

# The Growth in Protection Against Income Loss From Short-Term Sickness: 1948-54\*

*Sickness produces two major types of economic loss to consumers—the expenditures made in purchasing medical care and the losses resulting when income stops. Insurance and various other forms of protection may be arranged in advance to reduce the impact of both types of economic loss at the time they occur. The growth in these forms of economic security has been rapid in the postwar years. The entire subject has become sufficiently large in scope and complexity to warrant consideration of income loss arising from sickness apart from medical care costs and expenditures. It is hoped that further studies will permit refinement of the estimates and analyses in this field—an area of vital concern to the public as well as the government.*

**I**N previous years the Social Security Administration report on voluntary insurance against sickness, a regularly scheduled article that has appeared in the BULLETIN annually since 1951, covered both medical care expenditures and income loss from short-term sickness. The present article deals only with income loss and forms of protection against this loss.<sup>1</sup>

As time and staff have permitted, the Division of Research and Statistics has explored various aspects of the data incorporated in this series. This year special attention was given to the subject of paid sick leave. This item, hitherto treated as an offset to income loss, is treated in this article as a form of employer self-insurance. Revised estimates for each year in the series were developed.

The expansion in the benefits provided under the compulsory disability insurance laws in four States and under the Railroad Unemployment Insurance Act also occasioned a re-examination of the previous approach (which excluded the public plans since the series had been confined to the wholly voluntary field of income-loss insurance and medical care insurance). The revision of the sick-leave estimate and the incorporation of the compulsory temporary disa-

bility insurance data into the study were two important reasons for devoting a separate article to income loss from temporary disability.

Broadly defined, income loss due to illness exceeds the Nation's expenditures for medical care. In this study, however, the estimate of income loss is restricted to that related to non-occupational illness and injury; it encompasses only current income loss from short-term or temporary disability and the first 6 months of extended disability. It therefore excludes the loss of amounts that would have been earned in the future had not extended or permanent disability or premature death occurred.

Protection against income loss is provided in a number of ways. The most usual forms are group or individual insurance policies sold by insurance companies that pay cash amounts for specified periods of disability. Employers may also self-insure, providing either cash benefits or sick leave. Some unions, union-management trust funds, fraternal societies, and mutual benefit associations provide cash disability benefits. Under four State laws and under the Railroad Unemployment Insurance Act, employers are required to protect their employees from loss of wages due to temporary disability. For railroad workers and for workers in Rhode Island the benefits are paid from a public fund. In California and New Jersey, benefits are paid through private plans (private insurance and self-insurance), as well as through public funds. In mid-1954,

about 46 percent of the covered employed workers in California and 64 percent of those in New Jersey were under private plans. In New York, while employers are permitted to insure with a public fund (the State Insurance Fund), the overwhelming majority of employees—about 97 percent—are protected through private arrangements.

To enable the reader to study the public or the private provisions separately, the tables and text that follow draw distinctions among the different sources of protection.

## Extent of Income Loss

The estimated income loss arising from nonoccupational illness and injury of short-term duration is shown in table 1 for the years 1948-54. The estimate includes the loss of income in the first 6 months of long-term illness but excludes losses occurring after 6 months or occasioned by premature death. In 1954 an estimated \$6.2 billion in income was lost—\$5.1 billion by wage and salary workers and \$1.0 billion by the self-employed. In 1948 the loss in income had been \$4.6 billion, with slightly more than three-fourths lost by wage and salary workers.

Table 1 identifies the income loss of four distinct groups—employees of Federal, State, and local governments; employees covered by public temporary disability insurance laws; other wage and salary workers; and the self-employed. The government employees are shown separately because for them sick-leave provisions are general. The wage loss of employees coming under public disability insurance laws is identified because their protection, while provided about equally through private insurance companies and public insurance programs, is not on a wholly voluntary basis; a substantial amount of their protection is mandatory on their employers by law. The estimated income loss of self-employed persons is shown separately, since group-insurance provisions would not be applicable to them.

\* Prepared in the Division of Research and Statistics, Office of the Commissioner.

