

The Growth in Protection Against Income Loss From Short-Term Sickness: 1948-55*

Insurance and various other forms of protection against income loss resulting from sickness experienced a rapid growth during the years immediately after World War II. In the past 3 years, however, their growth has only barely kept pace with increases in per capita income and expansion in the labor force. As a consequence, there has been little overall increase in the extent of the protection afforded since 1952.

PERSONS in America's labor force were subject to a total income loss estimated at almost \$6.6 billion in 1955 as a result of short-term illness and disability.¹ The rise from 1954 of an estimated \$440 million in overall income loss from sickness in 1955 results from the increase in the total earnings of the labor force, since the assumption is made that the average amount of time lost by workers because of short-term illness has stayed constant year after year.²

Current protection against income loss is provided to two classes of wage and salary workers by law—government workers and those coming under temporary disability insurance laws—and without a legal requirement to others. The self-employed comprise still another category. Table 1 identifies the potential income loss from

sickness of these four distinct components of the labor force.

Almost all Federal civilian full-time employees and more than three-fourths of all employees of State and local governments are eligible for sick-leave benefits. These benefits vary from 3 or 4 days to 12 days or more and under some programs can be accumulated from year to year if not used. The estimated loss of \$783 million to 6.4 million government workers in 1955 made up 12 percent of the total loss and 14 percent of the loss to wage and salary workers.

Railroad employees throughout the Nation and the workers in four States

must, by law, be covered by insurance providing benefits for temporary disability. Railroad workers have been eligible for temporary disability benefits (under the Federal Railroad Unemployment Insurance Act) since 1946. In 1948 California and Rhode Island were the only States that had temporary disability insurance laws; in 1949 New Jersey began to pay this type of benefit, and in 1950 New York started a program. By 1955 the estimated value of time lost as a result of the short-term sickness of the 12.5 million workers covered by these five programs was \$1,512 million or 23 percent of all such income loss and 28 percent of the loss of wage and salary workers.

These public programs of sick leave and cash insurance apply to an income loss of \$2.3 billion, 42 percent of the estimated loss of income from sickness among all wage and salary workers. Wage and salary workers not

Table 1.—Estimated income loss from nonoccupational short-term sickness,¹ by type of employment, 1948-55

[In millions]

| Year | Total | Wage and salary workers | | | | Self-employed persons ⁵ |
|-----------|---------|-------------------------|---|---|--------------------|------------------------------------|
| | | Total ² | Federal, State, and local government employees ³ | Employees covered by temporary disability insurance laws ⁴ | Other ⁶ | |
| 1948..... | \$4,629 | \$3,575 | \$409 | \$482 | \$2,684 | \$1,054 |
| 1949..... | 4,536 | 3,599 | 462 | 626 | 2,511 | 937 |
| 1950..... | 4,935 | 3,943 | 480 | 1,109 | 2,354 | 992 |
| 1951..... | 5,555 | 4,435 | 570 | 1,235 | 2,630 | 1,120 |
| 1952..... | 5,876 | 4,754 | 647 | 1,316 | 2,791 | 1,122 |
| 1953..... | 6,142 | 5,067 | 684 | 1,398 | 2,985 | 1,075 |
| 1954..... | 6,128 | 5,075 | 716 | 1,413 | 2,946 | 1,053 |
| 1955..... | 6,568 | 5,497 | 783 | 1,512 | 3,202 | 1,071 |

¹ Short-term or temporary non-work-connected disability (lasting not more than 6 months) and the first 6 months of long-term disability. Slight differences from previously published estimates for the years 1948-54 result from revisions in source data.

² Average annual earnings per wage worker from *Survey of Current Business, National Income Supplement, 1954*, edition and *National Income Number, July 1956*, table 27 (Department of Commerce), divided by 255 workdays in a year and multiplied by 7 days. Resulting income loss per worker multiplied by annual average employment obtained from *Current Population Reports: Annual Report on the Labor Force, Series P-50*, Nos. 13, 19, 31, 40, 45, 59, and 67 (Bureau of the Census).

