

Characteristics of Disabled-Worker Beneficiaries With Workmen's Compensation Offset

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A SMALL NUMBER of the one and one-half million disabled workers who receive monthly cash benefits under the Social Security Act have also been awarded periodic disability benefits or lump-sum payments under a State or Federal workmen's compensation program. To meet the definition of disability in the social security program, the persons involved in this benefit overlap must have a severe disability of extended duration, and in order to have qualified for workmen's compensation their disability must involve a medical condition arising from their employment. The 1966 Social Security Survey of the Noninstitutionalized Disabled Adults found that 3 percent of the disabled-worker beneficiaries aged 18-64 were also receiving workmen's compensation benefits.¹

Through the overlapping of benefits from these two social insurance programs it would be possible for the combined benefits of some workers to exceed the amount of the wages they earned before becoming disabled. To prevent excessive wage replacement, the 1965 amendments to the Social Security Act provided for reduction of the social security benefits when workmen's compensation periodic benefits are also payable. A history of the offset provision is presented in the next column.

The offset is applied when combined benefits exceed 80 percent of predisability earnings. When the amount of the social security benefits (to the worker and any dependents) exceeds 80 percent of his earnings, that amount becomes the offset limit. In effect, the disabled person never receives

less after the offset reduction than 80 percent of previous earnings or the highest benefit amount payable under either program. Under earlier

HISTORY OF THE OFFSET PROVISIONS

1956: Initial provision for monthly disability insurance benefits in the Social Security Act included an offset reduction for disability benefits received from veterans' and workmen's compensation programs. Before the payment of benefits and reduction for the offset began, the provision was modified to permit receipt of service-connected veterans' benefits without application of the offset to the social security benefit

1958: The offset provision was repealed as of August 1958 by the 1958 amendments to the Social Security Act. The basis for removal included considerations that social security benefits were considered as a "basic protection," that the worker had established a right to benefits because of earnings taxes, and that administration of the offset was difficult and costly because of the small number involved in dual payments and variability in the State compensation plans (House Rept. 2288, 85th Congress, 2nd session (1958), page 5; Senate Rept 2288, 85th Congress, 2nd session (1958), page 11.)

1965: The current offset provisions were enacted in the 1965 amendments to the Social Security Act (section 224).

1967: The measure of predisability earnings was changed to actual earnings rather than covered earnings for social security tax purposes. This change eliminated or reduced the offset for workers whose predisability earnings were above the taxable maximum.

1969: First application of a periodic redetermination of predisability earnings for the purposes of adjusting the limit on benefits by relating it to increases in the national earnings level.

1970: Benefits provided under the Federal Coal Mine Health and Safety Act of 1969 for miners or their widows for disability resulting from pneumoconiosis incurred in coal mining are considered workmen's compensation benefits for purposes of the offset provision affecting social security benefits. (The legislation called for administration of these benefits by the Social Security Administration until a specified date.)

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¹ Idella Swisher, "Income of the Disabled: Its Sources and Size," *Social Security Bulletin*, August 1971, pages 6-7; see also Idella Swisher, "Sources and Size of Income of the Disabled" (Report No. 16 of the *Social Security Survey of the Disabled, 1966*), Social Security Administration, 1971.

offset provisions in effect in 1957 and 1958, social security benefits were reduced for each dollar of workmen's compensation benefits.

Under the current offset provisions, the reduction was applicable in January 1966 for workers under age 62 with onset of disability after July 1, 1965, and entitlement to benefits under both programs. At the beginning of 1971, about 25,000 disabled-worker beneficiaries were entitled to benefits that had been reduced under the offset provisions. The total amount of benefits withheld each month as a result of these provisions is currently about \$3 million.

This article describes the social, disability, and demographic characteristics and the proportion of earnings replaced by benefits for the initial group of workers affected by the offset provision in 1966 and 1967. The data on demographic and benefit characteristics were obtained for the purposes of this study from the master beneficiary record. For the 14,026 workers in that group whose benefits were being reduced in January 1968 because of the offset, claims-folder data were obtained on their disability characteristics and their workmen's compensation payments.

The study includes a number of disabled workers whose benefits were no longer reduced after January 1968 because the offset provisions were modified by the 1967 amendments to the Social Security Act. The limit on combined benefits was then changed from 80 percent of earnings taxable under the Social Security Act to 80 percent of total earnings.

Data are not available on the number of disabled workers who receive benefits from both programs but do not have their benefits reduced under the offset provisions: Those aged 62 or older, those whose disability began before July 1965, and those whose combined benefits are less than 80 percent of what they were earning before they were disabled.

EXTENT OF OVERLAP AND OFFSET

From January 1966 through January 1968—the first 2 years of operation of the current offset provision—20,384 disabled-worker beneficiaries had their benefits reduced because of the offset provisions. These dual beneficiaries represented

about 3 percent of the 600,000 disabled workers who became entitled to benefits during that period. Workers affected by the offset have continued to grow in number since 1967.²

Because of the differing definitions of disability under the two programs, the number of disabled-worker beneficiaries who are entitled to workmen's compensation is not large. The social security program provides benefits to workers disabled because of an impairment that is expected to last at least a year or result in death. Most of these long-term disabilities are the result of chronic disease. Few are related to traumatic occurrences, such as bone fractures or back injuries, common in work accidents.

