

Notes and Brief Reports

Cash Benefits For Short-Term Sickness, 1977*

In 1977, an estimated \$28.2 billion in wage and salary payments was lost by civilian workers in the United States because of short-term sickness. Of this amount, \$10.3 billion was made up under benefit plans for workers, either through sick-leave payments or insurance benefits. These figures represent increases of 7 percent above the corresponding totals for the previous year. In contrast, benefit payments to the long-term totally disabled under the social security program grew 15 percent from 1976 to 1977.

Income loss from sickness, as discussed here, pertains to short-term disability from non-work-related accidents and illness, with "short-term" defined as a period of less than 6 months, including the first 6 months of a longer illness.

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) are subject to laws requiring employers to protect workers against short-term nonoccupational disability. These temporary disability insurance (TDI) programs covered 16 million workers in 1977.

In 1977, 53.7 million wage and salary workers, or 64 percent of the 84.3 million in the labor force, were under formal plans protecting them against wage loss when ill. Among workers in private industry, the number covered was 40 million (table 1). Covered workers represented 58 percent of all private industry employment, remaining within the 56-60 percent range that has prevailed starting in 1954 when the series began. Almost all workers in the jurisdictions with temporary disability insurance laws are protected. With these jurisdictions excluded, the proportion of wage and salary workers in private industry covered was 46 percent in 1977.

Thirty-four million workers were covered through insu-

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rance or self-insurance plans in 1977. Insurance plans are the predominant form of protection offered to workers in private industry, but almost all government workers are under sick-leave provisions. In 1977, 20 million workers were protected against income loss through such wage-continuation plans, including 14 million government workers.

Benefits

As table 2 shows, cash benefits paid for non-work-related illness totaled \$10.3 billion in 1977. This amount represented a 6.7-percent increase from the previous year's total, a somewhat lower rate of growth than the 9.1-percent experienced in 1976.

The amount of benefits paid through individual plans increased moderately in 1977, reversing the previous year's decline. As the figures below show, sick-leave payments in private industry rose by 14.9 percent, more than benefits under any other plan. In contrast, benefits under temporary disability insurance public funds scarcely rose at all (0.2 percent).

Type of protection	Percentage increase from 1976 to 1977
Total	6.7
Individual insurance	6.7
Group benefits in private industry:	
Voluntary private sickness insurance	3.5
Under public laws:	
Privately written sickness insurance	2.9
Publicly operated sickness funds2
Sick leave	14.9
Sick leave for government employees	5.0

Sick-leave payments made to government and private industry employees combined represented 61 percent of benefits paid through all types of sickness benefit plans in 1977. Reflecting primarily the large rate of increase in private industry sick-leave payments, the 1977 growth in sick-leave payments accounted for 76 percent of the total rise in all sick-pay benefits from 1976 to 1977.

The slackened pace of growth in benefit payments during 1977 resulted partly from a decline for that year in sickness among American workers. The Social Security Administration sickness index showed a decline from 102 in 1976 to 98 in 1977¹ based upon reductions reported by the U.S. Public

¹ The base for this index is 100 for the year 1967.

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 1954–77

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	59.5
1956.....	46,000	27,700	60.2
1958.....	45,900	26,900	58.6
1960.....	47,000	28,200	60.0
1962.....	48,900	29,800	60.9
1964.....	51,200	28,700	56.1
1966.....	54,800	30,700	56.0
1968.....	56,800	33,500	59.0
1970.....	58,000	35,300	60.9
1971.....	58,900	35,500	60.3
1972.....	61,400	36,500	59.4
1973.....	63,800	38,100	59.7
1974.....	62,800	36,900	58.8
1975.....	62,700	36,000	57.4
1976.....	65,400	38,700	59.2
1977.....	68,700	40,000	58.2
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.....	33,600	16,000	47.6
1960.....	34,300	16,800	49.0
1962.....	35,900	17,400	48.5
1964.....	38,100	16,000	42.0
1966.....	41,000	17,000	41.5
1968.....	42,600	19,300	45.3
1970.....	43,300	20,600	47.6
1971.....	44,300	20,900	47.2
1972.....	46,500	21,600	46.5
1973.....	47,700	22,000	46.1
1974.....	47,700	21,800	45.7
1975.....	48,000	21,300	44.4
1976.....	50,200	23,500	46.8
1977.....	52,700	24,000	45.5

¹ Number in private industry. For the areas not under 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 Bureau of Labor Statistics, **Employment and Earnings and Monthly Report on the Labor Force**. Beginning 1968, data not strictly comparable with figures for earlier years. Labor-force information, beginning 1968, 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; (3) under union and mutual association plans, and (4) under State-operated temporary disability insurance funds. Beginning 1964, group accident and sickness insurance coverage adjusted to exclude those with long-term benefit policies that usually do not provide short-term benefits. Estimates of private protection based on data from Health Insurance Association of America and from State administrative agencies.

Health Service in the number of lost workdays, restricted-activity days, and bed-disability days from acute sickness during the year. This index has fluctuated between 98 and 105 from 1970 through 1977.

Also affecting the growth pattern of aggregate benefits paid was the slower rate of increase in worker wage levels in 1977. Average full-time equivalent civilian employee wages reported by the U.S. Department of Commerce went up 6.7 percent to \$12,412, compared with a 7.2-percent rise in 1976.