³ Excludes members of the Armed Forces. For Federal employees, obtained by dividing mean income (as reported in *Pay Structure of the Federal Civil Service, Annual Reports*, Federal Employment Statistics Office, U. S. Civil Service Commission) by

253 and multiplying by 8 days, then multiplying the result by the number of employees on June 30 of each year (as in source cited). For State and local government employees, obtained by dividing average annual earnings (as reported in the *Survey of Current Business, National Income Number, July 1956*, table 27) by 255 and multiplying by 8 days, then multiplying the result by the number of employees (as reported in *Public Employment in October, 1948-54* and *State Distribution of Public Employment in 1955*, G-GE55-No. 2, Bureau of the Census).

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

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

⁶ Same method and sources as for wage and salary workers (footnote 2).

* Prepared in the Division of Program Research, Office of the Commissioner.

¹ As defined in this annual series, income loss refers to loss of current earned income of wage and salary workers and self-employed persons. Only those illnesses and disabilities are considered that are not occupational in origin. The phrase "short-term" is used to describe (1) illness and disability lasting 6 months or less, and (2) the first 6 months of longer-term sickness. For a complete discussion of concepts and of the methods used, see "The Growth in Protection Against Income Loss From Short-Term Sickness: 1948-54," *Social Security Bulletin*, January 1956. The table footnotes also provide some details of methodology.

² Total income loss, as well as the loss to subgroups of the labor force in any year, is derived as a proportion of earnings for the same year. Because of the estimating methods used (necessitated by the absence of nationwide morbidity data on an annual basis), the year-to-year changes in income loss reflect changes in the number of workers and in average annual earnings rather than any changes in the amount of time lost because of sickness and disability.

included in the public programs had an estimated income loss of more than \$3.2 billion. Many of them were covered by voluntary provisions, which include both sick-leave provisions and cash sickness insurance.

A fourth group that may incur income loss is the self-employed. The provisions they make for replacing income lost because of temporary disability are necessarily different from the group provisions available to wage and salary workers. Self-employed persons had an estimated income loss from short-term sickness during 1955 of \$1,071 million or 16 percent of all income loss. This group is separately identified because they are not eligible for group insurance.

Protection Against Income Loss

In tables 2-6, four forms of protection against income loss caused by temporary disability are considered—private arrangements through insurance companies or self-insured cash

sickness programs, insurance company coverage required by law, publicly operated funds, and sick-leave programs. All are classified as formal arrangements for protection against income loss—whether provided through insurance companies or through self-insurance programs by means of sick leave or cash sickness benefits. Although some employers make informal arrangements for continuation of salary, this article considers only those formal arrangements designed to offer specified amounts of protection against income loss resulting from short-term disability.

Private Insurance

Insurance sold by private carriers to provide for replacing part of the income loss due to sickness 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 com-

Table 3.—Benefit payments under temporary disability insurance laws provided through private auspices and through publicly operated funds, 1948-55¹

[In millions]

| Year | Total | Type of insurance arrangement | | |
|-----------|--------|-------------------------------|-----------------------------|-------------------------|
| | | Private auspices ² | | Publicly operated funds |
| | | Group insurance | Self-insurance ³ | |
| 1948..... | \$66.4 | \$9.1 | \$0.2 | \$57.1 |
| 1949..... | 89.2 | 22.7 | 4.4 | 62.1 |
| 1950..... | 117.4 | 46.2 | 8.0 | 63.2 |
| 1951..... | 174.2 | 96.8 | 16.5 | 60.9 |
| 1952..... | 202.3 | 108.8 | 19.0 | 74.5 |
| 1953..... | 231.8 | 119.2 | 21.0 | 91.6 |
| 1954..... | 239.4 | 113.9 | 22.6 | 102.9 |
| 1955..... | 245.1 | 115.0 | 22.5 | 107.6 |

¹ Programs under the Railroad Unemployment Insurance Act and the laws of Rhode Island, California, New Jersey (beginning in 1949), and New York (beginning in 1950). Excludes hospital benefits for California and hospital, surgical, and medical benefits in New York. Data for 1948, *Social Security Yearbook, 1948*; for 1949-54, *Social Security Bulletin, September 1950 through 1955*; for 1955, *Annual Statistical Supplement, 1955 (Social Security Bulletin)*.

