

Income-Loss Protection Against Short-Term Sickness, 1948-59

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In this article—the twelfth in the series—the Social Security Administration again presents benchmarks on income loss arising from short-term sickness. Against these estimates may be measured the amount of protection provided each year through cash-sickness benefit plans—public and private—and the year-to-year expansion in such protection from 1948 to 1959.

A SLACKENING rate of growth in the formal protection that workers in the United States have against the risk of short-term, nonoccupational sickness features the 1959 data collected by the Social Security Administration in its annual survey of private and public cash-sickness plans. Benefits paid out through government and non-government disability insurance and formal paid-sick-leave plans amounted to 28.4 percent of lost earnings, compared with 27.7 percent in 1958. This increase is the smallest reported since 1955 and is considerably less than the average annual increase of 1.1 percentage points registered since 1948. Unknown amounts of informal sick-leave benefits paid to workers at the employer's discretion are excluded from the data.

This year's article follows the same format and incorporates the same basic tables as did the earlier articles.¹ As in other years, data for some items have been revised as existing procedures were refined and new sources of data became available. An innovation this year is the use of data from the United States National Health Survey to reflect the actual variation in sickness rates from 1958 to 1959. In the past, the absence of national morbidity data on an annual basis made it necessary to assume a fixed or constant amount of average time lost from work each

year because of sickness and disability for the various components of the labor force.

MEASURING INCOME LOSS

The estimate of income loss 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 time lost because of temporary disability and part of the loss (the first 6 months) attributed to long-term disability. Excluded from the estimate is the loss of amounts that would have been earned in the future if extended or permanent disability or premature death had not occurred.

Data From National Health Survey

For the calendar year 1959, unpublished data from the National Health Survey show a nationwide estimate of roughly 350 million days lost from work by the civilian noninstitutional population aged 17 and over because of nonoccupational illness or injury. This is a drop of about 75 million workdays from the estimate of 425 million for 1958.

Most of this drop, however, is attributable to a midyear change in the phrasing of the survey questions dealing with work-loss time. Before July 1959, questions on work loss were asked of all persons who, in reply to a previous question, reported that they would have been working at a job or business except for an illness or injury. To a large extent, persons with a prolonged illness who considered themselves actively in the labor force would tend to report work-loss days, even though they no longer held the job they had before the illness.

Starting with July 1959, a question on the number of days lost from work because of illness or injury was asked only of those who stated, in

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¹For previous articles in this series dealing exclusively with protection against income loss from sickness, see the January issue of the *Bulletin*, 1956-60.

response to a previous question, that they had been working during the past 2 weeks or if not working that they had a job or business. Under this new method of questioning, few persons with prolonged illnesses would have their work-loss days counted unless they specified that their jobs were still open to them and they expected to return to work.

To the extent, then, that time lost from work during the first 6 months of a long-term disability is underreported in the National Health Survey, the measure of work-loss days under the new, more restrictive definition is not comparable with the concepts employed in this article.² The survey totals also omit the days of work lost by persons in institutions, some of which may be attributable to the first 6 months of a disability.

It is thus not possible to reconcile the 1959 aggregate data on work-loss days used in this series with those of the National Health Survey. There is, however, ample evidence from the survey data—using material that does not involve definitional changes—that there has been some reduction from 1958 to 1959 in the average amount of sickness incurred per person. With 1958 as a benchmark year,³ the estimates of time loss and income loss from nonoccupational short-term sickness have been adjusted to allow for this reduction—estimated at roughly 3 percent—in the volume of sickness for 1959 (table 1).

Rise In Income Loss

Despite improved morbidity experience, the amount of earnings lost through illness and injury of short-term duration rose almost \$300 million in 1959 to an estimated all-time high of \$7.7 billion. Wage and salary workers lost an estimated \$6.7 billion, and the self-employed lost \$1.0 billion. Since 1948, wage and salary losses resulting from temporary disability have increased 84 percent, while the income loss of

the self-employed has increased only 12 percent—a reflection of the diminishing importance of self-employment in the economy.

Federal, State, and local government employees had an estimated wage loss of \$1,012 million in

TABLE 1.—Estimated income loss from nonoccupational short-term sickness¹ by type of employment, 1948-59

[In millions]

Year	Wage and salary workers						Self-employed persons ⁷
	Total	Total	In private employment ²		In public employment		
			Covered by temporary disability insurance laws ³	Other ⁴	Federal ⁵	State and local ⁶	
1948	\$4,566	\$3,628	\$391	\$2,805	\$174	\$258	\$938
1949	4,429	3,599	483	2,641	190	285	830
1950	4,789	3,913	712	2,695	201	306	876
1951	5,477	4,489	1,059	2,837	259	334	988
1952	5,814	4,829	1,132	3,037	291	369	985
1953	6,147	5,197	1,213	3,293	290	401	950
1954	6,104	5,160	1,212	3,231	280	437	944
1955	6,552	5,569	1,299	3,503	297	470	988
1956	7,065	6,086	1,430	3,775	313	518	1,020
1957	7,376	6,339	1,512	3,934	323	570	1,037
1958	7,454	6,372	1,507	3,885	352	628	1,082
1959 ⁸	7,733	6,681	1,580	4,089	356	656	1,052

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

² Annual payrolls of wage and salary workers in private employment from table VI-2 in *U.S. Income and Output: A Supplement to the Survey of Current Business, 1968*, and in *Survey of Current Business, National Income Number, July 1960* (Department of Commerce), multiplied by 7 (estimated average workdays lost per year due to short-term sickness) and divided by 255 (estimated workdays in year).

