

# Issues in Temporary Disability Insurance

*In its Annual Report the Social Security Administration urged enactment of a Federal program of disability insurance that would be coordinated with old-age and survivors insurance. At the same time, State employment security agencies and other groups have asked the Administration for advice in formulating a temporary disability program that would be coordinated with the State unemployment insurance programs. In answer to these requests, a detailed study<sup>1</sup> was made of the problems involved. Though immediately concerned with a State program, the study, which is summarized here, includes discussion of a more general nature, since some of the problems are inherent in any system of disability insurance.*

**E**ACH day, about 2 million persons are kept from gainful work by a disability that has lasted less than 6 months; nearly 3 million more persons between the ages of 14 and 64, who otherwise would be gainfully employed, are afflicted with serious disabilities that have already continued for more than 6 months. Private insurance against the resulting income loss is beyond the means of most workers, and personal savings are seldom sufficient to tide a family over a lengthy period of disability.

The risks of nonoccupational sickness or accident, with the resulting medical costs and temporary or permanent loss of income, are generally, however, not covered by the social insurance program, although a few systems of limited scope do exist. Failure to give such protection represents a major defect of the program.

The most satisfactory solution to the problem of insecurity caused by disability is to include within the framework of national social security legislation a coordinated program against the costs and losses arising from either short-term or long-continued inability to work because of illness or accident. The problems involved are basically the same as those involved in meeting the risks

already covered by the Federal social insurance system. The various public retirement systems, the programs of railroad workers, the veterans' program, workmen's compensation, the State cash sickness insurance programs, and commercial insurance have provided valuable experience in the administration of disability benefit programs. In addition, 10 years' experience with Federal old-age and survivors insurance has demonstrated that basic family protection for all workers through compulsory contributory social insurance is in harmony with the American way of life and that a firm and successful administrative foundation exists on which to build the new benefit program.

Both the worker and the administration of the disability program would benefit if the old-age and survivors insurance system were expanded to include disability protection. It would be to the worker's advantage if changes could be made in the old-age and survivors insurance law to "freeze" his insured status at the time he becomes entitled to extended disability benefits so that he will remain insured for old-age benefits if he lives to normal retirement age. In the same way his survivorship protection could be maintained throughout a period of extended disability so that his dependents would be fully protected if he should die.

Protection against wage loss due to temporary disability and that resulting from extended disability should be

closely coordinated. With program and administrative integration, gaps in protection against these two risks can be avoided so that there would, in effect, be continuous and uninterrupted protection throughout the course of a long or permanent disablement. Furthermore, both temporary and extended disability insurance involve similar administrative arrangements in such areas as certification of disability, because of the close association of the two types of risks. Thus, these two programs are more closely associated in concept and administrative requirements than other types of social insurance protection.

Another approach to the problem of short-time inability to work is to coordinate protection against such unemployment with protection against unemployment due to lack of work. This possibility has been emphasized by the inequities that arise from compensating an unemployed worker for part of his wage loss while he remains able to work, but not protecting him if he becomes ill although his needs then become greater.

Systems of temporary disability insurance coordinated with unemployment insurance were enacted in Rhode Island in 1942, in California in 1946, New Jersey in 1948, and Washington in 1949. An entirely separate system of temporary disability insurance, administered by the workmen's compensation agency, was enacted in New York in 1949. Interest in temporary disability insurance coordinated with unemployment insurance has been expressed in other States by State employment security agencies, by organizations of workers and of employers, and by legislatures.

To answer requests for advice on policy and for technical assistance on the questions involved in formulating such a program, the Federal Security Agency has explored the problems—primarily those involved in establishing a State system of temporary disability insurance coordinated with the present State systems of unemployment insurance. Since some of the problems would appear, however,

<sup>1</sup> Social Security Administration, Bureau of Employment Security and Division of Research and Statistics, *Temporary Disability Insurance: Problems in Formulating a Program Administered by a State Employment Security Agency* (Revised edition, 1949).

under any system of disability insurance, much of the discussion has a more general application.