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

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

Table 2.—Premiums and benefit payments for private insurance against income loss, 1948-55¹

[In millions]

| Year | Type of private insurance | | | | | | | |
|--------------------|---------------------------|----------------------------|---------|------------|--------------------|-------------------------|--------|--------------------|
| | Total | Under voluntary provisions | | | | Under public provisions | | |
| | | Total | Group | Individual | Other ² | Total | Group | Other ³ |
| Insurance premiums | | | | | | | | |
| 1948..... | \$544.9 | \$531.8 | \$162.1 | \$346.0 | \$23.7 | \$13.1 | \$12.8 | \$0.3 |
| 1949..... | 588.0 | 548.9 | 177.6 | 352.0 | 19.3 | 39.1 | 32.4 | 6.7 |
| 1950..... | 670.9 | 593.5 | 219.3 | 355.0 | 19.2 | 77.4 | 64.6 | 12.8 |
| 1951..... | 777.2 | 627.5 | 249.6 | 361.0 | 16.9 | 149.7 | 122.8 | 26.9 |
| 1952..... | 852.7 | 690.8 | 256.2 | 399.4 | 25.2 | 161.9 | 132.9 | 29.0 |
| 1953..... | 1,001.2 | 813.0 | 295.6 | 478.0 | 39.4 | 188.2 | 159.1 | 29.1 |
| 1954..... | 1,064.2 | 876.9 | 321.6 | 516.3 | 39.0 | 187.3 | 156.9 | 30.4 |
| 1955..... | 1,107.6 | 924.8 | 345.4 | 526.7 | 52.7 | 182.8 | 152.5 | 30.3 |
| Benefit payments | | | | | | | | |
| 1948..... | \$278.0 | \$268.7 | \$114.9 | \$139.0 | \$14.8 | \$9.3 | \$9.1 | \$0.2 |
| 1949..... | 312.0 | 284.0 | 124.3 | 148.0 | 12.6 | 27.1 | 22.7 | 4.4 |
| 1950..... | 374.0 | 319.8 | 156.8 | 151.0 | 12.0 | 54.2 | 46.2 | 8.0 |
| 1951..... | 474.4 | 361.1 | 196.7 | 154.0 | 10.4 | 113.3 | 96.8 | 16.5 |
| 1952..... | 536.0 | 408.2 | 218.3 | 173.4 | 16.5 | 127.8 | 108.8 | 19.0 |
| 1953..... | 586.6 | 446.4 | 221.4 | 196.6 | 28.4 | 140.2 | 119.2 | 21.0 |
| 1954..... | 615.6 | 479.1 | 233.5 | 216.6 | 29.0 | 136.5 | 113.9 | 22.6 |
| 1955..... | 643.3 | 505.8 | 255.7 | 217.8 | 32.3 | 137.5 | 115.0 | 22.5 |

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

Security Bulletin, December 1954.

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

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

² Fraternal-society, 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.

pliance with the State temporary disability insurance laws of California, New Jersey, and New York. Table 2 shows separately the insurance written under voluntary and that written under public provisions.

Premiums for private insurance providing for cash replacement of lost income amounted to \$1.1 billion in 1955, \$43 million more than in 1954. This increase in the volume of premiums was less than that in any previous year in the series since 1949.

Benefit payments amounted to \$643 million in 1955, more than double the total of \$278 million in 1948 but only \$28 million more than in 1954; this was the smallest expansion recorded in any year in the series. Private group insurance, whether under voluntary or public auspices, accounted for 58 percent of the 1955 benefits, and individual insurance equaled 34 percent; self-insurance and other miscellaneous forms of cash benefits amounted to 8.5 percent of the total benefits paid.

Benefits paid by private insurance companies under the public provisions of California, New Jersey, and New York amounted to \$115 million and equaled 20 percent of the total

benefits (\$588 million) paid by insurance companies in 1955.

Public Provisions

Information about benefits paid under the four State temporary disability programs and under the cash sickness provisions of the Railroad Unemployment Insurance Act is summarized in table 3. In 1948, when only three of these programs were in operation, benefits totaled \$66 million; in 1955, under all five programs, they aggregated \$245 million. Since 1953 there has been relatively little expansion in the benefits. Group insurance was apparently more affected by the decline in employment in 1954 than were the self-insured arrangements and the State funds, and benefits under group insurance contracts had not returned in 1955 to their 1953 level. Of total benefits provided in 1955, 47 percent were from group insurance contracts, in contrast to 51 percent in 1953.