³ 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.

⁴ Represents the difference between total loss for all wage workers in private employment and for those covered by temporary disability insurance laws.

⁵ Federal civilian payroll in continental 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).

⁶ Annual wage and salary payrolls of State and local government employees from Department of Commerce data (see footnote 2), multiplied by 7.5 (estimated average workdays lost per year due to short-term sickness) and divided by 255 (estimated workdays in year).

⁷ Annual farm and nonfarm proprietors' income from table 1-8 in Department of Commerce sources cited in footnote 2, multiplied by 7 (estimated income-loss days per year due to short-term sickness) and divided by 300 (estimated workdays in year).

⁸ Computed as for earlier years, then reduced 3 percent to reflect changes in sickness experience (average number of disability days) in 1959, as reported in the National Health Survey.

1959, or about 15 percent of the loss of all wage and salary workers. This proportion has been rising slowly since 1948, when the estimated wage loss of \$432 million for government employees made up 12 percent of the loss to wage and salary workers.

The estimated value of time lost through short-term sickness of workers covered by the five temporary disability insurance laws was \$1,580 million in 1959, or 28 percent of all time lost by private wage and salary workers. This proportion has remained rather constant since 1951—

² Under both the new and old procedures of the survey, the questions on work-loss time were not asked of persons who stated that their disabilities were not causing any reduction in usual daily activities. This screening question probably excluded most persons with chronic stabilized conditions of more than 6 months' duration.

³ Using 1958 as a benchmark year appears reasonable in light of the compatibility of National Health Survey data and the 1958 data used in the January 1960 issue of the *Bulletin*.

the first full year that all five laws were in effect.

PROTECTION AGAINST INCOME LOSS

Protection against loss of earnings during periods of short-term sickness is provided in several ways. For wage and salary workers in private industry, protection may be obtained through voluntary action by the employer or the employee, or a temporary disability insurance law may make the protection compulsory.

Voluntary protection is usually provided through group or individual accident and sickness insurance policies sold by commercial carriers that pay cash amounts during specified

TABLE 2.—Premiums and benefit payments for private insurance against income loss, 1948-59

[In millions]

Year	Total	Under voluntary provisions				Under public provisions		
		Total	Group insurance ¹	Individual insurance ¹	Other ²	Total	Group insurance ¹	Other ³
Premiums ⁴								
1948...	\$558.0	\$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...	679.4	603.5	219.7	360.0	23.8	75.9	64.2	11.7
1951...	785.8	642.0	250.5	366.0	25.5	143.8	121.8	22.0
1952...	855.1	699.3	267.3	405.4	26.6	155.8	131.7	24.1
1953...	1,006.0	819.5	300.7	494.8	24.0	186.5	157.0	29.5
1954...	1,053.7	875.6	320.4	534.2	21.0	178.1	149.5	28.6
1955...	1,107.9	929.1	364.5	547.8	16.8	178.8	150.0	28.8
1956...	1,183.8	1,006.0	402.4	586.0	17.6	177.8	149.6	28.2
1957...	1,319.5	1,100.7	436.3	646.0	18.4	218.8	183.7	35.1
1958...	1,389.6	1,155.2	434.7	703.0	17.5	234.4	194.3	40.1
1959...	1,496.1	1,260.6	470.1	773.0	17.5	235.5	194.9	40.6
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...	379.6	325.3	157.1	153.0	15.2	54.3	45.9	8.4
1951...	485.9	372.6	197.5	157.0	18.1	113.3	96.0	17.3
1952...	543.6	415.8	219.1	177.0	19.7	127.8	108.0	19.8
1953...	590.2	450.5	225.4	209.0	16.1	139.7	117.6	22.1
1954...	613.3	481.3	237.2	230.0	14.1	132.0	110.8	21.2
1955...	672.4	537.2	275.6	250.0	11.6	135.2	113.4	21.8
1956...	782.4	631.2	341.8	276.0	13.4	151.2	127.2	24.0
1957...	851.0	672.9	355.5	304.0	13.4	175.1	149.5	25.6
1958...	885.8	702.1	340.7	349.0	12.4	183.7	152.3	31.4
1959...	964.3	774.7	378.1	384.0	12.6	189.6	156.9	32.7

¹ 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, excluding Alaska and Hawaii, by type of insurance benefit, adjusted to include accidental death and dismemberment provisions in individual policies that insure against income loss to offset understatement arising from the omission of current short-term income-loss insurance in automobile, resident liability, life, and other policies. For 1956-59, dividends deducted from earned premiums (2-3 percent for group; 1 percent for individual).

² Union-management trust fund, trade-union, and mutual benefit association plans.

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

⁴ Loss ratios applicable to all group insurance were applied to the benefits under voluntary provisions and under public provisions to obtain the premiums applicable to each.

