EBRI issue brief

EMPLOYEE BENEFIT RESEARCH INSTITUTE

NOVEMBER 1990 NUMBER 108

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U.S. workers are less likely than workers in foreign industrialized countries to have access to comprehensive medical coverage and cash benefits for nonoccupational sickness and injury but are equally likely to receive benefits for occupational injuries.

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International Benefits: Part Three—Disability, Parental Leave, and Unemployment Benefits

- Most industrialized countries have a publicly financed short-term disability program, while the United States achieves extensive protection through a voluntary employment-based system.
- Under the Pregnancy Discrimination Act of 1978, U.S. employers with 15 or more employees that provide employees with short-term disability benefits must also provide such benefits to female employees during medical disability associated with pregnancy, childbirth, or related medical conditions.
- In addition to publicly financed cash maternity benefits during the period of disability associated with pregnancy (common to all major industrialized countries except the United States), working parents in Germany and Sweden who take leave to care for a child are entitled to additional income replacement benefits.
- General government revenues usually finance the flat-rate benefits provided by long-term disability programs and subsidize contributions for low-income workers, while payroll taxes finance earnings-related benefits.
- Almost without exception, industrial injury programs in major industrialized countries are financed wholly by employers through contributory payroll taxes.
- Every major industrialized country has a publicly financed unemployment insurance program that provides partial income replacement to insured individuals who become unemployed and meet certain eligibility criteria.

◆ Introduction

The labor practices and policies of other industrialized countries are of increasing interest to U.S. managers, academicians, and public policymakers as business expands abroad and the United States strives to remain competitive in today's global economic environment.

The structure and level of cash benefits that protect employees from loss of income during temporary and permanent periods of unemployment vary among countries. This *Issue Brief* is the third in a three-part series that discusses public and private benefits in nine industrialized countries—Australia, Canada, France, Germany,[1] Great Britain, Japan, the Netherlands, Sweden, and the United States. Parts one and two addressed health care benefits and retirement income benefits, respectively. This final segment is devoted to benefits that replace income during absence from work for reasons other than retirement.

Most industrialized countries have public programs that protect employees from loss of income during periods in which they are unable to work due to disability. Specifically, these programs include cash benefits payable during maternity and other short-term disability, long-term disability, job-related (occupational) injury, and periods of unemployment. In two of the countries considered in this report (Germany and Sweden), working parents who take leave to care for a child are also entitled to income replacement benefits. This *Issue Brief* considers each of the above types of benefits in turn, comparing the features and financing of each benefit in the United States with those of programs in other major industrialized countries.

◆ Short-Term Disability

Short-term disability benefits replace income due to *temporary* absence from work as a result of a *nonoccupational* sickness or accident. The United States provides extensive protection through a voluntary employment-based system. Every other major industrialized country has a publicly financed short-term disability program. Australia is the only country addressed in this discussion that has an income-tested public program; most countries have public cash sickness benefits that provide partial income replacement regardless of income from other sources. The percentage of earnings paid and the maximum earnings insured by public cash sickness programs vary by country. In many industrialized countries, employers provide supplementary cash sickness benefits to their employees. In some countries, employers may be legally or contractually required to continue full pay during an initial period of disability.

United States

In the United States, which has no public short-term disability program, most major employers privately sponsor short-term sickness and accident insurance. In most cases, employers do so on a voluntary basis: only five states—New York, New Jersey, California, Hawaii, and Rhode Island—and Puerto Rico mandate sickness and accident benefits. New York and New Jersey are the only states in which these benefits must be at least partially employer financed. In 1989, 89 percent of U.S. employees working in medium-sized and large establishments had privately sponsored coverage for short-term disability through sick leave (68 percent) and/or sickness and accident insurance (43 percent) (U.S. Department of Labor, 1990). Sick leave usually provides 100 percent income replacement for a specified number of days. **Sickness and accident insurance generally replaces only a portion of income (commonly, 50 percent to 67 percent) for a limited duration (most commonly, 26 weeks) after a brief noncompensable waiting period (usually 1 day to 7 days).**

Employees frequently must meet a minimum service requirement (usually no longer than three months)

[1]The benefit programs discussed are those that existed in the Federal Republic of Germany prior to reunification with East Germany. It is uncertain how the programs may change as a result of reunification.

before they are eligible for short-term disability benefits. Sick leave pay is funded through an establishment's operating funds, while sickness and accident insurance tends to be an insured benefit (Houff and Wiatrowski, 1989). Employee contributions to sickness and accident insurance premiums are rare. In 1989, four-fifths of employees in medium-sized and large establishments with sickness and accident insurance benefits had these benefits fully employer-paid. The remainder usually paid a nominal fixed contribution of $2 to $3 per month (U.S. Department of Labor, 1990).

Other Countries

In each of the other countries under consideration, employees who meet certain minimum service requirements are compulsorily covered by public short-term disability insurance (called cash sickness insurance) programs, which provide income replacement benefits similar to those provided by U.S. sickness and accident insurance. The level of cash sickness benefits is usually determined as a percentage of regular earnings up to a maximum insurable limit but may also be a flat payment. The level of income replacement afforded by public cash sickness programs varies significantly by country, however (table 1). In the Netherlands, for example, public cash sickness insurance pays a short-term disabled employee 70 percent of his or her gross daily wage up to a maximum daily wage of $139 per day, following a two-day waiting period.[2] In contrast, French public cash sickness insurance pays only 50 percent of earnings up to $63 per day (67 percent after 31 days if the employee has 3 or more dependent children).

The duration of cash sickness benefits ranges from 90 days in Sweden to 18 months in Japan and Germany, but in most cases the maximum duration of cash sickness benefits marks the beginning of eligibility for long-term disability benefits. Public cash sickness programs are financed through employee and employer contributions, with the exception of Australia's program, which is financed with general revenues. In France, Germany, and Japan, funding for cash sickness and maternity benefits is included in health insurance contributions.

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In some countries, employers may be required by law or labor agreements to continue full pay for a specified duration during the initial period of disability. In Germany, for example, employers are legally required to continue an employee's full wage or salary for up to six weeks during sickness (William M. Mercer, 1990). In Australia, virtually all companies are required to provide basic sick leave coverage for all employees pursuant to either labor law or the Australian system of collective bargaining. A basic sick leave plan in Australia generally provides full pay for ten days per year of service (five days for employees with less than one year of service) for absence due to accident or sickness (Charles D. Spencer & Associates, 1990).

In addition to compulsory short-term disability benefits, in many foreign industrialized countries employers *voluntarily* supplement mandatory short-term disability benefits. In Australia, for example, where public cash sickness benefits are available only on an income-tested basis, employer-sponsored short-term disability programs are popular. Some Australian employers continue full sick pay to management and executive level employees on an informal basis beyond the duration required by law for a period that frequently depends on service (Charles D. Spencer & Associates, 1990). Similarly, most British employers continue salary during sickness, usually at a full rate initially and at a reduced

[2]All figures are expressed in terms of U.S. dollars based on exchange rates as of January 15, 1990.

