

Disability Protection Under Public Programs

By Dorothy F. McCamman*

From 1940 on, the Social Security Administration has consistently recommended the establishment of insurance against loss of earnings due to extended disability, interlocked with and reinforcing the old-age and survivor protection of the basic social insurance program. For industrial and commercial workers now covered by old-age and survivors insurance, prolonged disability is not compensable under any public program unless it is work-connected or unless the disabled individual is a veteran who can qualify for pension or compensation. In contrast, the following analysis of existing public provisions for disability benefits indicates that fairly broad disability protection has been provided for almost 5 million civilian workers who are covered by special public retirement systems.

PROTECTION AGAINST income loss resulting from extended or permanent total disability is linked with the old-age provisions in the social insurance systems of most countries. In some 30 countries, public provisions for such insurance (generally known outside the United States as invalidity insurance) and for old-age insurance were established simultaneously. In several other countries, social insurance against the risk of disability has preceded insurance provisions for old age; noncontributory pensions for the aged were already in existence at the time of enactment of some of these disability systems and were not immediately replaced by old-age insurance.

Rarely has a country established a system of old-age insurance without also providing for social insurance against the risk of permanent disability. Of the countries that now have old-age insurance systems, only the United States, Norway, and Switzerland lack national systems of invalidity insurance.¹

Failure to provide protection against the risk of extended or permanent total disability places the basic social insurance system of the United States in an almost unique position, in relation not only to the social insurance systems of other countries but to the other public retirement systems of our own country as well. Public retirement programs covering special groups of workers in the United States—Federal employees, employees of State and local govern-

ments, and railroad workers—offer fairly broad disability protection. Aside from these special retirement systems, public provision for replacing the income loss due to extended disability has been limited to two types: compensation under State and Federal laws for work injuries and compensation or pensions under Federal laws for disabled veterans who have served in the armed forces during wartime.

This article presents summary information about the various public programs now providing disability income—the coverage of the programs, the conditions under which disability payments are made, and other data that help in evaluating existing protection in the light of the Nation's needs. The analysis is limited to public provisions and therefore excludes from consideration the disability protection afforded some groups of employees under industrial pension plans or other private programs. Also outside the scope of this article are certain systems of sickness or temporary disability benefits, public as well as private.

State and Local Government Employees

The earliest significant legislation for public employees resulted from a recognition of the need for protection against the risks of disability and death. In 1857, the first municipal pension fund (to be established by statute in the United States) provided disability and death benefits for New York City policemen. Retirement benefits were not added until 1878,

when the financing of the system—originally supported entirely by awards, donations, and proceeds from the sale of confiscated or unclaimed property—was revised to include employee contributions.

For public employees in less hazardous lines of work, too, disability pensions or death benefits sometimes served as the forerunner of provisions for old-age security. The teachers of New York City, for instance, organized an association in 1869 to pay lump-sum benefits to survivors. No regular contributions were required from members of this mutual benefit association, and no financial support was obtained from the city as employer; instead, assessments were levied on members when the need arose. By 1885, sick benefits had been added and regular employee contributions were required. The first retirement provisions for teachers were not introduced until 1887, when New York and Brooklyn teachers together organized the Old Age and Disability Annuity Association, an outgrowth of the mutual benefit association formed almost 20 years earlier.

Extent of protection.—Although major emphasis has long since been shifted to old-age retirement provisions, most systems for State and local government employees now provide protection against permanent disability. Personnel policy recognizes that a retirement system has a dual purpose—to increase the operating efficiency of the public service and to furnish security for the employee. Compatible with this dual purpose is the provision of retirement income whenever the employee is no longer able to serve efficiently because of disability or because of age.

It is estimated that 2 million persons, or nearly 3 out of every 5 employees of State and local governmental units, were members of retirement systems operating in the fiscal year ended in 1947. About 1.9 million of these covered employees have protection for service-connected disability through their retirement systems. Although some of the 1.9 million belong to systems which do not compensate for non-service-connected disabilities, perhaps as many as 1.6 million have this type of protection too.

*Bureau of Research and Statistics.

¹ See table on page 13.

Probably about 1,700-1,750 retirement systems were in operation in the fiscal year ended in 1947. More than nine-tenths of these systems provide protection against service-connected disability; perhaps 7 out of every 10 provide protection in the event of ordinary disability (that is, disability not arising out of the employment). Approximately 200 of the total number are contributory systems administered by States or by cities with populations of 500,000 and over. This group includes all the largest systems and accounts for almost nine-tenths of all covered employees. It is estimated that about 95 percent of the 200 systems provide benefits for service-connected disability, and somewhat more than 80 percent compensate for ordinary disability. States and large cities also administer about 50 non-contributory systems, fewer than half of which provide protection against disability. Most of these systems are extremely small, with very limited coverage, and they therefore have only slight effect on the over-all estimate of the number of public employees who are protected against the risk of disability. An estimated 1,450-1,500 systems are administered by cities with populations of less than 500,000, by towns, or by counties. The proportion providing protection against service-connected disability approaches 95 percent at this level, where systems for policemen and firemen predominate; about seven-tenths contain provisions for ordinary disability.

It is estimated that 25,000 individuals were receiving disability annuities from State and local retirement systems at the close of the 1947 fiscal year. Disabled beneficiaries made up slightly more than one-tenth of all beneficiaries on the rolls, which include the families of deceased former employees as well as retirants for age, length of service, or disability. Payments made to disabled beneficiaries during the fiscal year approximated \$18 million, considerably less than one-tenth of the aggregate \$215 million paid in monthly benefits.

For every individual retired for disability, seven were retired on the basis of age or service. Lower average payments for disability annuitants are reflected in the ratio of \$9.70 paid to

age and service retirants for every \$1 paid to disabled beneficiaries.

In 1941—the most recent year for which comprehensive data are available—the average monthly disability benefit paid by State and local retirement systems was \$59. At the same time, annuities for age or service averaged \$77. The over-all average of \$59 conceals a wide range in benefit amounts resulting from the variety of methods of computing disability benefits. Disability benefits are likely to be low, on the average, in systems that relate the amount to contributions and length of service. Where disability benefits are computed as a percentage of salary, on the other hand, a larger proportion may be paid for disabilities of service origin than for either ordinary disabilities or age retirement.

Provisions for disability retirement.—Retirement systems for State and local governmental employees differ greatly with respect to specific provisions for disability annuities. Some generalizations are possible, however, on the basis of the legal provisions of the 250 systems which are administered by States or by cities with populations of 500,000 or more and which account for close to nine-tenths of all covered employees.

With relatively few exceptions the contributory systems in this group provide some form of disability protection. Two of the exceptions are perhaps worthy of special mention: the State-wide plan of Iowa (enacted in 1945) and that of North Dakota (enacted in 1947). These systems are modeled on the Federal system of old-age and survivors insurance and bear little resemblance to the usual staff retirement plan for public employees. Proposals for amending the Iowa law to provide disability protection were introduced shortly after the original law was enacted.