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 pay cash disability benefits. The methods are not mutually exclusive, since 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 employment.

The medium used for providing protection for workers covered by temporary disability insurance laws depends on the particular statute. The compulsory benefits for workers in Rhode Island and railroad workers are paid exclusively through publicly operated funds, though private plans may supplement the government-paid benefits. In California and New Jersey, benefits may be paid through publicly operated funds or

TABLE 3.—Cash benefits under temporary disability insurance laws provided through private plans and through publicly operated funds, 1948-59¹

[In millions]

Year	Total	Type of insurance arrangement		
		Private plans ²		Publicly operated funds ⁴
		Group insurance	Self-insurance ³	
1948.....	\$66.4	\$9.0	\$0.3	\$57.1
1949.....	89.2	22.3	4.8	62.1
1950.....	117.4	45.9	8.4	63.1
1951.....	174.2	96.0	17.3	60.9
1952.....	202.3	108.0	19.8	74.5
1953.....	230.2	117.6	22.1	90.5
1954.....	235.1	110.8	21.2	103.1
1955.....	244.6	113.4	21.8	109.4
1956.....	265.0	127.2	24.0	113.8
1957.....	305.3	149.5	28.6	127.2
1958.....	325.1	152.3	31.4	141.4
1959.....	353.2	156.9	32.7	163.6

¹ 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.

² Under the laws of California, New Jersey, and New York.

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

⁴ 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.

through the types of private arrangements mentioned earlier (except individual insurance). In 1959, private plans were effective for about 39 percent of the covered workers in California and 61 percent in New Jersey. These proportions have been dropping steadily in California since 1951, when private plans accounted for 52 percent of the coverage, and in New Jersey since

1952, when coverage under such plans represented 72 percent of the total.

In New York State, employers are permitted to insure with a publicly operated carrier (the State Insurance Fund). About 96 percent of the employees are, however, protected through private arrangements.

Protection for government workers is generally provided through formal sick-leave plans. Almost all Federal civilian full-time employees and probably more than four-fifths of full-time State and local government employees are eligible for sick-leave benefits.

For the self-employed, the provisions used for indemnifying disabling illness are necessarily different from the group provisions available to wage and salary workers. Protection for this group is generally confined to individual accident and sickness insurance or fraternal policies.

Private Insurance

Table 2 presents information on insurance protection provided against income loss resulting from short-term disability through private arrangements with nongovernmental agencies. Such insurance may be voluntarily provided by employers or purchased by employees, it may result from collective bargaining for fringe benefits, or it may be written in compliance with State laws in California, New Jersey, and New York. The table shows separately the private insurance written under voluntary arrangements and that written under the provisions of the public laws. Data on paid-sick-leave plans and—in States without compulsory laws—on self-insured, employer-administered plans are considered separately in table 4 and excluded from table 2.

Rebounding from the 1957–58 recession, premiums for private insurance providing cash replacement of lost income increased by more than \$100 million in 1959 and reached a new high of \$1.5 billion. The dollar increase was the third largest recorded since the series began in 1948—surpassed only in the boom years of 1953 and 1957. Percentagewise, however, the rise in premium income (7.7 percent) was less than the annual average rate of 9 percent for the entire period.

A parallel development took place with respect

to benefit payments. The \$79 million increase in outgo from 1958 to 1959 had been exceeded in only 2 years—1951 and 1956. The percentage increase (8.9 percent), however, was considerably less than the annual average of 12 percent for the period.

The slowdown in the rate of increase in both premiums and benefits is not unexpected, since the period 1948–53 was one of rapid growth resulting from the introduction of compulsory legislation and the widespread adoption of collectively bargained plans. If private-plan bene-

TABLE 4.—Estimated value of formal paid sick leave in private industry and in Federal, State, and local government employment, 1948–59

[In millions]

Year	Total	Workers in private industry ¹			Government workers		
		Total	Not covered by temporary disability insurance laws	Covered by temporary disability insurance laws ²	Total	Federal ³	State and local ⁴
1948	\$413	\$157	\$145	\$12	\$256	\$148	\$108
1949	463	163	147	16	300	173	127
1950	493	178	154	24	315	172	143
1951	589	199	165	34	390	221	169
1952	668	215	179	36	453	254	199
1953	713	231	193	38	482	262	220
1954	741	241	201	40	500	252	248
1955	813	268	224	44	545	269	276
1956	882	291	242	49	591	280	311
1957	949	322	268	54	627	290	337
1958	1,039	336	281	55	703	315	388
1959 ⁵	1,067	347	290	57	720	315	405

¹ Sum of estimated value of formal paid sick leave for employees with (a) sick leave but no other group protection and (b) sick leave supplemental to group insurance or other forms of group protection, including publicly operated funds. Under each category, number of employees was adapted from Health Insurance Council, *Annual Survey of Accident and Health Coverage in the United States 1948–1954*, after reducing estimates of exclusive sick-leave coverage in early years by a third to allow for exclusion of informal sick-leave plans and for conversion of exclusive protection to supplemental protection under temporary disability insurance laws. Later-year estimates based on nationwide projection of formal paid-sick-leave coverage reported for plant and office workers in the community wage surveys of the Bureau of Labor Statistics. Assumes that workers in private industry receive an average of 4 days of paid sick leave a year, excluding other protection, and 3.2 days when they have other group protection. Daily wages obtained by dividing average annual earnings per full-time private employee as reported in table VI-15 in *U.S. Income and Output: A Supplement to the Survey of Current Business, 1958*, and in *Survey of Current Business, National Income Number, July 1960* (Department of Commerce) by 255 (estimated workdays in a year).

