

# Cash Benefits for Short-Term Sickness, 1948-70

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*When a worker is disabled through illness or an accident away from his job, he may suffer considerable loss of wages unless he has some form of protection for such contingencies. About two-thirds of American workers are under formal plans assuring them of income replacement in the event of short-term nonoccupational disability, either through sick leave or some type of insurance. For a number of years information on benefits paid through insurance has been available from private insurance sources and from the agencies that administer statutory income-maintenance programs. Such data, plus estimates made of sick-leave payments and of the income lost through sickness, are compiled annually by the Social Security Administration. This article presents the most recent data in the series, and includes an explanation of some of the estimating procedures used.*

CASH SICKNESS BENEFITS continued their upward climb in 1970 with the third largest annual rate of increase since 1948. The \$5,544 million paid in benefits in 1970 for non-work-connected disability exceeded the 1969 total by \$718 million, or almost 15 percent. Continued inflationary pressures plus an increase in the number of days of disability compensated during the year were important factors in the higher total.

The two categories showing the most pronounced benefit increases were private group insurance benefits—particularly under voluntary plans (21 percent)—and government sick-leave payments (17 percent). Since sick leave is generally a full-pay-replacement benefit, it accounts for the largest part of short-term disability payments. In 1970, sick-leave payments came to \$3 billion, and \$2 billion of this total was received by Federal, State, and local government workers.

The amount of income lost through sickness rose at a brisk pace but somewhat more slowly than benefits, so that the proportion of lost in-

come replaced by benefits increased from 34 percent in 1969 to 36 percent in 1970. This change represents a continuation of a trend toward annual improvements in the ratio, observed since 1967, following a period (from 1960 through 1966) during which there was no progress.

Of the 71 million wage and salary workers in December 1970, slightly more than 47 million were protected under a formal plan of sick leave or wage continuation or under sickness insurance. This number with protection was only 500,000 higher than the 1969 figure, reflecting the fact that the number of employed civilian workers between 1969 and 1970 remained practically unchanged. Although two-thirds of all workers are under a sick-leave or insurance plan, such protection drops to 51 percent if the totals are adjusted to exclude government employees and workers in the areas with temporary disability insurance laws.

## MEASURING INCOME LOSS

The income-loss estimate used in this series is designed to reflect the loss of current earning power during the first 6 months of a nonoccupational illness or injury. It thus encompasses practically all the work-time lost because of temporary disability and part of the loss (the first 6 months) attributed to long-term disability. The estimate also includes loss of income that is potential as well as actual—that is, 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 this series as benefits that offset the potential wage loss.

Using this concept of income loss, it has been estimated that wage and salary workers in private industry lose an average of 7 days of work-time a year, Federal Government workers 8 days a year, and State and local government employees 7 days a year.

As table 1 shows, these averages have been

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TABLE 1.—Estimated income-loss from nonoccupational short-term sickness,<sup>1</sup> by type of employment, 1948–70<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	\$4,568	\$3,630	\$391	\$2,807	\$174	\$258	\$938
1949	4,424	3,601	483	2,643	190	285	823
1950	4,795	3,921	712	2,703	201	305	874
1951	5,473	4,494	1,059	2,842	259	334	979
1952	5,814	4,831	1,132	3,039	291	369	983
1953	6,144	5,199	1,213	3,295	290	401	945
1954	6,094	5,161	1,212	3,232	280	437	933
1955	6,546	5,573	1,299	3,507	297	470	973
1956	7,031	6,034	1,430	3,773	313	518	997
1957	7,363	6,335	1,512	3,930	323	570	1,028
1958	7,458	6,371	1,507	3,884	352	628	1,087
1959	7,724	6,671	1,580	4,079	356	656	1,053
1960	8,555	7,445	1,773	4,507	403	762	1,110
1961	8,639	7,498	1,770	4,492	420	816	1,141
1962	9,622	8,383	1,983	5,005	467	928	1,239
1963	10,178	8,905	2,084	5,306	504	1,011	1,273
1964	10,248	9,015	2,085	5,383	506	1,041	1,233
1965	11,278	9,902	2,244	5,945	548	1,165	1,376
1966	12,205	10,746	2,408	6,462	597	1,279	1,459
1967	12,582	11,146	2,479	6,688	626	1,353	1,436
1968	13,698	12,215	2,689	7,344	691	1,491	1,483
1969	14,165	12,695	2,815	7,647	712	1,521	1,470
1970	15,456	13,943	3,011	8,347	816	1,769	1,513

<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. Beginning 1959, data adjusted to reflect changes in sickness experience (average number of disability days), as reported in the Health Interview Survey of the Public Health Service

<sup>3</sup> Annual payrolls of wage and salary workers in private employment, multiplied by 7 (estimated average workdays lost per year due to short-term sickness) and divided by 255 (estimated workdays in year). Data for 1948–64 from table 6 2 of *The National Income and Product Accounts of the United States, 1929–1965, Statistical Tables: A Supplement to the Survey of Current Business, 1966* (Department of Commerce). Comparable data for 1965–70 from annual *Survey of Current Business, National Income Issue*

<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 3) multiplied by estimated average workdays lost per year due to short-term sickness, (for 1948–66, 7 5 days, for 1967, 7 35 days, for 1968, 7 2 days, and for 1969–70, 7 0 days) and divided by 265 (estimated workdays in year)

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

modified annually, starting with 1959, to reflect the actual year-to-year overall variations in sickness rates as reported by the annual Health Interview Survey of the Public Health Service. The Health Interview Survey data are used as a measure of year-to-year variations rather than as the measure of average number of income days lost because of several significant conceptual differences between that survey and the Social

Security Administration series.<sup>1</sup> Data are available from the Health Interview Survey on annual work-loss days per currently employed persons aged 17 and over, by class of worker. These figures, starting with 1967—the first year in which such information has been available on a calendar year basis—are presented in table 2.