Paid Sick Leave

The number of persons covered by paid sick-leave provisions in 1955 has been placed at 10.8 million—an increase of 100,000 from 1954. The Health Insurance Council estimates that about 2.4 million of this group are included in formal arrangements providing sick leave supplemented by a group insurance policy. According to this source, 200,000 more persons were provided with dual coverage in 1955 than in 1954. The number of persons who on their own initiative purchased an individual accident and health policy supplementing their formal sick-leave plan is not known.

With certain qualifications caused by gaps in the available data, table 4 provides an indication of the value of prevailing sick-leave provisions.³ In 1955 paid sick leave was valued at slightly less than \$800 million, about 75 percent above its 1948 value of \$451 million. Since the value of paid sick leave is allied to the wages and salaries it replaces, it is more closely related to 1948-55 increases in per capita earnings than are other forms of protection against income

³ For a discussion of available information on sick-leave provisions, see the *Bulletin*, January 1956, pages 3-4.

Table 4.—Estimated value of paid sick leave in private industry and in Federal, State, and local government employment, 1948-55

[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..... | \$450.6 | \$207.1 | \$191.4 | \$15.7 | \$243.5 | \$152.8 | \$90.7 |
| 1949..... | 492.5 | 210.9 | 189.9 | 21.0 | 281.6 | 178.2 | 103.4 |
| 1950..... | 517.1 | 226.4 | 190.4 | 36.0 | 290.7 | 176.8 | 113.9 |
| 1951..... | 619.5 | 259.1 | 217.7 | 41.4 | 360.4 | 228.9 | 131.5 |
| 1952..... | 693.2 | 278.3 | 233.6 | 44.7 | 414.9 | 263.0 | 151.9 |
| 1953..... | 726.5 | 287.6 | 241.5 | 46.1 | 438.9 | 270.6 | 168.3 |
| 1954..... | 742.9 | 293.2 | 245.9 | 47.3 | 440.7 | 262.3 | 187.4 |
| 1955..... | 797.9 | 303.6 | 255.2 | 48.4 | 494.3 | 291.5 | 202.8 |

¹ Sum of estimated value of paid sick leave for employees with (a) sick leave but no other protection and (b) group insurance supplemental to sick leave. Under each category, number of employees was adapted from *Annual Survey of Accident and Health Coverage in the U. S., 1948-54* and *The Extent of Voluntary Health Insurance Coverage in the United States as of Dec. 31, 1955* (Health Insurance Council). Average annual earnings per full-time employee from *Survey of Current Business, National Income Supplement, 1954* edition, and *National Income Number, July 1956*, table 27 (Department of Commerce). It is assumed that in private industry there are 255 working days a year and that workers receive an average of 4 days of paid sick leave a year exclusive of other protection and 3.2 days when they also have group insurance.

² Assumes that some workers entitled to cash benefits under temporary disability insurance laws would have sick leave in addition to their benefits under the laws, but only to the extent needed to bring up to 80 percent the replacement of their potential wage loss.

³ The number of employees on the Federal payroll as of June 30 of each year and mean income for each year from *Pay Structure of the Federal Civil Service, Annual Reports* (Federal Employment Statistics Office, U. S. Civil Service Commission). Data refer

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

⁴ Number of full-time employees on State and local government payrolls from *Public Employment in October, 1948-54*, and *State Distribution of Public Employment in 1955*, G-GE55-No. 2 (Bureau of the Census). On the basis of various studies, it has been assumed that the number of State and local employees covered by sick-leave plans has increased gradually from 65 percent of the total number employed in 1948 to 76 percent in 1955. Average annual earnings per full-time employee from the *Survey of Current Business, National Income Supplement, 1954* edition, and *National Income Number, July 1956*, table 27. It is assumed that in State and local government employment there are 255 working days a year and that there are 4.4 days of paid sick leave a year per worker on the payroll.

loss. Only a part of the expansion in the 8 years is therefore attributable to the increase in the number of persons eligible for sick leave, which rose 27 percent in the period under review.