The typical State-wide retirement system for teachers does not distinguish between service-connected and ordinary disability. Most such systems, however, demand a specified period of service (usually 10 or 15 years) as an eligibility requirement for disability retirement. The benefit payment is either proportionate to the payment the teacher would have received had she remained in service

until the normal retirement age or else is based on the actuarial equivalent of her contributions with a proportionate pension from public funds.

A distinction between service-connected and ordinary disability is commonly made by systems that cover employees of several governmental departments and by systems for policemen and firemen. Perhaps as much as 10 or 15 years' service may be required for eligibility for benefits for non-work-connected disability. For work-connected disabilities, on the other hand, there may be either no service requirement or a much shorter one. Moreover, the benefit formula is usually more liberal than that used for ordinary disability. If the disability has a work connection, the benefit may be computed as a given proportion of pay (perhaps one-half or three-fourths) or it may be composed of two portions—one, the amount purchasable with the member's contributions, and the other, a pension that is proportionate to pay. In a few instances, the service-connected disability benefit represents a proportion of pay plus a flat dollar amount for each dependent child. For ordinary disability, the allowance may be related to pay, using a smaller proportion than that for service-connected disability. More frequently, however, the annuity for ordinary disability is based on years of service or on contributions, with the result that, if the disability has occurred after relatively short service, the benefit is usually small and inadequate as an offset to income loss.

The other systems which are administered by States or by large cities and for which information is available as to disability provisions are those covering a single group of employees, such as judges, employees of public service enterprises, or employees of hospitals or penal institutions. The disability provisions of some of these systems follow the pattern found for systems with more comprehensive coverage. Many of the systems in this group, however, are noncontributory retirement plans for State judges, some of which trace their roots back to the earliest forms of retirement protection for public employees—the inclusion in State constitutions of retirement provisions for judges. A

high proportion of the noncontributory systems for judges do not offer disability protection.

Definitions of compensable disability vary widely, but for the most part they approximate "mental or physical inability to perform usual duties." A compensable disability is treated as a total disability—that is, the systems do not provide for computing partial disability benefits proportionate to partial loss of earning power. They commonly provide, however, that if a disabled annuitant recovers sufficiently to engage in some employment his annuity shall be reduced by the amount that his earnings plus his annuity exceed his salary before he became disabled. Compensation is frequently granted only if it appears that the disability is permanent. In general, disability benefits are payable for the duration of the disability. When the disabled individual reaches the age for superannuation retirement, however, he may be transferred from the disability rolls to the old-age rolls, and sometimes his annuity is recomputed. A disabled annuitant is usually required to submit to a physical examination, either periodically or at the request of the administrative board, at least until he reaches the normal retirement age.

One group of retirement systems, located in Illinois, departs radically from the usual pattern of compensating only extended disabilities and of paying the annuity for the duration of the disability. In these systems, benefits are paid for short spells of sickness as well as for extended disability, but there is a maximum limit (usually 5 years or one-fourth the total service of the individual) on the duration of payments for non-work-connected disability. Persons who exhaust their rights to disability benefits before recovery may be able to qualify for retirement benefits under special age and service provisions.

In recognition of the necessity for maintaining continuity of old-age protection through periods of extended disability, most systems contain provisions relating to reinstatement on recovery from disability. For instance, long absences caused by disability do not generally bar an individual from receiving credit for government service performed before

the establishment of the system; when reasons other than disability keep an individual away from service for longer than a specified period, he may lose the annuity based on prior service and financed from public funds. Another type of protective provision used by systems in which the contribution rate is determined by the member's age at entry, is the provision whereby reinstated members who had been separated because of disability contribute at their original rate. Various other provisions, geared to the benefit formula and eligibility requirements of the specific system, are designed to safeguard and build up the rights to future benefits for old-age retirement for persons reinstated after recovery from disability.

Relationship to workmen's compensation.—Public employees who are not protected against service-connected disability through retirement systems—because they are not members of systems or because they are members of systems that do not provide disability benefits or provide them only after long service—may nevertheless have protection under State workmen's compensation laws. Existing coverage of State and local government employees by workmen's compensation programs may, in some instances, have caused the retirement system to omit benefits for service-connected disability or to limit them to persons who have had relatively long government service.

Many public employees have overlapping rights under the two types of programs. Provisions designed to coordinate the protection of the two programs and to eliminate duplication of benefits may be contained in either the retirement law or the workmen's compensation law or, not uncommonly, in both. In some instances, duplication of benefit rights is forestalled in that the workmen's compensation law specifically excludes from its coverage members of retirement systems that provide protection against service-connected disability. More usually, however, duplication is prevented through various provisions relating to multiple benefits. These provisions may take any of the following forms. An individual who is eligible for disability benefits under one law may be disqualified

from receiving disability payments under the other program; or he may receive payment under whichever plan provides the larger benefit; or he may receive the full benefit of the plan with the lower benefit scale, plus supplementation from the other plan. In some instances, payment of the disability benefit by the retirement system does not begin until workmen's compensation rights are exhausted.

Federal Civilian Employees

Provision for disability retirement is an integral part of the basic civil-service retirement system and of the other smaller systems covering special groups of Federal civilian employees.²

In September 1947 there were 2 million civilian employees in the executive, judicial, and legislative branches of the Federal Government, including those working outside the continental United States. About 1.5 million of these employees were covered by the civil-service retirement system. An additional 20,000 were covered by the various special retirement plans for civilian employees, the largest of which are the three contributory plans for employees of the Tennessee Valley Authority, the Canal Zone, and the Alaska Railroad, respectively. Other smaller contributory plans cover employees of the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the civilian teaching staff of the Naval Academy, and Foreign Service officers. Noncontributory retirement plans provide disability protection for special small groups, such as Federal judges, certain public health officers, and members of the Coast Guard in the Lighthouse Service.

Of the 111,045 employee annuitants on the rolls of the civil-service retirement system on June 30, 1947, more than one-fourth—31,502—had been retired for disability. Disability annuitants had had an average of 20

² For purposes of this article, employees of the District of Columbia are classified with State and local employees rather than with Federal employees; teachers, policemen, and firemen have disability protection through the special systems for such employees, while other types of employees are protected through the Federal civil-service retirement system.

years of service, whereas persons retired for age or service had averaged slightly over 27 years. The disabled beneficiaries received annuities averaging \$775, or about \$64.50 a month. The average for employee annuitants retired voluntarily or involuntarily on the basis of age or service was \$989, or nearly \$82.50 per month. The amendments of February 28, 1948, to the Civil Service Retirement Act increased these disability and age or service annuities by roughly one-fourth over the figures shown; the annuities of persons retired before April 1, 1948, were raised 25 percent or \$300 (whichever is smaller) unless the annuitant chose to retain the former rate and thereby provide an annuity for the surviving spouse.