No major statutory changes were noted during 1977 in

the State TDI programs. Increases were made, however, in the maximum weekly benefit amount payable in Hawaii, New Jersey, and Rhode Island under flexible maximum provisions of the law. California made a substantial increase in its maximum weekly benefit, from \$119 to \$146, effective January 1978. California also enacted new sick-pay protection for State government employees. State employees became eligible, effective October 1977, for an insurance-type partial-pay replacement benefit after exhausting sick leave—to be financed from general revenues; local government employees are covered optionally under the State TDI law.

Benefit-Income Replacement Rates

Since income loss and benefits rose at about the same rate, the benefit-loss ratio for 1977 remained at more than one-third, the ratio shown beginning in 1970. Moderate improvement from earlier years is noted in this index, probably reflecting a combination of factors that include some gradual increases in the proportions of workers covered by sick leave and insurance plans.

The following tabulation shows the amount of cash sick-

[Amounts in millions]

Item	Total	Private industry employees, by temporary disability insurance coverage		Government employees
		Covered	Not covered	
Income loss.....	\$25,922	\$5,478	\$15,582	\$4,862
Benefits (including sick leave).....	¹ 9,338	1,460	3,823	3,865
Benefits as percent of income loss.....	36.0	26.7	24.5	79.5

¹ Beginning 1973, includes OASDHI benefits for the sixth month of disability.

ness benefit payments in 1977 and the associated income loss and the ratio between them for wage and salary workers in private industry under voluntary plans and under the TDI programs, as well as for government workers.

The 79.5-percent wage-replacement rate achieved by sick-pay plans for government workers in 1977 was strikingly higher than the corresponding rates for workers in private industry—whether in TDI jurisdictions (26.7 percent) or in other areas (24.5 percent). There are two major reasons for this difference:

1. Most government workers, when they are ill, receive full-pay replacement through sick leave, without any waiting period. In contrast, the bulk of private industry protection is through a partial-pay wage-replacement insurance benefit—generally following an uncompensated waiting period of several days.
2. Proportionately far more government workers are

covered by formal sick-pay plans than are workers in private industry (at least for private industry workers in non-TDI jurisdictions).

Average replacement rates mask other relevant characteristics of these two types of plans. Workers disabled by longer duration illness have assurance of a continuing benefit under insurance plans, usually up to 26 weeks. Total

duration under sick-leave plans is measured in days (most often 5-15 maximum). The limited potential duration of sick-leave plans may be a drawback in the protection available to recently hired employees. These workers have had less opportunity to become eligible for the higher leave brackets of variable duration plans or to carry over days from previous years when such accumulation is allowed.

Table 2.—Protection against income loss from short-term sickness,¹ 1948-77
[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					
					Total	Voluntary private sickness insurance ³	Under public laws		Sick leave	
Privately written sickness insurance ⁴	Publicly operated sickness funds ⁵									
1948	\$4,582	\$761	16.6	\$141	\$361	\$136	\$9	\$57	\$158	\$259
1949	4,445	848	19.1	150	398	145	27	62	164	300
1950	4,816	942	19.6	153	474	176	54	63	180	315
1951	5,494	1,153	21.0	157	606	230	113	61	201	390
1952	5,834	1,304	22.4	177	674	254	128	74	218	453
1953	6,163	1,413	22.9	209	722	258	140	90	235	481
1954	6,114	1,478	24.2	230	747	267	132	103	245	500
1955	6,565	1,620	24.7	250	825	307	135	109	273	545
1956	7,052	1,806	25.6	278	937	373	151	114	299	591
1957	7,386	1,958	26.5	307	1,024	389	178	127	330	626
1958	7,477	2,093	28.0	353	1,044	372	184	141	346	696
1959	7,749	2,236	28.9	390	1,123	411	190	164	359	724
1960	8,591	2,430	28.3	393	1,211	442	196	172	400	826
1961	8,644	2,561	29.6	426	1,241	424	201	195	420	894
1962	9,653	2,776	28.8	418	1,355	466	204	212	472	1,003
1963	10,213	2,997	29.3	447	1,445	477	198	244	526	1,105
1964	10,296	3,101	30.1	484	1,485	524	191	264	505	1,133
1965	11,333	3,349	29.6	483	1,602	570	198	269	566	1,264
1966	12,268	3,637	29.6	513	1,735	635	208	273	619	1,389
1967	12,838	3,898	30.4	527	1,834	647	222	285	680	1,537
1968	14,585	4,622	31.7	609	2,247	872	252	320	803	1,766
1969	15,307	5,104	33.3	635	2,551	966	281	374	930	1,918
1970	16,757	5,872	35.0	694	2,952	1,169	307	411	1,066	2,225
1971	17,146	6,120	35.7	731	3,030	1,179	310	411	1,130	2,360
1972	19,507	6,807	34.9	772	3,390	1,286	328	412	1,364	2,645
1973	21,059	7,369	35.0	795	3,650	1,382	354	446	1,469	2,814
1974	21,804	8,135	37.3	851	4,144	1,643	382	485	1,634	3,010
1975	23,595	8,830	37.4	973	4,328	1,610	401	538	1,779	3,369
1976	26,430	9,632	36.4	881	4,900	1,854	414	581	2,052	3,680
1977	28,203	10,278	36.4	940	5,282	1,918	426	582	2,357	3,865

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.