The vast majority of workmen's compensation awards are for temporary and partial conditions caused by work injuries rather than long-term work-incapacitating diseases. It is estimated that more than 95 percent of the workmen's compensation payments are made to workers with temporary or nondisabling conditions.³

Only a small proportion of workmen's compensation payments are made for occupational diseases. For compensation purposes, these impairments, which may develop over an extended period of time as a result of stress or exposure and gradually become chronic conditions, are harder to relate causally to hazards of the work environment than injuries in the course of employment. One type of occupational disease now has broader coverage through the Federal Coal Mine Health and Safety Act of 1969, which provides benefits to coal miners disabled by pneumoconiosis (and to their widows).⁴

Some workers disabled by work-incurred impairments may not be eligible for workmen's compensation payments. Unskilled workers—agricul-

² Wayne Long, "Workmen's Compensation Offset, 1967-69," *Social Security Bulletin*, February 1971, pages 33-36.

³ The estimate is based on reports submitted by 44 States to the National Insurance Council on Compensation. For analysis by type of benefit, see Alfred M. Skolnik and Daniel N. Price, "Another Look at Workmen's Compensation," *Social Security Bulletin*, October 1970, pages 3-25, and Alfred M. Skolnik, "Workmen's Compensation Payments and Costs, 1970," *Social Security Bulletin*, January 1972, pages 29-32.

⁴ See "Black Lung Benefits: An Administrative Review," *Social Security Bulletin*, October 1971, pages 11-21, for the first annual report on this program. See also Phillip R. Lerner and Jack Schmulowitz, "Black Lung Benefits," *Social Security Bulletin*, March 1971, pages 25-28.

tural laborers or domestic workers, for example—or employees of small firms may not be covered under a workmen's compensation law. An estimated 1 out of 7 employed wage and salary workers do not have this type of coverage.⁵

DEMOGRAPHIC AND DISABILITY CHARACTERISTICS

Most of the severely disabled who have work-related impairments were men (table 1). Only 7 percent of this group of disabled were women, though women represent 35 percent of the general civilian labor force and 25 percent of all disabled

⁵ Alfred M. Skolnik and Daniel N. Price, *op. cit.*

TABLE 1.—Social and demographic characteristics and benefit status: Percentage distribution of disabled workers with workmen's compensation offset, January 1966–January 1968

Selected characteristics	Total	Benefits in offset status, January 1968	Benefits no longer offset, January 1968, by reason—				
			Total	Recovery	Death	Aged 62 or over	Other ¹
Total number.....	20,384	14,026	6,358	1,771	467	493	3,627
Total percent.....	100	100	100	100	100	100	100
Sex:							
Male.....	93	92	93	95	95	91	92
Female.....	7	8	7	5	5	9	8
Race							
White.....	83	80	80	92	85	88	89
Negro.....	9	9	9	7	14	8	10
Unknown.....	8	11	1	1	1	4	1
Age:							
20-29.....	6	6	7	8	3	-----	8
30-39.....	20	20	22	31	7	-----	22
40-49.....	29	30	29	36	23	-----	30
50-59.....	34	38	26	21	43	-----	30
60-65.....	10	7	16	3	25	96	10
60-61.....	7	7	7	2	15	-----	10
62-65.....	3	0	9	1	10	96	0
Over 65.....	(²)	0	(²)	0	0	4	0
Family status ³							
Single worker.....	39	40	36	30	48	54	35
One dependent.....	8	8	10	7	11	26	8
Two dependents.....	18	19	18	20	19	12	18
Three dependents.....	19	19	20	24	14	6	21
Four or more dependents.....	15	15	16	19	8	3	17
Geographic division:							
New England.....	5	5	5	6	6	3	4
Middle Atlantic.....	17	17	16	12	25	25	16
East North Central.....	13	13	14	16	12	14	13
West North Central.....	5	4	5	6	5	5	4
South Atlantic.....	14	14	12	11	16	11	13
East South Central.....	7	7	6	6	5	6	7
West South Central.....	12	12	11	12	8	7	11
Mountain.....	5	5	6	6	4	6	5
Pacific.....	22	21	23	25	16	19	23
Other.....	2	2	2	(²)	1	4	2

¹ Mainly disabled beneficiaries no longer receiving workmen's compensation benefits.

² Less than 0.5 percent.

³ Based on data for children under age 18 and wives with children in their care who received dependents' benefits.

workers entitled to social security benefits.⁶ Given the industrial orientation of the workmen's compensation laws and the greater proportion of men in physically demanding employment in environments where accidents are likely to occur, a very high proportion of men is to be expected.

Workers with offset are much younger than other disabled workers who become entitled to social security benefits: More than half the disabled workers affected by the offset provisions in the period studied were under age 50. Among all disabled workers with disability allowances in 1967, the proportion in this age group was less than a third. Many beneficiaries become disabled because of degenerative disorders related to aging. The proportion of white disabled workers with their social security benefits offset—about nine-tenths of those reporting on race—was about the same as that for white workers in the total civilian labor force.

About 60 percent of workers with offset benefits had one or more dependents entitled to family benefits. Of those with dependents, more than half had three or more. Among those who recovered, a higher proportion—70 percent—had dependents. Many of those without entitled dependents were married but had no children under age 18 or in school.

More than one-fifth of the disabled workers with offset reductions lived in the Pacific area, and about a sixth were in the Middle Atlantic States. Among the workers with benefits reduced by the offset provisions, those living in the Pacific States represented a much larger proportion than the proportion of Pacific area nonagricultural employees in the civilian labor force.⁷ Workers with benefits offset who reside in the East and West North Central States make up a smaller proportion of all workers with benefits offset than the proportion that nonagricultural employees of that area represent in the civilian labor force.

