

# Income-Loss Protection Against Short-Term Sickness, 1948-61

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*In this article—the fourteenth in the series—the Social Security Administration again presents data on the extent of income-loss protection against the risk of short-term disability through public and private cash-sickness plans. This year's article presents revised statistics on private self-insured plans, using new benchmark data available from various sources.*

IN 1961, as in earlier years in which unemployment reached relatively high levels, the proportion of lost earnings covered by cash-sickness benefits paid through public and voluntary arrangements in the United States showed a greater-than-average increase. Benefits under government disability insurance programs and formal paid-sick-leave plans replaced 29.4 percent of the actual and potential income loss caused by short-term sickness in 1961; in 1960 they replaced 28.1 percent. This increase of 1.3 percentage points was the largest since the 1.5-point rise in the recession year 1958. The amount of informal sick-leave benefits paid to workers at the employer's discretion is unknown and therefore excluded from consideration.

Recession years, and even years such as 1961 in which average employment fails to advance, characteristically show a greater-than-usual increase in the ratio of benefits to lost earnings. The main reason is that, as the employed labor force shrinks, income loss shows a decline in the rate of growth that is not matched by a similar decline in benefit payments. The latter often reflect obligations previously incurred during periods of high employment and include payments to unemployed workers who become disabled. The estimated value of time lost through illness and injury rose only \$76 million in 1961 but \$842 million in the preceding year.<sup>1</sup> The 1961 increase of \$130 million in benefit payments, in contrast, was not much less than the \$190 million rise for 1960.

## MEASURING INCOME LOSS

In this series an income-loss estimate is used that is designed to reflect the loss of current earning power during the first 6 months of a nonoccupational illness or injury. It thus covers practically all the time lost because of temporary disability and part of the loss (the first 6 months) attributed to long-term disability. The estimate also includes potential loss of income as well as actual—that is, it includes income that might be lost if it were not for a sick-leave plan that continues wages and salaries during periods of illness. Payments under such plans are counted in the series as benefits offsetting the potential wage loss.

Estimates of income loss for the various components of the labor force through 1958 were based on the assumption of a fixed or constant amount of average time lost from work each year because of sickness. Starting with 1959, data on disability and work-loss days from the United States National Health Survey have been used in adjusting the income losses to reflect the actual annual variations in sickness rates. With 1958 as the benchmark year, equal to an index of 100, the applicable sickness rate (or index) was computed for 1959 at 97, 1960 at 103, and 1961 at 101.

The same adjustment factors were then applied to the estimates of income loss derived through the regular methods for the various components of the labor force (see footnotes to table 1). Year-to-year differences in the amount of earnings lost in various types of employment are thus a reflection of economic changes—changes in the number of workers and in average annual earnings—rather than of changes in the average amount of time lost because of sickness and disability.

Of the estimated \$8.7 billion lost in earnings (actual and potential) through temporary illness and injury in 1961, \$7.5 billion was attributable to wage and salary workers and the balance to self-employed persons—about the same distribution as in 1960. The wage loss for employees in private industry was less than in 1960, and for government employees it was greater—changes that reflect in

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<sup>1</sup> An important factor in this difference is the variation reported by the U. S. National Health Survey in morbidity rates, which increased 6-7 percent in 1960 and declined about 2 percent in 1961.

part the growing importance in the economy of government employment, especially employment for State and local governments. In 1948 the \$432 million wage loss of government employees made up 12 percent of the loss to wage and salary workers; in 1961, the \$1,236 million loss amounted to 16 percent of the total.

Workers covered by the five temporary disability insurance laws incurred 28 percent of the Nation's wage loss in private employment in 1961. This proportion has changed little since 1951—the first full year that all five laws were operative.

### PROTECTION AGAINST INCOME LOSS

Several methods are currently being used to provide protection against loss of earnings during periods of short-term sickness for wage and salary workers in private industry. Their protection may be obtained, moreover, through voluntary action by the employer or the employee, or a temporary disability insurance law may make the protection compulsory.

Of the voluntary methods, the most popular is through group or individual accident and sickness insurance policies sold by commercial carriers that pay cash amounts during specified periods of disability. Another method, used by some employers and providing either cash benefits or paid sick leave, is self-insurance. Some unions, union-management trust funds, fraternal societies, and mutual benefit associations 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.

For workers covered by temporary disability insurance laws, protection is provided in several ways, varying with the particular statute. The benefits for workers in Rhode Island and railroad workers are paid exclusively through publicly operated funds, though private plans may supplement the government-paid benefits. In California and New Jersey, benefits may be paid through publicly operated funds or through the types of private arrangements mentioned earlier (except individual insurance). In 1961, private plans were effective for about 26 percent of the covered workers in California and 59 percent in New Jersey. The proportions have been dropping steadily—in Cali-

fornia since 1951, when private plans accounted for 52 percent of those covered, and in New Jersey since 1952, when they represented 72 percent. In New York State, employers may insure with a publicly operated carrier (the State Insurance Fund). Protection is obtained through private arrangements, however, for about 96 percent of the employees.

Most government employees have protection under formal sick-leave plans. Probably more than four-fifths of full-time State and local government employees are eligible for sick-leave benefits; almost all Federal civilian full-time employees are eligible.