² 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.

³ 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, excluding Alaska and Hawaii, by their mean earnings, as reported in *Pay Structure of the Federal Civil Service, Annual Reports* (Federal Employment Statistics Office, U.S. Civil Service Commission). Practically all full-time employees are covered by paid-sick-leave provisions.

⁴ 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 81 percent in 1959 and that workers covered by such plans received on the average paid sick leave ranging from 5.2 days in 1948 to 5.9 days in 1959. Number of full-time employees from *State Distribution of Public Employment, Annual Reports* (Bureau of the Census). Daily wages obtained by dividing average annual earnings per full-time State and local employee as reported in Department of Commerce data (see footnote 1) by 255 (estimated workdays in a year).

⁵ Computed as for earlier years, then reduced 3 percent to reflect changes in sickness experience (average number of disability days) in 1959, as reported in the National Health Survey.

fits made mandatory by State temporary disability insurance laws are excluded, the 1959 rates of increase for premiums and benefits are found to be higher than the average annual rates. In fact, the increase for premiums—9 percent—is the third highest for the period under review.

In the area of commercial insurance, which accounts for more than 95 percent of all private income-loss insurance, individual policies have been gaining relatively more than group policies. In 1959, 54 percent of all premiums earned by commercial companies for income-loss indemnification went for individual insurance (\$773 million) and 46 percent for group insurance (\$665 million). The share going to individual insurance is the highest since 1950, immediately before the stimulating effect of New York's compulsory law on the sale of private group insurance was fully felt.

Weekly indemnity benefits paid by commercial insurance companies under the public provisions of California, New Jersey, and New York amounted to \$157 million in 1959 and equaled 29 percent of all group disability benefits (\$535 million) paid by insurance companies nationally in 1959. In 1953 the percentage was as high as 34. Since that year the amount of group insurance benefits paid under voluntary provisions has expanded at twice the rate of that paid under public provisions. For 1959, the gain from 1958 was 11 percent under voluntary provisions and 3 percent under public provisions. This development, of course, is influenced by the fact that the growth potential for group insurance is much greater in the States without compulsory laws.

Public Provisions

The total amount of protection under the temporary disability insurance laws, according to the type of insurance arrangement, is shown in table 3. To the extent that the protection is provided through commercial insurance companies or other private arrangements, the data overlap those in table 2.

The proportion of compulsory benefits underwritten by private plans dropped to a new low in 1959. Of the \$353 million paid in benefits under the five laws in 1959, only 54 percent was made available through private group insurance contracts or self-insurance, compared with 57

percent in 1958 and 65 percent in 1951—the first full year of operation for all five laws.

From 1951 to 1959, disbursements from publicly operated funds expanded at a faster rate (169 percent) than payments under either group accident and sickness insurance policies (63 percent) or self-insured employer, union, union-management, and mutual benefit plans (89 percent). The rate of increase from 1958 to 1959 among publicly operated funds was more than four times that among private plans. This increase in government-paid benefits can be attributed mainly to statutory liberalizations in the railroad program and to the shift of some coverage from private plans to the State plan in California.

In 1959, workers covered by the disability insurance laws, although they incurred only 28 percent of the Nation's wage loss in private employment, received 48 percent of all cash-sickness benefits (exclusive of sick leave) disbursed as group protection to private wage and salary workers. These percentages were the same as in 1958. Since 1951 the cash benefits paid under the laws have ranged from a low of 43 percent (1956) to a high of 49 percent (1953) of the Nation's total. During this period the wage loss incurred by covered workers has remained constant at 27–28 percent of the total private wage and salary loss.

Paid Sick Leave

Estimates are presented in table 4 of the amount of income replaced through formal paid-sick-leave benefits in private industry and in government employment, including the value of sick leave paid as a supplement to group insurance, publicly operated plans, or other types of group protection.

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

self-insured plans when they are made in compliance with statutory provisions, shown in table 3.

In estimating the value of sick leave granted workers, a method was devised some years ago for calculating the number of days of paid sick leave used per year by the average worker covered by a sick-leave plan. The characteristics of existing wage-continuation plans are first assigned weights in accordance with their relative frequency and significance, and then they are related to potential work-time lost.

Among the factors considered are the number of paid-sick-leave days allowed each year; the maximum duration of benefits, as affected by cumulative and noncumulative sick-leave provisions; and the difference in protection afforded newly hired employees and long-time employees, as reflected in eligibility provisions and graduated benefit schedules. Separate calculations are made for private industry and for government employment. Thus, it has been roughly calculated that about 50-55 percent of the potential work-time lost by workers covered by wage-continuation plans in private industry is compensated through paid sick leave and about 80 percent of the time lost by government employees.

