 1968, private insurance payments had by far the largest relative increase (30 percent) partly because of the availability of more comprehensive data. In 1969, sick-leave payments in private industry and benefits from publicly operated funds led the way, with increases of 21 percent and 17 percent, respectively.

TABLE 9.—Group protection provided in relation to wage and salary loss, 1948–69

[Amounts in millions]

Year	All wage and salary workers			Wage and salary workers in private industry								
				Total			Covered by temporary disability insurance laws			Not covered by temporary disability insurance laws		
	Income loss	Protection provided		Income loss	Protection provided		Income loss	Protection provided		Income loss	Protection provided	
		Amount	Percent of income loss		Amount	Percent of income loss		Amount	Percent of income loss		Amount	Percent of income loss
1948	\$3,630	\$616	17.0	\$3,198	\$360	11.3	\$391	\$78	19.9	\$2,807	\$282	10.0
1949	3,601	696	19.3	3,126	396	12.7	483	104	21.5	2,643	292	11.1
1950	3,921	786	20.0	3,415	471	13.8	712	140	19.7	2,703	331	12.2
1951	4,494	993	22.1	3,901	603	15.5	1,059	208	19.6	2,842	395	13.9
1952	4,831	1,124	23.3	4,171	671	16.1	1,132	238	21.0	3,039	433	14.2
1953	5,199	1,201	23.1	4,508	719	15.9	1,213	268	22.1	3,295	451	13.7
1954	5,161	1,243	24.1	4,444	743	16.7	1,212	275	22.7	3,232	468	14.5
1955	5,573	1,365	24.5	4,806	820	17.1	1,299	289	22.2	3,507	531	15.1
1956	6,034	1,522	25.2	5,203	931	17.9	1,430	314	22.0	3,773	617	16.4
1957	6,355	1,645	26.0	5,442	1,018	18.7	1,512	359	23.7	3,930	659	16.8
1958	6,371	1,731	27.2	5,391	1,035	19.2	1,507	380	25.2	3,884	655	16.9
1959	6,671	1,840	27.6	5,659	1,115	19.7	1,580	409	25.9	4,079	706	17.3
1960	7,445	2,030	27.3	6,280	1,203	19.2	1,773	433	24.4	4,507	770	17.1
1961	7,498	2,131	28.4	6,262	1,231	19.7	1,770	464	26.2	4,492	767	17.1
1962	8,383	2,339	27.9	6,988	1,341	19.2	1,983	493	24.9	5,005	848	16.9
1963	8,905	2,537	28.5	7,390	1,427	19.3	2,084	527	25.3	5,306	900	17.0
1964	9,015	2,602	28.9	7,468	1,465	19.6	2,085	536	25.7	5,383	929	17.3
1965	9,902	2,848	28.8	8,189	1,579	19.3	2,244	556	24.8	5,945	1,023	17.2
1966	10,746	3,104	28.9	8,870	1,709	19.3	2,408	580	24.1	6,462	1,129	17.5
1967	11,146	3,294	29.6	9,167	1,791	19.5	2,479	612	24.7	6,688	1,179	17.6
1968	12,214	3,835	31.4	10,032	2,167	21.6	2,689	689	25.6	7,343	1,478	20.1
1969	13,490	4,377	32.4	11,115	2,519	22.7	2,994	796	26.6	8,121	1,723	21.2

MEASURING THE EXTENT OF PROTECTION

The single most relevant criterion for measuring the effectiveness of programs established to replace income lost because of workers' sickness naturally relates cash benefits paid to the income loss incurred. The data in table 8 offer a global view of this comparison. All benefits, including individual insurance benefits and sick leave, totaled \$5,079 million in 1969 and represented 33.7 percent of the \$15,050 million in income lost through short-term nonoccupational disability. Replacement at this level indicates a continuation of the rising trend in the past few years.

It should, however, be borne in mind that at least part of the increases in replacement of income during both 1968 and 1969 arose from improvements in estimates or in sources of data. Nevertheless, benefit liberalizations in statutory programs, increases in coverage of various programs, and other improvements have been documented sufficiently to lead to the conclusion that in the last 2 years of the 1960's some real progress has been made in protecting workers against the

cut-off of their earnings when they are disabled.

Table 8 also shows the cost of operating the programs that provide temporary disability benefits under public and private insurance and self-insurance plans. The cost of providing commercial insurance is the difference between insurance premiums and benefit payments. The balance consists of selling and administrative expenses, premium taxes, additions to reserves, and underwriting gains. In 1969, the net cost was \$1,110 million, or 32 percent of insurance premiums. This net cost total was about 10 percent higher than the cost in 1968—a somewhat lower rate of increase than that from 1967 to 1968.

One cost element in administration of sickness benefit programs is not shown here for lack of data—the costs involved in paying sick leave. These costs are assumed to be relatively low since a sick-leave program is part of an already established payroll operation, but data on such costs may not be readily separated and identifiable.

Table 9 in contrast to table 8, pertains to group benefit programs only and thus focuses on the protection offered employees through their place of employment. Individual insurance to some degree represents sickness benefits purchased by the self-employed for themselves; it also includes some non-earnings-related cash benefits.

In considering the relationships revealed in table 9, it should be recalled that the income-replacement ratio reflects both (1) the extent to which the group has some type of protection and (2) the degree to which the protection is provided on an insurance basis or by sick-leave plans. The replacement ratio is greater for all wage and salary workers than it is for those in private industry because of the extensive coverage of government workers under sick-pay plans and the high percentage of income replacement that characterizes these plans. Thus in 1969, the benefit-wage ratio for all wage and salary workers, including government workers, was 32.4 percent, or almost 10 percentage points higher than that for workers in private industry (22.7 percent). Government workers receive sick-leave payments equal to almost four-fifths of their income loss.