<sup>1</sup> See "The Growth of Voluntary Health Insurance: 1948-54," *Social Security Bulletin*, December 1955, which presented data on medical care expenditures and health insurance.

**Table 1.—Estimated income loss from nonoccupational short-term sickness,<sup>1</sup> by type of employment, 1948-54**

[In millions]

Year	Total	Wage and salary workers				Self-employed persons <sup>6</sup>
		Total <sup>2</sup>	Federal, State, and local government employees <sup>3</sup>	Employees covered by temporary disability insurance laws <sup>4</sup>	Other <sup>5</sup>	
1948.....	\$4,629	\$3,575	\$408	\$482	\$2,685	\$1,054
1949.....	4,536	3,599	464	626	2,509	937
1950.....	4,935	3,943	479	1,109	2,355	992
1951.....	5,555	4,435	569	1,235	2,631	1,120
1952.....	5,852	4,754	645	1,316	2,793	1,098
1953.....	6,154	5,106	685	1,398	3,023	1,048
1954.....	6,157	5,117	716	1,391	3,010	1,040

<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> Average annual earnings per wage worker from *Survey of Current Business, National Income Supplement, 1954* edition, and *National Income Number, July 1955* (Department of Commerce), divided by 255 workdays in a year and multiplied by 7 days. Resulting income loss per worker multiplied by annual average employment obtained from *Current Population Reports: Annual Report on the Labor Force, Series P-50, Nos. 13, 19, 31, 40, 45, and 59* (Bureau of the Census).

<sup>3</sup> Excludes Armed Forces. For Federal employees obtained by dividing mean income (as reported in *Pay Structure of the Federal Civil Service, Annual Reports*, Federal Employment Statistics Office, U. S. Civil Service Commission) by 253 and multiplying by 8 days, then multiplying the result by the number

of employees on June 30 of each year (as in source cited). For State and local government employees, obtained by dividing average annual earnings (as reported in the *Survey of Current Business, National Income Supplement, 1954* edition, and July 1955, table 27) by 255 and multiplying by 8 days, then multiplying the result by the number of employees (as reported in *Public Employment in October, 1948-54, Bureau of the Census*).

<sup>4</sup> Average annual wage of such employees divided by 255 and multiplied by 7 and then multiplied by the mean employment each year.

<sup>5</sup> Represents the difference between the estimated totals for all wage earners and for those in government employment or covered by temporary disability insurance laws.

<sup>6</sup> Same method and sources as for wage and salary workers (footnote 2).

The amount of income loss occurring each year because of nonoccupational short-term sickness was assumed to average 7 days for wage and salary workers and for the self-employed. However, government workers, most of whom have sick leave, were assigned a loss of 8 days because it is commonly assumed that workers protected by sick leave lose more days from work due to non-occupational disability than do other workers.

### Protection Against Income Loss

The three sources of income-loss protection are examined separately in tables 2, 3, and 4 and summarized in table 6. The first of these tables is confined to the operations of private insurance carriers and private plans other than those providing sick leave. Table 3 shows the total protection under public laws by presenting data on each of the various types of insurance arrangements; to the extent that the protection is provided through private insurance companies, there is overlapping with table 2. The data in table 4 are devoted to replacement of income through sick-leave benefits; this table excludes any self-insurance arrangements coming under the temporary disability insurance laws.

### Voluntary Insurance Provisions

As already indicated, the insurance sold by private insurance carriers to provide for replacing part of the income loss due to sickness may be written in compliance with the State temporary disability laws of California, New Jersey, and New York. Table 2 draws this distinction, not previously made in this series. The premiums and benefits shown as group insurance under voluntary provisions exclude the insurance written by private carriers for employers coming under the provisions of the public laws, which is shown in the right-hand section of the table.