Table 1
Public Cash Sickness Benefits

Country	Waiting Period	Maximum Duration	Eligibility Criteria	Benefit	Maximum Insurable Earnings	Financing
Australia	6 days	No limit	Income and assets test	$96/week full benefit; reduced if other income >$24/week[a]	n.a.	General revenues
Canada	2 weeks	15 weeks per 52-week period	20 weeks of employment	60% of insurable earnings	$551/week	3.15% of payroll for employer and 2.25% of earnings for employee[b]
France	2 days	6 months[c]	200 hours in last 3 months, or contributions equal to 1,040 times the minimum wage in last 6 months	50% of insurable earnings (67% after 31 days if 3 or more dependent children)	$63/day	Employer/employee contributions[d]
Germany	6 weeks[e]	78 weeks per 3-year period	Sickness fund membership[f]	80% of insurable earnings	$85/day for voluntary members; $72/day for compulsory members	Employer/employee contributions[d]
Great Britain Statutory Sick Pay (SSP)	3 days	28 weeks	At least 3 months of employment; weekly earnings of $72	$60/week if income under $140 ; $87/week if income $140 or above	n.a.	Employers deduct expense from income taxes and national insurance contributions[g]
National Insurance	3 days	28 weeks	Not eligible for SSP; minimum national insurance contributions	Under pension age—$55/week, plus $34 for dependent; pension age—$70/week, plus $42 for dependent, plus $15 per dependent child	n.a.	Included in national insurance contributions[g]
Japan	3 days	18 months	Employees covered by HIE	60% of insurable earnings (40% if hospitalized and no dependents)	$4,879/month	Financed through HIE contributions[d]
Netherlands	2 days	52 weeks	Employed persons	70% of gross daily wage	$139/day	Varies by industry, but averages 1.2% for employees and 5.35% for employers
Sweden	1 day	90 days	Workers with $979 per year income, and non-employed spouses	90% of average daily earnings (annual earnings/220) for 1st 14 days; 90% of annual earnings/365 for remaining days	$84/day	10.1% social insurance employer contribution (85% goes toward cash sickness benefits)

Sources: Charles D. Spencer & Associates, International Benefits Information Service (Chicago: Charles D. Spencer & Associates, 1988–1990); William M. Mercer Fraser Limited, *International Benefit Guidelines, 1990* (New York: William M. Mercer Fraser Limited, 1990); and U.S. Department of Health and Human Services, Social Security Administration, *Social Security Programs Through the World—1989* (Washington, DC: U.S. Government Printing Office, 1990).

[a]This is the maximum benefit for individuals aged 21 and over with no dependents. Benefit is reduced by 25 percent of "other income" between $24 and $56 per week and by 50 percent of "other income" in excess of $56 per week. For a full schedule of benefits by age and family status, see Charles D. Spencer & Associates, 1989.

[b]Contributions finance both unemployment and cash sickness benefits. Contributions may be reduced if employer maintains an approved short-term disability plan.

[c]Benefits may be extended for employees with a longer period of work (800 hours) or those whose contributions were 2,080 times the minimum wage.

[d]Financed by contributions for medical benefits; see Karen Horkitz, "International Benefits: Part One—Health Care," *EBRI Issue Brief* no. 106 (Employee Benefit Research Institute, September 1990).

[e]Employers are legally required to continue full salary for the first six weeks of absence due to disability.

[f]See Karen Horkitz, "International Benefits: Part One—Health Care," *EBRI Issue Brief* no. 106 (Employee Benefit Research Institute, September 1990).

[g]See Jill Foley, "International Benefits: Part Two—Retirement Income," *EBRI Issue Brief* no. 107 (Employee Benefit Research Institute, October 1990).

rate after a period that may depend on service (William M. Mercer, 1990). In addition to special sick pay benefits to senior level employees, the majority of Australian employers sponsor sickness and accident insurance for most employees. These programs usually pay a fixed percentage of normal earnings (for example, 75 percent) up to a maximum benefit (approximately $5,000) for a period of from one to two years after a one- to six-month waiting period (Charles D. Spencer & Associates, 1990). Voluntary private cash sickness benefits are also common in Canada, where they may serve as an alternative to the public program. The Canadian government encourages private employer-sponsored plans by offering employers a rebate for programs that provide benefits equal to or more generous than the public program. These benefits typically pay between 60 percent and 100 percent of earnings for from four to six months, and have largely replaced sick-pay plans in Canada (William M. Mercer, 1990). Similar private supplementary plans are also common in France and the Netherlands. Private supplementary cash sickness benefits are generally noncontributory for the employee.

◆ Maternity Disability

Under the Pregnancy Discrimination Act of 1978 (PDA), U.S. employers (with 15 or more employees) that provide employees with health insurance and income maintenance benefits during temporary periods of disability must also provide these benefits to female employees during medical disability associated with pregnancy, childbirth, or related medical conditions. However, aside from employers in states with mandated disability coverage and those who opt to sponsor sickness and accident insurance, cash maternity disability benefits are not required.[3]

Cash maternity disability benefits are included in most countries' short-term disability schemes. These benefits may be subject to the same or separate eligibility criteria and benefit levels as those for regular cash sickness benefits. In Australia, Canada, Japan, and Sweden, for example, eligibility criteria and the level of cash maternity benefits are the same as for other short-term disabilities. In Japan, however, cash benefits for employees also include a lump-sum maternity grant of one month's remuneration (minimum $1,374) that is intended to cover the expenses associated with normal delivery (since these expenses are not covered under medical insurance). In the Netherlands, eligibility for cash maternity benefits is the same as that for regular sickness benefits, but the payment is 100 percent of earnings up to the maximum (as opposed to 70 percent for regular sickness) (U.S. Department of Health and Human Services, 1990). France, Germany, and Great Britain have separate programs for cash maternity disability benefits. In France, pregnant women must meet the cash sickness benefit requirements and must also have been covered by insurance at least 10 months before the expected delivery date. Moreover, the maximum daily benefit is 84 percent of earnings (up to $63 per day), as opposed to 50 percent for regular sickness. Similarly, in Germany, a pregnant woman must have been working in insured employment between the 10th and 4th weeks preceding delivery in order to be entitled to benefits, which are 100 percent of earnings (as opposed to 80 percent for regular sickness). In Great Britain, women who were employed by the same employer for at least six months, with weekly earnings of at least $72 for eight weeks, are entitled to Statutory Maternity Pay (SMP). Weekly SMP depends on the length of service with the employer: for service of less than two years, SMP is a flat payment of $60; for more than two years, SMP pays 90 percent of average weekly pay for the first six weeks and $60 thereafter. Financing for maternity disability benefits is included in the financing for other cash sickness benefits.

The maximum duration of cash maternity benefits for disability associated with maternity varies by country (table 2). However, on September 12, 1990, the European Community (EC) Commission proposed a

[3]Several states mandate that employers allow a certain period of *unpaid* maternity disability leave during which health benefits may be continued, although sometimes only at the employee's expense. For a description of state laws, see Poe, 1990.

Table 2
Weeks of Cash Benefits Provided for Maternity Disability

Country	Weeks before Expected Delivery	Weeks after Expected Delivery	Total Weeks
Canada	8	17	25
France	6	10	16
Germany	6	8[a]	14
Great Britain	4	14	18
Japan	6	8	14
Netherlands	6	6	12
Sweden[b]	8.5	13	22.5
United States	c	c	c

Sources: Charles D. Spencer & Associates, International Benefits Information Service (Chicago: Charles D. Spencer & Associates, 1988–1990); Susanne A. Stoiber, "Family Leave Entitlements in Europe: Lessons for the United States," *Compensation and Benefits Management* (Winter 1990): 111–116; and Commerce Clearing House, Inc., *Employee Benefits Management* (Chicago: Commerce Clearing House, 1990).