Data are not available to indicate the number of disability annuitants under each of the other retirement systems for Federal employees. The disability annuitants of the retirement systems for the Canal Zone, Alaska Railroad, and Tennessee Valley Authority amount, in the aggregate, to only 300, and the addition of the other systems would probably not raise the total above 500.

Disability provisions of the civil-service retirement system.—The civil-service retirement system provides annuities for employees who, after having completed at least 5 years of civilian Government service, become totally disabled for useful and efficient service in the grade or class of position occupied. Disability is measured against the individual's specific job or a similar position to which he could be assigned; he need not be disabled for all kinds of work.

If the injury or disease is incurred in the performance of duty, the employee has a choice between the annuity under the retirement system and benefits under the Employees' Compensation Act. Otherwise the retirement system does not distinguish between service-connected and ordinary disability.

Disability annuities are determined by the same formula as is used for age or service retirement and thus are heavily weighted by length of service. As a result of the February 1948 amendments, the annuity is computed as 1½ percent of the highest 5-year average salary (when \$5,000 or more),

or 1 percent of such average salary plus \$25 (when \$5,000 or less), multiplied by years of service.³ No minimum annuity is provided; consequently, employees disabled soon after fulfilling the requirement of 5 years of service receive benefits which replace only a very small portion of their wage loss.

A claim for a disability annuity must be filed before the employee's separation from service or within 6 months thereafter. However, if an employee is undergoing hospital treatment at the time he is separated or if he is hospitalized at any time during the 6 months after his separation, he can postpone his application for disability retirement for as long as 6 months after his hospitalization terminates. Provision is also made to extend the time limit if the employee is adjudged mentally incompetent.

The application for an annuity must be accompanied by a statement from the supervisor, showing how the employee's condition affects his performance of duty, and by a report from his attending physician, if any, describing fully his disabilities. Included in these statements is an opinion as to whether the disability is the result of vicious habits, intemperance, or willful misconduct—any of which, if they occurred within the 5-year period preceding the onset of disability, would preclude the payment of a disability annuity.

An examination by a Government medical officer or by doctors designated by the Civil Service Commission is a prerequisite to disability retirement. Unless it is determined that the disability is permanent, annual medical examinations are required until the annuitant reaches age 60.

In the event that a disability annuitant recovers, his annuity is continued temporarily, but not for more than a year, while he is attempting to locate a Federal job. If he is unable to secure reemployment in the Government, he will nevertheless be entitled to a deferred retirement annuity at age 62.

³For a more detailed description of civil-service annuities, including certain joint and survivor annuities which may be elected by disabled annuitants, see the *Bulletin*, April 1948, pp. 9-17.

Disability provisions of other retirement programs for Federal employees.—On the whole, the disability provisions of the systems for special groups of Federal employees are more liberal than those of the basic civil-service retirement system. Without attempting to summarize the complete provisions of each system, some of the special features may be indicated.

In recognition of the working conditions of employees in the Panama Canal Zone and on the Alaska Railroad, these two systems contain special provisions for annuities at age 55 after 15 years' service in the event of physical or mental disability for performing duties that are of a strenuous or hazardous nature. These provisions are in addition to the provisions relating to total disability, after 5 years' service, for performing the duties of the position occupied.

Liberality sometimes results from the guarantee of a minimum disability annuity. Under the system covering Foreign Service officers, for instance, disability annuities are payable after 5 years' service and they are computed in the same way as for service retirement, except that when the individual has less than 20 years' service he is credited with the full 20 years. The method used to guarantee a minimum benefit is similar in the two systems covering employees of the Tennessee Valley Authority and those in the Office of the Comptroller of the Currency; the latter uses an eligibility condition of only 1 year of service as compared with 5 years in most systems. In both, the benefit formula is related to contributions and years of service, with a minimum guarantee of 25 percent of average salary (provided this does not exceed the annuity or a stated proportion of the annuity which would normally have been payable at retirement age).

The system for public health officers is unlike the others in that it distinguishes sharply between the amount of the annuity for service-connected disability (75 percent of pay) and that for ordinary disability (2½ percent of pay multiplied by years of service).

Several of the systems continue the annuity temporarily after the individual has recovered, to give him an opportunity to locate a position in the

Federal service. If he does not, there are various provisions relating to the refund of the unexpended balance of his contributions or to the payment of an involuntary separation annuity at an age earlier than the normal retirement age of the system. Refund of the contributions is deferred for 5 years under the Tennessee Valley Authority system on the chance that the individual may suffer a relapse during this period, in which event his annuity would be restored.

Relation to the United States Employees' Compensation Act.—Protection for Federal employees in case of work-connected injuries was enacted in 1908, a dozen years before the enactment of the civil-service retirement and disability system. The Compensation Act prohibits the payment of duplicate benefits covering the same period of time but permits the disabled employee to receive whichever benefit is greater for any part of the same period.

An employee covered by the civil-service retirement system—especially one who is totally disabled by reason of a work-connected injury after a relatively short period of service—is likely to choose employees' compensation. He does so because the amount of the disability annuity depends on length of service, while the compensation payment, computed without regard to length of service, is based on pay and the degree of disability. Compensation for total disability amounts to two-thirds of pay (for partial disability, to two-thirds of the difference between pay and wage-earning capacity) and is subject to a maximum of \$116.66 per month. Payment continues for the duration of the disability.

By keeping his contributions on deposit with the retirement system while he is receiving compensation, the individual maintains his eligibility for an annuity; if his compensation should be reduced as a result of partial recovery, he might find it advantageous to take the annuity of the retirement system instead. Should he choose, on the other hand, to forfeit his rights to an annuity, the contributions he has made to the retirement system are returnable (provided he has had less than 20 years of civilian service) and are not offset against the payments

he receives from the compensation system.

A lump-sum payment made under the Compensation Act does not disqualify a person from receiving an annuity under the Civil Service Retirement Act. However, if both payments are for the same injury and relate to the same period, he must refund the portion of the compensation that covers the period also covered by the annuity or he must authorize deductions from his annuity payments.

Railroad Workers

On an average day in 1947, 1.6 million individuals were engaged in railroad service and were building up rights under the Railroad Retirement Act to annuities in the event of permanent disability.