## Basic Elements of a Temporary Disability Insurance Law

Regardless of the form of the program and its relationship to other social insurance programs, basic questions to be answered in formulating the law include how disability is to be defined, who is to be protected, what amounts of benefits are to be paid and under what circumstances, how the administration is to be organized, and how the program is to be financed.

### Definition of Disability

Since temporary disability benefits are intended primarily to meet the risk of short-time disability, the definition of disability should protect an individual whose physical or mental condition renders him unable to perform his most recent or customary work. It would be contrary to the basic purpose of the program, as well as to the best interests of all parties concerned, to regard as disabled under this program only workers who are unable to perform any kind of remunerative work. Many of the temporary disability insurance claimants will have been working until the current illness or accident made them unable to continue; most of that group will return to the job upon recovery.

It would be unreasonable, and undesirable for the claimant, the employer, and the community, to expect a worker to change his occupation and his employer for a relatively short period; it is questionable whether many such workers would find it possible to obtain jobs for such brief periods of partial incapacity.

### Coverage

Preferably, all wage and salaried workers should be protected against the risk of wage loss due to disability, regardless of the size of their employing unit or the type of services they perform. If, however, temporary disability insurance is to be coordinated with another social insurance program, it should cover the same workers as the program with which it

is coordinated. Otherwise, the advantages of coordination are seriously reduced.

### Amount of Benefits

When unemployment insurance and temporary disability insurance are being administered by a single agency, use of the same benefit provisions for both facilitates joint administration and permits savings in administrative costs. Benefit provisions, as used here, include the base period and benefit year specified as the framework for measuring the accumulation of benefit rights and the utilization of those rights, the qualifying requirement in terms of past employment or wages, and the weekly benefit amount and duration.

### Unit of Time Used To Measure and Pay for Disability

Any insurance program that compensates for wage loss due to a particular risk must use some unit of time to measure the occurrence of the risk and to establish the amount of wage loss to be compensated. The period can be a day, a week, or some longer period. In unemployment insurance in this country, the week—which may be either a calendar week or any 7 consecutive days—is used to measure unemployment. Since this is the most common pay period, its use eliminates the need to decide on the length of the workweek and on whether to pay benefits for Saturdays, Sundays, or holidays.

In a jointly administered system of temporary disability insurance and unemployment insurance, the unit of measure should be the same for both programs. The week has proved to be a satisfactory unit in unemployment insurance, and there is no reason to believe that the week—that is, 7 consecutive days, not a calendar week—would not be a satisfactory unit in temporary disability insurance.

Benefits should also be payable, however, for odd days of disability at the end of a period of disability. If benefits are paid only for full weeks of disability, a worker who recovers after 18 days stands to lose financially by returning to work on the nineteenth day rather than by claiming to

have been incapacitated until the end of the twenty-first day. The worker should not feel under undue pressure to return to work before he is well, but neither should he have a financial incentive to stay away from his job after he has recovered.

In existing systems of temporary disability insurance jointly administered with unemployment insurance, a week of 7 consecutive days is the basic unit used to measure disability and pay benefits. In Rhode Island, disabilities are compensable only in weekly units; any odd days at the end of a spell of disability are ignored. In California and New Jersey, however, benefits are paid for such days at the rate of one-seventh of the weekly amount for each day. This rate eliminates any need to determine the length of the normal workweek or to decide what days of the week are workdays for any individual.

### Duration of Disability

Only those disabilities that last at least 7 consecutive days should be considered for waiting-period or benefit credit. About 80 percent of all disabilities last less than 7 days. If payments for these short spells are eliminated, funds are saved for claimants suffering longer spells of disability in the year, without imposing heavy uncompensated wage-loss burdens. The great reduction in claims load brings about substantial administrative economies. After a disability has lasted for 7 consecutive days, it should be regarded as continuing as an uninterrupted series until there have been 21 consecutive days for which benefits are not payable. Such a provision is desirable to avoid harsh treatment to workers who may suffer a relapse shortly after their return to work.