[a]Twelve weeks for twins or premature delivery.

[b]Maternity benefit is payable from 60th day through 11th day prior to expected delivery, after which sickness benefit is payable.

[c]According to Equal Employment Opportunity Commission guidelines, benefits should be provided for as long as the employee is unable to work for medical reasons, unless some other limitation is set for all other temporary disabilities, in which case pregnancy-related disabilities should be treated the same as other temporary disabilities (Charles D. Spencer & Associates, "EEOC Issues Final Guidelines, Q & A," *EBPR Research Reports*, Chicago: Charles D. Spencer & Associates, 1985). However, while there is no minimum amount of time required for sickness and accident insurance, the courts have held that the period must be reasonably long to provide for disability associated with pregnancy (Mary F. Radford, *Parental Leave: Judicial and Legislative Trends; Current Practices in the Workplace,* Brookfield, WI: International Foundation of Employee Benefit Plans, 1987). For a comprehensive review of judicial decisions and legislation governing parental leave (associated with disability and otherwise), see Radford, 1987.

standard minimum of 14 weeks' paid maternity leave throughout the 12 EC member states, which, if adopted, would reduce the differences among these schemes. Under the proposal, all women who become pregnant while employed would be entitled to a minimum 14 weeks of paid leave at 80 percent to 100 percent of salary (Bureau of National Affairs, 1990). Among the EC countries discussed in this report, only the Netherlands and Great Britain would have to make substantive changes in either the duration of leave (Holland) or the percentage of earnings replaced (Great Britain) to comply with the proposed change.

◆ Parental Leave

In Germany and Sweden, working parents who take leave to care for a child are entitled to income replacement benefits in addition to cash maternity benefits during the period of disability associated with pregnancy.

Any parent (employed, homemaker, or student) living or working in Germany is entitled to a government-paid cash benefit of approximately $360 per month for providing personal care to a child under 15 months of age. By 1991, these child-raising benefits will cover parents of children up to age 3. Employed parents are entitled to job-protected leave for the entire period during which cash benefits are paid (that is, currently 15 months, eventually 3 years) (Stoiber, 1990). In addition to child-raising benefits for parents of infants, all parents working in Germany are entitled to fully paid leave (5 days per child annually) to care for a sick child under age 8. Sick child leave is paid through sickness funds (financed by employer and employee contributions).

Sweden has even more liberal parental leave policies than Germany. In addition to the relatively lengthy duration of maternity disability benefits described in the previous section, all employed men are entitled to take 10 days of paternity leave at 90 percent of normal earnings following the birth of a child (Stoiber, 1990). Moreover, any parent who has worked 6 months for the same employer is entitled to a maximum of 450 days of job-protected leave (both parents combined) at 90 percent of salary to care for a child during the first 4 years of the child's life. Parents who are absent temporarily to care for a child under age 12 (as in the event of a child's illness) are eligible to receive an additional benefit of $10 per day for up to 90 days per year (Charles D. Spencer & Associates, 1990). This leave can be taken by either parent or shared and can be full or part time. All of these benefits are paid through the same social insurance fund (financed by employer payroll contributions) that funds cash sickness benefits.

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In addition to their entitlement to paid parental leave, Swedish parents who work full time may reduce their hours to 75 percent of normal time until their children are 10 years old.

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In addition to their entitlement to paid parental leave, Swedish parents who work full time may reduce their hours to 75 percent of normal time until their children are 10 years old (Stoiber, 1990). The Netherlands is considering a proposal for a similar plan, which would allow parents (both male and female) raising a child under school age to reduce their work week to 20 hours or more for a continuous period of up to 6 months (Eurobenefits Limited, 1990).

Unpaid parental leave benefits are not federally mandated in the United States but were the subject of congressional debate during the summer of 1990, when both chambers of Congress passed the Family and Medical Leave Act (H.R. 770). H.R. 770 would have required businesses with 50 or more employees to guarantee the jobs of employees taking unpaid leaves of absence of up to 12 weeks for the birth or adoption of a child or to care for a sick family member. H.R. 770 was the first parental leave bill to reach the president's desk since the first such bill was introduced in Congress five years ago. President Bush vetoed the bill on June 27, 1990, and the House failed to override the veto on July 25, 1990. Sen. Christopher Dodd (D-CT) has since reintroduced the legislation in the Senate (S. 2973), and Rep. John LaFalce (D-NY) has introduced alternative legislation (H.R. 5500) in the House. Advocates of parental leave legislation have vowed to present Bush with a parental leave bill each year he is in office until he signs one.

Although the United States does not have a federal family leave policy, a number of states—Connecticut, New Jersey, Wisconsin, Maine, Minnesota, Oregon, Rhode Island, and Vermont—and the District of Columbia have mandated job-protected unpaid leave for male and female private-sector employees to care for newborn or adopted children and, in some cases, to care for sick family members. Various forms of parental/family leave legislation are currently pending in at least 19 other states (Thompson Publishing Group, 1990). The duration of mandated leave in these states ranges from 6 weeks to 13 weeks (Meisenheimer, 1989). In addition to mandated parental leave, some U.S. employers offer such leave voluntarily. The U.S. Department of Labor found that in 1989, 37 percent of full-time employees in medium-sized and large private establishments were eligible for maternity leave and 18 percent eligible for paternity leave as an employee benefit. Both maternity and paternity leave were almost always unpaid and were available for a maximum of 19 weeks and 20 weeks, respectively, on average (U.S. Department of Labor, 1990).

◆ Long-Term Disability

Long-term disability schemes provide income replacement benefits for persons who have permanently ceased working due to long-term illness or disability. Generally, both public and private long-term disability benefits begin after all available short-term disability benefits have expired. Workers are usually compensated for the duration of their disability or until they die, recover, or reach the normal retirement age, at which time the disability benefit is replaced with an old age pension. Often, the pension is increased if the disabled worker has a dependent spouse or child. Some countries (France, Sweden, the Netherlands, and Great Britain) provide additional supplements for fully disabled workers who require constant attendance (Zeitzer and Beedon, 1987). Disability affects a large number of workers, especially among older age groups. **A 1986 report by the Bureau of the Census found that 18.2 million people (12 percent of persons aged 16–64) in the United States suffered from some disability that affected their job performance. The average age for the onset of disability in the United States was 44.2 in 1987** (Employee Benefit Research Institute, 1990).

All industrialized countries provide publicly financed long-term disability coverage, usually to the same persons who are covered under their social security programs.[4] Benefits generally replace a percentage of predisability income for workers who meet certain eligibility criteria. However, in Australia, the benefit is unrelated to earnings and, like the cash sickness program, is only available to persons who satisfy a means test (table 3). The Social Security Disability Insurance program in the United States provides long-term disability benefits to insured workers who have suffered a disability which has lasted or can be expected to last for a continuous period of not less than 12 months. A worker may commence receiving benefits after 5 months, however (Employee Benefit Research Institute, 1990).[5] Long-term disability programs in many countries (France, Germany, Employee's Pension Insurance (EPI) in Japan, the Netherlands, and Sweden) provide not only full disability pensions but also reduced pensions to workers who are not completely disabled. For example, in Holland, any worker who has lost at least 15 percent of his or her earning capacity may be entitled to a reduced earnings-related benefit (table 3). In other countries, only fully disabled workers are entitled to benefits under long-term disability programs, although there may be separate programs that provide means-tested benefits for needy, partially disabled workers (Zeitzer and Beedon, 1987).