Differences in these data over a period of time result from seasonal variations in sickness, long-range changes in health levels, and changing composition of the groups of workers. The annual number of work-loss days for all types has been stable at or about 5.4 days for the 4 years shown. The distributions by sex and class of worker have been far more variable. When more years of data are accumulated, it may be possible to discern trends by class of worker that can be used to further refine the estimates made for the Social Security Administration series.

The rate of sickness among workers, measured by a sickness index (1958 = 100) and adjusted by Public Health Service data, has been computed as 97 for 1970. This is an increase from the 1969 index of 94, following a decline from the

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

TABLE 2.—Number of work-loss days per person per year for currently employed persons aged 17 and over, by class of worker and sex, 1967–70

Period	Total <sup>1</sup>	Private wage and salary workers	Federal Government employees	State and local government employees	Self-employed
Total					
1967	5.4	5.3	6.8	5.1	6.0
1968	5.4	5.4	6.8	5.4	5.0
1969	5.2	5.2	6.0	5.1	4.6
1970	5.4	5.5	6.1	4.5	5.1
Men					
1967	5.3	5.1	5.8	5.4	6.1
1968	5.2	5.1	6.4	5.3	5.1
1969	5.2	5.2	5.9	5.1	4.9
1970	5.1	5.1	5.1	4.5	5.5
Women					
1967	5.6	5.6	9.3	4.8	5.9
1968	5.9	6.0	7.6	5.6	4.3
1969	5.2	5.2	8.1	5.2	3.7
1970	5.9	6.3	8.2	4.6	3.5

<sup>1</sup> Includes nonpaid workers

Source: National Center for Health Statistics, Public Health Service, unpublished data from the Health Interview Survey.

1968 level of 99. The 1969 index has been revised downward from a preliminary estimate of 100 made last year when Health Interview Survey data for only the first quarter of 1969 were available. The substantial drop from the preliminary to the final index figure reflects a decline in respiratory ailments between 1968 and 1969 associated with the decline of incidence in "Hong Kong flu."

The total income loss from nonoccupational illness recorded in table 1 rose \$1.3 billion from the 1969 total to almost \$15.5 billion in 1970. Increases of from 7-16 percent were experienced by the various employment groups between 1969 and 1970—except for self-employment income loss, which registered a 3-percent growth. The overall increase in income loss between 1969 and 1970 (9 percent) was larger than that between 1968 and 1969 (3 percent) primarily because of the different rates of morbidity experienced in each of those years. As the sickness indexes above indicate, sickness increased in relation to the number of workers between 1969 and 1970, in contrast to the decline over the 1968-69 period.

Rising wage levels continue to be a basic factor affecting income-loss levels in each of the past few years. Average annual earnings per civilian full-time employee rose 6.2 percent in 1970, compared with a 6.5-percent rise in 1969. A moderating influence, however, was the trend in employment. The growth in civilian full-time employment dropped in 1970 to just 0.2 percent above the 1969 level. The number of employees was 3.1 percent higher in 1969 than in 1968.

## PROTECTION AGAINST INCOME LOSS

### Workers Covered and Types of Protection

The number of workers protected by some form of income-maintenance plan for short-term sickness has been increasing gradually each year as the total number of workers grows. In addition, the proportion of the labor force with such protection has gone slowly up in the last several years as coverage of income-maintenance plans has been extended. The following tabulation shows these developments in the period December 1967-December 1970 for all wage and salary workers in civilian employment:

December	Number with protection	
	Total (in millions)	As a percent of all workers
1967.....	41.5	62
1968.....	44.2	65
1969.....	46.8	66
1970.....	47.3	67

The rise in number of workers protected against loss of income from short-term sickness from 1969 to 1970 was a half million. This quite small increase occurred primarily because of the influence of the economic slowdown in 1970, that dampened the usual annual increase in the labor force.

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

This private insured protection may be obtained through voluntary action by the employer or the employee, or—as in California, Hawaii, New Jersey, New York, and Puerto Rico—it may come about as the result of a compulsory temporary disability insurance law.<sup>2</sup> In addition, some of the protection required by law in these jurisdictions (except Hawaii) may be provided by publicly operated funds. Under the other two compulsory programs—that of Rhode Island and the Federal program for railroad employees—all the mandatory protection comes from publicly operated funds, though private plans may supplement the government-paid benefits.

In 1970, 36.9 million of the 47.3 million work-

<sup>2</sup> Mandatory sickness insurance protection was instituted for workers in Puerto Rico on July 1, 1969, and in Hawaii on January 1, 1970. Coverage and benefits data for these areas are not included here; data are not yet available.

ers with protection were in private industry. Federal, State, and local government sick-leave plans account for the remaining coverage. Virtually all Federal employees and most State and local government workers are under some income-protection plan.

Because of the extensive mandatory provisions in States with temporary disability insurance laws, most private industry workers (14.6 million) in those areas have sickness insurance or similar protection. Almost all railroad workers are included in the Federal statutory program for that industry. The other six compulsory programs safeguard more than four-fifths of the employees in these jurisdictions. The protection provided, like that under the unemployment insurance laws in these States, is extended mainly to employees in industrial and commercial firms. California, Hawaii, and Puerto Rico also cover hired farm workers. Domestic workers and employees of governments and nonprofit organizations are generally not covered.

By contrast, workers in private employment throughout the rest of the country are much less likely to have wage replacement through their jobs when disabled. The rate of coverage, however, has been rising slightly and, as table 3 shows, had risen to 51 percent in 1970. (The apparent drop from 1964 to 1966 was caused by a refinement in the available data, described in footnote 3 of table 3.) Among those covered by private insurance, the extent of protection may vary considerably. Insurance plans have characteristically provided maximum potential duration of 13 or 26 weeks, with a noticeable trend toward the more liberal provision in recent years. A survey of new plans issued indicated that 37 percent allowed up to 26 weeks of benefits in 1965; and 52 percent of the new plans provided this duration in 1970.<sup>3</sup> It should be noted that some plans providing disability benefits of limited duration may be coordinated with plans that provide long-term benefits upon the expiration of the short-term benefits.