The types of protection available for indemnifying the self-employed for disabling illness necessarily differ from those available to groups of wage

TABLE 1.—Estimated income loss from nonoccupational short-term sickness,<sup>1</sup> by type of employment, 1948-61<sup>2</sup>  
[In millions]

Year	Total	Wage and salary workers				Self-employed persons <sup>8</sup>	
		Total	In private employment <sup>3</sup>		In public employment		
			Covered by temporary disability insurance laws <sup>4</sup>	Other <sup>5</sup>	Federal <sup>6</sup>		State and local <sup>7</sup>
1948	\$4,566	\$3,628	\$391	\$2,805	\$174	\$258	\$938
1949	4,429	3,599	483	2,641	190	285	830
1950	4,789	3,913	712	2,695	201	305	876
1951	5,477	4,489	1,059	2,837	259	334	988
1952	5,814	4,829	1,132	3,037	291	369	985
1953	6,147	5,197	1,213	3,293	290	401	960
1954	6,104	5,160	1,212	3,231	280	437	944
1955	6,552	5,569	1,299	3,503	297	470	983
1956	7,056	6,036	1,430	3,775	313	518	1,020
1957	7,376	6,339	1,512	3,934	323	570	1,037
1958	7,451	6,376	1,507	3,889	352	628	1,075
1959 <sup>9</sup>	7,738	6,687	1,580	4,095	356	656	1,051
1960 <sup>9</sup>	8,580	7,469	1,773	4,531	403	762	1,111
1961 <sup>9</sup>	8,656	7,529	1,768	4,525	420	816	1,127

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

<sup>2</sup> Beginning 1960, data include Alaska and Hawaii.

<sup>3</sup> Annual payrolls of wage and salary workers in private employment from table VI-2 in *U. S. Income and Output: A Supplement to the Survey of Current Business, 1958*, and in *Survey of Current Business, National Income Number*, July 1962 (Department of Commerce), multiplied by 7 (estimated average workdays lost per year due to short-term sickness) and divided by 255 (estimated workdays in year).

<sup>4</sup> 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.

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

<sup>6</sup> 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).

<sup>7</sup> Annual wage and salary payrolls of State and local government employees from Department of Commerce data (see footnote 2), multiplied by 7.5 (estimated average workdays lost per year due to short-term sickness) and divided by 255 (estimated workdays in year).

<sup>8</sup> Annual farm and nonfarm proprietors' income from table I-8 in Department of Commerce sources cited in footnote 2, multiplied by 7 (estimated income-loss days per year due to short-term sickness) and divided by 300 (estimated workdays in year).

<sup>9</sup> Computed as for earlier years, then adjusted to reflect changes in sickness experience (average number of disability days) in 1959-61, as reported in the National Health Survey.

and salary workers. Protection for the self-employed is generally confined to individual accident and sickness insurance or fraternal policies.

Private insurance written under voluntary arrangements and under the provisions of the public laws are shown separately in table 2. Most of the voluntary protection takes the form of individual or group insurance purchased from private insurance carriers or fraternal societies. The other type of voluntary protection included in table 2 represents benefits under self-insured plans, financed through prepaid arrangements by union or union-management trust funds, trade-union plans, or employee mutual benefit associations. The private insurance under public law relates only to the benefits provided to employees by plans that are written

in compliance with the compulsory disability laws in California, New Jersey, and New York.

### Self-Insured Plans

One of the areas in the series that has been most in need of refinement has been the estimates of contributions and benefits expended under self-insured cash-sickness plans. These plans, for the purpose of table 2, fall into two categories: (1) funded and unfunded self-insured plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York; and (2) funded self-insured plans in other jurisdictions. Data on unfunded self-insured plans outside these three States with compulsory laws are included with paid-sick-leave data in table 4 and excluded from table 2.

Until recently, self-insured benefits paid under the laws of California and New York were roughly estimated, with the estimates based on the proportion of covered workers under such plans. California first reported the exact amount paid by self-insurers with the data for 1959, and New York followed suit a year later. Both States reported benefits considerably higher than those that had been estimated, and accordingly the data in table 2 (and table 3) have been adjusted for all years from the beginning of the series.

This adjustment in self-insured benefits has also made it necessary to change the distribution of group insurance under voluntary provisions and under public provisions. Since the total amount of benefits paid by private plans under the compulsory laws is unchanged, any increase in self-insured benefits automatically decreases the amount attributed to group insurance. Similarly, once the total amount of group insurance written in the country is established, any drop in the amount of group insurance attributed to private plans under compulsory laws automatically increases the amount attributed to voluntary plans.

Some effects of these revisions may be noted here. The original estimates for 1960 showed that private plans under the compulsory laws made 81 percent of all their benefit payments through group insurance policies and the balance through self-insured plans. Under the revised estimates, this percentage drops to 70 percent. The earlier estimates for 1960 also showed that 28 percent of the \$569 million paid out nationally in group disability benefits by com-

TABLE 2.—Premiums and benefit payments for private insurance against income loss, 1948-61<sup>1</sup>

Year	[In millions]									
	Total	Under voluntary provisions			Under public provisions			Total	Group insurance <sup>2</sup>	Self-insurance <sup>3</sup>
		Total	Group insurance <sup>2</sup>	Individual insurance <sup>2</sup>	Self-insurance <sup>3</sup>	Total	Group insurance <sup>2</sup>			
Premiums <sup>5</sup>										
1948...	\$558.9	\$545.8	\$162.2	\$350.0	\$33.6	\$13.1	\$12.7	\$0.4		
1949...	603.0	564.8	177.8	355.0	32.0	38.8	31.9	6.9		
1950...	685.3	609.4	225.6	360.0	25.8	75.9	58.3	17.6		
1951...	804.7	660.9	269.4	366.0	25.5	143.8	102.9	40.9		
1952...	874.7	718.2	286.2	405.4	26.6	155.8	112.8	43.0		
1953...	1,026.0	839.5	321.5	494.8	25.2	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...	1,206.7	1,028.8	423.0	586.0	19.8	177.9	129.1	48.8		
1957...	1,347.4	1,128.6	460.9	646.0	21.7	218.8	159.1	59.7		
1958...	1,418.7	1,184.3	459.7	703.0	21.6	234.4	169.3	65.1		
1959...	1,527.4	1,291.9	496.9	773.0	22.0	235.5	168.1	67.4		
1960...	1,563.4	1,320.9	532.2	765.0	23.7	242.5	170.8	71.7		
1961...	1,633.3	1,372.9	534.2	815.0	23.7	260.4	181.9	78.5		
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...	385.8	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	359.3	276.0	16.0	151.2	109.7	41.5		
1957...	874.4	696.3	375.5	304.0	16.8	178.1	129.5	48.6		
1958...	909.1	725.4	360.3	349.0	16.1	183.7	132.7	51.0		
1959...	990.1	800.5	399.7	384.0	16.8	189.6	135.3	54.3		
1960...	1,031.2	835.0	430.8	386.0	18.2	196.2	138.2	58.0		
1961...	1,052.5	850.2	414.7	418.0	17.5	202.3	141.3	61.0		