Populous industrial States account for a high proportion of the workers affected by the offset: About 30 percent live in three States—California, New York, and Pennsylvania, as the following

⁶ These proportions are based on data from *Handbook of Labor Statistics, 1968* (Bulletin No. 1600, Department of Labor) and from *Disability Applicant Statistics, 1967*, Office of Research and Statistics, Social Security Administration, 1971.

⁷ Bureau of the Census, *Statistical Abstract of the United States, 1968*, 89th edition, table 319.

tabulation shows. The States with a greater proportion of disabled workers with offset benefits than of other disabled-worker beneficiaries include California, Oregon, Washington, and West Virginia. The high proportion of workers with offset benefits in California may be due to broader workmen's compensation coverage in that State: About 15 percent of all workmen's compensation payments in 1967 were made by California.⁸ Impairments from mining probably account for a large part of the higher proportion of offset workers from West Virginia, and injuries in logging for the higher proportions from Oregon and Washington.

State of residence	Disabled workers with benefits offset ¹	Total disabled-worker allowances, 1967 ²
Number.....	20,384	310,947
Percent.....	100	100
California.....	15	11
New York.....	8	10
Pennsylvania.....	7	6
Ohio.....	5	4
Texas.....	4	5
Michigan.....	4	4
Florida.....	4	3
Massachusetts.....	3	2
Louisiana.....	3	2
Oregon.....	3	1
Washington.....	3	1
West Virginia.....	3	1
All other States.....	38	50

¹ Entitled January 1966-January 1968

² The data on disability applicants throughout this article are from *Disability Applicant Statistics, 1967* (Office of Research and Statistics), 1971

Subsequent Benefit Experience

Of all workers affected by the offset from January 1966 to January 1968, the majority continued to have their benefits in offset status through January 1968, as the tabulation below indicates. Less

Benefit offset status	Number	Percent
Total.....	20,384	100.0
Continuing offset.....	14,026	68.8
No longer offset, because of—		
Recovery or return to work ¹	1,771	8.7
Death.....	467	2.3
Aged 62 or over.....	493	2.4
Other, including end of workmen's compensation payments.....	3,628	17.8

¹ Social security benefits terminated.

than 10 percent of the group went off the beneficiary rolls because of medical recovery or return to sustained, gainful employment; about 5 per-

⁸ Alfred M. Skolnik and Julius W. Hobson, "Workmen's Compensation Payments and Costs, 1967," *Social Security Bulletin*, January 1969, pages 34-37.

cent died or attained age 62. Nearly 20 percent of the beneficiaries were freed from the offset limitation and began receiving unreduced benefits; compensation payments to these beneficiaries had ended, so there was no longer an overlap.

The majority of the disabled workers in this study who had their benefits offset became entitled to their benefits in 1967. If their benefit status were to be examined at a point in time several years later, a larger proportion would, of course, have recovered, attained age 62, exhausted their workmen's compensation payments, or died.

Those whose social security benefits ended because of recovery or return to sustained, competitive employment were far younger than the group who continued to receive their benefits with the offset still in effect. Three-fourths of the former group were under age 50, compared with only a little more than half of those in the latter group.

Those who died at some time after they became entitled to payments under both programs were much older as a group than those who remained on the rolls. A somewhat smaller proportion of them had dependents and a greater proportion were Negroes. Since disability benefits under the social security program are payable only to workers disabled for more than 6 months, persons dying within 6 months of a work-incurred impairment are not included here.

Among those with benefits offset, the beneficiaries who had reached age 62 had fewer dependents as a group, as is likely with older workers. Four out of 5 in this older group had either no dependents entitled to family benefits under the Social Security Act or only one.

The group whose benefits were freed from offset reduction but whose social security benefits remained in payment status—generally following the ending of workmen's compensation payments—did not differ appreciably in their basic social and demographic characteristics from those whose benefits continued to have offset reductions.

The subsequent benefit experience of workers who had their benefits reduced to offset workmen's compensation varied little for men and for beneficiaries in different geographic locations. Disabled workers from the Middle Atlantic area did, however, make up a much smaller proportion of all offset workers who recovered and a much greater proportion of those who died or attained age 62 than the proportions for those of other

TABLE 2.—Diagnostic groups by geographic location: Percentage distribution of disabled workers with workmen's compensation offset in January 1968

Diagnostic group ¹	Total		Percentage distribution by State geographic division										
	Number	Percentage distribution	Total	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific	Other
Total.....	14,026	100	100	5	17	13	4	14	8	12	5	21	2
Musculoskeletal system diseases.....	5,405	39	100	6	12	13	4	11	7	13	5	26	2
Accidents, poisonings, and violence.....	4,106	29	100	4	14	14	5	17	8	13	5	19	1
Circulatory system diseases.....	953	7	100	4	25	12	5	12	7	12	4	17	2
Respiratory system diseases.....	869	6	100	1	60	6	1	15	8	2	1	5	(²)
Nervous system and sense organ diseases.....	696	5	100	5	18	13	4	13	8	11	5	18	3
Mental, psychoneurotic, and personality disorders.....	536	4	100	2	16	14	5	20	8	10	3	15	9
Neoplasms.....	97	1	100	4	20	14	6	16	8	11	5	11	3
Infective and parasitic diseases.....	90	1	100	4	38	9	2	16	2	12	2	10	4
Other.....	1,283	9	100	4	15	14	5	15	7	12	6	22	2

¹ Based on the primary impairments recorded in the determination of disability for applicants for social security benefits

² Less than 0.5 percent.

areas. As table 2 shows, many of the beneficiaries from the Middle Atlantic areas were miners disabled with respiratory diseases.