The data for voluntary group insurance coverage exclude persons with protection only under credit insurance arrangements since this type of insurance does not generally stem from an employment relationship. Credit insurance is pur-

<sup>3</sup> *New Group Health Insurance*, Health Insurance Institute, New York, 1971.

TABLE 3.—Degree of income-loss protection against short-term sickness for employed wage and salary workers in private industry not under temporary disability insurance laws, selected years 1954-70

Year	Wage and salary workers not under compulsory programs		
	Total number (in thousands) <sup>1</sup>	With protection	
		Number (in thousands) <sup>2</sup>	Percent of total
1954.....	31,400	15,000	47.8
1956.....	34,200	16,400	48.0
1958.....	33,600	16,000	47.6
1960.....	34,300	16,800	49.0
1962.....	35,900	17,300	48.2
1964.....	38,100	18,500	48.6
1966 <sup>3</sup> .....	41,000	18,400	44.9
1967.....	41,700	18,900	45.1
1968.....	42,600	20,900	49.1
1969.....	43,900	22,000	50.1
1970.....	43,400	22,300	51.4

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

<sup>2</sup> Estimated number of private-industry workers (1) with group accident and sickness insurance (except group credit insurance), (2) under paid sick-leave plans, and (3) under union and mutual association plans after subtraction of the number of workers with such protection in jurisdictions with temporary disability laws. Estimates of private protection based on data from Health Insurance Association of America and from State administrative agencies.

<sup>3</sup> Beginning with 1966, group accident and sickness insurance coverage has been adjusted to exclude those with long-term benefit policies, which usually do not provide short-term benefits.

chased by lending institutions to protect their loans against the risk of nonpayment because of disability.

Besides group insurance policies and self-insurance benefit programs, the other major means of maintaining a worker's wage when he cannot work because of illness or accident is sick leave. Although sickness insurance and sick leave have the same objectives of preventing the stoppage of income during temporary periods of incapacity they operate in very different fashions. Sick leave generally is paid in full replacement of earnings from the first day of illness for a specified number of days, usually from 5 to 15 a year; sometimes unused leave can be accumulated from year to year. In contrast, sickness insurance may pay up to 26 weeks of benefits after a waiting period of a week, at some fraction of weekly wages—between one-half and two-thirds—subject to a specified maximum amount.

### Benefits Paid

*Private insurance.*—The year 1970 saw moderate growth in private insurance premiums and

a large increase in benefit payments. The \$3,261 million collected in premiums during 1970 under private insurance was more than 7 percent above the 1969 amount but represented a considerably smaller rise than the unusually large increases in the 2 preceding years (13 percent from 1968 to 1969 and 21 percent from 1967 to 1968). Benefits in 1970 (\$2,137 million) exceeded the 1969 level by \$280 million or 15 percent, the third large increase in as many years. Included in the term "private insurance" for purposes of table 4 are data for funded private plans such as union or company trust funds and mutual benefit associations and for unfunded plans in States with temporary disability insurance laws requiring the payment of benefits. Unfunded plans in other States, as well as all sick-leave plans, are not shown in table 4 but are part of table 6, which describes sick-leave benefits.

Premiums and benefit payments for each of the categories of insurance in table 4 were higher in 1970 than in 1969. Benefits under voluntary group insurance rose 21 percent to \$1,114 million. During 1970, benefits through individual insurance contracts and private benefits in compliance with temporary disability insurance laws each had a lower rate of increase than that of all private insurance benefits combined.

*Benefits under temporary disability insurance laws.*—Benefits paid under the provisions of temporary disability insurance laws, through publicly operated funds as well as through private insurance, amounted to \$718 million in 1970 (table 5). As for voluntary private insurance, benefits paid through the statutory programs showed a fairly high increase (almost 10 percent) from 1969 to 1970 though they rose at a slower rate than in the immediately preceding years (12 percent in 1969 and 13 percent in 1968). Benefit payments actually declined between 1969 and 1970 under the Rhode Island and railroad programs. With the contracting of the railroad labor force, the decline in the railroad program is probably a return to the pattern of annual declines experienced from 1960 through 1967. The benefit increases that occurred in 1968 and 1969 were largely the result of the major benefit liberalizations effective in those years. In 1970, the main statutory benefit changes were the increases in the maximum weekly amount in New Jersey from \$65 to \$69, effective January 1, 1970,

and in New York from \$65 to \$75, effective July 1, 1970.

The relationship between private and public program benefits remained about the same in

TABLE 4—Premiums and benefit payments for private insurance against income loss, 1948-70<sup>1</sup>