[4]In this discussion, the term "social security" is used to refer to the social insurance scheme in each country. When capitalized, however, it refers specifically to the U.S. scheme.

[5]To qualify for a full disability benefit, workers must also be both fully insured and disability insured (see Employee Benefit Research Institute, 1990).

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Employers in many countries voluntarily supplement public long-term disability pensions with benefits that are usually based on years of service and predisability salary.

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Some countries have linked their public long-term disability schemes to labor market policies intended to keep workers active and productive. In Sweden, for example, the purpose of the disability program is not only to replace predisability income but, more importantly, to rehabilitate workers so that they can return to work. Long-term disability pension recipients are initially granted temporary benefits for one year, while the Labor Market Administration evaluates their long-term job prospects before making a decision to award them permanent disability benefits. In the interim, a federal program provides jobs to disabled workers who can perform some duties but who cannot find work in the private sector. In Germany, disability policy is also linked to general labor market policy, although there are no explicit government job creation programs. Partially disabled workers are generally reemployed in the private sector through a quota system that requires employers who employ 16 or more workers to hire at least one disabled worker for every 16 able-bodied workers (Burkhauser and Hirvonen, 1989). Similarly, in Holland, employers with 20 or more employees are required to hire one disabled person for every 50 employees (Burkhauser, 1986).

Employers in many countries voluntarily supplement public long-term disability pensions with benefits that

Table 3
Publicly Financed Long-Term Disability Benefits

Country	Type of Program	Benefit for an Insured Fully Disabled Person	Percentage of Disability and Other Requirements for a Full Pension	Partial Disability Pension Offered	Financing[a]
Australia	Flat-rate	Same as old-age pension (means tested)	85%	No	General government revenues
Canada	Flat-rate plus	$240 per month	100% Contributions in 2 of last 3 or 5 of last 10 years	No	Payroll taxes
	Earnings related	75% of old-age pension	Same as above	Same as above	Same as above
France	Earnings related	Same as old-age pension	100% 800 hours of employment in the last 12 months	Yes (as low as 67%)	Payroll taxes to sickness and maternity program
Germany	Earnings related	1.5% of assessed wages times years of insurance projected to age 55	100% 60 months of contributions	Yes (as low as 50%)	Payroll taxes
Japan	Flat-rate plus	$490 per month	75% Contributions during 67% of total coverage period	No	Government revenue for 33% of flat rate benefit, plus payroll taxes
	Earnings related	Same as old-age pension, assumes 25 years of insurance	100% 6 months of contributions	Yes (as low as 70%)[b]	
Netherlands	Flat-rate plus	70% of base amount per day	80% Must be insured at onset of disability	Yes (as low as 25%)	Government funds low-income workers plus employer and employee payroll taxes
	Earnings related	70% of covered earnings less the flat-rate benefit	Same as above	Yes (as low as 15%)	
Sweden	Flat-rate plus	96% of base amount (B)	83%	Yes (as low as 50%)	Government revenue for 25% of flat rate benefit, plus payroll taxes
	Earnings related	2% of earnings from B to 7.5 times B, times years covered projected to age 65 (max. 60%)	Same as above; 3 years of coverage required	Same as above	
Great Britain	Flat-rate plus	Same as old age pension	100%	No	Government funds low-income and unemployed workers, plus payroll taxes
	Earnings related	1/80 of earnings per year of contribution	Same as above	Same as above	
United States	Earnings related	Same as old-age pension	100% One-quarter of contributions each year and 20 quarters in the last 10 years	No	Payroll taxes

Source: Employee Benefit Research Institute tabulations of various sources, including U.S. Department of Health and Human Services, Social Security Administration, *Social Security Programs Throughout the World—1989* (Washington, DC: U.S. Government Printing Office, 1990). See bibliography.

[a]Financing through payroll taxes generally refers to contributions to the social security old-age program. See Jill Foley, "International Benefits: Part Two—Retirement Income," *EBRI Issue Brief* no. 107 (Employee Benefit Research Institute, October 1990) table 6. France, the Netherlands, and Great Britain are special cases, however (see text).

[b]Japanese workers disabled 30 percent to 69 percent are eligible to receive a lump-sum benefit not to exceed two times the old-age pension.

are usually based on years of service and predisability salary. In 1989, 81 percent of all defined benefit plan participants in medium-sized and large private establishments in the United States were covered by employer-sponsored disability benefits (U.S. Department of Labor, 1990). In the event of disability, many of these participants (42 percent) would receive a pension computed under the retirement plan's normal benefit formula and would be paid as if the disability had occurred on the plan's normal retirement date. In the Netherlands, fewer than one-half of employer-sponsored pension plans are structured to pay a pension in the event of disability, possibly because benefits provided under the social security long-term disability plan are sufficient for most workers. Employer disability plans only cover earnings above those covered by social security ($36,073). In Japan, unfunded severance benefit plans provide lump-sum disability benefits rather than annuities, leaving disabled workers with only their social security pension as regular income. Although in most countries employer-sponsored disability plans are provided on a voluntary basis, in Sweden, collective bargaining agreements have mandated these plans. The compulsory private pension plan provides disability benefits to workers who have lost at least 50 percent of their earnings capacity due to accident or illness, after a 90 day waiting period (Charles D. Spencer and Associates, 1990).

The financing for public long-term disability schemes usually includes some combination of payroll taxes and federal funding. General government revenues usually finance flat-rate disability pensions and provide contributions for low-income workers, while payroll taxes finance earnings-related pensions. Payroll taxes for disability benefits are usually included in contributions to the old-age pension programs in all countries except France, the Netherlands, and Great Britain.[6] The long-term disability scheme in France is funded through contributions to the sickness and maternity program and in the Netherlands through a separate disability program. All payroll contributions in Great Britain are collected in the National Insurance fund, which then distributes funds proportionally to all social security programs. The cost of private employer-sponsored long-term disability benefits may be met through employer contributions, employee contributions, or some kind of cost-sharing arrangement (Employee Benefit Research Institute, 1990).

[6]A comparison of contribution rates to social security old-age programs is included in Foley, 1990.

◆ Industrial Injury Schemes

All industrialized countries have publicly financed workers' compensation (called industrial injury) schemes that provide both cash income replacement benefits and medical assistance to workers who have suffered a job-related injury or disease. In every country (except the Netherlands), these plans are at least partially separate from the social security cash sickness and long-term disability programs and typically provide a higher level of income replacement. In exchange for more generous benefits, injured workers are often barred from specific legal action against employers for their injury. Because the majority of claims are for short-term injuries (in 1982, the average number of work days lost per claim was 16.9 in the United States), industrial injury programs promote the rehabilitation of workers and encourage their return to work (Employee Benefit Research Institute, 1990). Generally, permanent disability and survivor benefits constitute the greatest cost for industrial injury programs, however.