Provisions for disability retirement.—The disability protection provided by the Railroad Retirement Act was greatly liberalized by the amendments of 1946. Under the old law, disability annuities were provided only at age 60 or after 30 years of service to persons "totally and permanently disabled for regular employment for hire." Regulations of the Railroad Retirement Board had further defined compensable disability as that in which the physical or mental condition of the individual was such that he was unable to perform regularly, in the usual and customary manner, the substantial duties of any regular employment with any employer whether or not subject to the act; moreover, it had to be reasonably clear, on the basis of medical evidence, that the condition was permanent. The result of this restrictive definition of disability, coupled with the high levels of physical and mental health necessarily required by the railroads, was to remove from active service persons who were disabled insofar as the practices in force on the railroads were concerned but who in many instances were not disabled for "regular employment for hire." Most of the latter had probably been following a single occupation for many years and usually were not qualified to take other jobs at comparable pay levels. In many cases, because of their age or physical handicap, they were unable to find any employment even under favorable labor-market conditions. Unless

their disability became sufficiently aggravated to meet the restrictive requirement, the system left them unprotected until they reached their sixty-fifth birthday, when they became eligible for age retirement annuities, or, if they had 30 years of service, until their sixtieth birthday, when they became eligible for retirement annuities on a reduced basis. Furthermore, there were many other cases in which applicants under age 60 were disabled according to the statutory definition but lacked the required 30 years' service. The applicant in these circumstances had to wait until he reached age 60 before becoming eligible for an annuity.

Under the liberalized provisions, disability for the *regular occupation* is compensable. In general, the regular occupation is defined as the railroad occupation in which the individual was most frequently engaged in the last 5 years (not necessarily consecutive) in which he earned compensation; or as the one in which he was engaged during at least half of his working time in the last 15 consecutive years. To qualify for such an annuity, the employee must have a current connection with the railroad industry on the date the annuity begins, and must have at least 20 years of service or be at least 60 years of age. An employee has a current connection with the railroad industry if he was in railroad service in at least 12 calendar months in any period of 30 consecutive calendar months before the month in which the annuity begins. If the 30-month period does not immediately precede the month in which the annuity begins, the employee must show that he had no regular nonrailroad employment in the intervening months. Thus, if an employee loses his job through failure to meet the physical requirements, he will retain his current connection as long as he does not perform regular work outside the industry.

The liberalized act retains provisions for annuities based on total and permanent disability for all gainful employment, but eligibility was made easier by the reduction in the service requirement from 30 to 10 years for employees becoming disabled before age 60. A current connection with the railroad industry is not required.

Disability annuities of all types are a product of average monthly compensation earned while working in railroad employment and of years of service. Not more than 30 years' service can be counted if prior service (service performed before 1937, when contributions were first collected) is included. The basic formula used is number of years of service multiplied by a factor equal to 2 percent of the first \$50 of average monthly compensation, 1½ percent of the next \$100, and 1 percent of the next \$150. Before the 1946 amendments, the disability annuity payable at age 60 to persons with less than 30 years of service contained a reduction factor proportional to the number of years the disabled individual was under 65 at retirement. The reduction provision was eliminated when the law was liberalized.

The formula results in a maximum monthly annuity equal to years of service multiplied by \$4; in effect, there will be a further maximum of \$120 until the end of 1966 because of the maximum of 30 years which can be counted as long as prior service is included. The new minimum monthly annuity, guaranteed to any employee who has a current connection with the railroad industry and at least 5 years of service, is the least of the following amounts: years of service multiplied by \$3; \$50; or average monthly compensation. This minimum is particularly significant to relatively young employees who are disabled after as few as 10 years of service. When the monthly payment would be less than \$2.50, the Railroad Retirement Board converts the annuity to a lump sum.

With the introduction of the concept of disability for the individual's *regular occupation*, the law specifically requires that the Railroad Retirement Board cooperate with employers and employee organizations to establish standards determining the physical and mental conditions that permanently disqualify employees for work in various occupations of the railroad industry. The more than 2,000 occupations in the railroad industry have been classified into eight family groups, homogeneous with respect to the physical and mental demands made by the occupations con-

tained therein. Medical standards have been developed for each of the groups, rather than for the individual occupations. An employee will be considered disabled for work in his regular occupation if he was disqualified by his employer for work in that occupation in accordance with the applicable standards. If he was not so disqualified, or if he was discharged because of disability from an occupation not his regular one, the Board itself makes the determination. The Board has no authority over the employment rights of any employee, nor may it require an employer to disqualify or not to disqualify an employee. If an employer chooses not to disqualify an employee who meets the standards for disqualification, the Board may not require his dismissal but will award him an annuity if he chooses to quit service of his own accord.

Until age 65, an employee on the disability annuity rolls must submit such proof of the continuance of disability as the Board may from time to time prescribe. For continuance of the disability annuity after age 65, the annuitant must relinquish his right to return to the service of either a covered employer or the person by whom he was last employed. He remains on the disability rolls, however, instead of being reclassified as an age annuitant.

Disability annuities, like age annuities, are suspended for any month in which the annuitant works for an employer covered by the system or for the last person by whom he was employed before his disability retirement. The disability annuity is not payable for any month before age 65 following the month of recovery from disability. Performance of casual or intermittent work does not of itself constitute evidence of recovery; the Board must consider each case on its merits to determine whether the person's ability to work is compatible with the ruling of disability. There is now an additional provision whereby an annuitant who earns in employment or self-employment more than \$75 in each of any 6 consecutive calendar months is considered to have "recovered" in the last of the 6 months, regardless of his actual physical condition.

If a disability annuitant recovers and returns to work for the railroads, his additional years of service (excluding service performed after the calendar year in which he reaches age 65) are also credited toward any annuity subsequently awarded.

Railroad workers engaged in interstate commerce are not covered by a workmen's compensation system but may sue for damages under the Federal Employers' Liability Act in the event of injuries resulting from the negligence of the railroad carrier. The Railroad Retirement Act does not provide for withholding or reducing disability annuities if damages are collected.

The railroad retirement system does not distinguish between service-connected and ordinary disability. Moreover, the provisions relating to disability for all gainful work are such that a disability which occurs some years after the individual had left railroad employment and which cannot be presumed to have developed during his railroad service may be compensable. In this case, the disabled individual must have had 10 years' service or else be age 60, and—unless he has 5 years of service and can still meet the requirements of a current connection with the railroad industry—his annuity is not subject to the minimum guarantee. In contrast, other systems generally provide benefits for disability only if it develops while the individual is actually in covered employment or within a few months thereafter.

Disability annuities, 1947.—The liberalized disability provisions of the 1946 amendments were effective on January 1, 1947. Although the long-run effect of the amendments on the retirement rolls of the railroad system cannot yet be fully evaluated, indications are already apparent in a comparison of 1947 awards with those made in earlier years. The 1947 awards are not entirely representative of awards which will be made in future years; they include a backlog of cases of workers ineligible under the earlier law and others who, although eligible before the amendments, had postponed retirement until after the liberalized provisions were effective.

Half of all retirement annuities awarded in 1947 were for disability

in the preceding year, disability annuities made up only 19 percent of the total. Disability awards totaled 21,549 in 1947, almost five times the number awarded in 1946. It is estimated that about two-thirds of the 1947 disability awards could not have been made under the provisions of the law before it was amended. The majority of the additional awards were made to employees who were under age 60 and had less than 30 years of service and who, therefore, regardless of whether or not they were totally disabled, would not have met the age or service requirement for disability annuities under the old law. A smaller group of the additional awards involved individuals who met the age or service requirement of the old law but could not qualify as totally disabled although they could meet the new test of occupational disability.