Year	[In millions]							
	Total	Under voluntary provisions				Under public provisions		
		Total	Group insurance <sup>2</sup>	Individual insurance <sup>2</sup>	Self-insurance <sup>2</sup>	Total	Group insurance <sup>2</sup>	Self-insurance <sup>2</sup>
Premiums								
1948	\$558.9	\$545.8	\$162.2	\$350.0	\$33.6	\$13.1	\$12.7	\$0.4
1949	603.6	564.8	177.8	355.0	32.0	38.8	31.9	6.9
1950	685.3	609.4	225.6	380.0	23.8	75.9	58.3	17.6
1951	804.7	660.9	269.4	396.0	25.5	143.8	102.9	40.9
1952	874.0	718.2	286.2	405.4	26.6	155.8	112.8	43.0
1953	1,026.0	839.5	321.5	494.8	23.2	186.5	136.2	50.3
1954	1,074.1	896.0	340.1	554.2	21.7	178.1	129.8	48.3
1955	1,133.9	955.1	386.2	547.8	21.1	178.8	128.3	50.5
1956	1,206.3	1,029.2	418.3	591.2	19.7	177.1	128.5	48.6
1957	1,346.9	1,129.7	453.7	654.4	21.6	217.2	157.9	59.3
1958	1,417.9	1,185.6	449.6	714.6	21.4	232.3	167.8	64.5
1959	1,526.4	1,293.6	494.1	787.8	21.7	232.8	166.1	66.7
1960	1,561.9	1,323.1	516.8	783.0	23.3	238.8	168.2	70.6
1961	1,630.5	1,375.2	516.0	835.9	23.3	255.3	179.1	76.2
1962	1,692.6	1,437.2	556.9	856.5	23.8	255.4	179.6	75.8
1963	1,697.7	1,453.3	560.0	870.0	23.3	244.4	161.0	83.4
1964	1,815.6	1,577.6	620.8	933.0	23.8	238.0	153.2	84.8
1965	1,927.1	1,668.7	710.9	933.1	24.7	258.4	163.0	95.4
1966	2,134.9	1,854.8	810.6	1,018.5	25.7	280.1	175.9	104.2
1967	2,237.4	1,926.8	853.1	1,048.6	25.1	310.6	194.3	116.3
1968	2,697.9	2,355.9	1,131.8	1,196.0	26.1	342.0	209.2	132.8
1969	3,037.9	2,638.5	1,304.6	1,304.5	29.4	394.4	243.9	155.5
1970	3,261.4	2,844.0	1,512.7	1,299.7	31.6	417.4	249.6	167.8
Benefit payments								
1948	286.8	277.5	115.0	141.0	21.5	9.3	9.0	0.3
1949	322.0	294.9	124.7	150.0	20.2	27.1	22.3	4.8
1950	383.8	329.5	161.3	153.0	15.2	54.3	41.7	12.6
1951	500.8	387.5	212.4	157.0	18.1	113.3	81.1	32.2
1952	559.1	431.3	234.6	177.0	19.7	127.8	92.5	35.3
1953	606.2	466.5	241.0	209.0	16.5	139.7	102.0	37.7
1954	629.1	497.1	251.8	230.0	15.3	132.0	96.2	35.8
1955	692.4	557.2	292.0	250.0	15.2	135.2	97.0	38.2
1956	802.5	651.3	357.3	278.0	16.0	151.2	109.7	41.5
1957	874.4	696.3	372.3	307.2	16.8	178.1	129.5	48.6
1958	909.1	725.4	355.9	353.4	16.1	183.7	132.7	51.0
1959	990.1	800.6	394.2	389.6	16.8	189.5	135.2	54.3
1960	1,031.2	835.1	424.1	392.8	18.2	196.1	138.1	58.0
1961	1,051.6	850.2	406.8	425.9	17.5	201.4	141.3	60.1
1962	1,086.7	882.4	445.8	418.5	18.1	204.3	143.7	60.6
1963	1,117.5	919.3	454.2	447.2	17.9	198.2	130.6	67.6
1964	1,192.4	1,001.0	498.9	483.9	18.2	191.4	123.2	68.2
1965	1,239.7	1,042.1	541.6	482.6	17.9	197.6	124.8	72.8
1966	1,342.7	1,134.3	603.2	512.9	18.2	208.4	130.9	77.5
1967	1,377.4	1,155.0	610.5	527.4	17.1	222.4	139.1	83.3
1968	1,711.9	1,460.2	832.9	609.1	18.2	251.7	154.0	97.7
1969	1,856.6	1,575.4	919.9	635.4	20.1	281.2	171.7	109.5
1970	2,136.6	1,829.4	1,113.6	693.7	22.1	307.2	183.7	123.5

<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 types of insurance benefits, adjusted to include accidental death and dismemberment provisions in individual policies that insure against income loss to offset understatement arising from the omission of current short-term income-loss insurance in automobile, resident liability, life, and other policies. For 1956-70, dividends deducted from earned premiums (2-3 percent for group; 1 percent for individual). Starting with 1956, all credit accident and health insurance classified under individual insurance.

<sup>3</sup> Company and 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, whether or not funded.

TABLE 5.—Cash benefits under temporary disability insurance laws provided through private plans and through publicly operated funds, 1948–70<sup>1</sup>

[In millions]

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	80. 9
1952	202. 3	92 5	35. 3	74 5
1953	230. 2	102 0	37. 7	80. 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	128. 5	48. 6	127. 2
1958	325 1	132 7	51. 0	141. 4
1959	353 2	135. 2	54. 3	163. 7
1960	368 2	138. 1	58. 0	172. 1
1961	396 6	141 3	60. 1	195 2
1962	416 3	143 7	60. 6	212. 0
1963	442. 2	130. 6	67. 6	243. 9
1964	455 8	123. 2	68. 2	264 4
1965	468. 7	124 8	72. 8	269 1
1966	481. 6	130 9	77. 5	273 2
1967	507. 1	139 1	83 3	284 7
1968	571. 9	154 0	97. 7	320 2
1969	654. 9	171. 7	109 5	373 7
1970	717. 8	183 7	123 5	410 6

<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.

<sup>4</sup> Includes some union plans whose provisions come under the law.

<sup>5</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

1970 as in 1969; about 57 percent of all temporary disability insurance benefits were paid through publicly operated funds in both years. A decline in the ratio of private plan benefits to total benefits under the New Jersey program was roughly offset by the benefit declines experienced by the exclusively public programs of the railroad industry and Rhode Island.

The benefits paid through private plans in New Jersey have been declining for many years in relation to benefits through public plans. This decline reflects in part, at least, the difficulty of competing with the State program, which has paid more in benefits than it has received in contributions (financing the difference by drawing upon a cash reserve for a number of years). It is interesting to note that the New Jersey legislature at the end of 1970, in order to provide greater revenue for the State plan, enacted a number of financial measures that became operative in July 1971.

Employee and employer contribution rates were raised: the employee rate went from 0.50

percent to 0.75 percent of the employee's wage up to the \$3,600 wage base and the employer rate from 0.25 percent to 0.50 percent of the \$3,600 wage base (the standard contribution, with individual employer rates varying according to experience-rating provisions). The maximum assessment on employers for the disability-during-unemployment fund was also increased—from 0.02 percent to 0.1 percent of taxable wages.

In the jurisdictions with temporary disability insurance laws virtually all workers are provided sickness insurance protection; the benefits paid in those areas as group protection therefore account for a disproportionately large part of such benefits paid nationally. The wage loss of private industry workers in areas with statutory programs accounted for 28 percent of the national total in 1970, but the benefits paid under these programs were 39 percent of all benefit payments in the United States. (These wage loss and benefit estimates exclude sick leave in order to make a more relevant comparison.)

