

payments, which generally compensate in full from the first day of sickness, are excluded in order to get a clear measure of that part of income loss normally considered insurable and compensable under prevailing insurance practices. Ordinarily, insurance plans (private and government) pay less than the "take home" wage to discourage malingering and, to reduce the administrative burden of processing large numbers of short-period claims, usually do not cover the first few days or first week of illness. Consequently the Nation's potentially insurable and compensable income loss under prevailing disability insurance provisions is somewhat less than the total income loss in table 8.

Table 10 shows two alternative waiting periods and a two-thirds level of weekly wage replacement, to reflect the provisions of some of the more liberal plans now in operation. For all the categories shown, the 1969 rates of partial replacement by insurance plans were higher than those

in the preceding year, making 1969 the second year of advancing ratios after several years of stability.

It is evident that the present levels of benefits achieve the goal of replacing income-loss during sickness with widely different degrees of success, depending on the liberality of the insurance objectives sought. On the assumption that compensation should not be made for the first 3 days of disability but that full income replacement should be made thereafter, less than 28 percent of the compensable income-loss was compensated for in 1969. If the goal is to pay a two-thirds weekly benefit after a 7-day waiting period, something over half of the goal is being realized. The latter situation represents a much more satisfactory degree of income replacement by insurance benefits than, for example, the replacement rates listed in table 9, for private industry workers though those rates do include sick-leave payments as well as insurance benefits.

Notes and Brief Reports

Workmen's Compensation Payments and Costs, 1969*

Total cash and medical payments under workmen's compensation programs in the United States in 1969 jumped to a new high, estimated at \$2,612 million. The dollar increase (\$242 million) was the largest since 1939, when this series began, and the relative rise (10.2 percent) was matched only once during the past 17 years—1966. That year, like 1969, was characterized by rapid rises in covered employment, wage levels, and medical care prices—all of which have an important effect on outlays for work injuries.

Reflecting mainly the general growth of the labor force, the estimated number of workers covered in an average week by State and Federal

workmen's compensation laws advanced in 1969 by 2.1 million to 58.8–59.0 million. In 1968 the gain had been 1.8 million. Average wages, on which cash benefits are based, rose almost 6.5 percent in 1969 as in 1968. The combination of higher wage rates and increased coverage resulted in an unprecedented rise of \$38 billion in payrolls in covered employment. The estimated covered payroll of \$414 billion in 1969 was 10 percent larger than the estimate for the previous year—the greatest proportionate increase since 1951.

Medical care prices also experienced a rise that had been surpassed only once in the past two decades. According to the Consumer Price Index of the Bureau of Labor Statistics, hospital and medical care prices rose 6.9 percent in calendar year 1969, compared with 6.1 percent in 1968.

The higher benefit outlays in 1969 also reflect liberalizations in the workmen's compensation laws. During 1968 and 1969, 31 States increased maximum weekly benefits for temporary total disability. In addition, five States had their weekly maximums increased automatically as the result of legislation that tied their weekly maxi-

* Prepared by Alfred M. Skolnik, Division of Economic and Long-Range Studies. For a 4-year review of the program, see Alfred M. Skolnik and Daniel N. Price, "Another Look at Workmen's Compensation," *Social Security Bulletin*, October 1970.

mums to a percentage—usually 50 percent—of their State-wide average wage. Three other States passed such legislation in 1969. The Federal Employees' Compensation Act also provides for a "flexible" maximum under which benefits for

injured Federal workers are related to current wage scales. At the end of 1969, the Federal Government and 15 States paid a weekly maximum of \$70 or more for temporary total disability for a single worker or a married worker with a

Estimates of workmen's compensation payments, by State and type of insurance, 1969 and 1968¹

[In thousands]