Of the 21,549 disability awards in 1947, more than two-thirds were based on occupational disability and the rest on total disability. This difference is artificial, however, in that it is due partly to administrative convenience in making disability determinations. It usually costs less to make an occupational disability rating than a rating of total disability. Since the amount of the annuity is the same, it is the Board's practice to award an annuity under the occupational disability provision in all cases in which the requirements of that provision are met (except for a few cases in which current connection may be difficult to establish), even if the employee is totally disabled. It is estimated that two-fifths of the employees rated under the occupational disability standards were actually totally disabled. Thus, of all persons who began receiving disability annuities in 1947, perhaps as many as three-fifths were totally disabled, instead of the one-third or fewer indicated by the type of annuity awarded.

Disability annuities awarded in 1947 averaged \$63.50 monthly. The disability awards made in 1946 under the earlier provision of the act averaged \$83.03 for the group with at least 30 years of service and only \$36.82 for the group age 60 and over with less than 30 years' service. The annuity for the latter group was low, in part because service was relatively short

and in part because the old law imposed a reduction factor proportional to the number of years the disabled individual was under age 65 at retirement. The average disability award in 1946 for the two groups combined was just under \$70.

In April 1948 the railroad retirement system was paying disability annuities to 53,690 individuals.⁴ The average disability annuity amounted to \$69.48, only a few cents less than the average of \$70.50 for the 150,147 persons receiving age retirement annuities in that month.

Workmen's Compensation

The earliest form of social insurance to develop in the United States was protection against work-connected injuries. Today, all States have workmen's compensation programs. The law in Mississippi, however, was enacted as recently as April 13 of this year, and the program will not be effective until January 1, 1949. In addition to the State laws, there are Federal workmen's compensation laws covering employees of the Federal Government, private employees in the District of Columbia, and longshoremen and harbor workers.

Workmen's compensation programs operate in a rather limited field of disability—limited in that less than half the total population is exposed to the risk of occupational accident or disease and in that only about 5 percent of all cases of total disability arise from such causes.⁵ Even within this rather limited area, however, there are gaps in the programs, resulting primarily from coverage exclusions and from restrictions on the

duration and amount of payments.⁶

Coverage.—None of the compensation laws is designed to cover all employments in the State. Most laws exempt such employments as agriculture, domestic service, and casual labor. Some States exempt all nonhazardous employments; the 12 laws which apply mainly to specifically designated "hazardous" or "extrahazardous" employments show wide differences in the comprehensiveness of coverage. The laws of 29 States exempt employers—or at least those in nonhazardous employments—who have fewer than a specified number of employees. Although this stipulated number ranges all the way up to 15, only nine of the 29 States exempt employers who have as many as five employees.

If a given type of employment is not exempted through one or the other of these various provisions, it falls within the scope of the compensation law. This does not mean, however, that workers in such employment are necessarily covered by the workmen's compensation program. In 25 States, the employer has the option of either accepting or rejecting the act. Employers who elect to reject the act lose the customary common-law defenses—assumed risk of the employment, negligence of fellow servants, and contributory negligence—and consequently it is probable that relatively few employers actually make such an election. In contrast to these elective laws, 23 State laws and the three Federal laws are compulsory, and every employer within the scope of these laws is required to accept the act and pay the compensation specified.

In some instances the laws are partly compulsory and partly elective. For example, many of the laws classified as elective provide compulsory coverage for public employees. Other laws that are compulsory in nature may nevertheless be elective with re-

⁴ In addition, payments for disability were being made to about 7,400 of the total of 11,908 pensioners receiving payments in April (persons who had been on the employer pension rolls taken over by the Railroad Retirement Board after 1936).

⁵ A further measure of the relative importance of industrial and nonindustrial accidents and sickness is provided by a recent study of absenteeism among manufacturing workers: the average days lost per worker in a year for industrial accidents or sickness are estimated at less than one-tenth the average lost by reason of nonindustrial accident or sickness. *Monthly Labor Review*, March 1948, p. 267.

⁶ The provisions described in the following paragraphs relate to the laws as of September 1, 1947, Bulletin No. 78, U. S. Department of Labor, Division of Labor Standards, supplemented by the article, "State Workmen's Compensation Legislation in 1947," *Monthly Labor Review*, October 1947, pp. 415-418. The provisions of the newly enacted law in Mississippi have been added whenever possible.

spect to employers who have fewer than the number of employees that make coverage compulsory.

Additional coverage may be achieved under most laws through voluntary acceptance of the provisions by an employer who is legally exempt. Unlike the employer who falls within the scope of an elective act and has the option of accepting or rejecting it, the exempt employer loses no rights or defenses if he does not voluntarily accept the act. When coverage is not required by legislation or when the law does not permit voluntary acceptance, protection against the cost of work injuries may nevertheless be achieved outside the public workmen's compensation programs through insurance contracts which provide for employers' liability.

There is no accurate measure of the extent of coverage under the various workmen's compensation laws. Rough estimates usually place the coverage in the neighborhood of one-half to three-fifths of the gainfully employed workers in the civilian labor force.

Definitions of compensable injury in the various acts limit their coverage, still further. Most States exclude injuries due to the employee's intoxication, willful misconduct, or gross negligence. As usually defined, a compensable injury is one "arising out of and in the course of employment." Originally, coverage was limited to accidental injuries and occupational diseases were excluded. By September 1947 the laws of 39 States and of the Federal Government provided for compensation of occupational diseases, or at least specified diseases. In 16 of the State and all three Federal laws, all occupational diseases are covered. The remaining 23 States have so-called schedule coverage, and only certain specified diseases are compensable.

Except for dust diseases, the benefit provisions for occupational diseases are usually the same as for accidental injuries. Seventeen States limit the benefits payable for silicosis or asbestosis, and 12 States pay no benefits if the worker is only partially disabled by these diseases. Some States also limit medical care for dust diseases.

Benefits for permanent disability.—Benefits for permanent total disability are payable for life in 16 States and

under the act covering Federal employees. The other laws limit the payments as to duration (the time provided ranges from 260 to 1,000 weeks with a concentration around 500), total amount (the maximums range from \$5,000 to \$12,000, but relatively few are more than \$7,500), or both duration and amount.

Most of the acts base compensation on a proportion of wages, commonly between three-fifths and two-thirds of the wage. Actually, however, many workers do not receive the amount indicated by these percentages because all States but one place a maximum limit on the weekly benefit amount. In several States the maximum is \$30 or more. In most of the laws, however, the maximum is within the range of \$18 to \$25. Especially in a period of high earnings, the compensation payment of many workers is held down by the maximum on the weekly amount and replaces only a small fraction of the wage loss.

In eight States, the payments for permanent total disability are higher if the injured workman has dependents than if he is single. A few laws provide additional payments for an attendant if one is required.