Another useful means of examining the adequacy of cash benefit programs is the comparison of benefits, excluding sick-leave payments, with hypothetical levels of income-loss that might be considered desirable to insure against. Sick-leave

TABLE 10.—Insurance benefits as percent of estimated potentially insurable and compensable income loss¹ for workers without exclusive formal sick leave, 1948-69

[Amounts in millions]

Year	Amount of insurance benefits ²	As a percent of income loss—			
		After first 3 days ³		After first 7 days ⁴	
		Total	Two-thirds	Total	Two-thirds
1948.....	\$344	12.3	18.4	15.6	23.4
1949.....	384	14.4	21.5	18.3	27.4
1950.....	447	15.4	23.0	19.5	29.3
1951.....	522	16.9	25.4	21.5	32.3
1952.....	634	18.1	27.1	23.0	34.5
1953.....	697	18.8	28.2	23.9	35.9
1954.....	732	20.0	30.0	25.5	38.2
1955.....	802	20.5	30.7	26.1	39.1
1956.....	916	21.8	32.7	27.7	41.6
1957.....	1,002	22.9	34.3	29.1	43.7
1958.....	1,050	24.0	36.0	30.5	45.8
1959.....	1,154	25.4	38.1	32.4	48.5
1960.....	1,203	24.1	36.2	30.7	46.0
1961.....	1,247	25.1	37.6	31.9	47.9
1962.....	1,299	23.4	35.1	29.8	44.7
1963.....	1,361	23.4	35.1	29.8	44.7
1964.....	1,457	24.9	37.4	31.7	47.6
1965.....	1,509	23.5	35.3	29.9	44.9
1966.....	1,616	23.3	35.0	29.7	44.6
1967.....	1,662	23.5	35.3	29.9	44.9
1968.....	2,032	26.5	39.8	33.8	50.7
1969.....	2,319	27.7	41.6	35.3	52.9

¹ The portion of income loss that may be considered insurable or compensable under prevailing insurance practices.

² Excludes sick-leave payments.

³ Based on 70 percent of total income loss (from table 1), after exclusion of income loss of workers covered by exclusive sick-leave plans (from table 6).

⁴ Based on 55 percent of total income loss (from table 1), after exclusion of income loss of workers covered by exclusive sick-leave plans (from table 6).

payments, which generally compensate in full from the first day of sickness, are excluded in order to get a clear measure of that part of income loss normally considered insurable and compensable under prevailing insurance practices. Ordinarily, insurance plans (private and government) pay less than the "take home" wage to discourage malingering and, to reduce the administrative burden of processing large numbers of short-period claims, usually do not cover the first few days or first week of illness. Consequently the Nation's potentially insurable and compensable income loss under prevailing disability insurance provisions is somewhat less than the total income loss in table 8.

Table 10 shows two alternative waiting periods and a two-thirds level of weekly wage replacement, to reflect the provisions of some of the more liberal plans now in operation. For all the categories shown, the 1969 rates of partial replacement by insurance plans were higher than those

in the preceding year, making 1969 the second year of advancing ratios after several years of stability.

It is evident that the present levels of benefits achieve the goal of replacing income-loss during sickness with widely different degrees of success, depending on the liberality of the insurance objectives sought. On the assumption that compensation should not be made for the first 3 days of disability but that full income replacement should be made thereafter, less than 28 percent of the compensable income-loss was compensated for in 1969. If the goal is to pay a two-thirds weekly benefit after a 7-day waiting period, something over half of the goal is being realized. The latter situation represents a much more satisfactory degree of income replacement by insurance benefits than, for example, the replacement rates listed in table 9, for private industry workers though those rates do include sick-leave payments as well as insurance benefits.

Notes and Brief Reports

Workmen's Compensation Payments and Costs, 1969*

Total cash and medical payments under workmen's compensation programs in the United States in 1969 jumped to a new high, estimated at \$2,612 million. The dollar increase (\$242 million) was the largest since 1939, when this series began, and the relative rise (10.2 percent) was matched only once during the past 17 years—1966. That year, like 1969, was characterized by rapid rises in covered employment, wage levels, and medical care prices—all of which have an important effect on outlays for work injuries.

Reflecting mainly the general growth of the labor force, the estimated number of workers covered in an average week by State and Federal

workmen's compensation laws advanced in 1969 by 2.1 million to 58.8–59.0 million. In 1968 the gain had been 1.8 million. Average wages, on which cash benefits are based, rose almost 6.5 percent in 1969 as in 1968. The combination of higher wage rates and increased coverage resulted in an unprecedented rise of \$38 billion in payrolls in covered employment. The estimated covered payroll of \$414 billion in 1969 was 10 percent larger than the estimate for the previous year—the greatest proportionate increase since 1951.

Medical care prices also experienced a rise that had been surpassed only once in the past two decades. According to the Consumer Price Index of the Bureau of Labor Statistics, hospital and medical care prices rose 6.9 percent in calendar year 1969, compared with 6.1 percent in 1968.

The higher benefit outlays in 1969 also reflect liberalizations in the workmen's compensation laws. During 1968 and 1969, 31 States increased maximum weekly benefits for temporary total disability. In addition, five States had their weekly maximums increased automatically as the result of legislation that tied their weekly maxi-

* Prepared by Alfred M. Skolnik, Division of Economic and Long-Range Studies. For a 4-year review of the program, see Alfred M. Skolnik and Daniel N. Price, "Another Look at Workmen's Compensation," *Social Security Bulletin*, October 1970.