State	1969				1968				Percentage change in total payments, 1969 from 1968
	Total	Insurance losses paid by private insurance carriers ²	State fund disbursements ³	Self-insurance payments ⁴	Total	Insurance losses paid by private insurance carriers ²	State fund disbursements ³	Self-insurance payments ⁴	
Total.....	\$2,611,666	\$1,640,964	\$603,775	\$366,927	\$2,369,483	\$1,481,606	\$556,607	\$331,270	+10.2
Alabama.....	22,879	14,759		8,120	20,509	12,819		7,690	+11.6
Alaska.....	6,150	5,735		415	5,078	4,738		340	+21.1
Arizona.....	33,767	5,314	\$24,418	4,035	28,649	1,944	25,230	1,475	+17.9
Arkansas.....	19,011	16,031		2,980	15,633	13,183		2,450	+21.6
California.....	367,703	245,448	79,090	43,165	333,248	223,513	70,615	39,120	+10.3
Colorado.....	20,661	6,799	11,982	1,880	19,145	6,002	11,403	1,740	+7.9
Connecticut.....	35,547	32,762		2,785	30,321	27,946		2,375	+17.2
Delaware.....	5,214	3,989		1,225	4,426	3,421		1,005	+17.8
District of Columbia.....	8,366	7,761		605	7,599	7,049		550	+10.1
Florida.....	81,934	72,379		9,555	70,534	62,309		8,225	+16.2
Georgia.....	30,347	25,937		4,410	25,667	21,937		3,730	+18.2
Hawaii.....	12,136	8,686		3,450	10,561	7,561		3,000	+14.9
Idaho.....	7,087	4,617	1,940	530	5,889	4,000	1,448	441	+20.3
Illinois.....	129,397	108,637		20,760	122,441	102,796		19,645	+5.7
Indiana.....	40,189	31,424		8,765	37,448	29,279		8,169	+7.3
Iowa.....	16,922	14,102		2,820	15,666	13,056		2,610	+8.0
Kansas.....	17,000	15,540		1,460	16,101	14,716		1,385	+5.6
Kentucky.....	23,078	20,068		3,010	20,672	17,977		2,695	+11.6
Louisiana.....	57,139	49,684		7,455	51,437	44,727		6,710	+11.1
Maine.....	7,200	6,260		940	6,723	5,848		875	+7.1
Maryland.....	33,913	25,731	2,601	5,581	31,931	24,083	2,593	5,255	+6.2
Massachusetts.....	83,406	77,731		5,675	78,838	73,473		5,365	+5.8
Michigan.....	160,531	94,226	6,420	59,885	137,638	80,602	5,691	51,345	+16.6
Minnesota.....	41,342	34,742		6,600	37,641	31,631		6,010	+9.8
Mississippi.....	15,134	13,934		1,200	14,487	13,342		1,145	+4.5
Missouri.....	38,408	32,438		5,970	34,842	29,427		5,415	+10.2
Montana.....	9,057	2,817	4,793	1,447	8,437	2,851	4,219	1,367	+7.3
Nebraska.....	9,696	8,511		1,185	8,644	7,589		1,055	+12.2
Nevada.....	9,074	28	8,896	150	7,839	23	7,671	145	+15.8
New Hampshire.....	6,207	6,072		135	5,455	5,340		115	+13.8
New Jersey.....	118,825	109,516		9,309	115,133	104,666		10,467	+3.2
New Mexico.....	10,599	9,329		1,270	9,340	8,220		1,120	+13.5
New York.....	263,327	170,204	60,847	32,276	236,160	152,310	54,903	28,947	+11.5
North Carolina.....	26,492	23,257		3,235	24,567	21,437		3,130	+7.8
North Dakota.....	4,348	35	4,313		4,208	12	4,196		+3.3
Ohio.....	180,738	130,877		49,560	171,400	124,170		46,940	+5.4
Oklahoma.....	26,292	20,676	2,736	2,880	23,598	19,268		1,910	+11.4
Oregon.....	45,251	14,779	29,112	1,360	41,431	13,547	26,630	1,245	+9.2
Pennsylvania.....	135,402	61,310	\$44,712	29,380	124,991	55,544	\$42,762	26,685	+8.3
Rhode Island.....	8,899	8,419		480	8,242	7,797		445	+8.0
South Carolina.....	16,044	14,584		1,460	14,834	13,484		1,350	+8.2
South Dakota.....	2,872	2,497		375	2,453	2,133		320	+17.1
Tennessee.....	32,521	29,566		2,955	28,558	25,963		2,595	+13.9
Texas.....	121,722	121,722			106,570	106,570			+14.2
Utah.....	6,307	1,564	3,693	1,050	6,009	1,587	3,422	1,000	+5.0
Vermont.....	3,504	3,244		260	2,952	2,732		220	+18.7
Virginia.....	26,016	21,151		4,865	23,612	19,197		4,415	+10.2
Washington.....	56,961	2,448	\$54,263	250	53,267	2,450	\$50,597	220	+6.9
West Virginia.....	23,272	39	19,604	3,629	21,570	36	18,325	3,209	+7.9
Wisconsin.....	40,249	34,109		6,140	36,755	31,150		5,605	+9.5
Wyoming.....	2,396	52	2,344		2,126	31	2,095		+12.7
Federal workmen's compensation:									
Civilian employees ⁶	99,096		99,096		85,510		85,510		+15.9
Other ⁷	12,038		12,038		12,698		12,698		-5.2