To avoid administrative problems, no attempt should be made to require that disability be due to the same or related causes in order to constitute an uninterrupted series. Competent medical opinion frequently differs as to the cause of disability, so that the cause shown on the claims form may change while, so far as the individual is concerned, it is the same illness.

To avoid spending an undue proportion of the funds for very short

illnesses, the first 7 consecutive days of disability in a benefit year should be an uncompensated waiting period. If only disabilities of at least 7 days are compensable, then no uncompensated waiting period is recommended for subsequent spells of disability. When benefits are payable for disabilities of less than a week, some waiting period with each spell of disability is needed to protect the fund.

### **Conditions for Receipt of Benefits**

Disability benefits should be payable only to workers who have a prescribed amount of past employment or wages in covered work, who meet the statutory definition of disability, who are not working because of the disability, and who have submitted specified evidence of the disability. In addition, benefits should not be payable for periods for which the claimant is receiving certain other types of payments, such as workmen's compensation.

Temporary disability insurance, like unemployment insurance, is intended only for persons suffering involuntary unemployment; the program is not designed for those who have withdrawn from the labor force for reasons other than disability. Most temporary disability insurance claimants will have no difficulties on this point, since they will become disabled while employed.

In both unemployment insurance and temporary disability insurance, one measure of attachment to the labor force is base-period wages. In unemployment insurance, this measure is supplemented by two requirements—availability for work and registration for work at the employment office. Obviously, these conditions are not appropriate for disabled claimants.

If the qualifying-earnings requirements are not considered adequate tests of reasonably current attachment to the labor force, a general requirement that the claimant has not withdrawn from the labor force for reasons other than disability may be included in the law.

### **Receipt of Other Income**

The temporary disability insurance program should be generally coor-

dinated with other social insurance programs so as to avoid both duplication of payments and gaps in protection. As in other social insurances, there should be no means test and no conditions that would discourage workers from providing additional security by either individual or group action.

*Wages.*—When an individual receives wages that are in fact remuneration for services actually performed, he would not, of course, be considered as unemployed and disabled. An individual, however, may receive payments from his employer for weeks of disability during which he performs no services. These payments may be under formally established systems, or they may be made informally in individual cases at the employer's option. They may be made directly by the employer, or from a trust fund, or under an insurance policy; the amount may equal either full weekly wages or a definite fraction thereof.

Such payments might be taken into account to determine whether or not the claimant is experiencing a wage loss. If the payment is less than his full wages, he would receive the difference between the employer payment and his regular wages, up to his full weekly benefit amount.

Another reasonable approach is to ignore such payments, in order not to discourage supplementation of the basic benefit.

*Workmen's compensation.*—Temporary disability insurance and workmen's compensation both provide benefits for disabled workers; the distinction lies in whether or not the incapacity is work-connected. Temporary disability insurance is not intended to replace workmen's compensation and should not carry the costs of benefits for work-connected disabilities.

Workmen's compensation payments for some other disability incurred earlier—such as loss of a limb—do not involve duplication of benefits and should not affect a claimant's right to temporary disability insurance.

A temporary disability insurance provision prohibiting payment of benefits for work-connected disabilities would, however, be undesirable. Not all work-connected disabilities are compensable under workmen's com-

ensation because of incomplete coverage, restrictive definitions of work-connected illnesses, and other limitations of workmen's compensation laws. Moreover, difficulties sometimes arise in determining whether an incapacity is work-connected.

Duplication of benefits can be avoided, without creating gaps in protection, by providing that temporary disability insurance benefits are not payable when the individual is receiving workmen's compensation for the same week and the same disability and that, in cases in which workmen's compensation may be payable, the temporary disability insurance benefits will be paid subject to reimbursement by the workmen's compensation agency.