The share of national wage loss represented by the jurisdictions with temporary disability insurance laws has been stable, not varying by more than one percentage point since 1951. The benefit relationship has, however, been far more variable, depending on changes in statutory coverage and benefit provisions and on the effects (in areas without laws) of economic fluctuations on growth in voluntary insurance coverage. Benefits paid under the temporary disability insurance laws accounted for as much as 46 percent of benefit payments for short-term sickness nationally in 1963, but the proportion has fallen irregularly since then to the 1970 level of 39 percent.

*Paid sick leave.*—The estimated amount of formal sick leave paid workers in 1970 was just short of \$3 billion (table 6). The increase of \$400 million from 1969 to 1970 was at a 15.5-percent rate, the largest annual percentage change since 1951. Each type of sick leave showed a substantial gain in 1970, with leave payments to Federal employees having the largest relative increment (16.7 percent).

The sick-leave estimates in table 6 include the value of leave paid as a supplement to group insurance, publicly operated plans, or other types of group protection, as well as the value of exclusive sick leave (sick leave in lieu of any other type of group income-loss protection). Supple-

mental sick leave often takes the form of wage replacement of an initial waiting period before insurance benefits become available.

In dollar terms, the sick-leave benefits paid to

TABLE 6.—Estimated value of formal paid sick leave in private industry and in Federal, State, and local government employment, 1948-70<sup>1</sup>

Year	[In millions]						
	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	462	162	147	15	300	173	127
1950	492	177	154	23	315	172	143
1951	588	198	164	34	390	221	169
1952	667	214	178	36	453	254	199
1953	713	231	193	38	482	262	220
1954	741	241	201	40	500	252	248
1955	813	268	224	44	545	269	276
1956	884	293	243	49	591	280	311
1957	951	324	270	54	627	290	337
1958	1,034	338	283	55	696	315	381
1959	1,076	351	295	56	725	315	410
1960	1,219	392	327	65	827	348	479
1961	1,310	410	344	67	900	376	524
1962	1,459	461	384	77	998	414	584
1963	1,624	513	428	85	1,110	450	660
1964	1,629	492	412	80	1,137	445	692
1965	1,822	553	464	90	1,269	488	781
1966	2,001	606	508	99	1,395	523	872
1967	2,159	656	551	105	1,503	558	945
1968	2,412	744	627	117	1,668	606	1,062
1969	2,595	849	719	129	1,747	622	1,125
1970	2,997	960	817	143	2,037	726	1,310

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

<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, 1948-54*, after reducing estimates of exclusive sick-leave coverage in early years by a third to allow for exclusion of informal sick-leave plans and conversion of exclusive protection to supplemental protection under temporary disability insurance laws. Later-year estimates based on nationwide projection of formal paid sick-leave coverage reported for plant and office workers in the community wage surveys of the Bureau of Labor Statistics. Assumes that workers in private industry receive an average of 4 days of paid sick leave a year, excluding other protection, and 3 2 days when they have other group protection. Daily wages obtained by dividing average annual earnings per full-time private employee as reported in table 6.5 in *The National Income and Product Accounts of the United States, 1929-65, Statistical Tables, A Supplement to the Survey of Current Business, 1966*, and in the annual *Survey of Current Business, National Income Issue* (Department of Commerce), by 255 (estimated workdays in a year).

<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*, U S Civil Service Commission. Practically all full-time employees are covered by paid sick-leave protection.

<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 90 percent in 1970, and that workers covered by such plans received on the average paid sick leave ranging from 5.2 days in 1948 to 6.1 in 1970. Number of full-time employees from *Public Employment, Annual Reports* (Bureau of the Census). Daily wages obtained by dividing average annual earnings per full-time State and local employee as reported in Department of Commerce data (see footnote 2), by 255 (estimated workdays in a year).

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

The growth of sick-leave payments to State and local government workers has reflected dramatically the combined effect of paying full-replacement benefits and rapid growth in employment in this sector. In 1948, sick leave paid to State and local government workers reached \$108 million, or roughly seven-tenths of both the amount paid for Federal employees and that for workers in private industry. By 1970, sick-leave payments for State and local government workers had increased elevenfold to \$1,310 million—considerably more than the totals for the other types of workers—80 percent larger than the figure for Federal employees and 36 percent larger than the total for those working in private industry.

The extent of wage-loss replacement in the aggregate for workers under exclusive sick-leave

TABLE 7.—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, 1948-70

Year	[Amounts in millions]		
	Income loss	Value of sick leave under exclusive plans	Ratio (percent) of sick leave to income loss
1948	\$567	\$375	66.1
1949	601	416	69.2
1950	635	432	68.0
1951	723	507	70.1
1952	804	577	71.7
1953	846	612	72.3
1954	874	634	72.5
1955	952	691	72.6
1956	1,024	745	72.8
1957	1,107	800	72.3
1958	1,208	875	72.7
1959	1,242	908	73.1
1960	1,427	1,034	72.5
1961	1,536	1,125	73.2
1962	1,699	1,243	73.2
1963	1,875	1,384	73.8
1964	1,894	1,399	73.9
1965	2,114	1,594	74.0
1966	2,318	1,711	73.8
1967	2,460	1,841	74.8
1968	2,715	2,050	75.5
1969	2,868	2,153	75.1
1970	3,233	2,488	77.0

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

plans is shown in table 7. In 1970, the rate of replacement was 77 percent, the highest reported in any year in the series. The assumptions made in arriving at the estimates for the number of work-loss days and of sick-leave days allowed for each class of worker involve factors that are relatively stable. Significant variations do occur, however, in other factors that help determine the amount of exclusive sick leave and associated wage loss—the number of workers in each industrial sector, for example, and trends in supplementary versus exclusive sick-leave payments in private industry. The net result has been a slow increase in the wage-replacement ratio in the period shown in table 7.