Individually written insurance does not in every instance apply to earnings since it is possible for anyone to purchase policies paying stated amounts for each week of disability, regardless of whether there has been an actual loss of earnings. It is not

**Table 2.—Premiums and benefit payments for private insurance against income loss, 1948-54<sup>1</sup>**

[In millions]

Year	Type of private insurance							
	Total	Under voluntary provisions				Under public provisions		
		Total	Group	Individual	Other <sup>2</sup>	Total	Group	Other <sup>3</sup>
Insurance premiums								
1948.....	\$544.9	\$531.8	\$162.1	\$346.0	\$23.7	\$13.1	\$12.8	\$0.3
1949.....	588.0	549.9	177.6	352.0	19.3	39.1	32.4	6.7
1950.....	670.9	593.5	219.3	355.0	19.2	77.4	64.6	12.8
1951.....	777.2	627.5	249.6	361.0	16.9	149.7	122.8	26.9
1952.....	852.7	690.8	266.2	399.4	25.2	161.9	132.9	29.0
1953.....	1,001.2	813.0	295.6	478.0	39.4	188.2	159.1	29.1
1954.....	1,064.2	876.9	321.6	516.3	39.0	187.3	156.9	30.4
Benefit payments								
1948.....	\$278.0	\$268.7	\$114.9	\$139.0	\$14.8	\$9.3	\$9.1	\$0.2
1949.....	312.0	284.9	124.3	148.0	12.6	27.1	22.7	4.4
1950.....	374.0	319.8	156.8	151.0	12.0	54.2	46.2	8.0
1951.....	474.4	361.1	196.7	154.0	10.4	113.3	96.8	16.5
1952.....	536.0	408.2	218.3	173.4	16.5	127.8	108.8	19.0
1953.....	586.6	446.4	221.4	196.6	28.4	140.2	119.2	21.0
1954.....	615.6	479.1	233.5	216.6	29.0	136.5	113.9	22.6

<sup>1</sup> Premiums and losses as reported for the United States by type of insurance benefit by the Health Insurance Council adjusted (a) to include accidental death and dismemberment provisions in policies that insure against income loss to offset understatement arising from omitting current short-term income-loss insurance in automobile, resident liability, life, and other policies and (b) to remove data for fraternal societies, shown with "other" forms of income-loss insurance in this table. For detailed methodology on the separation of group and individual accident and health insurance into its components—wage loss, hospitalization, and surgical and medical care—see footnotes to table 2, page 4; *Social Security Bulletin*, December 1954.

In dividing group insurance premiums into those provided under private provisions and those provided in compliance with public laws, some estimation of self-insurance and other was necessary.

Loss ratios applicable to all group insurance were applied to the benefits under private auspices and under public laws to obtain the premiums applicable to each.

<sup>2</sup> Fraternal-society, union-management trust fund, trade-union, and mutual benefit association plans.

<sup>3</sup> Self-insured operations and some union and union-management plans under California, New Jersey, and New York laws.

possible to distinguish such disability payments from those related to an actual earnings loss, and in this analysis the resulting benefits are treated as if they had replaced lost earnings.

Premiums for insurance providing cash replacement of lost income passed the billion-dollar mark in 1953 and continued their upward trend in 1954. The \$1.1 billion paid in premiums in 1954 was nearly twice the 1948 total of \$545 million.

Benefit payments amounted to \$616 million in 1954, more than double the total of \$278 million in 1948. Private group insurance accounted for 56 percent of the 1954 losses and individual insurance for 35 percent; self-insurance and other miscellaneous forms of cash benefits under fraternal-society, mutual benefit, union-management, and union plans amounted to 8.4 percent of the total benefits paid.

Benefits paid under the public provisions of California, New Jersey, and New York amounted to 22 percent of all benefits paid by insurance companies in 1954, while in 1948 they represented only 3.3 percent.

### Public Provisions

Information about benefits under the four State temporary disability

Table 3.—Benefit payments under temporary disability insurance laws provided through private auspices and through publicly operated funds, 1948-54<sup>1</sup>

Year	Total	Type of insurance arrangement		
		Through private auspices <sup>2</sup>		Through publicly operated funds
		Group insurance	Self-insurance <sup>3</sup>	
1948.....	\$66.4	\$9.1	\$0.2	\$57.1
1949.....	89.2	22.7	4.4	62.1
1950.....	117.4	46.2	8.0	63.2
1951.....	174.2	96.8	16.5	60.9
1952.....	202.3	108.8	19.0	74.5
1953.....	231.8	119.2	21.0	91.6
1954.....	239.4	113.9	22.6	102.9

<sup>1</sup> Under the Railroad Unemployment Insurance Act and the laws of Rhode Island, California, New Jersey (beginning in 1949), and New York (beginning in 1950). Excludes hospital benefits for 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. Also includes some union plans whose provisions come under the laws.