¹ Data for 1969 preliminary. Calendar-year figures, except that data for Montana and West Virginia, for Federal workmen's compensation, and for State fund disbursements in Maryland, Nevada, North Dakota, Oregon, Utah, Washington, and Wyoming represent fiscal years ended in 1968 and 1969. Includes benefit payments under the Longshoremen's and Harbor Workers' Compensation Act and Defense Bases Compensation Act for the States in which such payments are made.

² Net cash and medical benefits paid during the calendar year by private insurance carriers under standard workmen's compensation policies. Data primarily from A. M. Best Company, a national data collecting agency for private insurance.

³ Net cash and medical benefits paid by State funds compiled from State reports (published and unpublished); estimated for some States.

⁴ Cash and medical benefits paid by self-insurers, plus the value of medical benefits paid by employers carrying workmen's compensation policies that do not include the standard medical coverage. Estimated from available State data.

⁵ Includes payment of supplemental pensions from general funds.

⁶ Payments to civilian Federal employees (including emergency relief workers) and their dependents under the Federal Employees' Compensation Act.

⁷ Primarily payments made to dependents of reservists who died while on active duty in the Armed Forces, to individuals under the War Hazards Act, War Claims Act, and Civilian War Benefits Act, and to cases involving Civil Air Patrol and Reserve Officers Training Corps personnel, maritime war risks, and law enforcement officers under P.L. 90-291.

wife and two dependent children. Nine States paid \$60 to \$69 a week.

With the growth in payrolls matching the increase in benefits, there was no change between 1968 and 1969 in aggregate outlays as a percentage of payroll. For every \$100 of covered payroll, 63 cents continued to be expended in cash and medical payments for work injuries.

Of the total payments of \$2,612 million, 63 percent was paid by private insurance carriers, 23 percent by State insurance funds (including the Federal workmen's compensation programs), and 14 percent by self-insurers. This distribution represented no change from that of 1968.

A little more than one-third of the total expended in benefits went for medical and hospital services in 1969; this amount was about \$920 million. Of the remaining \$1,692 million paid in cash indemnity benefits, it is estimated that \$185 million represented survivor benefits in death cases. A comparison of the 1969 distribution of payments with that for 1968, by type of benefit, is shown below.

[In millions]

Type of payment	1969	1968
Total.....	\$2,612	\$2,369
Medical and hospitalization.....	920	830
Compensation, total.....	1,692	1,539
Disability.....	1,507	1,374
Survivor.....	185	165

STATE VARIATION IN BENEFIT PAYMENTS

For the second year in a row, every State in 1969 reported higher benefit payments. The only program showing a decline was the Federal program that covers injuries to persons other than Federal civilian employees. This program, which is chiefly concerned with death payments to dependents of military reservists who died in active duty during the Korean conflict, affects a declining number of persons.

Although individual States showed wide variation in their rates of increase, all geographic areas shared more or less uniformly in the growth. The South, Southwest, and Mountain regions had the highest rates of increase, but the 11-14 percent recorded for these areas was only slightly higher than the 9-10 percent in the other regions.

More than three-fourths of the labor force covered by workmen's compensation were located in the District of Columbia and the 35 States that reported benefit increases of 5.0-14.9 percent. Only three States (Mississippi, New Jersey, and North Dakota) had increases of less than 5 percent; they represented about 5 percent of the covered labor force. Advances of 15 percent or more were registered for 12 States and the Federal program for civilian employees (with 17 percent of the covered workers). Three of these States—Alaska, Arkansas, and Idaho—experienced an increase of 20 percent or more.