Coverage and Benefits under Industrial Injury Schemes

In most countries, industrial injury schemes cover workers in all industries, although it is common to exclude agricultural or domestic workers and employees of small firms. In addition, separate systems often exist for federal government employees or other special occupational classes. Most provinces in Canada do not require firms in nonhazardous industries to participate, but they allow participation on a voluntary basis. **In**

recent years, the number of recognized occupational diseases has grown, largely owing to a greater understanding of the origins of certain diseases (for example, certain types of cancer) among medical researchers. This does not mean that the number of industrial injury claims is growing, because a shift in employment from the industrial sector to the service sector may decrease the claims associated with industrial injury and disease. However, the decrease in traditional occupational injury claims may be offset by recent claims made for work-related "mental stress" by white collar employees in the United States that have been upheld by the courts (Gordon, 1989).

United States—The U.S. workers' compensation program consists of a network of state programs (as well as a separate program for the District of Columbia) and two federal programs covering federal government employees and longshore workers. In addition, a special federal program covers mine workers who have been disabled by pneumoconiosis ("black lung" disease). Generally, the state programs cover workers in industry and commerce as well as state and local government employees. Eleven state programs exclude agricultural employees, 27 exclude domestic workers (for example, baby-sitters and cleaning persons), and 14 exclude workers in firms with fewer than three to five employees (table 4).

Although workers in other countries are more likely than those in the United States to have access to comprehensive medical benefits and short-term sickness benefits under nonoccupational programs, American workers are as likely as workers in other countries to receive these benefits under industrial injury programs. All state programs provide both medical benefits and income replacement benefits to workers who are injured on the job or disabled due to an occupational disease. Generally, state programs impose a waiting period of from 3 to 5 days before providing cash benefits, which are generally retroactive if the disability continues for a specified period (ranging from 7 to 28 days). In all except 11 state programs, the temporary and permanent disability cash benefits are the same—usually two-thirds of predisability earnings up to a ceiling for permanent total disability (table 4). Benefits are lower for partial disability, either replacing a smaller proportion of predisablement earnings or providing benefits for a shorter duration. This contrasts with the Social Security long-term disability program, which pays a cash benefit only if a worker is totally disabled after a waiting period of 12 months. Although almost all states provide income replacement benefits for life or for the length of the disability, 7 states only provide benefits for a maximum number of weeks (from 257 to 700 weeks) or a maximum dollar amount (from $92,400 to $204,225).

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In three countries (Germany, Great Britain, and Sweden), temporary occupational disability benefits are provided under the cash sickness program and replaced by permanent occupational benefits after the cash sickness benefits have expired.

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Other Countries—In most countries, workers covered under social security are also covered by industrial injuries programs, although some countries' programs exclude self-employed persons (Australia, France, Germany, and Great Britain), public employees (Canada, France, Germany, and Japan), or workers in certain industries (Canada, France, and Japan) (table 4). In three countries (Germany, Great Britain, and Sweden), temporary occupational disability benefits are provided under the cash sickness program and replaced by permanent occupational benefits after the cash sickness benefits have expired. In Great Britain, the industrial injuries program may award permanent benefits after 15 weeks, although cash sickness benefits are payable for 28 weeks. In the Netherlands, disabilities are covered under three programs, and no distinction is made between occupational and nonoccupational illness or injury. One program provides cash

Table 4
Features of Industrial Injury Schemes

			Temporary Disability Benefits		
Country	Covered Workers	Workers Excluded from Basic System	Duration of Benefit	Benefit Level	Permanant Total Disability Benefit
Australia	Varies by state—most cover all workers	Self-employed workers	Varies—usually 26 weeks	Varies—usually 80% to 100% of earnings	n.a.
Canada	Varies by province—most cover all workers in industry and commerce	Federal, agricultural, domestic, and bank workers, and workers in small firms	Varies by length of disability in most provinces	Varies—usually 75% to 90% of earnings	Same as temporary disability in most cases, but minimum benefit is higher
France	Industry and commerce workers, vocational education students, and some nonpaid social workers	Public, agricultural, mining, railroad, and self-employed workers	After 28 days temporary benefit increases; permanent benefit begins after certification	50% of earnings (maximum $110 per day), increasing to 67% if 3 or more dependent children	100% of earnings up to $27,778, 33% of earnings from $27,778 to $111,114, and 0% of earnings above $111,114
Germany	Workers, including most self-employed, apprentices, students, domestic workers	Public, some self-employed workers	Same as cash sickness program (see table 1)	Same as cash sickness program (see table 1)	2/3 of earnings up to a salary ceiling that varies by industry (average $43,979)
Great Britain	All workers	Self-employed workers	28 weeks, but permanently disabled receive benefits after 15 weeks	Same as cash sickness program (see table 1)	Basic weekly benefit of $128 plus supplements
Japan	Industry and commerce workers not included in special systems	Public-sector workers and agriculture if less than 5 workers	18 months	80% of earnings from the 4th day of disability	313 times average daily wage plus bonus-related wage and lump-sum supplements
Netherlands	Same as cash sickness and long-term disability programs (see tables 1 and 3)	Same as cash sickness and long-term disability programs	Same as cash sickness program (see table 1)	Same as cash sickness program (see table 1)	Same as long-term disability program (see table 3)
Sweden	All working residents	None	Same as cash sickness program (see table 1)	Same as cash sickness program (see table 1)	100% of earnings up to 7.5 times the base amount
United States	Varies by state—most cover all workers in industry and commerce	Varies—federal, longshore workers plus workers in District of Columbia and some agricultural or domestic workers or workers in small firms	Varies—34 states provide the same benefit for duration of disability (see text)	Varies—2/3 of earnings in 42 states: maximum per week ranges from $175 (Georgia) to $703 (Iowa)	Varies—2/3 of earnings in 43 states (as well as District of Columbia and federal program): Most provide a benefit for the length of disability, but 7 states pay benefits for 257 to 700 weeks (or $92,400 to $204,225)

Source: Selected documents (see bibliography).

sickness benefits (ZW), another provides long-term disability benefits for workers (WAO), and a third provides long-term disability benefits for nonworkers (AAW).

Both cash sickness and long-term disability schemes usually require workers to fulfill minimum insurance requirements to qualify for benefits. Industrial injury schemes, on the other hand, uniformly set no minimum qualifying period. Therefore, workers disabled by an occupational injury or disease are immediately eligible to receive medical care and rehabilitation as well as income replacement benefits.[7] Because most work-related injuries are not permanently disabling, rehabilitation (for example, physical therapy and counseling) plays an important role in all industrial injuries schemes. When an injured worker is certified as permanently disabled, he or she will continue to receive medical care for problems related to the injury. These benefits generally continue for life; unlike those provided by many long-term disability programs, they are not replaced by old-age pensions when the beneficiary reaches the normal retirement age.

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All countries offer permanent partial occupational disability benefits, even those that do not offer such benefits under their social security long-term disability programs.

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Foreign industrial injuries programs provide two types of cash income replacement benefits: temporary benefits and permanent benefits. Temporary benefits are usually more generous than those provided under cash sickness programs and are either equal to or less generous than benefits provided if the worker becomes permanently disabled. For example, in France, cash benefits for a worker who has suffered an occupational injury begin at 50 percent of earnings, as in the cash sickness program. After 28 days, this increases to 67 percent of earnings if the injured worker has at least three dependent children. After certification of permanent total disability, the benefit increases to 100 percent of predisablement earnings. In Japan, occupational disability benefits also increase in stages. The temporary benefit is 60 percent of the average daily wage during the first three days, increasing to 80 percent on the fourth day. After 18 months, the benefit can increase to more than 100 percent of covered predisability earnings.

