



PROGRAM

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# PERSPECTIVES

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## SICK LEAVE AND DISABILITY BENEFIT COMBINATIONS

### Coverage options for illness and injury



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Various employer-paid benefits provide payment for employees unable to work due to illness or injury. A common situation is that an employer provides sick leave with full pay to employees for brief absences from work and disability coverage (short- or long-term) to provide partial pay for longer absences. (See chart.) Disability retirement income sources, such as pensions and 401(k) plans, can sometimes be used in cases when an employee is not yet at retirement age but is unable to return to work. Eighteen percent of civilian workers are offered a combination of paid sick leave, short-term disability, long-term disability, and some form of retirement benefits, generally allowing for near continuous coverage during periods of illness and injury.

Employers tend to design a package using different benefits to cover different stages of illness or disability. To understand the coverage that employees have, it is useful to look at benefit combinations. Benefits often work in tandem, so combinations show the full level of coverage that an employee receives. The availability of one benefit for illness and injury often correlates with the employer's offering other benefits for illness and injury, as well. If employees are offered sick leave, for example, they are more likely to be offered short-term disability than employees who are not offered sick leave. In this edition of *Program Perspectives*, sick leave and disability benefit combinations is the focal point.

*continued inside* ►

## CHART

### Disability coverage by benefit type, median time period (if available), civilian workers, March 2010



#### from cover page ►

Benefits designed to provide income during periods of disability work together in different ways. For example, some workers may have sick leave to cover short absences and short-term disability up to 6 months; other workers may have only one of these benefits but have coverage for the same length of time. Thus, both the number of plans and the extent of coverage must be considered when determining an employee's overall income protection.

Data in this issue are from the National Compensation Survey:

Employee Benefits in the United States, March 2010 (on the Internet at [www.bls.gov/ebs/benefits/2010](http://www.bls.gov/ebs/benefits/2010) and [www.bls.gov/news.release/pdf/ebs2.pdf](http://www.bls.gov/news.release/pdf/ebs2.pdf)). This survey produces comprehensive data on the incidence and provisions of selected employee-benefit plans. This issue contains some newly published National Compensation Survey data on combinations of benefits, the ability of employees to carry over sick leave days from one year to the next, and the percentage of employees who get full pay while on short-term disability. Statistical comparison statements cannot be

made for the newly published data due to unavailable standard error estimates.

#### Benefit combinations

Looking at benefits in combination reveals interesting patterns and relationships. Employers sometimes set up a package to allow continuous coverage of benefits by having payments from one benefit begin as benefits from another benefit end. For example, an employer may allow workers to use sick leave during the waiting period for short-term disability. Short-term disability often covers the waiting period until

TABLE 1

### Sick leave, disability, and retirement benefit combinations, civilian workers, March 2010, in percent

Benefit combination	Sick leave offered	Sick leave not offered
Offered some form of disability insurance or retirement or both	89	47
Long-term disability	46	7
Short-term disability	45	21
Retirement	83	40

long-term disability begins, and then long-term disability covers the period until retirement benefits are available.

*Paid sick leave and the relation to other benefits.* Sixty-seven percent of civilian workers are offered paid sick leave. Eighty-nine percent of the workers who are offered paid sick leave are offered some form of disability insurance or retirement or both. For those without paid sick leave, the figure is 47 percent. Of those who are offered paid sick leave, 45 percent are offered short-term disability, 46 percent are offered long-term disability, and 83 percent are offered retirement. (See table 1 for the percent of workers with various combinations of sick leave, disability, and retirement benefits.)

One reason for offering paid sick leave in conjunction with dis-

ability and retirement benefits is that paid sick leave tends to be of limited duration and, thus, not always useful for providing coverage for long-term ailments. The average number of paid days for sick leave is 8 days at 1 year of service and 10 days at 20 years of service. Thus, sick leave generally will not cover workers for a long-term period of illness or injury.

Being allowed to carry over sick leave days from year to year can help in some situations. Fifty-six percent of workers can carry over at least part of their unused sick leave.

*Short-term disability and the relationship to other benefits.* Thirty-seven percent of workers are offered short-term disability. Short-term disability is usually offered in conjunction with sick

leave. Eighty-one percent of those who are offered short-term disability are also offered paid sick leave. As with sick leave, short-term disability tends to have limits on the length of time that benefits are available. The median length of coverage for short-term disability is 26 weeks. (See chart.)

If an employer offers short-term disability, it is likely that other benefits will provide coverage, should the employee still be ill or injured after short-term disability runs out. Fifty-nine percent of employees who are offered short-term disability are also offered long-term disability. Only 18 percent of employees who are not offered short-term disability are offered long-term disability. Eighty-six percent of employees who are offered short-term disability are also offered retirement; 59 percent of those not offered short-term disability are offered retirement. (See table 2.)

While on short-term disability, 68 percent of workers get a fixed percentage of earnings. While on short-term disability, only 9 percent of those who get a fixed percentage of earnings get full pay.

*Long-term disability and the relationship to other benefits.* Thirty-three percent of workers are offered

## GLOSSARY

**Access to a benefit plan.** Employees are considered to have access to a benefit plan if it is available for their use. For example, any employee who is permitted to participate in a medical care plan offered by the employer is placed in a category with those having access to medical care, regardless of whether the employee chooses to participate in the plan.

**Paid sick leave.** Sick leave provides all or part of an employee's earnings if the employee is unable to work because of a non-work-related illness or injury. Sick leave typically is provided on a per-year basis, usually expressed in days, and is never insured.

**Short-term disability.** Also known as sickness and accident insurance, short-term disability plans provide full, partial, or a combination of full and partial pay to employees who are unable to work because of a non-work-related accident or illness. Short-term disability benefits usually are paid for a fixed number of weeks. The benefit payment is either a percentage of an employee's earnings or a fixed dollar amount.

**Long-term disability.** Long-term disability (LTD) provides cash payments to disabled employees who are unable to work for an extended period due to an illness or accident. Payments usually begin upon the expiration of the employees' paid sick leave or short-term disability benefits, or after a predetermined period of disability (generally 3 or 6 months). LTD payments are made until the end of the disability, the employee's retirement age, or for a specified number of months, depending upon the employee's age at the time of the disability.

**Retirement plan.** Either a defined-benefit or defined-contribution plan. A defined-benefit plan provides employees with guaranteed retirement benefits that are based on a benefit formula. A defined-contribution plan specifies the level of employer contributions and places those contributions into individual employee accounts.

TABLE 2

### Relationship between short-term disability, long-term disability, and retirement, civilian workers, March 2010, in percent

Benefit status	Percent offered long-term disability	Percent offered retirement
Offered short-term disability	59	86
Not offered short-term disability	18	59

long-term disability. As with short-term disability, workers on long-term disability generally do not get full pay. Unlike sick leave and short-term disability, workers on long-term disability are often removed from the payroll. Long-term disability is generally set up as an insurance plan against serious disability, rather than an income replacement for a temporary absence.

For those who get a fixed percent of earnings while on long-term disability, the rate is most commonly 60 percent. Long-term disability lasts until the employee is able to work again or until Social Security or retirement benefits are available. Ninety-two percent of workers who are offered long-term disability are also offered a retirement plan. ●

**The next Program Perspectives will feature defined-contribution plan types.**

*For additional assistance on benefits, contact one of our information offices:*

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