### Summary of Protection Provided

Data on the various types of benefits discussed up to this point are brought together in table 8. All the benefits shown under group insurance and

TABLE 8.—Benefits provided as protection against income loss, summary data, 1948-70

[In millions]

Year	Total	Benefits provided through individual insurance	Group benefits provided as protection against wage and salary loss					Sick leave for government employees
			Total	Workers in private employment			Sick leave	
				Total	Private cash sickness insurance and self-insurance <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	848.1	150.0	698.1	398.1	172.0	82.1	162.0	300.0
1950	938.9	153.0	785.9	470.9	230.8	83.1	177.0	315.0
1951	1,149.7	157.0	992.7	602.8	343.8	90.9	198.0	390.0
1952	1,300.6	177.0	1,123.6	670.6	382.1	74.5	214.0	453.0
1953	1,406.7	209.0	1,200.7	718.7	397.2	90.5	231.0	482.0
1954	1,473.2	230.0	1,243.2	743.2	399.1	103.1	241.0	500.0
1955	1,614.8	250.0	1,364.8	819.8	442.4	109.4	268.0	545.0
1956	1,800.3	278.0	1,522.3	931.3	524.5	113.8	293.0	591.0
1957	1,952.6	307.2	1,645.4	1,018.4	567.2	127.2	324.0	627.0
1958	2,084.5	353.4	1,731.1	1,035.1	555.7	141.4	338.0	696.0
1959	2,229.8	389.6	1,840.2	1,115.2	600.5	163.7	351.0	725.0
1960	2,422.3	392.8	2,029.5	1,202.5	638.4	172.1	392.0	827.0
1961	2,556.8	425.9	2,130.9	1,230.9	625.7	195.2	410.0	900.0
1962	2,757.7	418.5	2,339.2	1,341.2	668.2	212.0	451.0	998.0
1963	2,984.4	447.2	2,537.2	1,427.2	670.3	243.9	413.0	1,110.0
1964	3,085.8	483.9	2,601.9	1,464.9	708.5	264.4	492.0	1,137.0
1965	3,330.8	482.6	2,848.2	1,579.2	757.1	269.1	553.0	1,269.0
1966	3,616.9	512.9	3,104.0	1,709.0	829.8	273.2	606.0	1,395.0
1967	3,821.1	527.4	3,293.7	1,790.7	850.0	284.7	656.0	1,503.0
1968	4,444.1	609.1	3,835.0	2,167.0	1,102.8	320.2	744.0	1,668.0
1969	4,826.3	635.4	4,190.9	2,443.9	1,221.2	373.7	849.0	1,747.0
1970	5,544.2	693.7	4,850.5	2,813.5	1,442.9	410.6	960.0	2,037.0

<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.

sick leave are wage-replacement payments to workers. Some of the benefits received through individual insurance are in replacement of lost self-employment income, but this type of insurance to some extent also includes benefits to individuals not attached to the labor force. It should be noted that the category "private cash sickness insurance and self-insurance" includes both voluntary protection and policies issued in compliance with temporary disability insurance laws. (The relationship between benefits under temporary disability insurance and other group protection is treated later in table 10.)

Cash benefits provided for short-term sickness totaled \$5,544 million in 1970. The increase of \$718 million from 1969 to 1970 was the largest in absolute terms since the series began in 1948 and in relative terms was almost 15 percent—the third largest annual increase. The effects of inflation in raising wages and thus indirectly benefits, together with the increase in sickness in 1970, were in the main responsible for the vigorous growth in aggregate benefits. Benefit payments were higher in 1970 for each group in table 8. The \$290 million jump in sick-leave payments for government workers was the most notable.

TABLE 9.—Extent of protection against income loss, 1948-70  
[Amounts in millions]

Year	Income loss and protection provided			Income loss not protected	Net cost of providing insurance <sup>4</sup>
	Income loss <sup>1</sup>	Protection provided <sup>2</sup>	Protection as percent of loss		
1948	\$4,568	\$757	16.6	\$3,811	\$277
1949	4,424	846	19.1	3,578	287
1950	4,795	939	19.6	3,856	307
1951	4,473	1,150	21.0	3,323	311
1952	5,814	1,301	22.4	4,513	322
1953	6,144	1,410	22.9	4,734	428
1954	6,094	1,473	24.2	4,621	453
1955	6,546	1,615	24.7	4,931	450
1956	7,031	1,800	25.6	5,231	413
1957	7,363	1,953	26.5	5,410	482
1958	7,458	2,084	27.9	5,374	519
1959	7,724	2,230	28.9	5,494	548
1960	8,565	2,422	28.3	6,133	542
1961	8,639	2,557	29.6	6,082	592
1962	9,622	2,758	28.7	6,864	620
1963	10,178	2,984	29.3	7,194	596
1964	10,248	3,086	30.1	7,162	640
1965	11,278	3,331	29.5	7,947	704
1966	12,205	3,617	29.6	8,588	809
1967	12,582	3,821	30.4	8,761	878
1968	13,698	4,444	32.4	9,254	1,005
1969	14,165	4,826	34.1	9,339	1,201
1970	15,456	5,544	35.9	9,912	1,146

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

<sup>2</sup> Total benefits, including sick leave (from table 8).

<sup>3</sup> Includes retention costs (for contingency reserves, taxes, commissions, acquisition, claims settlement, and underwriting gains) of private insurance companies (from table 4) 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.

Throughout the past decade, sick-leave payments for government and private industry workers, combined, accounted for over half of all cash payments for nonoccupational disability (54 percent in 1970).

### MEASURING THE EXTENT OF PROTECTION

Several different types of voluntary and statutory methods are available for maintaining workers' income when they are sick. How effective are they? One way to throw light on this question is to relate the payments made to the amount of income loss incurred. Tables 9-11 measure the benefit/income loss relationship. Table 9 deals with the relationship between all benefits and the income loss pertaining to short-term sickness; table 10 examines this relationship for wage and salary workers under group plans; and table 11 focuses on the compensable part of income loss that is replaced through insurance benefits alone.