Diagnostic Groups

Musculoskeletal disease and accident-caused injuries account for two-thirds of all primary disabling conditions of beneficiaries with offset reduction (table 2). Many of these disorders result from traumatic work injuries leading to fractures of weight-bearing bones or back injuries. Progressive chronic diseases, such as arteriosclerosis and arthritis, make up a large proportion of the disabling conditions of other disabled-worker beneficiaries. Only 7 percent of the workers with benefits reduced for offset had a circulatory system disease as their primary impairment, although about one-fourth of all disabled workers whose disability was allowed in 1967 had such disorders—including more than 15 percent with arteriosclerosis.

About 1 out of 4 of all primary impairments of disabled workers with offset benefits was a disc displacement (table 3). This sizable proportion reflects the large number of workmen's compensation cases arising from work injury rather than disease. Only 3 percent of all disability allowances under the social security program in 1967 were for disc displacement. A somewhat greater proportion of disabled workers with this condition and with offset benefits were from California and somewhat fewer from Pennsylvania than among those with all other disabling conditions.

Beneficiaries from the Middle Atlantic and

South Atlantic States made up three-fourths of the disabled workers with offset benefits who had respiratory disorders. Most of the group with this type of disorder were workers living in Pennsylvania, West Virginia, and Virginia who had lung conditions arising from their employment in coal mining.

Over half of those with emphysema and two-thirds of those with pneumoconiosis were from Pennsylvania; another 10 percent of the workers with these impairments were from West Virginia. Under the offset provisions that were in effect in 1957 and 1958, about 1 in 3 of all impairments were the result of emphysema and pneumoconiosis. Under the current provisions, only about 1 in 20 of the beneficiaries affected by the offset had such impairments. Production and manpower declines in coal mining account for the large reduc-

TABLE 3.—Selected primary impairment and State of residence: Percentage distribution of disabled workers with workmen's compensation offset in January 1968

State of residence	Total	Selected primary disabling condition		
		Disc displacement	Emphysema	Pneumoconiosis
Total number.....	14,026	3,410	576	212
Total percent.....	100	100	100	100
California.....	14	18	4	(¹)
New York.....	8	8	4	1
Pennsylvania.....	8	3	56	68
Ohio.....	5	5	2	1
Texas.....	5	5	1	-----
Louisiana.....	4	4	(¹)	-----
Michigan.....	4	3	-----	1
Massachusetts.....	3	4	1	(¹)
Oregon.....	3	3	1	-----
Washington.....	3	4	(¹)	-----
West Virginia.....	3	2	11	10
All others.....	40	41	17	18

¹ Less than 0.5 percent.

tion in the proportion suffering from these disorders. The number of disabled-worker beneficiaries in Pennsylvania with payments from the two programs declined similarly from about a third of all workers with benefits offset in 1957 and 1958 to less than 10 percent in 1966 and 1967. In the past 20 years, recorded work injuries due to coal mining in Pennsylvania declined by more than 80 percent.⁹

Liberalizations of the disability insurance provisions of the Social Security Act extended benefits to younger disabled workers and to those with less prolonged conditions. As a result, the proportion of workers with work-connected injuries has grown, as might be expected, in comparison with that for workers with progressive chronic disease such as pneumoconiosis.

Few disabled workers with benefits offset had a mental condition as a primary impairment. The proportion was less than 5 percent in January 1968. About twice this proportion had mental impairments among all workers whose disability was allowed during the period studied. For compensation purposes, mental impairments are not generally recognized as arising out of the course of employment, except for conditions related to physiological injury or shock.

Nearly 90 percent of the beneficiaries affected by the offset were ambulatory at the time they filed their application for social security benefits, including 60 percent who needed no help from others (table 4). Far fewer (2 percent) were institutionalized than among all workers with disability allowed in the period studied (10 percent).

More of those with respiratory conditions were able to get around without help (over 90 percent) than of workers with other conditions. The former group is likely to include many who were miners with lung damage but no substantial musculoskeletal restriction. A smaller proportion of the younger workers were able to get about by themselves, and a correspondingly greater proportion were housebound or hospitalized. Younger workers, of course, might be expected to have a greater proportion of traumatic injuries and fewer chronic conditions.

⁹ Department of the Interior, Bureau of Mines, *Minerals Yearbook*, Volumes I-II, *Minerals, Facts, and Problems*, 1960 edition; Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics, *Compensable Work Injuries in Pennsylvania, 1969*, November 1970, and *Work Injuries in Pennsylvania, 1969*, July 1970.

TABLE 4.—Diagnostic groups by extent of mobility: Percentage distribution of disabled workers with workmen's compensation offset in January 1968

Diagnostic group	Number	Percentage distribution, by extent of mobility					
		Total	Institutionalized	Hospitalized	Homebound ¹	Ambulatory	
						With help	By self
Total ¹	14,028	100	2	4	5	27	60
Infective and parasitic diseases.....	90	100	41	4	2	37	14
Neoplasms.....	97	100	7	6	10	62	14
Mental, psychoneurotic, and personality disorders.....	536	100	10	3	3	61	22
Nervous system and sense organ diseases.....	696	100	3	4	5	60	27
Circulatory system diseases.....	953	100	1	4	4	77	12
Respiratory system diseases.....	360	100	1	(²)	(²)	93	5
Musculoskeletal system diseases.....	5,405	100	1	3	3	69	23
Accidents, poisonings, and violence.....	4,106	100	3	7	8	39	43
Other.....	1,283	100	3	6	5	60	26

¹ Mobility at time of application for social security benefits. One percent unknown.