More than 60 percent of current sick leave, as measured here, is provided for government employees; 36 percent was attributable to the Federal Government's sick-leave provisions. The value of the sick leave available to Federal employees has almost doubled in the period under review, and that provided State and local employees has more than doubled; the estimated income loss due to sickness among these two groups of employees has not quite doubled in the same period. Among workers in private industry the value of sick leave has increased about 47 percent. More protection was provided in 1955 to the workers of this country through sick leave than through cash sickness benefits—\$798 million compared with \$751 million.

Some workers are entitled to both sick leave and cash sickness insurance. In measuring the value of sick leave in alleviating the potential income loss of workers with this form of protection, the additional protection afforded by their group insurance should be taken into account. Table 5 indicates the extent of protection afforded workers with sick leave, distinguishing between those with and those without supplementary group cash sickness insurance. It thus serves two purposes—determining the extent of protection afforded persons covered by sick-leave provisions, and identifying their income loss.

Among persons with sick leave as their only protection, approximately 65 percent of their potential loss of income in 1955 was met through sick leave. For those with both sick leave and group insurance, it is assumed that 80 percent of this loss was met. For the two groups combined, their

Table 5.—Estimated value of potential income loss¹ due to short-term sickness and of paid sick leave and insurance among workers covered by paid sick leave, 1948–55

[Amounts in millions]

| Item | 1948 | 1949 | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 |
|---|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|
| For workers with sick leave only | | | | | | | | |
| Potential income loss.. | \$720.9 | \$763.0 | \$764.6 | \$883.8 | \$935.8 | \$957.2 | \$979.1 | \$1,041.1 |
| Value of sick leave ² | 443.6 | 478.3 | 479.3 | 566.0 | 610.6 | 626.5 | 635.1 | 681.8 |
| Ratio (percent) of benefits to potential income loss..... | 61.5 | 62.7 | 62.7 | 64.0 | 65.2 | 65.5 | 64.9 | 65.5 |
| For workers with sick leave and disability insurance ³ | | | | | | | | |
| Potential income loss.. | \$17.6 | \$35.7 | \$94.3 | \$133.6 | \$206.6 | \$250.1 | \$269.4 | \$290.3 |
| Value of sick leave and insurance ^{2,4} | 14.0 | 28.6 | 75.5 | 106.9 | 165.3 | 200.1 | 215.5 | 232.2 |
| All workers under sick-leave plans | | | | | | | | |
| Potential income loss.. | \$738.4 | \$798.8 | \$859.0 | \$1,017.5 | \$1,142.4 | \$1,207.3 | \$1,248.5 | \$1,331.3 |
| Value of sick leave and insurance ² | 457.6 | 506.9 | 554.8 | 672.9 | 775.8 | 826.6 | 850.6 | 914.0 |
| Ratio (percent) of benefits to potential income loss..... | 62.0 | 63.5 | 64.6 | 66.1 | 67.9 | 68.5 | 68.1 | 68.7 |

¹ Estimated total loss, whether protected by sick leave and insurance or not.

² Understated, since no benefits from the purchase of individual insurance policies are included as protection.

³ Estimates of the number of workers with dual protection based on Health Insurance Council data.

⁴ The supplementary protection derived from insurance was assumed to be at a level that would, in combination with sick leave, replace 80 percent of the potential income loss. Since sick leave had been estimated at 40 percent, one-half the amounts shown represents insurance payments.

protection equaled 69 percent of their potential loss of income.

Summary of Protection Provided

To determine the total value of all forms of protection against income loss due to nonoccupational illness, data from tables 2, 3, and 4 have been summarized in table 6.

The dollar value of all forms of protection rose from \$786 million in 1948 to \$1,549 million in 1955. Benefits under voluntary provisions (including insurance company policies,

self-insurance, and sick leave for nongovernmental employees but excluding private insurance under public laws) accounted for \$476 million in 1948 and \$809 million in 1955. Benefits under public auspices, either through the temporary disability insurance laws or as sick leave granted government employees, equaled \$310 million in 1948 and 8 years later it equaled \$739 million. Benefits under public auspices increased 139 percent; those under voluntary provisions increased 70 percent in the 8-year period.