<sup>1</sup> Beginning 1960, data include Alaska and Hawaii.

<sup>2</sup> 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 type of insurance benefit, 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 1956-61, dividends deducted from earned premiums (2-3 percent for group; 1 percent for individual).

<sup>3</sup> Union-management trust fund, trade-union, and mutual benefit association plans.

<sup>4</sup> Company, union, and union-management plans under California, New Jersey, and New York laws.

<sup>5</sup> Loss ratios applicable to all group insurance were applied to the benefits under voluntary provisions and under public provisions to obtain the premiums applicable to each.

mercial insurance companies was expended under the public provisions. This ratio becomes 24 percent under the revised estimates.

For the funded self-insured plans not under compulsory laws, the absence of national data on premiums and benefits paid has led to the development of the following methodology in making estimates. From the Health Insurance Council, estimates are obtained of the number of employees covered by all funded self-insured plans in the Nation (defined as union, union-management, and employee mutual benefit association plans).<sup>2</sup> From this estimate (1.1 million workers in each of the years 1959, 1960, and 1961) is subtracted the number of employees covered by such plans written in compliance with the compulsory laws in California, New Jersey, and New York (about 400,000 in these years). The remaining number is then multiplied by the amount of annual premiums and of annual benefits expended per employee, estimated on the basis of group disability insurance experience reported by commercial carriers, with some adjustment. For 1960, this method produced estimates of \$18.8 million in premiums and \$13.7 million in benefits.

These estimates have now been reevaluated in the light of new benchmark data on coverage and benefit payments per employee, obtained from the Office of Welfare and Pension Plans, Department of Labor, and from the current survey of independent health insurance plans, conducted by this Division.

The 1959 annual reports submitted to the Office of Welfare and Pension Plans by plan administrators indicated that funded self-insured cash-sickness plans covered at least 1,053,000 employees. Other plans provided a variety of fringe benefits under insured and self-insured arrangements, but it could not be ascertained from their reports whether cash-sickness benefits were included in the package and whether they were self-insured. In any event, these estimates were so similar to those provided by the Health Insurance Council that no change was made in the coverage data for the series.

For benefit payments per employee, however, the data from the survey of independent health insurance plans tell a different story. This survey, though designed to obtain financial data on hospital, surgical, and medical benefits paid by

independent plans (including self-insured plans), also collected data on cash-sickness benefits provided by about 80 union, union-management, and employee mutual benefit association plans. From these data it was determined that the annual benefit outlay per worker in 1961 was approximately \$25, about \$6 greater than the amount computed on the basis of group insurance experience.<sup>3</sup>

Accordingly in table 2 the series on funded self-insured premiums and benefits under voluntary provisions has been adjusted upward for years beginning in 1953, when the last benchmark data were available. As a result of this adjustment and the previously noted revision upward in group insurance benefits under voluntary provisions, benefits paid for 1960 under voluntary plans are now estimated at \$835 million instead of \$808 million.

### Commercial Insurance

As shown in table 2, the year 1961 saw only limited growth in the premiums and benefit payments under group and individual wage-replacement policies purchased from commercial carriers. The 4.3-percent gain in earned premiums in 1961 was the second lowest recorded in the series, topping only 1960's gain of 2.1 percent. Benefit payments showed the smallest absolute and relative growth on record, with the increased payments under individual policies little more than offsetting the drop in benefit outlays under group insurance.

Weekly indemnity benefits paid by commercial insurance companies under the public provisions of California, New Jersey, and New York amounted to \$141 million in 1961 and equaled 25 percent of all group disability benefits (\$556 million) paid by insurance companies nationally in that year. In 1960 the ratio was 24 percent. The 1961 increase was not unexpected, even though it was contrary to the trend since 1953, when the ratio was 30 percent. Group insurance is much more subject to contrac-

<sup>3</sup> The Office of Welfare and Pension Plans also reported on benefits expended under funded self-insured plans, but the data were not usable. Analysis of these plans revealed that the data on cash-sickness benefits were not separated in the vast majority of cases from the data on medical payments, hospital benefits, pensions, and/or other welfare benefits. This finding was confirmed when the separate data on cash-sickness benefits and on hospital and other medical benefits for the plans reported in the survey of independent health insurance plans were compared with the totals reported by these plans to the Office of Welfare and Pension Plans. The coverage figures, however, matched.

<sup>2</sup> Health Insurance Council, *The Extent of Voluntary Health Insurance Coverage in the United States*, Annual Surveys.

tion as the result of adverse economic conditions in the States without compulsory disability insurance laws than in the States where protection is mandatory.

### Public Provisions

The total amount of protection provided through publicly operated funds or private plans under the four State temporary disability insurance programs and by the sickness provisions of the Railroad Unemployment Insurance Act is shown in table 3 according to the type of insurance arrangement. To the extent that the protection is provided through commercial insurance companies or other private arrangements, the data overlap those in table 2.