All countries offer permanent partial occupational disability benefits, even those that do not offer such benefits under their social security long-term disability programs. Often, if a worker is less than 10 percent to 20 percent disabled, the benefits are paid in a single lump sum. It is common in some Australian states to pay all occupational disability benefits in a lump sum, including those for permanent disability (Charles D. Spencer and Associates, 1989).

Administration and Financing of Industrial Injury Schemes

Almost without exception, industrial injury schemes are financed wholly by employers through contributory payroll taxes. In most countries, contributions vary according to the degree of risk associated with each industry: high-risk industries pay a proportionally higher tax, while low-risk industries may not be required to make any contribution. Contribution rates can vary from less than 1 percent to nearly 15 percent (table 5). In none of the countries studied do employers supplement the industrial injury programs with private coverage for their employees.

United States—Generally, employers pay the entire cost of state workers' compensation programs, although a few states require a nominal contribution by workers.

[7]Generally, industrial injuries programs do not impose a waiting period before the payment of cash benefits, as is required by the U.S. workers' compensation system and other countries' cash sickness programs.

Table 5
Financing and Administration of Industrial Injury Schemes

	Employer Contribution			
Country	Premium criteria	Average premium	Other Funding[a]	Administration
Australia	Based on risk; some employers may self-insure	2.9% of payroll	Insured worker: none Government: none	Private insurance in all states except Queensland (state insurer provides coverage and administers the program) and Victoria (coverage is provided by the state and administered by selected insurers)
Canada	Based on risk; some employers may self-insure	n.a.	Insured worker: none Government: none	Provincial public funds collect contributions and administer program
France	Based on risk	3.8% of payroll (1.8% of payroll minimum)	Insured worker: none Government: none	Employers contribute to the National Sickness Insurance Fund (also provides all health benefits and disability pensions)
Germany	Based on risk	1.4% of payroll	Insured worker: none Government: subsidy to agricultural fund and coverage of students	Semiprivate insurance; industrial and agricultural insurance funds managed by elected employer and employee representatives act as insurance carriers and administer the program
Great Britain	Equals contribution to National Insurance (NI) based on employee's income[b]	5% to 9% (finances all social security programs)	Insured worker: same as contributions to NI Government: about one-half of NI funds.	NI fund financed by employee and employer contributions and general government revenues
Japan	Based on occupational category (risk)	0.6% to 14.9% of payroll	Insured worker: none Government: subsidies for specific injuries or sickness	Public insurance fund, administered by local labor standards offices
Netherlands	Equals contributions to disability and cash sickness programs[c] (varies by industry)	5.35% of payroll finances cash sickness program	Insured worker: 14.5% Government: subsidy for low-income workers	National insurance fund financed by employer and employee contributions are distributed to 22 regional Boards of Labor
Sweden	Flat-rate contributions	0.9% of payroll	Insured worker: none Government: subsidy to sickness fund, which provides medical benefits	Regional and local social insurance funds collect contributions in a public insurance fund
United States	Based on risk; some employers allowed to self-insure	2% of payroll	Insured person: none in most states, nominal contribution in others Government: subsidy to black lung program and cost of federal employees	Employers generally use private insurance (or self-insurance) in all but 22 states. Of the 22, four must insure with the state fund, four may insure with the state fund or self-insure, and 14 may insure with the state fund, self-insure, or use a private insurer

Source: Selected documents (see bibliography).
[a]Although federal governments do not generally contribute to the workers' compensation schemes, they usually finance the benefits of federal government employees covered by special programs.
[b]For the payroll taxes to National Insurance in Great Britain (which finances all social security benefits), see Jill Foley, "International Benefits: Part Two—Retirement Income" *EBRI Issue Brief* no. 107 (Employee Benefit Research Institute, October 1990), table 6.
c There are three programs that cover both occupational and nonoccupational injury in the Netherlands. The cash sickness program (ZW) finances short-term disability benefits (see table 1) and two programs cover long-term disability benefits (see table 3).

The federal government funds benefits for its own employees and pays for black lung benefits granted before 1974 but does not pay for any part of the states' programs. Employers in each state are required to provide workers' compensation coverage for their employees. Insurance premiums vary according to risk or self-insurance; the average cost for all employers in 1987 was approximately 2 percent of payroll (U.S. Department of Labor, 1990). Typically, state occupational disability programs in the United States allow employers to purchase workers' compensation coverage through private insurance carriers (employers in some states may self-insure). However, in 14 states, employers may choose private insurance, coverage through a state fund, or self-insurance; in four states, employers may insure through a state fund or self-insure; and in four states, employers are required to insure through the state fund (table 5).

Other Countries—**Employers in most countries pay the bulk of the cost of industrial injuries programs through payroll contributions that vary with risk. The administration of industrial injury schemes in most countries contrasts with the system in the United States in that it operates through public channels.** In some countries (Canada, Japan, and Sweden), employer payroll taxes that provide funds for the industrial injury program are placed separately from other social security funds in either a national account (to be distributed among local labor offices) or local funds. In other countries (France, Great Britain, and the Netherlands), contributions to industrial injury programs are collected and administered by a national fund with the funds for other social security programs. The financing and administration of industrial injury schemes in Australia and Germany are unique. Employers in Australia are governed not by a federal industrial injuries program but rather by several state programs as in the United States and Canada. Most states allow employers to purchase industrial injury insurance through private insurance companies, but Queensland requires them to buy it through a state fund, and Victoria uses a state administrator and selected semiprivate insurers. In addition, some Australian states also allow employers to choose self-insurance. In Germany, the industrial injury program is semiprivate; industry-wide funds managed by elected employer and employee representatives both administer and provide insurance within each industry.

◆ Unemployment Insurance

Every major industrialized country has a publicly financed unemployment insurance program that provides partial income replacement to insured individuals who become unemployed and meet certain eligibility criteria. In most countries, individuals who had been employed for a specified number of hours or days during the period prior to their termination are eligible for unemployment benefits (table 6). The level and duration of unemployment benefits may be based on a number of factors, including the level of previous earnings; length of insured employment; whether or not the insured is supporting dependents; age; and, in some cases, other income. Most programs are financed through employee and employer contributions, while income-tested unemployment benefits tend to be financed with general revenues. Again, Australia is the only country under consideration that has a single means-tested unemployment program; most countries provide basic unemployment compensation regardless of other income. France, Germany, the Netherlands, and Sweden, however, each have *supplemental* means-tested unemployment programs for individuals who are ineligible for regular unemployment benefits and/or who have exhausted coverage under regular benefits. In addition to public unemployment insurance, France, Great Britain, and Sweden have mandatory employer-paid severance benefits.