The 1959 estimates of sick leave, though basically developed in this manner, take into account the reduction in work-time lost that was reported by the National Health Survey. This procedure is necessary because of the fixed relationship that the estimated days of sick leave used per worker bear to the amount of work-time lost.

Despite improved morbidity experience, the aggregate amount of paid sick leave rose \$28 million in 1959 to an estimated total of \$1,067 million. Of this increase, \$11 million took place in private industry and \$17 million in government employment. Contributing factors were a 5-percent rise in wage and salary levels, a 3-percent increase in the number of full-time employees, and a slight advance, according to labor-market area surveys of the Bureau of Labor Statistics, in the proportion of office and plant workers in private establishments having formal sick-leave plans.⁴

For most government workers, sick-leave benefits provide the only source of group protection

against the risk of wage loss from ill health. In private industry, in contrast, an increasing number of workers receive sick-leave benefits as a supplement to group insurance or other forms of group protection, including publicly operated cash-sickness plans.

In 1948, plans providing exclusive sick-leave protection accounted for three-fourths of the estimated \$157 million paid out in sick leave by private employers. By 1951 this proportion had

TABLE 5.—Estimated value of formal paid sick leave in relation to income loss due to short-term sickness among workers covered by exclusive formal sick-leave plans,¹ 1948-59

[Amounts in millions]

Year	Income loss	Value of sick leave under exclusive plans	Ratio (percent) of sick leave to income loss
1948	\$568	\$375	66.0
1949	602	416	69.1
1950	636	433	68.1
1951	724	508	70.2
1952	806	577	71.6
1953	846	612	72.3
1954	874	634	72.5
1955	951	691	72.7
1956	1,022	744	72.8
1957	1,104	799	72.4
1958	1,199	880	73.4
1959	1,232	901	73.1

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

dropped to 59 percent, as the rapid expansion of group disability insurance resulted in the entitlement of a growing number of workers to dual benefits. Since then, exclusive plans have registered further declines, and in 1959 only 52 percent of the estimated \$347 million granted in formal sick leave was accounted for by such plans.

Total benefits paid under exclusive sick-leave provisions in public and private employment amounted to \$901 million in 1959, of which four-fifths was attributable to sick-leave plans for government workers. This ratio has been gradually rising since 1948, when government workers received 68 percent of the payments made under exclusive sick-leave plans. Table 5 shows the extent of protection afforded workers covered by the exclusive plans. In 1959, these workers had approximately 73 percent of their potential income loss met through sick leave.

The above estimates of exclusive and supplemental sick leave exclude amounts paid informally by employers at their discretion to sick em-

⁴ Department of Labor, Bureau of Labor Statistics, *Wages and Related Benefits, 20 Labor Markets, 1958-59*, Bulletin No. 1240-22, November 1959.

ployees. Since the provisions governing discretionary payments are rarely specified publicly in advance, it is difficult to estimate the number of workers who would actually receive such payments when they are sick or the magnitude of such benefits.

Some clue as to the prevalence of informal sick-leave plans is provided by a study by the Bureau of Labor Statistics on paid sick leave in manufacturing in 1958.⁵ This study was based on a sample of 6,500 firms, selected from the Nation's manufacturing establishments and employing some 3 million workers in production and related jobs. It showed that 17 percent of the factory workers were employed in establishments having formal provisions for paid sick leave, and an additional 9 percent were in establishments reporting informal arrangements. No information was obtained on the provisions of the informal plans, although for the formal sick-leave plans it was reported that 4 percent of the workers were covered by plans providing full payment, with no waiting period, and 11 percent by plans providing partial pay or with a waiting period.

Summary of Protection Provided

To determine the total value of all forms of protection against income loss due to short-term nonoccupational illness, data from tables 2, 3, and 4 have been summarized in table 6. Because employee-benefit plans and compulsory temporary disability insurance laws have special pertinence for wage and salary workers, the protection provided this group through their place of employment is separated from the protection received by all persons in the labor force through individually purchased disability insurance policies.

Since 1948 the dollar value of all forms of protection has been rising \$131 million a year on the average. This pattern of growth continued in 1959, with benefits increasing \$129 million to a total of \$2,195 million. Percentagewise, however, the 6.2-percent growth registered in 1959 was the lowest annual gain since 1954.

The income-replacement protection provided the Nation's public and private workers in 1959 was almost equally divided between sick-leave

benefits (\$1,067 million) and disability insurance benefits (\$1,128 million). This pattern has prevailed more or less for the past half dozen years, with first sick leave and then disability insurance supplying a slightly larger share of protection.

Half the 1959 amount constituted group protection for wage and salary workers in private industry, almost one-third was sick leave granted government employees, and the balance was in the form of benefits purchased through individual insurance. This pattern of protection has shown only random fluctuations during the period under review: group protection for private workers, between 47 and 52 percent; sick leave for government employees, between 33 and 38 percent; and individual insurance, between 14 and 19 percent.

A more distinct trend has developed in the various forms of protection provided employees in private industry. In 1948, sick-leave plans accounted for 44 percent of the benefits received by such employees, and private cash-sickness insurance and self-insurance plans accounted for 41 percent. By 1959, sick-leave payments had dropped to 32 percent of total benefits, and private insurance and self-insurance were paying 53 percent. Benefits under publicly operated funds amounted to 16 percent in 1948 and to 15 percent in 1959.