Relatively few of the workmen's compensation awards in any year are granted for permanent total disability. This is due in part to the practice of carrying such long-term cases in the classification of "temporary total" for many years or at least during their early stages. Considerably more awards are for permanent partial disabilities. There are two types of permanent partial disabilities: those classified as specific or schedule injuries, such as the loss of an arm or the loss of the use of an arm, and "nonschedule" injuries that are of a more general nature. For nonschedule injuries the compensation is usually the percentage of the payment for total disability that corresponds to the percentage of wage loss or of reduction in earning capacity. Compensation for a specific injury is ordinarily payable at the same rate as for total disabilities but is measured in terms of a stated number of weeks. The number of weeks for which compensation is payable for the loss of a hand, for instance, ranges from 104 to 333 weeks in the various

State laws. Thus the worker knows definitely what aid he can depend on after an injury and can attempt to adjust himself to his handicap and recover his place in industry within the given period.

In the majority of State laws the compensation payable for permanent partial disability is in addition to that payable during the healing period or while the worker is totally disabled. The other States subtract the payments for temporary total disability from the amount due for permanent partial disability. In either event, there are usually limitations on the total amount or duration of the compensation.

Of importance in assisting workers with partial disabilities to become self-supporting once more are the Federal-State provisions for rehabilitation through retraining, education, or placement and job guidance. Under a few laws, payments in addition to the regular compensation are allowed for vocational rehabilitation, usually for maintenance during training.

All compensation acts require that medical aid be furnished to injured employees. In 22 States, however, there are either duration or cost limitations—or both—on the amount of medical benefits provided. The laws of 12 States and the three Federal laws specifically provide that medical aid must be furnished without limit as to time or amount. In the remaining 14 States, medical benefits are virtually unlimited because the administrative agency can extend such services indefinitely.

No estimates are available as to the amount of compensation paid to permanently disabled workmen or the value of the medical aid they receive. For disabilities of 11 types—including temporary disabilities, which are far more numerous but much less expensive on the average than long-term disabilities—compensation paid to workers amounted to an estimated \$258 million in 1946. An additional \$53 million was paid in cash benefits to the survivors of workers whose deaths resulted from their employment. The cost of medical and hospital benefits furnished injured workmen during 1946 was estimated at \$125 million.

Military Service

War veterans.—The first public pensions paid in the United States were payments made to disabled or injured veterans on the basis of their service in the armed forces. In 1636, an enactment of the Pilgrims at Plymouth provided that any man who should be sent forth as a soldier and returned maimed should be maintained competently by the Colony during his life. Similar acts were passed in several other colonies. The first national pension law was enacted by the Continental Congress in 1776 and promised half pay for life or during disability to every officer, soldier, or sailor who lost a limb in any engagement or was so disabled in the service as to be rendered incapable of earning a livelihood. Since the Continental Congress was without money or real executive power, however, the execution of the 1776 act and the payment of the pensions it provided were left to the States. Federal payments to veterans were first provided through the act of September 29, 1789. During the ensuing 160 years the Federal Government has assumed primary responsibility for paying compensation or pensions to disabled veterans, and State aid to veterans has been concentrated on services rather than cash benefits.

The earliest Federal veterans' laws established, in effect, disability pension systems, limited in scope and providing relatively small benefits. Subsequent stages in the history of veterans' legislation are marked by an expansion of the coverage to include partially disabled veterans and to provide benefits for the dependents of deceased veterans. Still later, legislation was enacted to extend benefits to veterans with disabilities which had not been incurred in or as a result of service; and, finally, military service in itself, rather than disability, was the basis used in qualifying for certain payments.

Today, veterans of all wars—a group totaling more than 18 million in June 1947—have protection for non-service-connected disability as well as for disabilities resulting from service in the armed forces. The enactment of legislation as early as May 1944 to provide pensions for World War II

veterans with non-service-connected disability represents a break with the tradition of postponing the provision of such benefits until quite some time after the end of the war. Similar protection for veterans of the Revolutionary War and the War of 1812 was enacted only some 50 years after those wars ended. The period between the end of the war and the date of the law providing for non-service-connected disability payments has become gradually shorter but was still as long as 12 years in the case of World War I.

Payments made to veterans who are disabled as a result of service in the armed forces are contingent upon few eligibility requirements. In general, compensation is payable if it can be shown or presumed that the disability was incurred in the service and was not the result of misconduct on the part of the veteran. No minimum period of active service is imposed, nor is there any limitation as to the size of income of the beneficiary.

For payments of pensions based on non-service-connected disability or injury, a minimum period of service is required—usually 90 days unless the veteran was discharged from the armed forces before 90 days for a disability incurred in line of duty. Persons discharged under conditions other than honorable are usually barred from such payments, as are veterans of World Wars I and II with annual incomes of more than \$1,000 if unmarried and \$2,500 if married or with children.

With respect to definitions of compensable or pensionable disability and the amount of payment, there are sharp distinctions between service-connected and non-service-connected disabilities. Under the provisions of the pension laws pertaining to World Wars I and II, a non-service-connected disability must be permanent and total to be compensable. For disability resulting from service, on the other hand, a disablement as slight as 10 percent entitles the veteran to a payment. The World War I and II pensions for permanent total disabilities not resulting from service are flat amounts but are higher for veterans who have been rated permanently and totally disabled for a continuous period of 10 years or who are 65 years

of age and continue to be permanently and totally disabled. For service-connected disabilities of a general nature, the amount of the payment increases with the degree of disablement and, for total disability, is about double the amount payable to veterans of either World War when there is no service connection. For specific disabilities incurred in or as a result of service—anatomical losses, for instance—the laws provide a schedule of payments; increased payments are made for helplessness requiring regular aid and attendance.

In June 1947, nearly 2.4 million former members of the armed forces—largely veterans of World War II—were receiving pensions or compensation. A small group of these veterans—about 62,000—were Spanish-American War veterans who received payments by reason of age rather than disability. Of the total number of disabled veterans of the various wars, about 9 out of 10 were receiving compensation for disabilities directly or presumptively connected with their war service. The disabilities of practically all the World War II group had been incurred in or aggravated by service; the full effect of the provision for pensions for total disability not connected with military service will not be felt until these veterans reach the age when the so-called degenerative diseases manifest themselves. Relatively few of the World War II veterans receiving payments (only about 6 percent) had disability ratings of 80 percent or more. More than a third of the World War I veterans on the benefit rolls were either totally disabled—the requirement for non-service-connected disability pensions—or had service-connected disability ratings of 80 percent or more. For all wars combined, the group of veterans who were rated at least 80 percent disabled totaled more than 300,000.

The total of pensions and compensations paid to veterans for disability and/or age during the fiscal year ending June 30, 1947, amounted to more than \$1.3 billion. The average annual payment for all wars was \$561 (or just under \$47 monthly). The combined average is heavily weighted by the inclusion of almost a million World War II veterans with disabilities of only 10

or 20 percent whose monthly payments average about \$14 and \$28, respectively.