This overall pattern of growth in 1969 is similar to that of 1968 when 37 jurisdictions, with three-fourths of the coverage, also reported increases ranging from 5.0 to 14.9 percent. Major differences between the 2 years occurred at the extremes. In 1968, nine States having 16 percent of the insured workers reported increases of less than 5 percent and six States, with 8 percent of the coverage, had increases of 15 percent or more.

In 35 programs, benefit increases were greater in 1969 than they were in the preceding year; a lower rate of increase was reported in 17 programs. Fourteen of the 26 jurisdictions with a greater-than-average rate of growth had also reported rises higher than the national increase in the preceding year. Only Arizona, Connecticut, Delaware, and Michigan, among the 13 jurisdictions with increases of 15 percent or more, had reported increases of similar proportions in 1968.

Payments in each of the eight largest States amounted to more than \$100 million in 1969 and together these States accounted for 57 percent of the total amounts expended. It is interesting to note that these eight States had also accounted for the largest bulk of expenditures 10 years earlier (54 percent in 1959). They appear in different order in the 2 years, however, when they are ranked by magnitude of benefit payments, as the listing below shows.

<i>1969</i>	<i>1959</i>
California	New York
New York	California
Ohio	Ohio
Michigan	Texas
Pennsylvania	Illinois
Illinois	New Jersey
Texas	Pennsylvania
New Jersey	Michigan

COST RELATIONSHIPS

Like covered payrolls and total benefit payments, the costs of workmen's compensation were about 10 percent higher in 1969 than in 1968. As a result, employers continued to spend for the third consecutive year the same proportion of their payrolls to insure or self-insure their risks under workmen's compensation programs—about \$1.07 per \$100 of payroll in covered employment. In earlier years, the rate had been lower—\$1.02 in 1966 and \$1 in 1964 and 1965.

The estimated cost of workmen's compensation in 1969 was \$4,441 million, an increase of more than \$400 million over the 1968 estimate of \$4,030 million. The 1969 total consisted of (1) \$3,255 million in premiums paid to private carriers; (2) \$792 million in premiums paid in State funds (for the Federal programs financed through congressional appropriations, these "premiums" are the sum of the benefit payments and the costs of the administrative agency); and (3) about \$395 million as the cost of self-insurance (benefits paid by self-insurers with the total increased by 5–10 percent to allow for administrative costs).

With total benefit payments and costs rising at the same rate in 1969, the 6-year decline in the proportion of the premium dollar going for

benefits was halted. This proportion reached 58.8 percent in 1968 and 1969, after a steady decline from a high of 64.1 percent in 1962.

The same trend shown for all business is seen when the experience of private carriers alone is examined. The ratio of direct losses paid to direct premiums written (commonly termed the "loss ratio") held steady at 50.4 percent in 1969 after dropping gradually from a high of 56.0 percent in 1962. A ratio based on losses incurred (which includes amounts set aside to cover liabilities from future claims payments) would be higher. According to *Spectator* data, losses incurred by private carriers represented 62 percent of net premiums earned in 1969—as in 1968.

With the Federal program excluded, State funds also show a steady decline in the loss ratio since 1962 when benefits paid equaled 78 percent of premiums written. The leveling off, however, began before 1969 and for the past 3 years the loss ratio has remained at 67 percent.

The loss ratios for private carriers and, to some extent, for State funds do not take into account the premium income returned to employers in the form of dividends. Available data indicate that dividends when related to total premium payments (for both dividend- and non-dividend-paying companies) generally average about 4–6 percent.

Social Security Abroad

Recent Social Security Reforms in France*

On July 24, 1970, the Council of Ministers approved a series of social security reforms aimed particularly at slowing down the rate of increase in medical expenditures and improving the circumstances of low-income families and the dis-

advantaged—widows, orphans, the aged, and the severely handicapped. The changes affect all three branches of the general scheme—(health insurance, old-age pensions, and family allowances), which covers more than 12 million wage and salary workers in industry and commerce.

One of the more important changes provides that the single-wage allowance (paid to families in which the spouse is not working) is to be doubled for low-income families but abolished entirely for those families with earnings above a fixed ceiling. In addition, 1 percent of the employer's contribution rate to the family allowance fund will be used to cover deficits in the health insurance and old-age pension funds. A series of economy measures will reduce costs to the health insurance fund.

The reforms of July took place in the midst of the final stages of approving the sixth 5-year

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