*Other social insurance benefits.*—The law should provide that a worker cannot receive benefits for a week under both temporary disability insurance and unemployment insurance, or under more than one temporary disability insurance law. Primary benefits under title II of the Social Security Act or railroad retirement benefits might well be treated in a coordinated program as they are under the unemployment insurance law.

### **Claims and Certification Procedure**

By the nature of the program, the claimant cannot be required to come to a local office to file his claim. A combination claims form and return envelope facilitates preparation and handling of claim documents. The time by which the claimant must first notify the agency in a period of disability should be established with two considerations in mind. The period after the first day of disability within which the claimant must file his first claim or notice of disability should be long enough to give him adequate time to submit a claim with a physician's certificate, and yet not be so long as to have the possible disadvantages of delayed agency contact with the claimant. In addition, there should be provision for late notification with good cause.

Medical certification of disability is an essential part of the claims procedure. Various methods of obtaining that certification are possible.

The general system used under the four programs now operating appears to be most satisfactory.

Under these systems the claimant's attending physician certifies, at the time initial eligibility is being determined, as to the claimant's physical or mental condition and his inability to perform his customary work. He also gives his opinion regarding the date by which the claimant will be able to resume his occupation. These certificates are reviewed by or under the supervision of an agency medical officer. Selected cases are referred to physicians employed or designated by the agency for reexamination.

Additional medical certification from the attending physician during the claims series should be submitted at intervals determined by the agency in the individual case. The interval may be weekly, except for cases in which it is obvious that the disability will be long-continued.

In addition to referring some cases for medical examinations by designated physicians—such examinations being paid for by the agency—the agency staff may visit claimants to determine eligibility for benefits.

When a claim is filed the claimant's most recent employer should be notified so that he may report information bearing on the worker's eligibility for benefits—for example, verification that he is not currently working and that he is not filing for workmen's compensation.

## Type of Law

The benefits prescribed by the temporary disability insurance law can be provided in several alternative ways—through an exclusively governmental program, through a program that permits coverage under a private plan approved by the State to be substituted for coverage under the State plan, or through a program under which covered employers would be required to arrange private insurance for their workers. Each method has its advocates and its opponents. Any one of these three alternatives could be adopted whether the temporary disability insurance system is to be administered jointly with unemployment insurance or as a separate system. Actually the maximum advan-

tages of coordination with unemployment insurance are not obtained except under the exclusively governmental plan.

## Exclusive State Fund

Under a system of this type, which is administered in coordination with unemployment insurance, all workers covered by the unemployment insurance law are covered by the State plan. Just as in unemployment insurance, all contributions are paid to the State and all benefits are paid by the State.

*Advantages.*—The exclusive State fund represents the sound social insurance approach of the widest possible pooling of the risk in order to provide basic protection at the least over-all cost to all workers—with the lower-paid workers receiving proportionately more in benefits in relation to their contributions than higher-paid workers. This goal cannot be achieved if each company must bear its own risk. Particularly in disability insurance, where the incidence of the risk is so different for groups of different composition (sex, age, occupation, and other characteristics), wide pooling of risk is needed to provide maximum protection for a given contribution rate.

An exclusive government fund coordinated with another social insurance program could use the same records and reports as the other program and thus require less additional work on the part of employers and the government than either of the other proposals. Moreover, since private plans have various expenses which the State plan does not have, such as advertising expenses and salesmen's commissions, an exclusive State program permits a larger proportion of contributions to go for benefits. In addition, such a program is easier to understand, and thus fewer workers would be confused about how to exercise their benefit rights. In California, for example, during the 10 months January–October 1948, almost 6,000 first claims were denied because the claimants mistakenly filed against the State when they were covered under a private plan and should have filed against it.

*Disadvantages.*—Those who oppose

an exclusive State system argue that State administration would fail to police the system adequately, so that the savings in administrative and acquisition costs would be offset by increased benefit costs.

Another major argument against a system that does not permit contracting-out is that it would reduce the benefit protection now afforded by private plans with more generous formulas than the State law and that it would drive private health and accident insurance out of business. This argument is based on the assumption that private insurance could not be modified to be supplemental to the basic State protection.