Table 4.—Estimated value of paid sick leave in private industry and in Federal, State, and local government employment, 1948-54

(In millions)

Year	Total	Workers in private industry <sup>1</sup>			Government workers		
		Total	Not covered by temporary disability insurance laws	Covered by temporary disability insurance laws <sup>2</sup>	Total	Federal <sup>3</sup>	State and local <sup>4</sup>
1948.....	\$450.6	\$207.1	\$191.7	\$15.4	\$243.5	\$152.8	\$90.7
1949.....	492.5	210.9	190.2	20.7	281.6	178.2	103.4
1950.....	517.0	226.4	190.9	35.5	290.6	176.8	113.8
1951.....	619.6	259.1	218.3	40.8	360.5	228.9	131.6
1952.....	693.2	278.3	233.6	44.7	414.9	263.0	151.9
1953.....	729.0	290.0	243.9	46.1	439.0	270.6	168.4
1954.....	745.8	296.3	249.0	47.3	449.5	262.3	187.2

<sup>1</sup> Sum of estimated value of (a) paid sick leave for employees with sick leave exclusive of other protection and (b) that for employees with group insurance supplemental to sick leave. Under each category, number of employees was adapted from *Annual Survey of Accident and Health Coverage in the U. S., 1948-54* (Health Insurance Council). Average annual earnings per full-time employee from *Survey of Current Business, National Income Supplement, 1954* edition, and *National Income Number, July 1955*, line 92, table 27 (Department of Commerce). It is assumed that in private industry there are 255 working days a year and that workers receive an average of 4 days of paid sick leave a year exclusive of other protection and 3.2 days when they also have group insurance.

<sup>2</sup> Assumes that some workers entitled to cash benefits under temporary disability laws would 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>3</sup> The number of employees on the Federal payroll as of June 30 of each year and mean income for each year from *Pay Structure of the Federal Civil Service, Annual Reports* (U. S. Civil Service Commission,

Federal Employment Statistics Office). Data refer to paid civilian full-time employees in the Executive branch of the Federal Government in the continental United States. More than 99 percent of these employees are covered by paid sick-leave provisions. The 1-percent overestimate is offset by the exclusion of judicial and legislative Federal employees with sick-leave provisions. Federal employees work 253 days a year, and their paid sick-leave benefits, which cover 7.8 days on the average, therefore equal 3.1 percent of payroll for the continental United States.

<sup>4</sup> Number of full-time employees on State and local government payrolls from *Public Employment in October, 1948-54* (Bureau of the Census). On the basis of various studies, it has been assumed that the number of State and local employees covered by sick-leave plans has increased gradually from 65 percent of the total number employed in 1948 to 76 percent in 1954. Average annual earnings per full-time employee from the *Survey of Current Business, National Income Supplement, 1954* edition, and July 1955, line 86, table 27. It is assumed that in State and local government employment there are 255 working days a year and that workers receive an average of 4.4 days of paid sick leave a year.

insurance programs (California, New Jersey, New York, and Rhode Island) and the Railroad Unemployment Insurance Act is summarized in table 3. In 1948, when only three of the five programs were in operation, benefits totaled \$66 million. By the end of 1954 they had reached \$239 million. Expansion in the volume of benefits was more decided under private plans than under public plans; the implementation of the New Jersey law (1949) and the New York law (1950), both of which provided for underwriting by commercial insurance carriers, is reflected in these findings. Of total benefits provided in 1954, 57 percent were made available through private group insurance contracts or self-insurance. Of the \$136.5 million paid in benefits through private auspices, \$114 million was paid through group policies and the balance from self-insured plans.

