

Notes and Brief Reports

Cash Benefits for Short-Term Sickness, 1973*

Sickness and non-work-related accidents in 1973 left the Nation's workers with a short-term potential earnings loss of \$20.9 billion. Cash benefits, largely through accident and sickness insurance and sick leave, replaced \$7.2 billion or almost 35 percent of the loss. In 1973, even more than in previous years, inflation helped to push the income-loss and benefit levels above the levels a year earlier. The growth of the labor force in 1973 also contributed to the rise in income loss and benefits. A decline in the number of workdays lost from sickness per worker reduced the rate of increase, however. Overall, benefits rose 9 percent and income loss 8 percent from 1972 to 1973.

The term "income loss" refers here to work-time loss resulting from the first 6 months of illness of long duration, as well as from non-occupational disabilities lasting less than 6 months. It encompasses, in addition, not only income actually lost but income that would have been lost if it were not for sick leave or wage-continuation programs. Formal sick leave is counted as an offset to this potential loss and added to benefit totals.

The rate of benefit protection (benefits as a percent of income loss) was a little higher in 1973. The main factor in the slightly upward change in the ratio (from 34.2 percent in 1972 to 34.6 percent in 1973) was the addition to this series in 1973 of \$111 million in benefits for the sixth month of disability paid under the Federal old-age, survivors, disability, and health insurance (OASDHI) program, as a result of a 1972 amendment to the waiting-period provision in the Social Security Act.

* Prepared by Daniel N. Price, Division of Retirement and Survivors Studies, Office of Research and Statistics. This presentation is briefer than that previously published annually on cash-sickness benefits in January issues of the *Bulletin*. See, for example, Daniel Price, "Cash Benefits for Short-Term Sickness, 1948-72," January 1974, for a detailed discussion of the concepts and methodology used.

SCOPE OF PROTECTION

For most workers, income protection against short-term illness comes through their employment relationship. Sick leave or insurance may be provided voluntarily by employers through labor-management negotiations or otherwise. In addition, five States (California, Hawaii, New Jersey, New York, and Rhode Island) and two other jurisdictions (the railroad industry and Puerto Rico) have laws requiring employers to protect their workers against short-term nonoccupational disability.

In 1973, 48.6 million wage and salary workers, or 63 percent of the 77.7 million in the labor force, were under formal plans protecting them against wage loss when ill. Among workers in private industry, the proportion covered was 57 percent (table 1). Coverage has been stable for a number of years at about this level. Almost all workers in the jurisdictions with temporary disability insurance laws are protected. With these jurisdictions excluded, the proportion of wage and salary workers who are covered is 44 percent. Data on the number of workers with protection have been revised downward, back to 1963, to account for adjustments in the number of workers under voluntary group insurance plans. These adjustments result from improvements made by the Health Insurance Association of America in its annual survey of such plans.

BENEFIT EXPERIENCE

Benefits were increased for each of the benefit categories in 1973 as the following figures, derived from table 2, show. Insurance benefits rose at a greater rate than sick-leave compensation. The increase in individual insurance-benefit levels reflect in part the methodological improvements made in the data-gathering procedure for 1973.

Type of benefit	Percentage increase, from 1972 to 1973
Total benefits	9.1
Individual insurance	16.9
Group voluntary (private)	10.1
Under public laws:	
Privately written	10.6
Publicly operated	9.7
Sick leave:	
Private industry	5.9
Government	3.4

TABLE 1.—Degree of income-loss protection against short-term sickness for all employed wage and salary workers in private industry and for those not under temporary disability insurance laws, selected years 1954-73