The decline in the proportion of compulsory benefits underwritten by private plans continued in 1961, and a new low of 51 percent was reached. This proportion was as high as 65 percent in 1951, and it was 57 percent as recently as 1958. The rise in the proportion of government-paid benefits has followed a significant shift in coverage from private plans to State-operated plans in California and New Jersey.

The distribution of private-plan benefits between group insurance and self-insurance is undergoing a slow but steady change. Of the \$202 million paid

TABLE 3.—Cash benefits under temporary disability insurance laws provided through private plans and through publicly operated funds, 1948-61<sup>1</sup>

Year	Total	Type of insurance arrangement		
		Private plans <sup>2</sup>		Publicly operated funds <sup>4</sup>
		Group insurance	Self-insurance <sup>3</sup>	
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	135.3	54.3	163.6
1960.....	368.2	138.2	58.0	172.0
1961.....	397.5	141.3	61.0	195.2

<sup>1</sup> 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.

<sup>2</sup> Under the laws of California, New Jersey, and New York.

<sup>3</sup> Employers may self-insure by observing certain stipulations of the law. Includes some union plans whose provisions come under the law.

<sup>4</sup> 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.

in 1961 by private plans under the compulsory laws, 70 percent was disbursed through group accident and sickness insurance policies and the balance from self-insured employer, union, union-management, and mutual benefit association plans. In 1956, the proportion of private-plan benefits paid through group insurance policies reached a high of 73 percent; it dropped to 72 percent in 1958 and to 71 percent in 1959.

TABLE 4.—Estimated value of formal paid sick leave in private industry and in Federal, State, and local government employment, 1948-61<sup>1</sup>

Year	Total	Workers in private industry <sup>2</sup>			Government workers		
		Total	Not covered by temporary disability insurance laws	Covered by temporary disability insurance laws <sup>3</sup>	Total	Federal <sup>4</sup>	State and local <sup>5</sup>
1948.....	\$413	\$157	\$145	\$12	\$256	\$148	\$108
1949.....	463	163	147	16	300	173	127
1950.....	493	178	154	24	315	172	143
1951.....	589	199	165	34	390	221	169
1952.....	668	215	179	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.....	882	291	242	49	591	280	311
1957.....	949	322	268	54	627	290	337
1958.....	1,039	336	281	55	703	315	388
1959 <sup>6</sup> .....	1,068	348	292	56	720	315	405
1960 <sup>5</sup> .....	1,209	388	323	65	821	348	473
1961 <sup>6</sup> .....	1,294	406	340	66	888	376	512

<sup>1</sup> Beginning 1960, data include Alaska and Hawaii.

<sup>2</sup> 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 1948-1954*, 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 VI-15 in *U.S. Income and Output: A Supplement to the Survey of Current Business*, 1958, and in *Survey of Current Business, National Income Number*, July 1962 (Department of Commerce) by 255 (estimated workdays in a year).

<sup>3</sup> 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.

<sup>4</sup> 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* (Federal Employment Statistics Office, U. S. Civil Service Commission). Practically all full-time employees are covered by paid-sick-leave provisions.

<sup>5</sup> 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 82 percent in 1961 and that workers covered by such plans received on the average paid sick leave ranging from 5.2 days in 1948 to 5.9 days in 1961. Number of full-time employees from *State Distribution of Public Employment, Annual Reports* (Bureau of the Census). Daily wages obtained by dividing average annual earnings per full-time State and local government employee as reported in Department of Commerce data (see footnote 2) by 255 (estimated workdays in a year).

<sup>6</sup> Computed as for earlier years, then adjusted to reflect changes in sickness experience (average number of disability days) in 1959-61 as reported in the National Health Survey.

Workers covered by the disability insurance laws in 1961 received 48 percent of all cash-sickness benefits (excluding sick leave) paid as group protection to private wage and salary workers. This is the highest percentage recorded for the series; the low point was 41 percent in 1956. During this period the wage loss incurred by covered workers has remained constant at 27-28 percent of the Nation's total wage and salary loss in private employment.

### Paid Sick Leave

Estimates of the amount of income replaced through formal paid-sick-leave benefits in private industry and in government employment are presented in table 4. The estimates include the value of sick leave paid as a supplement to group insurance, publicly operated plans, or other types of group protection. They exclude sick leave paid informally by employers at their discretion.

Because it is difficult to distinguish between benefits paid under unfunded, self-insured, employer-administered plans and benefits paid under sick-leave plans, both are included in the estimates. When, however, the self-insured benefits are financed through prepaid contributions of some sort to union or union-management trust funds, trade-union plans, or mutual benefit associations, they are excluded from the sick-leave estimates and included under private insurance in table 2. The sick-leave estimates also exclude payments under self-insured plans, whether funded or unfunded,

TABLE 5.—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, <sup>1</sup> 1948-61

[Amounts in millions]

Year	Income loss	Value of sick leave under exclusive plans	Ratio (percent) of sick leave to income loss
1948.....	\$568	\$375	66.0
1949.....	602	416	69.1
1950.....	636	433	68.1
1951.....	724	508	70.2
1952.....	806	577	71.6
1953.....	846	612	72.3
1954.....	874	634	72.5
1955.....	951	691	72.7
1956.....	1,022	744	72.8
1957.....	1,104	799	72.4
1958.....	1,200	880	73.3
1959.....	1,233	901	73.1
1960.....	1,416	1,027	72.5
1961.....	1,514	1,110	73.3

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

when they are made in compliance with statutory provisions as shown in table 3.