Members of the Regular Establishment.—Compensation provisions for the regular armed forces were included in the act of April 30, 1790, to

regulate the Military Establishment. A noncontributory retirement system for officers and enlisted men of the Regular Navy was enacted in 1857 and was followed in 1861 by systems for the Regular Army and for the Marine Corps. Retirement systems for the

Coast Guard and for the Army and Navy Nurse Corps were established some years later.

The retirement systems for members of the Regular Establishment, in addition to longevity retirement, pro-

(Continued on page 23)

Foreign countries with old-age, survivor, and/or invalidity insurance laws, January 1948*

| Country | Coverage | Type of protection and date of first law | | | Country | Coverage | Type of protection and date of first law | | |
|-----------------------------|--------------------------------|--|------------------|------------------|---------------------------|--|--|-------------------|-------------------|
| | | Old-age | Survivors | Invalidity | | | Old-age | Survivors | Invalidity |
| Albania | Employed persons | 1947 | 1947 | 1947 | Hungary | Commerce and industry | 1928 | 1928 | 1928 |
| Argentina | Commerce | 1944 | 1944 | 1944 | Iceland ¹³ | All citizens | 1909 | 1946 | 1911 |
| | Industry | 1946 | 1946 | 1946 | Ireland | Employed persons | (¹⁴) | 1935 | 1911 |
| Australia ¹ | All residents | 1945 | 1945 | 1945 | Italy | Employed persons | 1919 | 1939 | 1919 |
| Austria ² | Salaried employees | 1906 | 1906 | 1906 | Japan | Commerce and industry ¹⁵ | 1941 | 1941 | 1941 |
| | Wage earners | 1938 | 1938 | 1938 | Luxembourg | Wage earners | 1911 | 1911 | 1911 |
| Belgium | Salaried employees | 1925 | 1925 | 1925 | | Salaried employees | 1931 | 1931 | 1931 |
| | Wage earners | 1924 | 1924 | 1944 | Mexico ¹⁶ | Commerce and industry | 1942 | 1942 | 1942 |
| Brazil ³ | Commerce | 1934 | 1934 | 1934 | Netherlands ¹⁷ | Employed persons | 1913 | 1913 | 1913 |
| | Industry | 1934 | 1936 | 1936 | New Zealand ¹⁸ | All residents | 1938 | 1938 | 1938 |
| Bulgaria | Employed persons | 1924 | 1935 | 1924 | Norway | All citizens | 1936 | | 1941 |
| Chile ⁴ | Manual workers | 1924 | | 1924 | Panama ¹⁹ | Commerce and industry ²¹ | 1941 | | 1941 |
| Colombia ⁵ | Employed persons | 1946 | 1946 | 1946 | Paraguay ²² | Commerce and industry | 1943 | 1943 | 1943 |
| Costa Rica | (⁶) | 1946 | (⁷) | 1946 | Peru ²³ | Wage earners | 1936 | | 1936 |
| Cuba | (⁷) | (⁷) | (⁷) | (⁷) | Poland | Salaried employees | 1927 | 1927 | 1927 |
| Czechoslovakia | Manual workers | 1924 | 1924 | 1924 | | Wage earners | 1933 | 1933 | 1933 |
| | Salaried employees | 1924 | 1924 | 1924 | Portugal | (²⁴) | (²⁴) | (²⁴) | (²⁴) |
| Denmark | All citizens | (⁸) | (⁸) | 1921 | Roumania | Commerce, industry, etc. ²⁵ | 1912 | | 1912 |
| Dominican Republic | Employed persons | 1947 | | 1947 | Spain ²⁷ | Employed persons | 1919 | 1933 | 1939 |
| Ecuador | Commerce and industry | 1935 | 1935 | 1935 | Sweden | All citizens | 1913 | 1946 | 1913 |
| Finland | All citizens | 1937 | | 1937 | Switzerland | All citizens ²⁸ | 1947 | 1947 | (²⁹) |
| France | Employed persons ¹⁰ | 1928 | | 1928 | U. S. R. ³⁰ | Employed persons | 1932 | 1922 | 1922 |
| Germany | Manual workers | 1888 | 1911 | 1888 | Uruguay ³¹ | Gainfully occupied | 1934 | 1934 | 1934 |
| | Salaried employees | 1911 | 1911 | 1911 | Yugoslavia ³² | Wage earners | 1937 | 1937 | 1937 |
| Great Britain ¹¹ | All residents | 1925 | 1925 | 1911 | | Salaried employees | 1937 | 1937 | 1937 |
| Greece ¹² | Commerce and industry | 1922 | 1922 | 1922 | | | | | |

*Prepared in Foreign Social Security Studies Unit, Bureau of Research and Statistics.

¹ Benefits are subject to an income test. The pensions were originally non-contributory; invalidity and old-age benefits date back to 1908, and survivors pensions to 1942. The date shown is the year in which a social services contribution of 7.5 percent—destined for the National Welfare Fund established under legislation of 1943—was assessed against incomes above a specified amount. General income-tax rates were modified, so that the tax was not an entirely new levy.

² The German wage earners' pension system was introduced in Austria by executive order of Dec. 22, 1938, effective Jan. 1, 1939. An Austrian law of 1935 has never been made operative. Social insurance contributions in the prewar period were allocated in part to old-age assistance.

³ In addition to the major systems, there are a number of other Nation-wide pension institutes based on occupation.

⁴ Benefits under the salaried employees' system include family allowances, compulsory savings, and unemployment benefits, but not pensions. The manual workers' system includes the self-employed—small shopkeepers, farmers, etc.

⁵ The law of 1946 has not yet been put into operation. Plans call for introduction of health and work-accident insurance in selected areas in advance of the pension programs.

⁶ Covers selected groups of privately employed white-collar workers and all public employees, including laborers.

⁷ Cuba has some 20 retirement systems (including several for public employees), which have been established at various times. Among them are systems for workers in the maritime, railroad, sugar, textile, and tobacco industries. No general program exists for industry or commerce.

⁸ Noncontributory old-age pensions have been in effect since 1891; membership in a sickness society is necessary for receipt of the pension, but no contributions are payable. Payment of the pensions is dependent on an income test.

⁹ Since 1913, noncontributory pensions, based on an income test, have been paid to widows and widowers with children under 18.

¹⁰ A law of May 22, 1946, extended social security, in principle, to the entire population but is not operative. Old-age allowances based on income test are paid on a wide scale.

¹¹ Universal coverage was introduced by the National Insurance Act of 1946, effective July 1948. Noncontributory old-age pensions have been paid since the Act of 1908.

¹² Greece has many pension funds, some established before 1922 and some after that time. The 1922 law provided for establishment of a central social insurance agency for employed persons who were not members of existing organizations. This agency was set up in 1937.

¹³ The old-age and invalidity pension acts of 1909 and 1911 were on a communal basis, with all residents required to contribute and benefits paid after an income test. The present national system is a contributory social insurance system.