TABLE 6.—Benefits provided as protection against income loss, summary data, 1948–59

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				
				Total	Private cash sickness insurance and self-insurance ¹	Publicly operated cash sickness funds	Sick leave	
1948	\$756.9	\$141.0	\$615.9	\$359.9	\$145.8	\$57.1	\$157.0	\$256.0
1949	847.1	150.0	697.1	397.1	172.0	62.1	163.0	300.0
1950	935.7	153.0	782.7	467.7	226.6	63.1	178.0	315.0
1951	1,135.8	157.0	978.8	588.8	328.9	60.9	199.0	390.0
1952	1,286.1	177.0	1,109.1	656.1	366.6	74.5	215.0	453.0
1953	1,393.7	209.0	1,184.7	702.7	381.2	80.5	231.0	482.0
1954	1,457.4	230.0	1,227.4	727.4	383.3	103.1	241.0	500.0
1955	1,594.8	250.0	1,344.8	799.8	422.4	109.4	268.0	545.0
1956	1,778.2	276.0	1,502.2	911.2	506.4	113.8	291.0	591.0
1957	1,927.2	304.0	1,623.2	996.2	547.0	127.2	322.0	627.0
1958	2,066.2	349.0	1,717.2	1,014.2	536.8	141.1	336.0	703.0
1959	2,194.9	384.0	1,810.9	1,090.9	580.3	163.6	347.0	720.0

¹ 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.

⁵ L. Earl Lewis, "Composition of Payroll Hours in Manufacturing, 1958," *Monthly Labor Review*, July 1960, pages 690–692.

TABLE 7.—Extent of protection against income loss, 1948-59

[Amounts in millions]

Year	Income loss and protection provided			Income loss not protected	Net cost of providing insurance ³
	Income loss ¹	Protection provided ²	Protection as percent of loss		
1948	\$4,566	\$757	16.6	\$3,809	\$277
1949	4,429	847	19.1	3,582	287
1950	4,789	936	19.5	3,853	306
1951	5,477	1,136	20.7	4,341	307
1952	5,814	1,286	22.1	4,528	319
1953	6,147	1,394	22.7	4,753	424
1954	6,104	1,457	23.9	4,647	443
1955	6,552	1,595	24.3	4,957	444
1956	7,056	1,778	25.2	5,278	410
1957	7,376	1,927	26.1	5,449	478
1958	7,454	2,066	27.7	5,388	514
1959	7,733	2,195	28.4	5,538	543

¹ From table 1.

² Total benefits, including sick leave (from table 6).

³ Includes retention costs (for contingency reserves, taxes, commissions, acquisition, claims settlement, and underwriting gains) of private insurance companies (from table 2) and administrative expenses for publicly operated plans and for supervision of the operation of private plans. Excludes costs of operating sick-leave plans, not available.

MEASURING THE EXTENT OF PROTECTION

Table 7 shows the value of current protection against sickness for each of the years 1948-59 in terms of the percentage of income loss met by sickness benefits. This dollar relationship thus measures the effective growth in protection afforded, without having to take into account labor-force expansion and any adjustments in benefits to take care of rising earnings levels.

Total income loss increased 69 percent from 1948 to 1959, but the protection provided showed a 190-percent rise. As a result the proportion of lost earnings covered by cash-sickness benefits (including sick leave) advanced from 16.6 percent in 1948 to 28.4 percent in 1959, or approxi-

mately 1.1 percentage points a year. The 0.7-percent increase in 1959 was, however, the smallest recorded since 1955.

The amount of income loss not replaced by insurance or formal sick leave has also risen since 1948—from \$3,809 million to \$5,538 million, or about \$157 million a year. The 1959 increase (\$150 million) was a little less than this average. The amounts specified as uncompensated income loss do not necessarily represent the actual income loss incurred by disabled individuals. During sickness, certain work-connected expenses—such as carfare, meals, and clothing—and income taxes and old-age, survivors, and disability insurance contributions are reduced if not eliminated. On the other hand, the worker may be faced with medical expenses for his illness that, unless met by prepaid health insurance, for example, may be greater than any reduction in expenses or taxes.

Table 7 also shows the secondary cost of operating the mechanism for providing cash disability insurance. The net cost of providing insurance, which doubled from 1948 to 1959, represents the difference between the insurance losses incurred and the premiums earned (shown in table 2), plus the public cost of administering the temporary disability insurance programs (not shown elsewhere). The costs of operating sick-leave programs are not known. For the years before 1956, net costs are slightly overstated because insurance premiums included an unknown amount of dividends returnable to policyholders.