### Paid Sick Leave

The number of persons covered by paid sick-leave provisions in 1954 has been estimated as 10.7 million. Of these, about 2.2 million are estimated by the Health Insurance Council to

be included in formal arrangements providing sick leave supplemented by a group insurance policy. The number of persons who on their own initiative have supplemented their sick leave by purchasing an individual accident and health insurance policy is not known. This information is not essential to the methodology used here, though such data would permit further refinement of the findings.

In earlier articles, a distinction was drawn between sick leave (which was treated as a direct offset to income loss) and cash reimbursement through insurance and self-insurance. In reappraising the procedures used it was recognized that this treatment created a problem with respect to the residual income loss of persons for whom sick leave replaced part but not all of their loss. A very large part of the loss that remained could not be considered compensable or insurable under existing forms of insurance. Since sick leave is essentially a form of self-insurance provided by employers, it does not differ, except in the proportion of potential loss compensated, from other self-insured benefits. Accordingly it has been in-

**Table 5.—Estimated value of potential income loss due to short-term sickness<sup>1</sup> and of paid sick leave and insurance among workers covered by paid sick leave, 1948, 1953, and 1954**

[In millions]

Year and item	All workers under sick-leave plans	Workers with sick leave only	Workers with sick leave and insurance
<b>1948:</b>			
Potential income loss.....	\$826	\$808	\$18
Value of sick leave and insurance <sup>2</sup> .....	458	444	<sup>3</sup> 14
Percent covered by protection provided.....	55.4	55.0	77.8
<b>1953:</b>			
Potential income loss.....	\$1,313	\$1,061	\$252
Value of sick leave and insurance <sup>2</sup> .....	830	628	<sup>3</sup> 202
Percent covered by protection provided.....	63.2	59.2	80.2
<b>1954:</b>			
Potential income loss.....	\$1,261	\$1,103	\$258
Value of sick leave and insurance <sup>2</sup> .....	849	643	<sup>3</sup> 206
Percent covered by protection provided.....	62.4	58.3	79.8

<sup>1</sup> That part of the income loss to which sick leave applies is potential rather than actual loss; the remainder is actual loss.

<sup>2</sup> Amounts are understated since no benefits from the purchase of individual insurance policies are included as protection.

<sup>3</sup> Estimates of the number of workers with dual

protection based on Health Insurance Council data. The supplementary protection derived from insurance was assumed to be at a level that would, in combination with sick leave, replace 80 percent of the full potential wage loss. Since sick leave had been estimated at 40 percent, one-half the amounts shown represent insurance benefits.

cluded this year as one form of protection against income loss.

Exploration of available data showed that it was possible to determine with a considerable degree of accuracy the extent of sick leave used by Federal employees. Several studies provided a working basis for examining the sick-leave provisions in effect for State and local government employees, separately for school employees and for others. These data, which are considered to be reasonably accurate, were sufficiently detailed to permit allowance for cumulative and noncumulative provisions and for the differences in protection afforded newly hired and long-time employees.

Unfortunately, no similar background material could be applied to the analysis of sick-leave provisions in private industry, so the degree of refinement of this component of the estimate of sick leave is less than for government employees. Allowance was made for workers having both sick leave and a group insurance policy, and the data are accordingly weighted for this dual coverage. Caution should nevertheless be exercised in using the figures applicable to private industry since the margin of error in this part of the estimate may be considerable. Similarly, the extent of sick leave provided for railroad workers and for workers covered by the temporary disability insurance laws of California, New Jersey, New York, and Rhode Island is at best an

informed guess, included to indicate the presence of this additional form of protection for employees in occupations where temporary disability insurance laws apply.

With these qualifications, table 4 furnishes useful guides to the prevalence of sick leave in the United States. Paid sick leave, which amounted to about \$451 million in 1948, by 1954 covered an estimated \$746 million of income lost because of illness. More than 60 percent of current sick leave is provided by government for its employees; more than a third was attributable to the Federal Government's sick-leave provisions. Like other items in this series, the cash value of sick leave fluctuates with employment levels and has risen as wages and salaries have increased. There has been no attempt to make any allowance for the fact that some sick-leave provisions might cover more than the 6 months of disability encompassed in the estimate of income loss; it is believed that such an adjustment would undoubtedly be within the margin of error of all the figures.