In estimating the value of sick leave granted, it has been assumed that 50-55 percent of the potential work-time lost by workers covered by wage-continuation plans in private industry is compensated through paid sick leave.<sup>4</sup> For the average worker covered by a paid sick-leave plan, this percentage equals \$69 for 1961 and \$62 for 1959. In aggregate terms, the amount of benefits attributed to formal sick-leave plans in private industry is computed at \$406 million in 1961 and \$348 million in 1959.

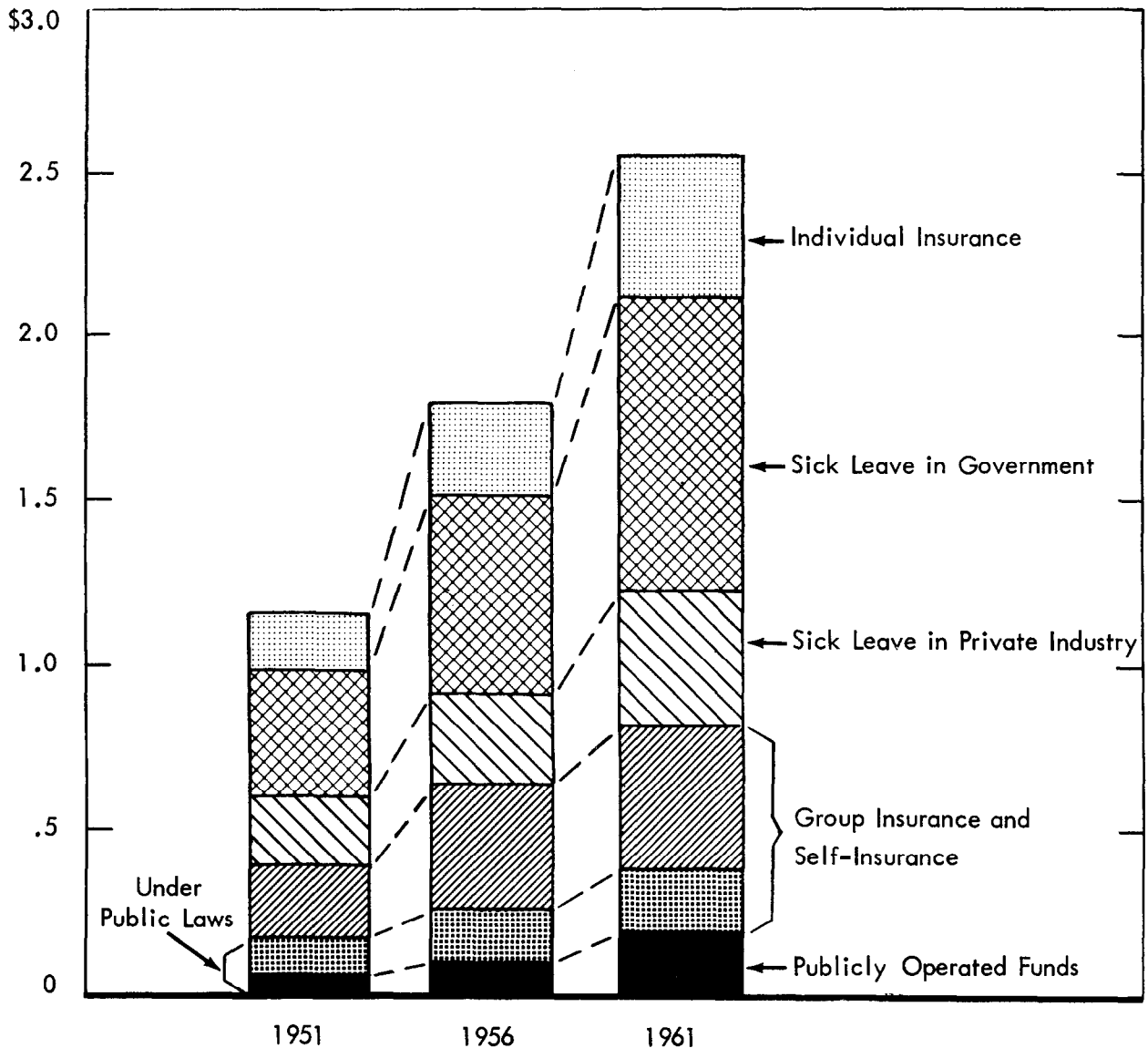
Data now available from the Office of Welfare and Pension Plans indicate that these estimates are reasonable. Special tabulations from the 1959 annual reports submitted by administrators of sick-leave and unfunded self-insured cash-sickness plans, covering 4.85 million workers in private industry, showed sick-leave payments of \$287.4 million in 1959. This figure cannot be compared directly with the series figure, since plans covering fewer than 26 employees are not required to file reports with the Office of Welfare and Pension Plans. Nevertheless, the welfare plan data do permit the computation of a figure on the annual benefit outlay per employee—\$59 in 1959. The closeness of this figure to the \$62 used in the series seems to indicate that no revisions in the sick-leave estimates are necessary at this time, especially when the existence in the series of other imponderables is recognized.

The amount of paid sick leave in government and industry rose \$85 million in 1961 to an estimated total of \$1,294 million. Though the percentage increase was less than the annual average increase for the period 1948-61, the dollar increase was the fourth highest in this period. More than three-fourths of the 1961 growth is attributed to Federal, State, and local government sick-leave plans. Almost half the rise occurred in the State and local plans, which paid out \$39 million more in 1961 than in 1960.

The 1961 rate of increase in sick-leave payments in private industry was only half that in government. This development reflected for the most part changing employment levels in the two sectors: Private employment dropped off in 1961, and

<sup>4</sup> A detailed description of the methodology used in estimating sick-leave payments may be found in earlier articles in this series; see the *Bulletin* for January 1961, January 1959, and January 1958.