Supplementation of the basic State protection is, however, both feasible and practicable. The maximum benefits under State unemployment insurance laws are low as related to average wages. Supplementation is therefore possible—especially for the higher-paid workers who are in any case the principal objects of private plans because of their more stable employment. The growth of private sickness insurance coverage in Rhode Island—as measured by premiums written—has not slackened since the initiation of the State sickness insurance program in 1943. Although it is argued that supplementation will increase malingering, this problem should not be serious in view of the considerable gap between benefits and wages. There has been little evidence of malingering under those private plans which currently pay full wages during disability.

## State Programs and Private Plans

The California, New Jersey, and Washington laws provide for contracting-out of the State fund under approved private plans in programs coordinated with unemployment insurance; the New York law sets up a system completely separate from unemployment insurance, under which the State fund and private carriers are competitive.

Under the three coordinated laws, all workers covered by the unemployment insurance law are covered by the State temporary disability insurance fund unless the workers or their

employer take affirmative action to substitute private-plan coverage. A private plan must be submitted to the State agency and be approved as meeting the requirements in the law before it becomes a substitute for the State plan.

The conditions for approval vary, but generally they require some assurance that the promised benefits will be paid, that workers will get at least the same benefits they would have received from the State, that the plan does not cost the workers any more than the State plan would, and that it is generally acceptable to the workers covered by it.

*Advantages.*—Advocates of the combination of a State plan and contracting-out maintain that it assures universal and continuous benefit protection, while permitting adjustment to individual situations, so that some workers can obtain benefits above the statutory level. It is claimed that competition between the State plan and private plans will result in better performance by both.

*Disadvantages.*—Opponents argue that a mixed system is unduly complicated and costly, since administrative expenses are increased, and that the insurance companies will get the better risks, leaving the bad ones for the State and thus increasing costs.

### **Private Plans**

Under a law calling for private plans only, all covered employers would be required to establish private temporary disability benefit plans assuring specified minimum benefits, by purchasing policies from commercial carriers or by setting up self-insurance plans. The State agency administering the law would exercise general supervision over the plans, to see that they meet the minimum requirements and to decide appeals.

*Advantages.*—Advocates of this system claim that it would permit flexibility to meet individual industry or company conditions and would assure strict policing of claims because employers and insurance companies would have a direct financial concern with the cost of the plan.

*Disadvantages.*—Such a law would make it impossible to assure continuous coverage of all workers; it would

have, in addition, most of the disadvantages of a system with both a State fund and private plans. A system of this kind is not coordinated with unemployment insurance, or with any other social insurance program, and there is no basic economy in administration by the employment security agency. While bills of this nature have been proposed, no such system has been enacted.

### **Major Disadvantages of Contracting-Out**

The Social Security Administration believes that the overwhelming weight of the arguments is in favor of an exclusively governmental program and against "contracting-out." Some of the more significant disadvantages of permitting contracting-out are set forth below.

*Adverse selection of risks.*—The adverse selection of risks which accompanies contracting-out is the process by which the private plans take the better risks and the State fund carries what is left over.

The risk of disability is not evenly distributed among the wage-earning population; age, sex, race, and occupation all enter into the risk rate, as insurance companies recognize in establishing group health and accident insurance manual rates. A premium rate based on the State-wide average incidence of disability will be higher than necessary for some groups, lower for others. Since insurance companies are business enterprises, engaged in business which is profitable or has prospects of becoming profitable, their efforts to sell private plans will be concentrated on the groups with the best experience. When the workers with better-than-average prospects are taken out of the State coverage, the average amount of disability under the State fund will increase—and so will the premium rate needed to finance the system.

While a State may set up statutory prohibitions against adverse selection, it cannot be prevented. Adverse selection may result from the aggregate of private plans as well as from an individual plan. California experience appears to indicate that adverse selection is occurring. State plan claimants, when compared with

claimants under private plans, include a higher proportion of women, of the aged, of those with long-term disabilities, such as cancer and heart disease, and of those with lower average earnings and less steady employment.