December of—	Total number (in thousands) ¹	With group protection	
		Number (in thousands) ²	Percent of total
All wage and salary workers			
1954.....	43,000	25,600	60 0
1956.....	46,000	27,700	59 2
1958.....	45,900	26,900	58 6
1960.....	47,000	28,200	60 0
1962.....	48,900	29,700	60 1
1964.....	51,200	28,100	54 9
1966.....	54,800	32,400	59 1
1968.....	56,800	32,700	57 6
1970.....	58,000	34,300	59 1
1971.....	58,900	34,600	58 7
1972.....	61,400	34,600	56 4
1973.....	63,800	36,400	57.1
Wage and salary workers not under temporary disability insurance laws			
1954.....	31,400	15,000	47 8
1956.....	34,200	16,400	48 0
1958.....	33,800	16,000	47 6
1960.....	34,300	16,800	49 0
1962.....	35,900	17,300	48 2
1964.....	38,100	15,400	40 4
1966.....	41,000	16,300	39.8
1968.....	42,600	18,500	43 4
1970.....	43,300	19,600	45 3
1971.....	44,300	20,000	45 1
1972.....	46,800	19,700	42.4
1973.....	47,700	21,200	44 4

¹ Number in private industry. For areas without temporary disability insurance laws, total excludes railroad workers and is adjusted by ratio of private industry employees on nonagricultural payrolls in the States with temporary disability insurance laws to all such employees. Data from the Bureau of Labor Statistics, *Employment and Earnings and Monthly Report on the Labor Force*. Beginning with 1968, data not strictly comparable with figures for earlier years. Beginning 1968, labor-force information excludes those aged 14-15 and includes certain workers previously classified as self-employed.

² Estimated number of private-industry workers (1) with group accident and sickness insurance (except group credit insurance), (2) under paid sick-leave plans, and (3) under union and mutual association plans. Estimates of private protection based on data from the Health Insurance Association of America and from State administrative agencies. Beginning 1964, data not strictly comparable with figures for earlier years because of a change in Health Insurance Association of America survey procedures to eliminate duplication between short-term and long-term insurance coverage.

The 9.1-percent increase in benefits during 1973 was in large measure due to a rise in wages and an expansion in the labor force, counteracted to some degree by a reduction in morbidity rates. Full-time civilian employment rose by 4.3 percent from 1972 and wages and salaries of civilian employees went up 5.8 percent. The sickness rate declined 4 percent, however, according to the Social Security Administration estimates based on data from the Health Interview Survey conducted annually by the U.S. Public Health Service.

Part of the rise in short-term sickness benefits in 1973 came from a new source: 1973 was the first year in which benefits for the sixth month of disability became payable under the OASDHI program and were included in this series. Before

the 1972 amendments, the sixth month was part of a noncompensable waiting period under that program.

A legal issue developed in 1974 that might have had major implications for short-term sickness-benefit plans. An attempt was made to prohibit the temporary disability insurance program in California from excluding benefits to women for normal pregnancy. The United States Supreme Court ruled, however, that exclusion of such benefits was not discriminatory. During the same year, another indication of the drive to provide equal sickness insurance protection for women was the announcement of a nondiscriminatory individual insurance policy offered by a private company. In general, disability from pregnancy continues to be excluded from sickness-benefit protection or is provided in very limited fashion, under both public and private plans.

BENEFIT-INCOME REPLACEMENT RATES

Since income loss and benefits rose at about the same rate, the benefit-loss ratio for 1973 remained at somewhat more than one-third—as it has been, beginning 1970. The tabulation that follows reveals a striking difference in benefit-loss ratios for government workers and workers in private industry in 1973. This difference is due in large measure to the fact that government worker benefits are under sick-leave plans that generally offer full-pay replacement, and private industry sick-pay is primarily under insurance policies that are intended to provide

[Amounts in millions]

Item	Total ¹	Wage and salary workers in private employment		In government employment
		Covered by temporary disability insurance laws	Not covered by temporary disability insurance laws	
Income loss.....	\$18,661	\$3,797	\$11,315	\$3,549
Benefits (including sick leave).....	6,324	1,012	2,494	2,707
Benefits as percent of income loss.....	33.9	26.7	22.0	76.3

¹ Beginning 1973, includes benefits for the sixth month of disability payable under the old-age, survivors, disability, and health insurance program.