Billions of dollars



government employment continued to rise. Offsetting the drop in employment in private industry were two factors: (1) a 2.6-percent rise in wage and salary levels, to which the value of paid sick leave is closely allied; and (2) a slight advance, according to the labor-market area surveys of the Bureau of Labor Statistics, in the proportion of office and plant workers in establishments having formal sick-leave plans.<sup>5</sup>

<sup>5</sup> Department of Labor, Bureau of Labor Statistics, *Wages and Related Benefits, 82 Labor Markets, 1960-61*, Bulletin No. 1285-83, December 1961.

Of the estimated \$1,294 million paid in formal sick leave to workers in public and private employment in 1961, about \$1,110 million was in the form of exclusive protection under plans that did not supplement any other group protection, including publicly operated cash-sickness plans (table 5). Four-fifths of this exclusive protection was attributable to sick-leave plans for government workers, few of whom rely upon group disability insurance to meet their wage-loss problems arising from ill health.

In private industry the growth of group insurance

has resulted in the entitlement of a growing number of workers to both sick leave and disability insurance benefits. In 1948, exclusive sick-leave plans accounted for three-fourths of the estimated \$157 million paid out in sick leave by private employers. By 1961 the proportion had dropped to 55 percent, although the amount rose to an estimated \$222 million. There is some indication, however, that supplemental protection is no longer growing at the expense of exclusive protection. In 1959 exclusive plans accounted for 52 percent of private sick-leave pay and in 1960 for 53 percent.

Table 5 shows the extent of protection afforded workers covered by exclusive sick-leave provisions. In 1961 these workers had approximately 73 percent of their potential income loss met through sick leave. The ratio was lower in the early years of the series but has varied little since 1953.

### Summary of Protection Provided

To determine the total value of all forms of protection against income loss resulting from short-term, nonoccupational illness, data from tables 2, 3, and 4 have been summarized in the accompanying chart and table 6. Employee-benefit plans and compulsory temporary disability insurance laws have special pertinence for wage and salary workers.

TABLE 6.—Benefits provided as protection against income loss, summary data, 1948-61

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 <sup>1</sup>	Publicly operated cash sickness funds		
1948	\$756.9	\$141.0	\$615.9	\$359.9	\$145.8	\$57.1	\$157.0	\$256.0
1949	847.1	150.0	697.1	397.1	172.0	62.1	163.0	300.0
1950	939.9	153.0	786.9	471.9	230.8	63.1	178.0	315.0
1951	1,150.7	157.0	993.7	603.7	343.8	60.9	199.0	390.0
1952	1,301.6	177.0	1,124.6	671.6	382.1	74.5	215.0	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	1,798.3	276.0	1,522.3	931.3	526.5	113.8	291.0	591.0
1957	1,950.6	304.0	1,646.6	1,019.6	570.4	127.2	322.0	627.0
1958	2,089.5	349.0	1,740.5	1,037.5	560.1	141.4	336.0	703.0
1959	2,221.7	384.0	1,837.7	1,117.7	606.1	163.6	348.0	720.0
1960	2,412.2	386.0	2,026.2	1,205.2	645.2	172.0	388.0	821.0
1961	2,541.7	418.0	2,123.7	1,235.7	634.5	195.2	406.0	888.0

<sup>1</sup> 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 7.—Extent of protection against income loss, 1948-61

[Amounts in millions]

Year	Income loss and protection provided			Income loss not protected	Net cost of providing insurance <sup>3</sup>
	Income loss <sup>1</sup>	Protection provided <sup>2</sup>	Protection as percent of loss		
1948	\$4,566	\$757	16.6	\$3,809	\$277
1949	4,429	847	19.1	3,582	287
1950	4,789	940	19.6	3,849	307
1951	5,477	1,151	21.0	4,326	311
1952	5,814	1,302	22.4	4,512	322
1953	6,147	1,410	22.9	4,737	429
1954	6,104	1,473	24.1	4,631	453
1955	6,552	1,615	24.6	4,937	449
1956	7,056	1,798	25.5	5,258	414
1957	7,376	1,951	26.5	5,425	483
1958	7,451	2,090	28.0	5,361	519
1959	7,738	2,222	28.7	5,516	548
1960	8,580	2,412	28.1	6,168	544
1961	8,656	2,542	29.4	6,114	594

<sup>1</sup> From table 1.

<sup>2</sup> Total benefits, including sick leave (from table 6).

<sup>3</sup> Includes retention costs (for contingency reserves, taxes, commissions, acquisition, claims settlement, and underwriting gains) of private insurance companies (from table 2) 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.

Data on the benefits provided this group through their place of employment are therefore shown separately from the data for all persons in the labor force who are provided benefits through individually purchased disability insurance policies.

Since 1948 the dollar value of all forms of protection has been rising an average of \$137 million a year. This pattern continued in 1961, when benefits increased \$130 million to a total of \$2,542 million. Percentagewise, however, the 5.4-percent growth registered in 1961 was the lowest gain for any year since 1954.

About 49 percent of the 1961 total constituted group protection for wage and salary workers in private industry, 35 percent was sick leave granted government employees, and 16 percent was in the form of benefits purchased through individual insurance. In 1951—the first year all five compulsory laws were fully in effect—group protection for private workers made up 52 percent of the total, sick leave for government employees 34 percent, and individual insurance 14 percent.

A somewhat more distinct trend has developed in the various forms of protection provided employees in private industry. In 1951, private cash-sickness insurance and self-insurance plans accounted for 57 percent of the benefits received by such employees, and the publicly operated funds accounted for 10 percent. By 1961, private insurance and self-insurance benefits had dropped to 51 percent of total benefits, and benefits from government funds made up 16 percent. Sick-leave pay-



ments amounted to one-third of the total in both years.