More protection is provided today to the workers of the country through sick leave than through voluntary insurance benefits. If, however, the cash disability benefits paid from public funds are counted with the benefits derived from insurance company policies, the cash indemnity benefits are almost equal in value to sick leave.

In the preparation of the estimates of sick leave the value of the time lost from work among employees covered by sick-leave provisions was determined, and assumptions were made as to the proportion of these amounts represented by wage continuation. For this group, all of whom have sick leave, or sick leave and a group insurance policy, it is therefore possible to estimate the extent of protection derived from their sick leave. The comparison of their potential loss of income with the amounts estimated as compensated is shown in table 5 for 1948, 1953, and 1954. Among persons with sick leave as their only protection, approximately 58 percent of their potential loss of income in 1954 was met through sick leave. For those with both sick leave and insurance protection, 80 percent was met. For the two groups combined, their protection was equivalent to 62 percent of their potential loss of income. If it were possible to take into account any savings, including lower taxes, that result when the employee is not working, the losses would be even lower.

### Summary of Protection Provided

Data from tables 2, 3, and 4 have been summarized in table 6 so that the total value of all forms of protection against income loss due to nonoccupational illness may be determined.

The dollar value of all forms of protection has risen from \$786 million in 1948 to \$1,464 million in 1954. Benefits under voluntary provisions (including insurance company policies, self-insurance, and sick leave but excluding private insurance under public laws) accounted for \$476 million in 1948 and \$775 million in 1954. Benefits under public auspices, either through the temporary disability insurance laws or as sick leave granted government employees, equaled \$310 million in 1948 and \$689 million 6 years later. Cash indemnity benefits under both voluntary and public provisions rose from \$335 million in 1948 to \$718 million; by 1954 cash indemnity benefits represented 49 percent of all benefits, including sick leave; in 1948 they accounted for 43 percent of the total protection.

## Measuring the Extent of Protection

With the data for 1948-54 on income loss because of illness and on the dollar value of various forms of protection against this loss, it is possible to determine the growth in security against income loss from illness (table 7). When the income loss experienced each year (table 1) is related to the protection provided (table 6), protection as a percent of income loss can be determined. The remainder—the income loss not covered—does not indicate the full extent of the economic costs of short-term sickness. There is an indirect or secondary cost, resulting from the operation of the mechanism of providing cash disability insurance. The right-hand column of table 7 contains data obtained by subtracting the insurance benefits from the premiums (in table 2), with an addition each year for the cost of administering the public temporary disability insurance programs (not shown elsewhere).

Income loss rose from \$4.6 billion in 1948 to slightly less than \$6.2 billion in 1953 and in 1954, an increase of one-third. In the same period the protection provided rose from \$786 million to \$1,464 million, or 86 percent. As a result the protection covered 24 percent of the loss in 1954 as against only 17 percent in 1948. While the income loss not protected by insurance or sick leave also increased between 1948 and 1954, it actually declined \$54 million between 1953 and 1954, and over the 7 years it rose only 22 percent in all. The cost of providing the cash sickness portion of the protection also ad-

**Table 7.—Growth in protection against income loss, 1948-54**

[Amounts in millions]

Year	Income loss and protection provided			Economic costs	
	Income loss <sup>1</sup>	Protection provided <sup>2</sup>	Protection as percent of loss	Income loss not protected	Net cost of providing insurance <sup>3</sup>
1948.....	\$4,629	\$786	17.0	\$3,843	\$271
1949.....	4,536	867	19.1	3,669	282
1950.....	4,935	954	19.3	3,981	302
1951.....	5,555	1,155	20.8	4,400	309
1952.....	5,852	1,304	22.3	4,548	324
1953.....	6,154	1,407	22.9	4,747	423
1954.....	6,157	1,464	23.8	4,693	456

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

<sup>2</sup> From table 6. Includes sick leave.