Table 8 presents data on the extent of protection that wage and salary workers received

TABLE 8.—Group protection provided in relation to wage and salary loss, 1948-59

[Amounts in millions]

Year	All wage and salary workers			Wage and salary workers in private industry								
				Total			Covered by temporary disability insurance laws			Not covered by temporary disability insurance laws		
	Income loss	Protection provided		Income loss	Protection provided		Income loss	Protection provided		Income loss	Protection provided	
		Amount	Percent of income loss		Amount	Percent of income loss		Amount	Percent of income loss		Amount	Percent of income loss
1948	\$3,628	\$616	17.0	\$3,196	\$360	11.3	\$391	\$78	19.9	\$2,805	\$282	10.1
1949	3,599	697	19.4	3,124	397	12.7	483	105	21.7	2,641	292	11.1
1950	3,913	783	20.0	3,407	468	13.7	712	141	19.8	2,695	327	12.1
1951	4,489	979	21.8	3,896	589	15.1	1,059	208	19.6	2,837	381	13.4
1952	4,829	1,109	23.0	4,169	656	15.7	1,132	238	21.0	3,037	418	13.8
1953	5,197	1,185	22.8	4,506	703	15.6	1,213	268	22.1	3,293	455	13.2
1954	5,160	1,227	23.8	4,443	727	16.4	1,212	275	22.7	3,231	452	14.0
1955	5,569	1,345	24.2	4,802	800	16.7	1,299	289	22.2	3,503	511	14.6
1956	6,036	1,502	24.9	5,205	911	17.5	1,430	314	22.0	3,775	597	15.8
1957	6,339	1,623	25.6	5,446	996	18.3	1,512	359	23.7	3,934	637	16.2
1958	6,372	1,717	26.9	5,392	1,014	18.8	1,507	380	25.2	3,885	634	16.3
1959	6,681	1,811	27.1	5,669	1,091	19.2	1,580	410	26.0	4,089	681	16.7

through their place of employment. For all public and private wage and salary workers, cash payments under group accident and sickness insurance, publicly operated funds, formal paid-sick-leave plans, union and employee plans, and self-insurance equaled 27 percent of the wage loss in 1959 and 17 percent in 1948. This growth in protection closely paralleled the experience of the entire working population, summarized in table 7.

Exclusion of government employees changes the picture somewhat because of the preponderance in government employment of sick-leave provisions that generally replace a greater proportion of lost income than do other types of group plans. In 1959, group benefits for wage and salary workers in private industry amounted to only 19 percent of their estimated wage loss of \$5.7 billion.

For workers covered by the compulsory temporary disability insurance laws, the proportion of wage loss replaced rose from 20 percent in 1948 to 26 percent in 1959, primarily because of statutory liberalizations. A slightly larger increase—from 10 percent to 17 percent—took place during this period for private employees not covered by compulsory laws, but this growth is attributable more to an expansion in the proportion of workers with protection than to liberalization of benefits. From 1948 to 1959 the proportion of private wage and salary workers in States without compulsory laws who had some sort of formal protection against nonoccupational disability rose from approximately 35 percent to slightly more than 50 percent.

Table 9, in measuring the existing protection provided by disability insurance plans and policies, takes into consideration the hypothetical income loss that conceivably might be covered by prevailing insurance provisions. To discourage malingering, insurance policies ordinarily undertake to compensate for only a part of the weekly wage or salary loss and do not cover the first few days or first week of disability (except when the disability results from an accident). The amount of income loss potentially insurable and compensable under the common forms of disability insurance is therefore somewhat less than the actual or total income loss considered in table 7.

To adjust the income loss for the first 3 days of uncompensated sickness, the total income loss is reduced 30 percent; for the first 7 days, the reduction factor is 45 percent. The income loss of

TABLE 9.—Insurance benefits as percent of estimated potentially insurable and compensable income loss¹ for workers without exclusive formal sick leave, 1948–59

[Amounts in millions]

Year	Amount of insurance benefits ²	As percent of—			
		Income loss, excluding first 3 days ³	Two-thirds of income loss, excluding first 3 days	Income loss, excluding first 7 days ⁴	Two-thirds of income loss, excluding first 7 days
1948----	\$344	12.3	18.4	15.6	23.5
1949----	384	14.3	21.5	18.2	27.4
1950----	443	15.2	22.9	19.4	29.1
1951----	547	16.4	24.7	20.9	31.4
1952----	618	17.6	26.4	22.4	33.7
1953----	681	18.4	27.5	23.4	35.0
1954----	716	19.6	29.3	24.9	37.4
1955----	782	19.9	29.9	25.4	38.1
1956----	896	21.2	31.8	27.0	40.5
1957----	978	22.3	33.4	28.3	42.5
1958----	1,027	23.5	35.2	29.9	44.8
1959----	1,128	24.8	37.2	31.5	47.3

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

² Excludes sick-leave payments.

³ Based on 70 percent of total income loss (from table 1), after exclusion of income loss of workers covered by exclusive sick-leave plans (from table 5).

⁴ Based on 55 percent of total income loss (from table 1), after exclusion of income loss of workers covered by exclusive sick-leave plans (from table 5).

persons with exclusive sick leave (shown in table 5) is omitted from the computations, so as to avoid inflating the benchmark base with income loss that is already covered by sick leave.⁶

Such an adjustment leads to estimates of the potentially insurable income loss for 1959 of \$4.6 billion (with a 3-day waiting period) and \$3.6 billion (with a 7-day waiting period), compared with \$2.8 billion and \$2.2 billion in 1948. Relating aggregate insurance benefits to these benchmarks yields indexes of the effectiveness of insurance in meeting the impact of illness. In 1959, insurance benefits of \$1,128 million were equal to 24.8 percent of the income loss excluding the first 3 days of sickness and 31.5 percent of the income loss excluding the first 7 days of sickness,⁷ twice the comparable proportions for 1948.