² Includes 2 percent bedridden.

³ Less than 0.5 percent.

Occupation

About 80 percent of the workers affected by the offset provision and with occupation recorded are blue-collar workers—including 60 percent who had been in skilled or semiskilled occupations (table 5). Only 7 percent had been employed in professional and managerial or sales and clerical

TABLE 5.—Predisability occupation and education: Percentage distribution of disabled workers with workmen's compensation offset in January 1968

Occupational group and education	Total
	Predisability occupation
Number.....	14,028
Total percent.....	100
Professional and managerial.....	3
Clerical and sales.....	4
Service.....	6
Agricultural and kindred occupations.....	3
Blue-collar.....	81
Skilled.....	36
Semiskilled.....	26
Unskilled.....	20
Unknown.....	4
	Education
Number.....	14,028
Total percent.....	100
None.....	2
Elementary school.....	47
High school.....	37
9-11 years.....	22
12 years.....	15
College.....	3
Unknown.....	11

positions, compared with more than 20 percent of the total workers allowed social security disability benefits each year.

Blue-collar workers are subject to work-related accidents more than other workers, and the basic orientation of the workmen's compensation programs has been to provide coverage for industrial workers. Workers for small firms, domestics, casual laborers, and agricultural workers are generally excluded.¹⁰

Four industries—manufacturing, construction, transportation, and mining—account for more than half the predisability employment of disabled workers affected by the offset, as shown in the following tabulation. Disabled workers with

Industry	Disabled workers with benefits offset	Employees in nonagricultural industries, 1967 ¹
Number.....	14,026	66,063,000
Total percent.....	100	100
Manufacturing.....	17	29
Construction.....	17	5
Transportation.....	12	6
Mining.....	8	(?)
Other and unknown.....	* 46	60

¹ Bureau of the Census, *Statistical Abstract of the United States 1963*, table 320. These data include workers in public utilities.

* Less than 0.5 percent

* Includes 3 percent in agricultural and kindred occupations.

offset benefits were employed to a far greater extent than all nonagricultural employees in mining, transportation, and construction. Only 1 out of 9 employees in nonagricultural industries work in these industries, compared with 3 out of 9 of the disabled workers with offset benefits. In manufacturing, however, the proportion of workers with their benefits offset was considerably smaller than the proportion for all nonagricultural employees.

The proportion of miners among disabled workers affected by the offset declined substantially in the 10-year period after the enactment of the disability benefit program—from nearly 30 percent in 1957–58 to less than 10 percent in 1966–67. As noted earlier, much of this change was due to the drop in coal mine employment.¹¹

¹⁰ Gerald Somers (ed.), *Labor Management and Social Policy*, Madison, Wisconsin: University of Wisconsin Press, 1963; and Wex S. Malone, "Symposium on Workmen's Compensation," *Vanderbilt Law Review*, October 1963.

¹¹ Victoria M. Trasko, "Socioeconomic Aspects of the Pneumoconiosis," *Archives of Environmental Health*, October 1964.

The proportion employed in the transportation and construction industries increased in that decade. The liberalizations of the disability insurance provisions of the Social Security Act brought more workers with work injuries in these occupations on the disability insurance beneficiary rolls.

About half of the disabled workers with offset benefits had no high school education, and only 3 percent attended college (table 5). These proportions are somewhat lower than those for all workers whose disability claims were allowed in 1967.

RECOVERY

Few workers who meet the social security definition of disability return to competitive work. Some have medical conditions that may be progressive or terminal, many continue to have severe residual restrictions even if they recover from their disability to some extent, and many are of advanced age. The total number of disabled workers who recovered or returned to substantial gainful employment in 1967 represented only about 3 percent of the disabled workers receiving benefits in that year.

Among the earliest group of workers with benefits offset—those entitled to social security benefits in the first half of 1966—the recovery rate was a little more than 15 percent by July 1968. Data on the recovery rate of all disabled workers entitled in that period are not available. For 1966 to 1969, however, the number of all disabled workers who had medical recovery or returned to sustained, competitive work amounted to about 12 percent of all workers awarded benefits during the year.¹² This proportion is based on data that include workers with dates of entitlement earlier than 1966 and thus do not reflect benefit status at a point in time similar to the period of the offset data. To the extent that a rough comparison can be made with the offset data, no great difference in the rate of recovery is apparent, but the rate for the workers with offset benefits is higher.

Another rough comparison between the experience of workers with offset benefits and that of other disabled beneficiaries may be made by look-

¹² Phoebe Goff, "Disabled Beneficiary Population, 1957–66," *Social Security Bulletin*, July 1971, table 2.

ing at the data available on terminations of OASDI benefits. The workers who had had offsets applied to their benefits and had recovered represented about two-thirds of the 2,731 workers who were entitled to combined benefits from the two programs in 1966 and 1967 but were no longer affected by the offset provisions because their social security benefits were terminated as a result of recovery or death or because they attained age 62. The proportion of recoveries to total terminations was far less among all disabled-worker beneficiaries, amounting to only one-fifth of all workers whose disability benefits were ended in 1967 because of recovery, death, or conversion to retirement benefits at age 65.

A higher recovery rate among workers with benefits offset than among other disabled beneficiaries is to be expected since they are a younger population. As previously noted, three-fourths of those whose benefits were terminated because of medical recovery or their return to sustained, competitive work were under age 50. The proportion in this age group was a little more than half for those remaining in beneficiary status with continuing benefit offset in January 1968. In addition, fewer of the workers with benefits offset had disabilities due to progressive chronic diseases than workers with disability allowances.