*Costs.*—Underwriting and adjudication costs in commercial insurance are much higher than administrative costs of social insurance. For temporary disability insurance coordinated with unemployment insurance, about 5 percent of a 1-percent contribution rate appears adequate for administration. By contrast, in 1947, underwriting costs for group health and accident insurance—and these represent only a part of all administrative costs—represented 16.7 percent of premiums. For all forms of health and accident insurance, underwriting costs were about 35 percent of premiums.

Administrative costs of the State will also be increased by the additional work that private plans require. Regardless of whether these added costs are paid from the regular temporary disability insurance administrative fund or from special assessments against private plans, they reduce the proportion of the contributions that can be returned to the workers in the form of benefits.

*Other disadvantages.*—Contracting-out creates various administrative problems. Existence of a private plan in a plant may lead to hiring practices discriminating against workers who are believed to be less desirable disability risks—such as older workers, members of minority groups, or those with chronic ailments. It may increase resistance to the hiring of physically handicapped workers, because of fears that they will result in increased premiums.

## **Financing a Program**

### **Benefits**

The benefit cost of a temporary disability insurance program depends on many elements. Among the most important are the frequency and duration of disability, which are affected by the composition of the covered population in terms of age, sex, marital status, income level, and occupation; by the availability and adequacy of medical services; and by other fac-

tors. Cost of benefits also depends on the specifications of the insurance program as to qualifying earnings, benefit amounts, and waiting period; on the extent of contracting-out; and on the administrative provisions, particularly as to proof of disability. In addition, the cost is affected by variations in wage levels, rapidity of labor turn-over, and general condition of the labor market.

For the country as a whole, about 1 percent of taxable pay roll should cover the costs of a temporary disability insurance system (without medical care benefits) which provides for 26 weeks' uniform potential duration and one waiting period of 7 consecutive days, has various other explicit specifications, and operates with adequate administrative methods, especially as to medical certification.

A State system coordinated with unemployment insurance should have available annual amounts approximating 1 to 1½ percent of taxable pay roll for the first several years of benefit operations. After that, the State's own experience will be the best guide.

### **Administration**

The administrative cost of a temporary disability insurance program, like the benefit cost, is difficult to estimate. The experience of Rhode Island and California suggests that the cost of effective administration of an exclusively State program of temporary disability insurance linked with unemployment insurance will be about 0.05 percent of pay rolls, with a higher cost possible for States that have small covered populations and pay rolls or that permit contracting-out.

### **Source of Funds**

The pattern of unemployment insurance financing was shaped by the Federal pay-roll tax on employers, with its tax-offset provisions, and by the provision for Federal grants under title III of the Social Security Act for administration of State unemployment insurance. The requirements of the Federal Unemployment Tax Act preclude a State from using receipts under that tax to finance disability benefits, and title III grants cannot be used to meet the administrative costs

of temporary disability insurance. The 1946 amendments to the Social Security Act and the Federal Unemployment Tax Act permit withdrawal of employee contributions from a State's account in the unemployment trust fund to pay disability benefits but not administrative costs.

Employee contributions alone finance the California, Rhode Island, and Washington disability insurance programs; the railroad workers' program is financed by an employer tax which covers both unemployment and disability insurance. The New Jersey law combines an employee tax of 0.75 percent and an employer tax of 0.25 percent, subject, after July 1, 1951, to modification under experience rating, within a range from 0.10 to 0.75 percent. In New York the employee tax is to be 0.50 percent, with employers bearing any additional cost that may arise.

### **Experience Rating**

There is little justification for modifying the employer's rate on the basis of his employees' experience with non-work-connected disability. The most direct way in which the employer can influence the frequency and severity of non-work-connected disabilities is through selective hiring. Experience rating may, therefore, increase discrimination in hiring against women, nonwhites, older workers, and those with chronic ailments. In temporary disability insurance, as in unemployment insurance, it may also result in increased and poorly substantiated appeals and contests, in pressure against claims filing, and in opposition to extended coverage and liberalized benefits.