The comparison of combined benefits from all sources with total income loss in table 9 is a broad measure, including wage loss and self-

employment income loss and all forms of benefit protection against short-term disability—including total sick-leave payments, group and individual insurance under voluntary auspices, and temporary disability insurance payments.

Table 9 shows that over one-third of all income loss was replaced in 1970. Historically, the benefit-loss ratio has gone through three distinct phases. The ratio improved—that is, increased—throughout the 1950's. The growth in benefit payments relative to income loss leveled off from 1960 through 1966. And, once again, the benefit-loss ratio has resumed its climb—from 30 percent in 1967 to almost 36 percent in 1970.

The costs of providing short-term sickness benefits through insurance are given in table 9. Corresponding data for sick-leave plans are not available. Under commercial insurance and self-insurance, these costs—\$1.1 billion in 1970—mainly represent the difference between insurance premiums and benefit payments and are made up of selling and administrative expenses, premium taxes, additions to reserves, and underwriting gains.

In each of the periods during which the overall ratio increased, gains were also recorded in

TABLE 10.—Group protection provided in relation to wage and salary loss, 1948-70

[Amounts in millions]

Year	All wage and salary workers			Wage and salary workers in private industry								
				Total			Covered by temporary disability insurance laws			Not covered by temporary disability insurance laws		
	Income loss	Protection provided		Income loss	Protection provided		Income loss	Protection provided		Income loss	Protection provided	
		Amount	Percent of income loss		Amount	Percent of income loss		Amount	Percent of income loss		Amount	Percent of income loss
1948.....	\$3,630	\$616	17.0	\$3,198	\$360	11.3	\$391	\$78	19.9	\$2,807	\$282	10.0
1949.....	3,601	696	19.3	3,128	396	12.7	453	104	21.5	2,643	292	11.1
1950.....	3,921	786	20.0	3,415	471	13.8	712	140	19.7	2,703	331	12.2
1951.....	4,494	993	22.1	3,901	603	15.5	1,059	208	19.6	2,842	395	13.9
1952.....	4,831	1,124	23.3	4,171	671	16.1	1,132	238	21.0	3,039	433	14.2
1953.....	5,199	1,201	23.1	4,608	719	15.9	1,213	268	22.1	3,295	451	13.7
1954.....	5,161	1,243	24.1	4,444	743	16.7	1,212	275	22.7	3,232	468	14.5
1955.....	5,573	1,365	24.5	4,906	820	17.1	1,299	289	22.2	3,607	531	15.1
1956.....	6,034	1,522	25.2	5,203	931	17.9	1,430	314	22.0	3,773	617	16.4
1957.....	6,335	1,645	26.0	5,442	1,018	18.7	1,512	359	23.7	3,930	659	16.8
1958.....	6,371	1,731	27.2	5,391	1,035	19.2	1,507	380	25.2	3,884	655	16.9
1959.....	6,671	1,840	27.6	5,659	1,115	19.7	1,580	409	25.9	4,079	706	17.3
1960.....	7,445	2,030	27.3	6,280	1,203	19.2	1,773	433	24.4	4,507	770	17.1
1961.....	7,498	2,131	28.4	6,262	1,231	19.7	1,770	404	20.2	4,492	767	17.1
1962.....	8,383	2,339	27.9	6,988	1,341	19.2	1,963	493	24.9	5,005	848	16.9
1963.....	8,905	2,537	28.5	7,390	1,427	19.3	2,084	527	25.3	5,306	900	17.0
1964.....	9,015	2,602	28.9	7,468	1,465	19.6	2,085	536	25.7	5,383	929	17.3
1965.....	9,902	2,848	28.8	8,180	1,570	19.3	2,244	556	24.8	5,945	1,023	17.2
1966.....	10,746	3,104	28.9	8,870	1,709	19.3	2,408	580	24.1	6,462	1,129	17.5
1967.....	11,146	3,294	29.6	9,167	1,791	19.6	2,479	612	24.7	6,688	1,179	17.6
1968.....	12,215	3,835	31.4	10,033	2,167	21.6	2,689	689	25.6	7,344	1,478	20.1
1969.....	12,696	4,191	33.0	10,462	2,444	23.4	2,815	784	27.9	7,647	1,660	21.7
1970.....	13,943	4,850	34.8	11,358	2,814	24.8	3,011	861	28.6	8,347	1,953	23.4

benefit-income loss ratios for each major type of protection: sick leave for government workers, private voluntary (group and individual) insurance, and benefits under temporary disability insurance laws.

Readily apparent is the effect of sick-leave provisions in government employment on the overall group protection received by wage and salary workers in the labor force. For wage and salary workers in private industry, who are primarily dependent upon insurance measures for protection, benefit payments in 1970 equaled 24.8 percent of lost wages. When government employees with their extensive paid sick-leave coverage are included in the computation, cash sickness benefits (including sick leave) jump to 34.8 percent of total wages lost (table 10).

It may be of interest to look at the explicit benefit-wage loss ratios of government workers in comparison with those in private industry. The following tabulation shows expectedly high ratios for both State and local government workers and for Federal employees. The relative stability of the Federal ratio over time and the rising State and local government ratio are evident. These different trends reflect (1) the practically universal coverage of the Federal sick-leave program and its unchanging benefit provisions and (2) the continuing expansion and liberalization of sick-leave plans among State and local government employees. The tabulation also shows that the benefit-wage ratio went up from 1969 to 1970, especially for Federal workers, like the ratios for workers in jurisdictions with and without temporary disability insurance laws.