Among those affected by the offset who recovered, nearly all had impairments of the musculoskeletal system or injuries due to accidents. Among those whose cause of impairment was available, 9 out of 10 were suffering from these conditions (table 6). Persons with disorders that result from trauma rather than from disease may be expected to have a higher recovery rate.

Nearly half of the recovered group were able to leave their home without any aid to mobility, and most of the rest could leave the house with help at the time they applied for social security benefits. A smaller proportion of this group had engaged in unskilled work, and a greater proportion had attended high school than the proportions for the disabled workers with benefits offset who continued in benefit status.

EARNINGS REPLACEMENT BY BENEFITS

The median wage replacement of combined social security and workmen's compensation benefits would have been 108 percent of predisability

TABLE 6.—Disabled workers who recovered by July 1968 after being entitled to offset benefits, January–June 1966: Percentage distribution by disability characteristics ¹

Disability characteristics	Total
Number who recovered.....	800
Primary impairment, total percent.....	100
Musculoskeletal disorders.....	28
Accidents.....	56
Nervous system disorders.....	3
Mental disorders.....	3
Skin disorders.....	1
Unknown.....	10
Mobility, ² total percent.....	100
Ambulatory without help.....	48
Ambulatory with help.....	38
Not ambulatory ³	4
Unknown.....	11
Predisability occupation, total percent.....	100
Professional and managerial.....	3
Clerical and sales.....	5
Service.....	3
Agricultural and kindred.....	3
Skilled.....	42
Semiskilled.....	24
Unskilled.....	11
Unknown.....	10
Education, total percent.....	100
Elementary.....	28
High school.....	55
College.....	5
Unknown.....	12

¹ Based on a 10-percent sample (Total number of workers entitled to benefits during period—5,007, number whose benefits continued in payment status, who died, or who reached age 62—4,207.)

² At time of application for social security benefits

³ All confined to hospital. No persons in sample housebound or institutionalized.

earnings for the workers affected by the offset provisions in January 1968 if there were no limit on concurrent benefits (table 7). The measure of predisability earnings is based on the highest average earnings of the worker in any period of 5 consecutive years after 1950. Since earnings reported on the social security earnings record are limited to maximum taxable amounts, actual annual earnings above the taxable maximum are estimated by a weighting procedure based on the quarterly earnings totals. If the measure of average monthly wages computed for benefit purposes is higher than the estimate of actual earnings, that measure is used for the purposes of determining the offset limit. This second measure is based on taxable earnings in the years after 1950, excluding the 5 lowest earnings years, up to the year of onset of disability.

About one-sixth of those with benefits offset in January 1968 had less than an 80-percent replacement of taxable wages. Most of these beneficiaries were high earners who were freed from offset reduction in February 1968 by the recalculation provision of the 1967 amendments to the Social

TABLE 7.—Replacement of predisability wages by social security and workmen's compensation benefits before offset reduction: Percentage distribution of disabled workers with workmen's compensation offset in January 1968, by amount of predisability wages

Percent of wages replaced ¹	Total	Predisability monthly wages ²						
		Less than \$200	\$200-299	\$300-399	\$400-499	\$500-599	\$600-999	\$1,000 or more
Number ³	14,026	1,378	2,188	3,667	3,521	1,760	1,458	53
Total percent.....	100	100	100	100	100	100	100	100
Less than 40 percent.....	(4)	0	0	(4)	0	0	1	45
40-79.....	17	1	3	6	16	34	64	48
80-119.....	46	12	37	51	58	61	32	8
120-159.....	26	32	45	36	24	6	2	0
160-199.....	7	31	13	6	2	(4)	1	0
200-239.....	2	12	2	(4)	1	0	0	0
240 and more.....	1	12	1	(4)	(4)	0	0	0
Median replacement.....	108	166	129	114	103	91	70	44

¹ Ratio of combined social security and workmen's compensation monthly benefits before offset reduction to predisability earnings

² Estimated total wages derived from quarterly wages reported for social security coverage credits.

³ Number with available data on replacement of those with current offset status

⁴ Less than 0.5 percent.

Security Act.¹³ With these workers excluded, the median replacement for those remaining in offset status would have been about 115 percent of predisability earnings. The proposed increase in the limit on benefits to 100 percent of earnings instead of 80 percent would free from offset about one-fifth more if the replacement ratio of current benefits resembles that of benefits in January 1968.

Nearly two-thirds of the workers affected by the offset provisions had less than 120 percent of their wages replaced before the offset (table 7). For most of the remaining third, the replacement was 160 percent. It was as high as 200 percent for only 3 percent before the reduction. Virtually all of the latter workers had predisability earnings below \$300 a month. Workers with the lowest earnings before the onset of disability have the highest rate of earnings replacement: Those who had monthly earnings of less than \$200 had median earnings replacement of more than 150 percent. This higher rate of replacement for the low earners reflects the minimum benefit levels under both programs, the benefit-earning relationship under both programs, and the additional benefits for dependents under the social security program.

¹³ This provision changed the measure of earnings for purposes of the offset limit to include total earnings instead of earnings reported for social security credits, which are limited to the taxable maximum. Before the recalculation, for example, the worker who had average predisability earnings of \$10,000 might be limited to 80 percent of no more than \$4,800, the taxable maximum between 1959 and 1965. After January 1968, the limit on combined benefits for this worker would be \$8,000—that is, 80 percent of his actual earnings.