Table 6.—Benefits provided as protection against income loss, summary data, 1948–55

[In millions]

| Year | Total | Under voluntary provisions | | | Under public provisions | | | |
|-----------|---------|----------------------------|--|------------|-------------------------|---------------------------------------|--|-------------------------------------|
| | | Total | Cash sickness insurance and self-insurance | Sick leave | Total | Publicly operated cash sickness funds | Cash sickness insurance and self-insurance | Sick leave for government employees |
| 1948..... | \$785.7 | \$475.8 | \$268.7 | \$207.1 | \$309.9 | \$57.1 | \$9.3 | \$243.5 |
| 1949..... | 866.6 | 495.8 | 284.9 | 210.9 | 370.8 | 62.1 | 27.1 | 281.6 |
| 1950..... | 954.3 | 546.2 | 319.8 | 226.4 | 408.1 | 63.2 | 54.2 | 290.7 |
| 1951..... | 1,154.8 | 620.2 | 361.1 | 259.1 | 534.6 | 60.9 | 113.3 | 360.4 |
| 1952..... | 1,303.7 | 686.5 | 408.2 | 278.3 | 617.2 | 74.5 | 127.8 | 414.9 |
| 1953..... | 1,404.7 | 734.0 | 446.4 | 287.6 | 670.7 | 91.6 | 140.2 | 438.9 |
| 1954..... | 1,461.4 | 772.3 | 479.1 | 293.2 | 689.1 | 102.9 | 136.5 | 449.7 |
| 1955..... | 1,548.8 | 809.4 | 505.8 | 303.6 | 739.4 | 107.6 | 137.5 | 494.3 |

Measuring the Extent of Protection

The growth in security against income loss from illness (table 7) can be determined from the data for 1948–55 on income lost because of illness and on the dollar value of various forms of protection against this loss. When the income loss experienced each year (table 1) is related to the protection provided (table 6), protection as a percent of income loss can be determined. The secondary cost resulting from the operation of the mechanism of providing cash disability insurance is also shown in table 7.⁴ The net cost of providing insurance represents the difference between the insurance benefits and premiums (table 2), plus the cost of administering the public temporary disability insurance programs (not shown elsewhere).

Between 1948 and 1955, total income loss increased 42 percent, but the protection provided showed a 97-percent increase. As a result, the income loss not protected rose only 31 percent in the same period. The protection covered 24 percent of the loss in 1955, in contrast to only 17 percent in 1948. The net cost of providing the cash portion of the protection also advanced as insurance became more widespread, reaching \$473 million in 1955. The higher loss ratios prevailing in cash disability insurance in the most recent years in the series resulted in an increase of only 75 percent in the net costs of providing the cash disability insurance, compared with an increase of 124 percent in the cash insurance benefits paid, in the 8-year interval.

In considering the extent of income-loss protection available to various types of workers, wage and salary workers should properly be considered separately from the self-employed. Benefits from individually purchased cash sickness policies cannot be separated, however, into those going to the self-employed or to nonworkers and those that augment the other protection available to wage and salary workers. The data therefore

⁴ The costs of operating sick-leave programs, which employers absorb, are not known.

Table 7.—Growth in protection against income loss, 1948–55

[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..... | \$4,629 | \$786 | 17.0 | \$3,843 | \$271 |
| 1949..... | 4,536 | 867 | 19.1 | 3,669 | 282 |
| 1950..... | 4,935 | 954 | 19.3 | 3,981 | 302 |
| 1951..... | 5,555 | 1,155 | 20.8 | 4,400 | 309 |
| 1952..... | 5,876 | 1,304 | 22.2 | 4,572 | 324 |
| 1953..... | 6,142 | 1,405 | 22.9 | 4,737 | 423 |
| 1954..... | 6,128 | 1,461 | 23.8 | 4,667 | 456 |
| 1955..... | 6,568 | 1,549 | 23.6 | 5,019 | 473 |

¹ From table 1.

² From table 6. Includes sick leave.

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.

include both the benefits from individually purchased cash sickness policies and the estimated income loss of the self-employed. The estimated loss of income as it applies to all income producers is a useful measure for some aspects of this area of study of the costs of sickness.

It is also of interest to examine that portion of the residue of lost income that might conceivably be recovered if insurance policies and sick-leave plans were more widespread and if all benefits were more nearly at the relatively high level of some plans. Though the income that the wage earner fails to receive because he is ill represents a loss to the national income, the individual worker's expenses for working, his income taxes, and his social security contributions are reduced and therefore he suffers only a part of this loss directly.⁵

Most insurance and many sick-leave plans undertake to compensate for only a part of the income lost; they are not intended to apply to medical expenses and, by paying less than a

⁵ It must also be recognized that the worker may encounter medical expenses for his illness that, unless met by other than out-of-pocket expenditures—by pre-paid health insurance, for example—may be greater than any savings that accrue on carfare, meals, clothing, or taxes while he is ill.