The income-replacement protection provided the Nation's public and private workers in 1961 was almost equally divided between sick-leave benefits (\$1,294 million) and disability insurance benefits (\$1,248 million). This has been the general pattern since 1955, with sick leave supplying a slightly larger share of the protection for the past 2 years.

## MEASURING THE EXTENT OF PROTECTION

Table 7 shows the value of current protection against sickness for each of the years 1948-61 in terms of the percentage of income loss met by sickness benefits, including sick leave. A measure of the effective growth in economic security against the risk of income loss from illness is thus provided, since, the data automatically take into account labor-force changes and any adjustments in benefits made to take care of rising earnings levels.

These benefits as a proportion of lost earnings have been increasing at an average rate of approximately 1.0 percentage points a year. During recession years, however, larger-than-average increases have been registered: 2.5 points in 1949, 1.2 points in 1954, and 1.5 points in 1958. The increase was less in 1961, when benefits paid equaled 29.4 percent of lost income, an increase of 1.3 percentage points from 1960's ratio.

An important factor in the unusual increases for

these 4 years is the greater-than-normal benefit outlays representing payments to unemployed sick workers whose theoretical wage loss is not reflected in the income-loss figures. Some indication of the extent to which this factor operates may be noted from the experience under the compulsory disability laws. In 1961, more than 8 percent of the benefits disbursed under these laws was paid to workers whose sickness began more than 2 weeks after they became unemployed. The 1960 ratio was 7 percent.

The ratio for 1961 was also affected by the drop in morbidity rates. If the income-loss estimate had not been adjusted to reflect the actual drop in sickness rates from 1960 to 1961, it would have been about \$175 million higher. The ratio of benefits to lost earnings would then have dropped to 29.1 (after correction of the sick-leave estimates, which are also affected by the variation in sickness rates).

As in other years of relatively high unemployment, the amount of income loss not replaced by insurance or formal sick leave declined in 1961. The drop of \$54 million (1.2 percent) was, however, not so steep as those recorded in 1949, 1954, and 1958.

The actual income loss incurred by disabled individuals and the amount specified as uncompensated income loss are not necessarily the same. On the one hand, certain work-connected expenses (such as carfare, meals, and clothing), income taxes, and old-age, survivors, and disability insurance contributions are reduced, if not eliminated, during sickness. On the other hand, the worker

TABLE 8.—Group protection provided in relation to wage and salary loss, 1948-61

[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	\$3,628	\$616	17.0	\$3,196	\$360	11.3	\$391	\$78	19.9	\$2,805	\$282	10.1
1949	3,599	697	19.4	3,124	397	12.7	483	105	21.7	2,641	292	11.1
1950	3,913	787	20.1	3,407	472	13.9	712	141	19.8	2,695	331	12.3
1951	4,489	994	22.1	3,896	604	15.5	1,059	208	19.6	2,837	396	14.0
1952	4,829	1,125	23.3	4,169	672	16.1	1,132	238	21.0	3,037	434	14.3
1953	5,197	1,201	23.1	4,506	719	16.0	1,213	268	22.1	3,293	451	13.7
1954	5,160	1,243	24.1	4,443	743	16.7	1,212	275	22.7	3,231	468	14.5
1955	5,569	1,365	24.5	4,802	820	17.1	1,299	289	22.2	3,503	531	15.2
1956	6,036	1,522	25.2	5,205	931	17.9	1,430	314	22.0	3,775	617	16.3
1957	6,339	1,647	26.0	5,446	1,020	18.7	1,512	359	23.7	3,934	661	16.8
1958	6,376	1,740	27.3	5,396	1,038	19.2	1,507	380	25.2	3,889	658	16.9
1959	6,687	1,838	27.5	5,675	1,118	19.7	1,580	409	25.9	4,095	709	17.3
1960	7,469	2,026	27.1	6,304	1,205	19.1	1,773	433	24.4	4,531	772	17.0
1961	7,529	2,124	28.2	6,293	1,236	19.6	1,768	464	26.2	4,525	772	17.1

may be faced with medical expenses for his illness that, unless they are met by prepaid health insurance, for example, may be greater than any reduction in expenses or taxes.

The cost of operating the mechanism for providing cash disability insurance is shown in table 7. This cost represents the difference between the insurance losses incurred and the premiums earned (both shown in table 2) plus the public cost of administering the temporary disability insurance programs. The costs of operating sick-leave programs are not known.

Net costs increased by \$50 million or 9.2 percent in 1961. This is the third largest increase since the series began. Largely accounting for the 1961 increase were the drop in benefit (loss) ratios and the increase in retention ratios under private insurance and the shifting of some business from group insurance to individual insurance (which has larger retention ratios).

Table 8 presents data on the extent of the protection that wage and salary workers received through their place of employment. For all public and private wage and salary workers, cash payments under group accident and sickness insurance, publicly operated funds, formal paid-sick-leave plans, union and employee plans, and self-insurance equaled 28 percent of the wage loss in 1961 and 17 percent in 1948. This growth in protection closely parallels the experience of the entire working population, summarized in table 7.

When government employees are excluded from the computations, the picture is somewhat different because of the preponderance in government employment of sick-leave provisions. These provisions generally replace a greater proportion of lost income than do other types of group plans. In 1961, group benefits for wage and salary workers in private industry amounted to only 20 percent of their estimated wage loss of \$6.3 billion. This ratio has changed little in the past few years.

From 1948 to 1957, the proportion of wage loss replaced rose from 20 percent to 24 percent for workers covered by the compulsory temporary disability insurance laws. A slightly larger increase—from 10 percent to 17 percent—took place for private employees not covered by compulsory laws. Since 1957, however, the extent of protection afforded the latter group has leveled off while the protection provided wage earners covered by law has continued to rise, reaching 26 percent in 1961.