<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.

vanced during the 7 years, as insurance became more widespread. From \$271 million in 1948, these indirect economic costs were at a level of \$456 million by 1954. Their increase of only 68 percent in the 7-year interval, compared with the 86-percent increase in the total protection provided and an increase of 114 percent in the cash insurance benefits paid, reflects the higher loss ratios prevailing in cash disability insurance in the most recent years in the series. Benefits represented a larger proportion of premium income in 1953 and 1954 than in 1948.

To the \$4,693 million of income loss not covered by sick leave or by insurance benefits in 1954 may be added the \$456 million spent for operating the various insurance programs. The 1954 gross cost of short-term disability to the national economy then becomes \$5.1 billion in lost

wages not recovered by insurance and in expenditures to provide protection against this loss. An additional amount—but of unknown size—might also be added to the figures to represent the cost of operating sick-leave programs.

It is also of interest to examine that portion of the residue of lost income that might conceivably be recovered if insurance policies and sick-leave plans were more widespread and if their benefits were more nearly at the relatively high level of some plans. While the income that the wage earner fails to receive because he is ill represents a loss to the national income, the individual worker may suffer only a part of this loss directly, since his expenses for working and his income taxes and social security contribution are reduced.<sup>2</sup>

At any rate, most insurance and many sick-leave plans undertake to compensate only a portion of the income lost, since they are not intended to apply to medical expenses and, by paying less than a "take home" wage, are designed to discourage remaining away from work. In addition, insurance policies usually do not cover the first few days or first week of illness, since the first few days are looked upon as not an insurable risk. The potentially insurable and the potentially compensable income loss of the Nation are therefore somewhat less than the total income loss so far considered.

To arrive at hypothetical figures that can meaningfully represent the portion of the income loss due to sickness that might conceivably be covered by prevailing private insurance provisions, the data properly should exclude (1) the wage loss of persons covered by sick leave and the benefits received, since sick leave applies to the first few days of illness as well as the later days and also usually provides for 100 percent of wage continuation for the period covered by the sick leave rather than some lower amount; and (2) the benefits and

<sup>2</sup> Additionally, it must be assumed that the worker's medical expenses for this illness are met through means other than out-of-pocket expenditures, which may, of course, be greater than any savings that accrue on carfare, meals, clothing, or taxes while he is ill.

**Table 6.—Benefits provided as protection against income loss, summary data, 1948-54**

[In millions]

Year	Total	Under voluntary provisions			Under public provisions			
		Total	Cash sickness insurance and self-insurance	Sick leave	Total	Publicly operated cash sickness funds	Cash sickness insurance and self-insurance	Sick leave for government employees
1948.....	\$785.7	\$475.8	\$268.7	\$207.1	\$309.9	\$57.1	\$9.3	\$243.5
1949.....	866.6	493.8	284.9	210.9	370.8	62.1	27.1	281.6
1950.....	954.2	546.2	319.8	226.4	408.0	63.2	54.2	290.6
1951.....	1,154.9	820.2	361.1	259.1	534.7	60.9	113.3	360.5
1952.....	1,303.7	686.5	408.2	278.3	617.2	74.5	127.8	414.9
1953.....	1,407.2	736.4	446.4	290.0	670.8	91.6	140.2	439.0
1954.....	1,464.3	775.4	479.1	296.3	688.9	102.9	136.5	449.5

**Table 8.—Extent of income-loss protection excluding sick leave, 1948, 1953, and 1954**

[In millions]

Item	1948	1953	1954
Total income loss <sup>1</sup> .....	\$3,803	\$4,841	\$4,796
Income loss excluding first 3 days <sup>2</sup> .....	2,662	3,389	3,357
Two-thirds of income loss excluding first 3 days.....	1,776	2,260	2,239
Amount of insurance benefits <sup>3</sup> .....	328	577	616
Percent of loss met by insurance:			
Total income loss.....	8.6	11.9	12.8
Income loss excluding first 3 days.....	12.3	17.0	18.3
Two-thirds of income loss excluding first 3 days.....	18.5	25.5	27.5

<sup>1</sup> Excludes all income loss of persons covered by sick-leave plans.

<sup>2</sup> Income loss reduced by 30 percent.

<sup>3</sup> Excludes estimated amount of insurance benefits of persons with both sick leave and group insurance provided by their employers. (See footnote 3, table 5.)

wage loss of persons having both sick leave and cash disability protection.