“take home” wage, are designed to discourage malingering. In addition, insurance policies usually do not cover the first few days or first week of illness, since it is believed that the worker can carry this loss himself, and the administrative load is greatly reduced. The potentially insurable and the potentially compensable income loss of the Nation is therefore somewhat less than the total income loss so far considered.

To obtain hypothetical figures that can meaningfully represent the portion of the income loss due to sickness that might conceivably be covered by prevailing insurance provisions, the data properly must be confined to persons not covered by sick leave. Sick leave applies to the first few days of illness as well as the later days and also usually provides for 100 percent of wage continuation for the period covered by the sick leave rather than some lower amount.

Table 8 compares cash disability benefits with the full income loss of all persons who do not have sick-leave protection and shows the proportions of their potentially insurable and potentially compensable income loss that would be met by existing insurance benefits.

Income loss for persons not covered by sick leave increased from \$3.9 billion in 1948 to \$5.2 billion in 1955. Applicable insurance benefits amounted to \$328 million in 1948 and \$635 million in 1955. Insurance, which equaled 8.4 percent of the total

income loss in 1948, had increased to more than 12 percent by 1954 and remained at about the same level in 1955. When the first 3 days of sickness are excluded from the measure of income loss, by omitting 30 percent of the total, insurance was meeting 17 percent in 1955. This proportion might be looked on as a measure of the protection currently being provided in relation to a potentially insurable income loss, since some insurance is already being written with only a 3-day waiting period enforced. If the first 7 days of income loss, equivalent to 50 percent of the total income loss, are excluded, insurance was meeting 24 percent of this amount in 1955, compared with 17 percent in 1948.⁶

A third type of adjustment was also made in table 8 to obtain the ratio of existing protection to potentially compensable income loss. Potentially insurable income loss, with a waiting period of either 3 days or 7 days, can be further reduced by as much as a third; the two-thirds remaining represents the portion of income that might be compensated according to a reasonable standard. Insurance in 1955 was meeting approximately 36 percent of this theoretical benchmark—about 11 percentage points higher than in 1948.

⁶ There is a slight degree of overstatement when the insurance benefits are compared with this concept of income loss, since some of the current insurance benefits begin with the fourth day.

Table 8.—Estimates of extent of income-loss protection for workers without sick leave, 1948–55

[Amounts in millions]

| Item | 1948 | 1949 | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Insurance benefits ¹ | \$328 | \$360 | \$399 | \$482 | \$528 | \$578 | \$610 | \$635 |
| Total income loss ² | 3,891 | 3,737 | 4,076 | 4,538 | 4,734 | 4,935 | 4,880 | 5,237 |
| Ratio (percent) of insurance benefits to: | | | | | | | | |
| Total income loss..... | 8.4 | 9.6 | 9.8 | 10.6 | 11.2 | 11.7 | 12.5 | 12.1 |
| Income loss excluding first 3 days ³ | 12.0 | 13.8 | 14.0 | 15.2 | 15.9 | 16.7 | 17.9 | 17.3 |
| Two-thirds of income loss excluding first 3 days..... | 18.1 | 20.6 | 21.0 | 22.8 | 23.9 | 25.1 | 26.8 | 26.0 |
| Income loss excluding first 7 days ⁴ | 16.9 | 19.3 | 19.6 | 21.2 | 22.3 | 23.4 | 25.0 | 24.2 |
| Two-thirds of income loss excluding first 7 days..... | 25.3 | 28.9 | 29.4 | 31.9 | 33.5 | 35.1 | 37.5 | 36.4 |

¹ Excludes sick leave and estimated amount of insurance benefits of persons with both sick leave and group insurance provided by their employers. (See table 5, footnote 3.)

² Excludes all income loss of persons covered by

sick-leave plans. (Line 7, table 5.)

³ Based on 70 percent of total income loss (line 2 above).

⁴ Based on 50 percent of total income loss (line 2 above).