The increase in the protection for workers covered

by the disability laws is, of course, almost exclusively the result of statutory changes liberalizing the benefit formulas. For the remainder of the labor force the increase in protection results more from an expansion in the proportion of workers covered by cash-sickness plans. The stabilization since 1957 in the proportion (51–52 percent) of private wage and salary workers who were in States without compulsory laws and who had some sort of

TABLE 9.—Insurance benefits as percent of estimated potentially insurable and compensable income loss<sup>1</sup> for workers without exclusive formal sick leave, 1948–61

[Amounts in millions]

Year	Amount of insurance benefits <sup>2</sup>	As percent of—			
		Income loss, excluding first 3 days <sup>3</sup>	Two-thirds of income loss, excluding first 3 days	Income loss, excluding first 7 days <sup>4</sup>	Two-thirds of income loss, excluding first 7 days
1948.....	\$344	12.3	18.4	15.6	23.5
1949.....	384	14.3	21.5	18.2	27.4
1950.....	447	15.4	23.1	19.6	29.3
1951.....	562	16.9	25.3	21.5	32.2
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	26.0	39.0
1956.....	916	21.7	32.5	27.6	41.4
1957.....	1,002	22.8	34.2	29.0	43.6
1958.....	1,051	24.0	36.0	30.6	45.9
1959.....	1,154	25.3	38.0	32.3	48.4
1960.....	1,203	24.0	36.0	30.5	45.8
1961.....	1,248	25.0	37.4	31.8	47.7

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

<sup>2</sup> Excludes sick-leave payments.

<sup>3</sup> 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 5).

<sup>4</sup> 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 5).

formal protection against nonoccupational disability largely accounts for the leveling off of the ratio of benefits to wage loss at 17 percent.

In measuring the existing protection provided by disability insurance plans and policies, the hypothetical income loss that might be covered by prevailing insurance provisions (table 9) is taken into consideration. To discourage malingering, insurance policies ordinarily undertake to compensate for only a part of the weekly wage or salary loss and cover the first few days or first week of disability only when the disability results from an accident. The amount of income loss potentially insurable and compensable under the common forms of disability insurance is therefore somewhat less than the actual or total income loss considered in table 7.

The total income loss is reduced by 30 percent to adjust the income loss for the first 3 days of

uncompensated sickness and by 45 percent for the first 7 days. The income loss of persons with exclusive sick leave (shown in table 5) is omitted from the computations, to avoid inflating the benchmark base with income loss that is already covered by sick leave.<sup>6</sup>

Such adjustments lead to estimates of the potentially insurable income loss for 1961 of \$5.0 billion (with a 3-day waiting period) and \$3.9 billion (with a 7-day waiting period), compared with \$2.8 billion and \$2.2 billion in 1948. During this period, the amounts paid out in insurance benefits advanced from \$344 million to \$1,248 million. Indexes of the effectiveness of insurance in meeting the impact of illness are obtained by relating aggregate insurance benefits to the income-loss benchmarks.

These indexes registered an increase from 1960 to 1961 but did not reach the all-time highs of 1959. With the first 7 days of sickness excluded, 31.8 percent of the income loss was replaced by insur-

<sup>6</sup> The income loss of persons covered by sick-leave plans that supplement insurance benefits is not excluded, since such sick-leave provisions do not give any appreciable protection against that portion of the income loss due to sickness considered insurable under prevailing insurance provisions.

ance benefits in 1961,<sup>7</sup> 30.5 percent in 1960, and 32.3 percent in 1959. The proportions when the first 3 days of sickness are excluded were 25.0 percent in 1961, 24.0 percent in 1960, and 25.3 percent in 1959.

The benchmark measuring potentially compensable income loss, it is estimated, is two-thirds of the potentially insurable income loss. This ratio represents a reasonable estimate of that portion of the wage loss for the period of disability after the waiting period that might be indemnified under current insurance practice. Some policies, of course, may compensate for less.

In 1961, insurance was meeting 37.4 percent of this theoretical benchmark (with the first 3 days of income loss disregarded) or 1.4 percentage points more than in 1960. The series high was 38 percent in 1959. When the benchmark excludes the first 7 days of sickness, the proportion of the potentially compensable income loss replaced by insurance in 1961 becomes 47.7 percent; in 1960 it was 45.8 percent, and in 1959 it was 48.4 percent.

<sup>7</sup> A slight overstatement results when the insurance benefits are compared with this concept of income loss, to the extent that some insurance benefits begin with the fourth day in the case of illness and with the first day in the case of accidents.

## Regularly Scheduled Articles, Notes, and Tables, 1963

*Listed below are the titles of scheduled articles, notes, and tables and the issues of the Bulletin in which they will appear; there may, however, be changes in or additions to the list. Tables with calendar-year data for all programs appear in the Annual Statistical Supplement.*

### GENERAL SOCIAL SECURITY DATA

Contributions and taxes under selected social insurance and related programs, by specified period (calendar- or fiscal-year totals, current reporting month, and 12 preceding months)..... monthly

Employee-benefit plans..... April

Federal cash income and outgo and amounts for programs under the Social Security Act..... November

Federal grants (note)..... July

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Income of the aged (article)..... January

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Selected social insurance and related programs, by specified period, 1940- (calendar-year totals, current reporting month, and 12 preceding months)..... monthly

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Status of the old-age and survivors insurance trust fund, by specified period, 1937- (calendar- or fiscal-year totals, current reporting month, and 12 preceding months)..... monthly

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### OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Aged beneficiaries receiving monthly benefits per 1,000 population aged 65 or over, by State (end of calendar year and of fiscal year)..... August, December

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