The benchmark measuring potentially compensable income loss is estimated at two-thirds of the potentially insurable income loss. This ratio rep-

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

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

TABLE 4.—Status of the unemployment trust fund, by specified period, 1936-60¹

[In thousands]

Period	Assets at end of period ²			State accounts				Railroad unemployment insurance account ⁷			
	Total assets	Invested in U.S. Government securities ³	Cash balances	Deposits and transfers ⁴	Interest earned	Withdrawals ⁵	Balance at end of period	Deposits	Interest earned	Withdrawals	Balance at end of period ⁶
Cumulative, January 1936-September 1960.....	\$6,863,047	\$6,801,553	\$4,659	\$29,530,765	\$3,120,756	\$25,801,452	\$6,850,069	\$1,911,102	\$221,042	\$2,126,574	\$5,571
Calendar year:											
1957.....	9,108,651	9,098,092	8,316	1,618,328	220,398	1,744,111	8,640,919	85,672	7,405	148,225	262,270
1958.....	7,124,037	7,113,981	8,691	1,642,198	198,989	3,541,352	6,940,754	103,858	4,441	282,330	88,240
1959.....	6,889,720	6,876,956	8,683	2,058,273	177,850	2,296,839	6,880,037	259,971	828	343,709	5,330
Fiscal year:											
1957-58.....	7,769,721	7,720,602	44,826	1,574,516	219,651	2,926,370	7,359,603	90,442	6,459	222,666	168,396
1958-59.....	6,719,017	6,709,422	5,946	1,946,469	179,133	2,796,920	6,688,285	114,832	2,396	266,290	29,334
1959-60.....	6,688,138	6,668,514	13,800	2,168,960	182,213	2,366,256	6,673,172	345,642	226	368,158	7,044
1959											
January-March.....	6,534,576	6,484,998	4,463	234,104	42,972	834,127	6,383,703	26,358	425	60,590	54,432
April-June.....	6,719,017	6,709,422	5,946	782,737	42,431	520,586	6,688,285	30,693	288	56,080	29,334
July-September.....	6,960,841	6,906,396	6,702	629,583	45,901	411,400	6,932,369	88,198	69	111,997	5,604
October-December.....	6,889,720	6,876,956	8,683	411,849	46,545	530,726	6,880,037	114,722	46	115,042	5,330
1960											
January-March.....	6,455,224	6,401,498	5,125	290,501	45,068	771,097	6,444,510	79,908	55	79,936	5,357
April-June.....	6,688,138	6,668,514	13,800	837,027	44,699	653,063	6,673,172	62,814	56	61,183	7,044
July-September.....	6,863,047	6,801,553	4,659	718,263	52,438	593,804	6,850,069	72,261	75	73,809	5,571

¹ Beginning 1949, not strictly comparable with data for earlier years because of differences in accounting methods in source materials used.

² Beginning 1949, total investments plus cash balances differ from total assets on a ledger basis by the sum of items in transit or suspense at the end of period. Beginning December 1954, includes transactions and assets of the Federal unemployment account, under the Employment Security Administrative Financing Act of 1954; beginning September 1956, includes undistributed appropriations; beginning Sept. 1960, includes transactions and assets of the employment security administration account, under the Employment Security Act of 1960 (Social Security Amendments of 1960).

³ Includes accrued interest purchased, and repayments on account of accrued interest on bonds at time of purchase.

⁴ Includes, when applicable, loans and transfers from the Federal unemployment account and/or transfers from undistributed appropriations.

⁵ Includes transfers from State accounts to railroad unemployment in-

surance account from July 1939 to May 1941 and from July 1944 to May 1947 totaling \$107 million.

⁶ Includes withdrawals totaling \$79 million for temporary disability insurance benefits from Oct. 1946 to Aug. 1948.

⁷ Beginning July 1947, includes temporary disability program. Beginning September 1958, includes transactions and assets of the railroad unemployment insurance administration fund. Beginning September 1959, includes transfers (advances) from and repayments to railroad retirement account.

⁸ From 1941-57 includes transfers totaling \$106 million to the account from railroad unemployment insurance administration fund, and, from Nov. 1948 to Jan. 1950, transfers of \$12 million out of the account to adjust funds available for administrative expenses because of retroactive credits taken by contributors under the Railroad Unemployment Insurance Act Amendments of 1948.

Source: Unpublished Treasury report.

INCOME-LOSS PROTECTION

(Continued from page 11)

resents a reasonable estimate of that portion of the wage loss for the period of disability after the waiting period that might be indemnified under current insurance practice.

Insurance, which met 18.4 percent of this theoretical benchmark (with the first 3 days of in-

come loss disregarded) in 1948, was meeting 37.2 percent in 1959. When the benchmark excludes the first 7 days of sickness, the proportion of the potentially compensable income loss replaced by insurance in 1959 becomes 47.3 percent; it had increased at an average rate of more than 2 percentage points a year from the 1948 level of 23.5 percent.