Eligibility

Unemployment programs (non income/means tested) generally specify a length of insured employment prior to termination required to qualify for the minimum unemployment benefit. **Minimum requirements vary by country, ranging from 10 weeks of insured employment during the prior year in Canada to 360 days**

Table 6
Unemployment Insurance Benefits

Country/Program	Insured Employment Required for Eligibility[a]	Benefit Level[b]	Maximum Insurable Earnings	Waiting Period	Maximum Duration[c]
Australia	None (income tested)	Same as cash sickness (see table 1)	Not. applicable	7 days	Unlimited
Canada	10 weeks	60%	$551/week	2 weeks[d]	10–50 weeks
France					
Unemployment assistance	3 months or 520 hours in year preceding unemployment	30% or 40% +$6/day or $9/day	$7,500/month	Not available	3–60 months
Solidarity agreements	5 years in 10 years preceding unemployment (income tested)	$12–$17/day	Not applicable	Not available	Unlimited
Germany					
Basic program	360 days in 3 years preceding unemployment	68% (63% if no children)	$44,471/year	None[d]	104–624 days
Unemployment assistance	150 days in 3 years preceding unemployment	58% (56% if no children)	$44,471/year	Not available	Unlimited
Great Britain	Contributions on earnings of 50 times the minimum contribution threshold ($72/week) in year preceding unemployment	Under pension age—$58/ week, + $36/week for dependent adult; pension age—$73/week, + $44/week for dependent adult, + $15/ week per dependent child	Not applicable	3 days	1 year
Japan	6 months in 12 months preceding unemployment	60%–80% (higher percentage to lower earners)	$84/day	7 days	90–300 days
Netherlands					
WW	26 weeks during 12 months preceding unemployment	70%	$139/day	Not available	6 months to 5 years
IOAW/TW	e	70% for single; 90% for single with dependents; 100% for married	$10,314/year	Not available	e
Sweden					
Regular	5 months in 12 months preceding unemployment (member of recognized unemployment benefit society for 12 months)	Set by each society up to $75/day	Not applicable	5 days	300–450 days
Labor market allowance	Income and means tested	Up to $26/day	Not applicable	5 days	150 days–5 years
United States	f	Approximately 50%, according to state formulas	Varies by state	1 week	1–36 weeks; varies by state

Sources: Charles D. Spencer & Associates, International Benefits Information Service (Chicago: Charles D. Spencer & Associates, 1990); U.S. Department of Health and Human Services, Social Security Administration, *Social Security Handbook, 1988* and *Social Security Programs Through the World—1989* (Washington, DC: U.S. Government Printing Office, 1988 and 1990, respectively).

[a]The minimum amount of employment required (during which unemployment contributions were made) preceding termination.

[b]Percentages refer to the percentage of insured earnings payable as an unemployment benefit.

[c]Range of time that unemployment benefits are available. Maximum duration usually depends on length of insured employment and age. Longest maximum shown is generally only available to those over a certain age (for example, 45 years or 55 years).

[d]Payable after extended period in the event of voluntary termination: in Canada, after 6 additional weeks; in Germany, after 12 weeks.

[e]IOAW is for those over age 50 or disabled of any age and is available for unlimited duration; TW is a supplemental benefit for WW recipients who are not receiving at least this level benefit.

[f]Most states require specified minimum earnings in year preceding unemployment; 13 states require specified number of weeks preceding unemployment.

in the last 3 years to be eligible for the regular program in Germany (table 6). In the United States, eligibility is also determined by an unemployed worker's previous attachment to the labor force as evidenced by a specified amount of work or earnings in covered employment. These specifications are determined by the individual states and are often complex. Under Australia's income-tested program, there is no minimum insured employment required. Likewise, in France and Sweden, unemployed individuals who do not meet the work requirements of the regular programs may be eligible for compensation under solidarity agreements and the labor market support program (table 6), respectively, on an income/means-tested basis. In Germany, individuals who do not meet the relatively long employment requirements for regular benefits may be eligible for means-tested unemployment assistance if they have worked 150 days in the 3 years preceding unemployment.

Qualification

In addition to previous insured employment, most programs require an unemployed individual to meet certain other criteria in order to qualify for coverage. **Typical conditions for qualification include termination that was not caused by the employee, minimum and maximum age (usually age 18 or over and under pensionable age), ability and willingness to work, demonstration of a reasonable effort to find employment, and registration at a regional unemployment office.** These prerequisites are similar across countries but vary somewhat. In Canada and Germany, for example, unemployment benefits are available after an extended waiting period to workers who voluntarily terminate their employment.

Benefit Level

Most unemployment programs tie benefit level to previous earnings—usually paying a fixed percentage of employed earnings up to a specified maximum insurable amount. For example, in Japan, unemployment benefits pay 60 percent to 80 percent of wages (with a higher percentage going to lower earning individuals), up to a maximum benefit of $84 per week (Charles D. Spencer & Associates, 1990). In the United States, the amount of the weekly unemployment benefit varies by state but is usually about one-half a worker's full-time pay within minimum and maximum limits (U.S. Department of Health and Human Services, 1988). Some programs (Australia, Great Britain, and Sweden) provide a flat-rate benefit, as opposed to a percentage of maximum earnings. The maximum level of benefits paid varies substantially by country, ranging from approximately $94 per week (for those under pension age) in Great Britain to more than $3,000 per month in France (table 6).

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In Canada and Germany, unemployment benefits are available after an extended waiting period to workers who voluntarily terminate their employment.

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Benefit Duration

The duration of unemployment benefits is frequently based on age and the length of insured employment, up to a maximum duration (table 6). For example, in Germany, regular unemployment benefits are payable for a maximum of from 104 to 624 days, depending on age and the length of previous insured employment. In Canada, duration ranges from 10 to 50 weeks; in France, from 3 months to 5 years; in the Netherlands, from 6 months to 5 years; and, in Japan, from 90 to 300 days. Some unemployment programs pay benefits for a fixed maximum period of time, regardless of age or insured employment beyond the minimum required. In Canada and Great Britain, for example, benefits are payable for a maximum of one year. Australia's unemployment program, as well as some other supplementary income-tested programs, provides benefits for an unlimited duration as long as the income and means

Table 7
Unemployment Insurance Financing

Country/Program	Maximum Earnings Subject to Employer/ Employee Contributions	Employer Contribution (% of payroll)	Employee Contribution (% of earnings)	Government Financing (% of unemployment cost)
Australia	n.a.	None	None	100%
Canada	$551/week	3.15%[a]	2.73%[a]	Subsidy when unemployment >4%
France				
Unemployment assistance	$7,500/month	4.43%	2.47%[b]	none
Solidarity agreements	n.a.	None	None	100%
Germany				
Basic program	$44,471/year	2.15%	2.15%	Subsidies; contributions for unemployed
Unemployment assistance	n.a.			
Great Britain	Included in national insurance contribution[c]	c	c	c
Japan	Actual wages	0.9%[d]	0.55%[d]	25% of program costs, 33% of deficit, and all administrative costs
Netherlands				
WW	$139/day	1.99%[e]	1.19%[e]	None
IOAW/TW	n.a.	None	None	100%
Sweden				
Regular	n.a.	$0.16-$4.34/month	2.16%	Subsidizes 46% of cost
Labor market allowance	No maximum	None		Subsidizes 33% of cost
United States	$7,000/year[f]	6.2%[g]	None[h]	Administration of state programs; extended benefits

Sources: Charles D. Spencer & Assoiciates, International Benefits Information Service (Chicago: Charles D. Spencer & Associates, 1990); U.S. Department of Health and Human Services, Social Security Administration, *Social Security Handbook* and *Social Security Programs Through the World—1989* (Washington, DC: U.S Government Printing Office, 1989 and 1990, respectively).