TABLE 2.—Protection against income loss from short-term sickness,¹ 1948–73

[In millions]

Year	Income loss from short-term sickness	Protection provided								
		Total		Type of cash benefit						Sick leave for government employees
		Amount ²	Percent of loss	Individual insurance	Group benefits to workers in private industry				Sick leave	
					Total	Voluntary private sickness insurance ³	Under public laws			
					Privately written sickness insurance ⁴	Publicly operated sickness funds ⁵				
1948	\$4,568	\$757	16.6	\$141	\$360	\$187	\$9	\$57	\$187	\$256
1949	4,424	846	19.1	150	396	145	27	62	162	300
1950	4,795	939	19.6	153	471	177	54	63	177	315
1951	5,473	1,150	21.0	157	603	231	113	61	198	390
1952	5,814	1,301	22.4	177	671	254	123	75	214	453
1953	6,144	1,410	22.9	209	719	258	140	91	231	482
1954	6,094	1,473	24.2	230	743	267	132	103	241	500
1955	6,546	1,615	24.7	250	820	307	135	109	268	545
1956	7,031	1,900	25.6	273	931	373	151	114	293	591
1957	7,363	1,953	26.5	307	1,018	389	178	127	324	627
1958	7,458	2,084	27.9	353	1,035	372	184	141	338	696
1959	7,724	2,230	28.9	390	1,115	411	190	164	351	725
1960	8,555	2,422	28.3	393	1,203	442	196	172	392	827
1961	8,639	2,537	29.6	426	1,231	424	201	195	410	900
1962	9,622	2,758	28.7	419	1,341	464	204	212	451	998
1963	10,178	2,984	29.3	447	1,427	472	198	244	513	1,110
1964	10,243	3,086	30.1	484	1,465	517	191	264	492	1,137
1965	11,278	3,331	29.5	453	1,579	560	198	269	553	1,259
1966	12,205	3,617	29.6	513	1,709	621	208	273	606	1,395
1967	12,836	3,864	30.1	527	1,804	628	222	285	669	1,533
1968	14,528	4,561	31.6	609	2,213	851	282	320	790	1,769
1969	15,227	5,020	33.0	635	2,508	940	281	374	913	1,877
1970	16,741	5,791	34.6	694	2,894	1,136	307	411	1,040	2,204
1971	17,041	5,970	35.0	731	2,935	1,142	310	411	1,072	2,304
1972	19,383	6,637	34.2	785	3,232	1,229	329	412	1,233	2,619
1973 ⁶	20,925	7,242	34.6	918	3,506	1,353	364	452	1,337	2,707

¹ Short-term sickness refers to short-term or temporary non-work-connected disability (lasting not more than 6 months) and the first 6 months of long-term disability. Data for 50 States and the District of Columbia.

² Beginning 1973, includes benefits for the sixth month of disability payable under the old-age, survivors, and disability insurance program, not shown separately.

³ Group accident and sickness insurance and self-insurance privately written on a voluntary basis. Includes a small but undetermined amount of group disability insurance paid to government workers and to self-employed persons through farm, trade, or professional associations.

⁴ Privately written group sickness insurance and self-insurance provided under private plans established in compliance with State temporary disability laws in California, New Jersey, and New York. Comparable data for Hawaii not available.

⁵ State-operated funds in Rhode Island, California, and New Jersey; the State Insurance Fund and the special fund for the disabled unemployed in New York; and the cash sickness provisions of the Railroad Unemployment Insurance Act.

⁶ Preliminary data.

partial wage-replacement benefits and do not cover the first few days of an illness. On the other hand, the wage-replacement rate for sickness insurance would be higher than indicated here if account could be taken of the fact that such benefits are not subject to Federal income

tax. Another major factor in the difference between the replacement rates for government and private industry workers is the higher proportion of government workers with protection (more than 9 out of 10, compared with less than 6 out of 10 among private industry workers in 1973).