Despite the high replacement percentage for low earners, the dollar amount of concurrent benefits may not approach an adequate level of income. The workers who had earnings below \$200 a month were awarded average combined benefits that totaled less than \$3,600 a year. With the 80-percent offset reduction, combined benefits payable to many of these workers amounted to less than \$2,000 a year.

When the mean earnings and benefit amounts are compared, the average replacement of wages by benefits before reduction is 103 percent (table 8)—slightly below the median replacement percent. Average predisability earnings were \$402. For disabled workers with both types of payments, the combined payments averaged \$213 a month for workmen's compensation benefits and, before offset reduction, \$200 for the social security benefit (with dependents' benefits included). For

TABLE 8.—Replacement of predisability wages by average social security and workmen's compensation benefits, by family size, January 1968

Number of dependents ¹	Predisability monthly wages ²	Average monthly disability benefits before offset			Percent replacement of wages by total benefits before offset
		Total	Social security	Workmen's compensation	
Total ³	\$402	\$413	\$200	\$213	103
Single worker.....	382	315	102	213	82
One dependent.....	408	377	173	204	92
Two dependents.....	439	448	240	208	102
Three or more.....	432	481	264	217	111

¹ Based on number of auxiliary beneficiaries entitled to child's or mother's benefits as dependents of the disabled worker

² Estimated average wages derived from quarterly wages reported for social security coverage

³ Based on data available for three-fourths of the 14,026 workers with benefits offset in January 1968

workers with benefits offset at the beginning of 1968, the wage-replacement rate of 103 percent thus represents 50 percent from the social security program and 53 percent from workmen's compensation.

Wage Replacement and Family Size

Substantial variation occurs in the proportion of wages replaced by benefits according to family size (table 8). For workers with three or more dependents, benefits were more than 50 percent higher than those to which single workers were entitled (\$481 and \$315, respectively). Consequently, the proportions of wage replacement were substantially greater for workers with dependents and resulted in greater offset reductions in social security benefits. Workers with families receive higher social security benefit amounts than single workers because of the additional payments for their dependents. Workmen's compensation programs in many States do not provide benefits for dependents except for survivors of deceased workers. Among workers with offset benefits those with dependents had about the same average workmen's compensation benefits as workers with no dependents.

In setting the limit on total combined benefits the offset provisions include dependent benefits with those of the worker. After reduction for the offset, all workers have the same calculated limit applied to predisability earnings, whatever their family responsibilities.

Three factors prevent the offset limit from entirely equalizing the reduced benefits of the disabled with dependents and the disabled without dependents:

(1) Earlier earnings of the disabled family man tend to be higher than the worker without dependents: those with three or more dependents, for example, had 13 percent more in predisability earnings than the single worker (\$432 compared with \$382);

(2) the amount of reduction is limited so that combined benefits can never be less than the larger benefit under either program, and the floor of benefits is thus no less than the amount of total family benefits under the social security program; and

(3) under the savings clause in the Social Security Act, all general benefit increases are payable without reduction, and thus the worker with dependents receives increases in auxiliary benefits as well as in his own, regardless of the offset limitations.

Evaluating Wage Replacement

In order to evaluate the extent of wage replacement from concurrent benefits from the two programs, one must take into account both the duration of the period in which combined benefits are received and changes in the value of wage levels over periods of time.

The wage replacement is less for the entire period of disability, of course, than the proportions shown in this study at the point in time of the overlap of payments and offset of benefits. No social security benefits are paid in the first 6 months of disability, and many workmen's compensation benefits are ended after a fixed date or specific money amount is reached.

Many State workmen's compensation programs include, in addition to limits on weekly payments, a limit on the total amount payable, and a limit on the duration of payments, even for permanent impairments. Some States, for example, have a 10-year limit on benefit payments for permanent injury.¹⁴ Nearly a fifth of the 20,000 beneficiaries affected by the offset provision from January 1966 to January 1968 remained disabled but were no longer receiving workmen's compensation payments at the end of the period. Some of these workers, of course, may have received compensation for a temporary work injury but had an additional progressive condition that qualified them for continuing disability benefits under the Social Security Act.

As in workmen's compensation programs, benefit levels under the social security program are related to previous earnings. The benefit computation formula in effect in January 1968 produced a benefit that was about one-third of "average monthly wages" before disability for a single worker with an average of \$400 in monthly earnings. Benefits for dependents raise substantially the proportion of earnings replaced. A worker with several dependents who averaged \$400 in monthly earnings before becoming disabled could receive total family benefits equal to about 75 percent of previous earnings. In contrast to many workmen's compensation programs, the social security program pays disability benefits as long as the worker is unable to engage in substantial, gainful employment.

The nature of the wage replaced by benefits is

¹⁴ United States Chamber of Commerce, *Analysis of Workmen's Compensation Laws*, 1969 edition, chart IV.

also affected by changes in the value of money and changes in national wage levels between the time in which wages are earned and the time when benefits are being received. For example, the worker injured in 1965 and entitled to social security disability benefits in 1966 actually received total benefits after offset reduction amounting to only about 70 percent or less of average current wages received by nondisabled workers in 1966, if average earnings in any 5-year period before 1965 are compared with those in 1966.¹⁵

Two of the provisions for offset result in periodic adjustment of the benefit amount to reflect changes in wage levels and current value of money. First, the savings clause mentioned earlier permits payment of general increases in the amount of social security benefits irrespective of the limit on combined benefits. Second, an adjustment in the measure of average earnings is made in the third year of the offset reduction and every 3 years thereafter. Under this redetermination procedure, the measure of "average current earnings" is adjusted upward by any percentage increase in national earnings (based on increases in average taxable earnings). The redetermination of the benefit reduction in January 1969, for workers initially affected by the offset provision in 1966, was the first application of an automatic adjustment procedure to social security benefits.