Table 8 furnishes the data for comparing cash disability benefits with the full income loss of all persons who do not have sick-leave protection and for assessing the proportions of their potentially insurable and potentially compensable income loss that were met by insurance benefits in 1948, 1953, and 1954.

No attempt has been made in pre-

paring the data for 1948 to take into account the fact that the insurance available in that year generally excluded the first 7 days of disability, while by 1954 the first 3 days of disability were all that were excluded in a number of plans. The latter exclusion was applied for all 3 years, so that the concept used each year would be similar when the percentages are compared. (The dollar values are not comparable because of income changes occurring in the interim.)

The applicable income loss for persons not covered by sick leave amounted to \$3,803 million in 1948, \$4,841 million in 1953, and \$4,796 million in 1954. Insurance benefits equaled \$328 million, \$577 million, and \$616 million in the same 3 years. Insurance, which equaled 8.6 percent of the total income loss in 1948, had increased to 12.8 percent in 1954. The residual loss not met by insurance was \$3,475 million in 1948 and \$4,180 million in 1954. These amounts were partially offset by certain savings. If the net cost of providing the insurance were taken into account, however, they would be increased by \$269 million in 1948, and by \$429 million in 1954.

The potentially insurable income loss experienced each of the 3 years

was obtained by excluding the 30 percent of the total income loss attributable to the first 3 days of sickness. The first 3 days of sickness were excluded rather than the first 7 days (represented by 50 percent of the total income loss) so that the remaining loss could properly be compared with insurance benefits, some of which make payments for the fourth through the seventh days. Insurance benefits equaled 18 percent of this figure in 1954; they had amounted to 12 percent in 1948.

A third type of adjustment was made to obtain figures to represent potentially compensable income loss. For this benchmark, potentially insurable income loss—which excludes the first 3 days of sickness—may be reduced by as much as one-third; the two-thirds remaining represents the portion of income that may be compensated. Even though some policies may compensate for less than two-thirds of the total loss, the use of the two-thirds figure as a potentially compensable income-loss estimate appears to be a reasonable standard, already prevailing under some policies. Insurance is now meeting 27.5 percent of this theoretical benchmark; it had increased 9 percentage points from the 1948 level of 18.5 percent.

## SOCIAL SECURITY IN REVIEW

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cal care accounted for most of the other outstanding increases.

Sizable decreases in average payments in the special types of public assistance were restricted largely to aid to dependent children. The average payment to families receiving aid to dependent children in Ohio dropped \$4.80, but supplementation from general assistance canceled the effect of the reduction. In Hawaii the average family payment dropped \$4.59; this decline, with that for September, represented a return to the normal payment level following the inclusion in August of an extra clothing allowance for school children.

In Arizona the average payment to families receiving aid to dependent children dropped \$3.66, chiefly because certain Indian children receiving aid under that program returned

to publicly supported boarding schools. While they are in school these children receive an allowance only for clothing and personal incidentals. Alabama reported a decrease of \$4.23 in the average payment for aid to dependent children, as well as the largest reductions in aid to the blind (\$3.20) and aid to the permanently and totally disabled (\$3.08), when the State began meeting a lower proportion of need in these programs.

Changes in average payments in general assistance ranged from a decrease of \$4.50 in Idaho to an increase of \$8.54 in Rhode Island. Other noticeable changes in averages were, in general, confined to the States with the smallest caseloads.

The establishment of a State-Federal program for aid to the permanently and totally disabled in Nebraska during the month brought to

45 the total number of States with such programs.

● October was the ninth successive month in which there was a decline in unemployment covered by the State unemployment insurance programs. The weekly average of 784,000 claims filed in October was 8.7 percent less than the September average. The number of initial claims, which represent new unemployment, went up 9.4 percent to 794,000.

During an average week in October, 672,000 workers received benefits under the State programs and under the program of unemployment compensation for Federal employees—11.9 percent less than the average in September. Total benefits paid during the month amounted to \$70.1 million, which was \$13.0 million less than the total paid in the preceding

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