¹⁴ Noncontributory pensions are paid after an income test.

¹⁵ Covers establishments employing 5 or more persons.

¹⁶ The program operates in parts of the country only.

¹⁷ The pension programs enacted in 1913 did not become effective until 1919.

¹⁸ Old-age pensions have been paid since 1893, pensions for widows with children since 1911, and noncontributory invalidity pensions since 1936. A superannuation benefit—which is intended to increase gradually until it is equal to the age benefit—is payable without income test. The other benefits are subject to income test.

¹⁹ The old-age pension is supported in part by a tax of 1 percent on incomes in excess of specified amounts. Payment of the pension is conditioned on an income test. National noncontributory pensions exist for blindness and crippling conditions, subject to an income test; widows may receive communal pensions if in need.

²⁰ Operates in parts of country only.

²¹ Covers Government workers throughout the country; includes independent workers, subject to salary limitation.

²² Though medical benefits under the law of 1943 are operative, the pension programs have not yet become effective.

²³ Operates in parts of the country only. Includes agricultural workers.

²⁴ 1933 legislation authorized trade-union provident funds and People's Institutes (for persons not in industry or commerce), with membership to be compulsory in certain cases. A gradual growth of old-age, invalidity, and other types of social insurance has resulted.

²⁵ Includes home workers, domestic servants, and master craftsmen, but not agricultural workers.

²⁶ Widows' and orphans' benefits are paid in case of need, for the duration of the need.

²⁷ Invalidity and old-age flat-rate pensions are supported exclusively by employer contributions of 3 percent of pay roll. Benefits are paid after an income test. Private pension plans are widespread in industry and commerce; they provide benefits as a right. Widows' and orphans' pensions, including those for childless widows, are paid under the family allowances program. The widows' benefits are conditioned on an income test.

²⁸ Also resident foreigners and some citizens resident abroad.

²⁹ Compulsory invalidity insurance has been in effect in some cantons.

³⁰ The basic law is the Labor Code of 1922, as amended. Decrees providing pensions for invalidity from general causes and for survivors date from 1928. Old-age pensions for workers in basic industries were established in 1930; for wage earners generally, in 1932; and for salaried employees, in 1937.

³¹ General coverage for employed persons was enacted in 1934, but before then coverage had become broad through addition of occupational groups to the Public Utilities Retirement Fund, established in 1919. By 1948 the self-employed, agricultural workers, farm managers (including owners in this category), domestic servants, and employers had been covered.

³² The Workers' Insurance Act of 1922 did not take effect, as to pension provisions, until 1937. For salaried employees, a decree of November 1937, effective Jan. 1, 1938, extended to the entire country a system previously operating in certain provinces.

appropriate to stress here how the discussion of the cost of unemployment fits into this new development in social security in the United States.

The conclusion of our analysis of the long-range costs of unemployment insurance is that this form of social insurance is much less expensive than it was believed to be 10 years ago and that it can be made still less expensive by the proper utilization of existing reserve funds. This conclusion implies that if, in the future, the community is willing to spend for the social security program the same fraction of current incomes as it was ready to put aside for unemployment insurance in 1935, it can protect its workers not only against the risk of unemployment but also against the risk of temporary disability.

According to the opinion of experts, satisfactory insurance against temporary disability might be financed by contributions at a rate of 1 percent of pay rolls, whether split between employers and employees as in old-age and survivors insurance or collected by a pay-roll tax on employers. The writer believes that a split arrangement is preferable because it would encourage direct participation of employees and employers in the program's operation. Starting with a reserve fund amounting to 10 percent of annual taxable pay rolls, a joint program of unemployment and temporary disability insurance—for 26 weeks of benefits—might be financed in this case by a combination of a 2-percent pay-roll tax and an 0.5-per-

cent employee contribution, with the provision that, if disbursements are larger than collections, the difference will be met during the next 5 or 10 years from the reserve fund.

Such an arrangement would require, of course, a revision of certain provisions of the Social Security Act and of State laws, and enactment of measures to protect the solvency of States that would start operation with insufficient reserves. The problem might be solved in different ways which cannot be discussed in detail in the present article. It suffices to state here that the difficulties are trivial in comparison with those the Nation has surmounted since the inauguration of its social security program.

(Continued from page 13)

vide payments for disability which are based on rank and which are payable, in general, only after relatively long service. An individual who is eligible for payment under one of the retirement systems as well as under veterans' legislation (which bases the payment on the degree of disability without regard to rank and which has only negligible service requirements) has the option of choosing the higher payment.

For the enlisted personnel of the Regular Establishment, the retirement systems compensate only permanent incapacity after 20 years of service; persons disabled before serving 20 years may draw disability compensation under the laws administered by the Veterans Administration at peacetime rates, which are slightly lower than those payable on the basis of war service. Under the provisions of these systems, officers may be retired for service-incurred disability without regard to length of service. One basis for disability retirement, for instance, is failure to pass a physical examination for promotion.

No data are available as to the number of disability retirants under the special systems for members of the Regular Establishment. The total number of persons retired—for age or service as well as for disability—was almost 63,000 in June 1947, and

payments for the fiscal year ended in 1947 amounted to about \$130 million. The Veterans Administration was making payments in June 1947 to 43,000 veterans of the Regular Establishment for disabilities incurred in service other than during a war period; the annual value of these payments was \$23 million.

Summary

Fairly well-rounded disability protection is available to almost 5 million members of the civilian labor force who are covered by special public retirement systems. For the approximately 33 million industrial and commercial workers covered by Federal old-age and survivors insurance in an average week, extended or permanent total disability is not compensable under public programs unless it results from a work-connected injury or accident (and even then benefits may be definitely limited as to duration and amount) or unless the disabled individual is a veteran who can meet the eligibility requirements for pension or compensation. And for an additional 16 or 17 million persons in agriculture or domestic service or in business for themselves, no public protection against disability is available unless they can qualify under the veterans' program.

Through the inclusion of provisions for premature retirement due to dis-

ability, the special public retirement systems are able to offer greater continuity of protection than they could otherwise achieve. An individual who qualifies for a disability annuity has the assurance that during his disablement he will receive some income—although perhaps only a small amount if his disability occurs after relatively short service. When he reaches the age at which members of the system retire for superannuation, his annuity is continued even though he may recover subsequently. If, on the other hand, he recovers before retirement age, his return to employment covered by the system is encouraged and he is given an opportunity to build up rights to a retirement annuity.

The special retirement systems differ in their relationships to the workmen's compensation programs covering the same groups of employees. In general, however, the protection which the worker has in the event of injuries resulting from his employment is reinforced—rather than duplicated—by the disability provisions of the special retirement system. The special system commonly picks up where the workmen's compensation program leaves off, through supplementing the amount of the workmen's compensation benefit or through continuing a benefit after workmen's compensation is no longer payable.