[a]Finances both cash sickness and unemployment benefits.

[b]Employee must contribute an additional 0.5 percent on earnings in excess of $1,875 and up to $7,500 per month.

[c]See Jill Foley, "International Benefits: Part Two—Retirement Income," *EBRI Issue Brief* no. 107 (Employee Benefit Research Institute, October 1990).

[d]An additional 0.2 percent (total) is required for those working in agriculture, fishing, and sake brewing industries; 0.2 percent is required for those in construction work.

[e]Average contributions; percentages vary by industry.

[f]Level specified by the Federal Unemployment Tax Act and 17 state programs; maximum is higher in other 36 jurisdictions.

[g]Basic rate according to the Federal Unemployment Tax Act. May be offset by as much as 5.4 percent for state contributions. The basic rate in most states is 5.4 percent; actual rates vary from 0.0 to 10.5 percent, according to the individual employer's experience.

[h]Five states—Alabama, Alaska, New Jersey, Pennsylvania, and West Virginia—require employee contributions.

requirements are met. In the United States, unemployment benefits can be paid from 1 week to 36 weeks, depending on state law—the average is 26 weeks (U.S. Department of Health and Human Services, 1988). Benefit payments ordinarily commence after a brief, noncompensable waiting period (except in Germany, where they are provided on the first day), which ranges from three days in Great Britain to two weeks (for the involuntarily unemployed) in Canada.

Financing

The financing of unemployment benefits is integrally related to benefit level and duration (table 7). In France, for example, while the unemployment system insures the highest level of benefits for a relatively long maximum duration, French employers and employees also bear the highest contribution burden. As mentioned above, most unemployment schemes (non-means- or income-tested) are financed through employer and employee contributions. **Contributions range from a combined total of 1.45 percent of payroll in Japan to 6.9 percent (plus an additional 0.5 percent on earnings above $17,000) of payroll in France, each up to the maximum insurable amount (total wages in Japan and $7,500 per month in France).** In Great Britain, unemployment benefits are financed through social insurance contributions (table 7). The United States is unique in that unemployment insurance is fully funded by employer contributions in all except five states (U.S. Department of Health and Human Services, 1988).[8] In Canada (when the unemployment rate is high), Germany, Japan, and Sweden, unemployment contributions are subsidized by general revenues. Australia's unemployment program, as well as its other means-tested programs, are fully financed by general revenues.

Mandatory Severance Benefits

In addition to public unemployment insurance, France, Great Britain, and Sweden provide mandatory employer-paid severance benefits. French law requires employers to pay a termination indemnity to every employee laid off after at least two years of service. The payment is calculated based on average salary over the three years prior to termination, at a rate of one-tenth of monthly pay per year of service (Charles D. Spencer & Associates, 1990). In Great Britain, employers may be required under certain circumstances to make lump-sum payments to employees under pension age who are dismissed after 104 weeks of continuous employment with that employer. The payment is based on service up to a maximum of 20 years and weekly pay up to $277: for employees aged 18–21, the employer must pay 0.5 weeks of pay per year of service; for employees aged 22–40, 1.0 weeks of pay per year; and for employees aged 41–64 (59 for women), 1.5 weeks of pay per year (Charles D. Spencer & Associates, 1990).[9] British employers generally provide higher severance benefits than are legally required for management-level employees and executives (similar to privately arranged agreements for U.S. executives). In Sweden, severance benefits are insured and mandatorily paid to workers aged 40–65 who have worked at least three years during the five calendar years preceding unemployment. The insurance fund is fully financed by employer contributions which, in 1989, were 0.20 percent of annual payroll. The fund pays two types of benefits, depending on the category of unemployment (for example, health related or otherwise): (1) a flat-rate, taxable payment of $565 plus $27 for each year of

[8]The U.S. unemployment insurance program is state administered, with federal participation. The Federal Unemployment Tax Act (FUTA), together with unemployment taxes imposed by the states, provides for payment of unemployment compensation to workers who have lost their jobs. The employer computes its FUTA tax liability by applying the current FUTA tax rate (6.2 percent) to the compensation earned by an employee during a calendar year, until a maximum wage ($7,000 per year) has been earned. However, employers are eligible for a credit of up to 5.4 percent for the state unemployment tax paid. Therefore, the FUTA rate can be as low as 0.8 percent. Effective January 1, 1991, the FUTA tax rate will be 6.0 percent. State unemployment tax rates vary, ranging from zero to 10.5 percent, according to the individual employer's experience, but the basic rate in most states is 5.4 percent (Commerce Clearing House, 1990).

[9]Employers with fewer than 10 employees are eligible for a rebate from social insurance.

age over 39 per year, up to a maximum of $1,080 per year; and (2) an annual nontaxable benefit based on age and length of time employed, up to $4,235 per year (Charles D. Spencer & Associates, 1990).

◆ Conclusion

Benefits that replace income during an employee's absence from work due to nonoccupational and work-related disability are common to all industrialized countries. However, the financing and level of benefits provided by these programs vary from country to country. In the United States, short-term disability benefits are privately financed by employers on a voluntary basis (in most states). Although the U.S. Social Security system includes benefits for long-term disability, benefits are payable only upon total disability, and employers are relied upon to fill the gap on a voluntary, privately funded basis. This contrasts with the disability schemes in most other industrialized countries, the majority of which are publicly financed for short-term disability as well as temporary and permanent long-term disability. Publicly financed disability benefit schemes are most commonly funded jointly by mandatory employer and employee contributions. Because the U.S. scheme of nonoccupational disability benefits is largely voluntary, there are potential gaps in income for certain workers. However, benefits that replace income in cases of occupational disability are publicly financed in the United States as well as in other industrialized countries. Occupational disability benefits are generally more generous than nonoccupational benefits and tend to be financed through employer contributions.

Cash benefits for absence from work during the period of disability associated with pregnancy may be part of each country's cash sickness scheme or may be administered separately. Regardless of benefit level and administration, pregnancy disability benefits are universal in all of the countries discussed except the United States. In the United States, the Pregnancy Discrimination Act requires employers offering short-term disability insurance to include a level of coverage for pregnancy disability equal to that for any other disability. As mentioned above, however, short-term disability coverage (and therefore maternity disability coverage) is not mandatory in most states. In Germany and Sweden, working parents who take leave to raise children are entitled to cash benefits in addition to those provided during the disability associated with maternity. In the United States, several states mandate job-protected but uncompensated parental leave, but efforts to enact mandatory uncompensated parental leave at the federal level have repeatedly failed.

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The provisions of unemployment programs vary by country, but in all cases (including the United States) they are mandatory for workers in most industries and are publicly financed.

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Programs that continue income during periods of unemployment are common to all major industrialized countries. The provisions of unemployment programs vary by country, but in all cases (including the United States) they are mandatory for workers in most industries and are publicly financed. Unemployment insurance, together with the other income continuation programs discussed, are designed to aid workers in maintaining financial independence during periods of absence from the work force. Of the countries addressed in this study, the United States relies most heavily on optional privately financed benefit programs, while most other industrialized countries are more likely to have welfare benefit programs that are mandatory and publicly financed.

This *Issue Brief* was written by Jill Foley and Karen Horkitz of EBRI with assistance from the Institute's research and education staffs.

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