Year	Ratio (percent) of benefit payments to wage loss		
	Total	State and local government workers	Federal workers
1950.....	62.3	46.9	85.6
1960.....	71.0	62.9	86.4
1969.....	78.2	74.0	87.4
1970.....	78.8	74.1	89.0

The relationship of cash sickness benefits to the income they replace is not necessarily expected to be "one-to-one." Insurance benefits in particular are usually established as a partial income-replacement scheme. To discourage malingering, insurance plans ordinarily undertake to compensate for only a part of the weekly wage or salary

TABLE 11.—Insurance benefits as percent of estimated potentially insurable and compensable income loss<sup>1</sup> for workers without exclusive formal sick leave, 1948-70

[Amounts in millions]

Year	Amount of insurance benefits <sup>2</sup>	As a percent of income loss—			
		After first 3 days <sup>3</sup>		After first 7 days <sup>4</sup>	
		Total	Two-thirds	Total	Two-thirds
1948.....	\$334	12.3	18.4	15.6	23.4
1949.....	384	14.4	21.5	18.3	27.4
1950.....	447	15.4	23.0	19.5	29.3
1951.....	562	16.9	25.4	21.5	32.3
1952.....	634	18.1	27.1	23.0	34.5
1953.....	697	18.8	28.2	23.9	35.9
1954.....	732	20.0	30.0	25.5	38.2
1955.....	802	20.5	30.7	26.1	39.1
1956.....	916	21.8	32.7	27.7	41.6
1957.....	1,002	22.9	34.3	29.1	43.7
1958.....	1,050	24.0	36.0	30.5	45.8
1959.....	1,154	25.4	38.1	32.4	48.5
1960.....	1,203	24.1	36.2	30.7	46.0
1961.....	1,247	25.1	37.6	31.9	47.9
1962.....	1,299	23.4	35.1	29.8	44.7
1963.....	1,361	23.4	35.1	29.8	44.7
1964.....	1,457	24.9	37.4	31.7	47.6
1965.....	1,509	23.5	35.3	29.9	44.9
1966.....	1,616	23.3	35.0	29.7	44.6
1967.....	1,662	23.5	35.2	29.1	44.8
1968.....	2,032	26.4	39.6	33.6	50.5
1969.....	2,231	28.2	42.3	35.9	53.9
1970.....	2,547	29.8	44.7	37.9	56.8

<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 7).

<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 7).

loss and cover the first few days or first week of disability only when the disability results from an accident.

Table 11 therefore presents a comparison between the actual amount of insurance benefits (excluding sick leave) paid and the hypothetical amount of income loss that is considered potentially insurable as a means of gauging the adequacy of insurance in replacing wages lost during short-term sickness. A few alternative insurance objectives are assumed, with the benefit provisions of some of the more liberal insurance policies used as guides. The amount of assumed income loss varies according to (1) selection of alternative waiting periods before payments begin and (2) whether all or two-thirds of the gross weekly wage is to be replaced.

The replacement of income loss by insurance benefits went up substantially in 1970, compared with the 1969 benefit-loss ratios. The increase was the fourth consecutive annual rise. Under the assumed insurance objective of two-thirds wage replacement after a 7-day waiting period, almost 57 percent of the loss was compensated in 1970 under all public and private insurance plans.

Moderate to large increases in the ratio have been experienced in each of the 3 most recent years; the largest rise was almost six percentage points—from about 45 percent in 1967 to less than 51 percent in 1968. In contrast, in the period 1958-67 the proportion fluctuated practically every year between 45 percent and 49 percent. The years before 1958, like the present period, witnessed continuing improvement in the ratio.

If one assumes the most liberal replacement objective shown on table 11—that is, a full weekly wage replacement after a 3-day waiting period—the degree of wage replacement by insurance benefits for short-term sickness falls to 30 percent in 1970. But trends over the years were about the same as under the least liberal hypothetical pro-

visions and under each of the other assumed insurance objectives.

In summary, 1970 was a year in which growth was observed in benefit payments for short-term nonoccupational disability. The ratio of benefits to income loss showed gains for the various groups of workers and types of protection tabulated. But, in perspective, the gap between the benefit protection achieved and the amount of wage loss incurred is still considerable. Even in terms of the most restrictive insurance objective described in table 11 (providing a 1-week waiting period and a replacement rate of two-thirds), more than two-fifths of the income loss considered suitable for compensation was not being compensated in 1970.

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## Notes and Brief Reports

### Workmen's Compensation Payments and Costs, 1970\*

Despite a nonexpanding labor force, workmen's compensation payments in 1970 experienced the largest relative annual increase since 1951. Total cash and medical benefits under work-injury laws in the United States rose by \$303 million or 11.5 percent to a new estimated high of \$2,927 million. Although the 1970 increases in medical care prices and wage levels were less rapid than that of the previous year, apparently the carryover of awards from recent inflationary years was still having an effect. In addition, 1969 and 1970 witnessed considerable legislative activity as all but 12 jurisdictions liberalized benefits for disability and/or death. Injury-frequency rates in manufacturing—the number of disabling injuries per million manhours worked—rose from 14.8 in 1969 to 15.2 in 1970, according to preliminary estimates of the Bureau of Labor Statistics.

The number of workers covered by State and Federal workmen's compensation laws leveled off

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\*Prepared by Alfred M. Skolnik, Division of Economic and Long-Range Studies. Annual estimates of workmen's compensation payments appear in the January issue of the *Bulletin*.

in 1970. A few States expanded their coverage (Florida and Iowa by shifting from elective to compulsory coverage and Missouri by covering State employees compulsorily), but the general slowdown in the economy resulted in an average weekly covered labor force of about the same size as in 1969—58.8 million to 59.0 million persons. During 1969 the gain had been more than 2 million.

Average wages in private industry, on which cash benefits are based, advanced at a slower pace in 1970 (under 5 percent) than in 1969 when the rate of increase was more than 6 percent. Medical care prices also rose at a slower rate in 1970—6.3 percent, compared with 6.9 percent in 1969—according to the Consumer Price Index of the Bureau of Labor Statistics.

Legislative changes in State workmen's compensation laws seemed to be the most influential force in raising benefit expenditures. During 1969 and 1970, 30 States raised the maximum amount of weekly benefits for temporary total disability. In most cases, 1970 was the first full year to reflect the increases. In addition, eight States (and the program under the Federal Employees' Compensation Act) increased their weekly maximums automatically as the result of legislation that ties the maximum to current wage scales—usually 50 percent of their statewide average wage.

At the end of 1970, three-fourths of all State workmen's compensation laws paid a weekly