CONCLUSION

The overlap of benefit payments between the disability program under the Social Security Act and workmen's compensation programs is small in relation to the total beneficiary population under either program: it involves only about 3-4 percent of all disabled workers who become entitled to social security disability benefits annually. The questions raised by the overlap, however, concern the broad issues of adequate levels of wage replacement, the disincentive effects of benefits on return to work after disability, and the most appropriate system of income distribution to workers not able to engage in productive employment.¹⁶

¹⁵ Based on average wage items reported to social security of \$890, \$918, \$957, \$1,010, \$1,026, and \$1,071 in the first quarter of each year from 1960 to 1966, respectively.

¹⁶ Ida C Merriam, "Overlap of Benefits under OASDI and Other Programs," *Social Security Bulletin*, April 1965, pages 21-26.

Moreover, as the coverage of social insurance programs is liberalized, the extent of benefit overlap may be expected to increase. The overlap between the social security program and workmen's compensation is likely to be greater among beneficiaries newly entitled as a result of the extensions of disability benefit coverage to younger workers and those with less prolonged conditions, since these workers are more likely to be disabled because of injury than because of chronic disease.

In examining the characteristics of workers with concurrent payments under the two programs who are affected by the offset provisions, the study finds that these workers are: mainly men, younger than other disabled beneficiaries, and more subject to traumatic and accidental types of impairments because they do physical work in manufacturing or in open settings, as in construction and logging. They may be more likely to be involved in recovery attempts than other disabled workers who tend more often to have progressive diseases associated with older age. They include fewer coal miners relatively than they did in the earlier years of the disability program, both because of declining coal mine employment and the broadened scope of the program.

Overlap of benefits between programs does not necessarily imply that excessive amounts of benefits have been awarded to every worker entitled to payments under more than one program, nor that simple adjustments to establish an adequate and equitable level of benefits may be readily devised. The offset-reduction provisions are one measure to define excessive payments and prevent their occurrence.

Nearly a fifth or more of all workers awarded benefits under both programs are receiving less than 80 percent wage replacement, and their social security benefits have not been reduced by the offset. Many other disabled workers receive concurrent benefits only for a limited period in the course of disability: no social security benefits are payable in the first 6 months of disability, and the compensation program may have limits on the total amount payable and on the period during which benefits can be paid. Nearly a fifth of all disabled workers affected by the current offset provisions in 1966 and 1967 continued to be disabled but by the end of this period no longer received workmen's compensation payments.

For all workers with concurrent benefits affected by the offset provisions, the data show that those with low predisability wages and those with several dependents are likely to have far greater offset of their benefits than other workers do. The wage replacement of concurrent benefits for these workers is much higher than it is for other workers and is generally greater than the amount of wages earned before disability. But, though the percentage of wage replacement is high, the actual dollar amount of combined benefits may be low in terms of an adequate income, even before offset reduction.

Social Security Abroad

Canada's New Unemployment Insurance Act*

A new and liberalized unemployment insurance plan, containing substantial changes in coverage, contributions, and benefits and providing a new sickness and maternity feature, was established under Canada's Unemployment Insurance Act of 1971. Although certain coverage and benefit provisions went into force on June 27, 1971, new premium rates and the extension of coverage will not become effective until January 2, 1972. Other provisions involving extensive administrative changes will be phased into operation over the next 2-3 years.

The reorientation of Canada's unemployment insurance program comes as Canada faces increasing levels of unemployment—exceeding 7 percent at the end of 1971. This rise is ascribed to a growing population, a sharp increase in labor force participation without a corresponding rise in the number of new jobs, and the fluctuating international monetary situation.

The new Act incorporates all the major proposals contained in the Government's *White Paper on Unemployment Insurance* of June 1970, as well as recommendations of the Committee on Labor, Manpower, and Immigration of the House

of Commons. The first major overhaul in the unemployment insurance system since its inception 30 years ago, the Act increases the proportion of all employees protected by unemployment insurance from 80 percent to 96 percent.

BACKGROUND

Unlike the situation in the United States, where unemployment insurance is a State function, in Canada it is a Federal responsibility. This authority is derived from a 1938 amendment to the British North America Act of 1867 that specified unemployment insurance as a subject within the jurisdiction of the Federal Parliament. Until the current legislation, the Unemployment Insurance Act of 1940 and its amendments provided the basic structure of the Canadian program.

Despite amendments and improvements, the system had a number of shortcomings. Periods credited for benefits under the former law emphasized length of time worked, allowing only limited flexibility in providing protection for those workers with short work histories or seasonal occupations. Although the Act was supposed to include all persons employed under a contract of service, a number of specified occupations were excluded, such as certain categories of government workers, teachers, certain employees in charitable institutions or nonprofit hospitals, certain director-officers of corporations, workers earning more than \$7,800 a year, and professional athletes.

Rapid economic and technological change, combined with the mobility of labor, has outdated many of the principles on which these exclusions were originally based. For example, the improvement of wages in hospitals (brought about, in part, because hospitals now receive government financing and no longer must depend on charity or gifts) removed grounds for the exclusion of hospital workers from coverage by unemployment insurance. The exclusion of persons earning over \$7,800 annually was, likewise, recognized as inequitable since this group also faces the hazards of unemployment.

Furthermore, there was a need to relate unemployment benefits more closely to the programs and services of the National Employment Service—counseling, testing, and placement—and to

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