### **Employer Contributions**

The arguments against experience rating do not indicate that employer participation in financing is undesirable. On the contrary, temporary disability insurance contributes to the welfare of all groups in the State, not merely insured workers. It tends to reduce relief rolls by providing disabled insured workers with some income. Employers benefit from the improved health and security of their workers and from the effect of the program in helping to maintain purchasing power.

## **Cooperation With Interested Groups**

Successful operation of a temporary disability insurance program requires public interest and public understanding. The groups most directly concerned are the covered workers and employers, and the physicians, but the entire community has a stake in the program. To arouse effective interest and to assure the development of a program satisfactory to all concerned, the cooperation of the various groups—including the general public—should be enlisted in the early stages, possibly by a representative advisory council to assist in drafting the legislation. Such a step not only obtains early interest in the program but also increases the prospects of favorable legislative action. After legislation has been enacted, the interested groups should be consulted in the development of major policies and, when appropriate, in the design of forms and procedures.

*Employees and employers.*—Insured workers, as beneficiaries, need to be kept informed not only of the benefits they may receive but also of their responsibilities for effective and economical operation of the program. Employers will be interested in the program, and every effort should be made to solicit their cooperation in administration.

*Physicians.*—Particular responsibility for the success of the program rests with the physicians practicing in the State. If they do not understand and assume the obligations involved in accurate medical certification, the program will not operate effectively. Consequently, their active participation in the program should be solicited from the very beginning. Claims forms and any other forms to be filled out by physicians should be developed in close cooperation with representatives of the physicians. Efforts should then be made to acquaint physicians throughout the State with their responsibility for the successful operation of the program.

*Other government agencies.*—Since this program represents only one aspect of the State's responsibility and

*(Continued on page 14)*

for social security and related grants. This can be accounted for mainly by their exclusion from many regular grant-in-aid programs and also by differences in allocation procedures.

In the aggregate, Federal grants also tend to be an increasingly large percentage of State income payments and of State tax collections as income becomes lower. Federal grants in 1947-48, on the average, amounted to less than  $\frac{3}{4}$  of 1 percent of income payments, but they equaled 17.5 percent of State tax collections. In most of the States with large areas of public lands, they were more than 25 percent of State tax collections; in two States, Nevada and Wyoming, they were as high as 45 percent. The relatively high amounts of Federal aid to these States are largely a result of Federal-aid highway allotment formulas.

Grants under programs administered by the Social Security Administration tend to vary inversely with income payments less than do total Federal grants. They amounted to 0.35 percent of income payments in the high-income States, 0.48 percent in the middle-income States, and 0.60 percent in the low-income States. Grants for these programs averaged 62.0 percent of total Federal grants for the Nation as a whole and 69.4 percent, 60.4 percent, and 53.5 percent of total grants for the high-income, middle-income, and low-income States, respectively. Social Security Administration grants were a slightly higher percent of State tax collections in the middle-income group of States than in the low-income group; but they represented a substantially higher percent in both these groups than in the high-income group.

## DISABILITY

(Continued from page 8)

concern with health and welfare, all other State government bodies concerned with related fields should work together to assure the maximum effectiveness of all programs. It is especially important that the agency administering temporary disability insurance give continuous attention to work in the fields of disease and accident prevention and of vocational rehabilitation; it should not concentrate all of its attention on compensating disabilities but should lend its

## Primary Benefits

During 1948, primary benefits under old-age and survivors insurance were awarded to almost 276,000 retired workers. While this was a record number, it was only 2 percent more than the 1947 total. More than one-seventh of the awards were to women, a higher proportion than in any previous year's awards.

The percentage of persons awarded primary benefits who attained age 65 in the year of award increased slightly from 21 percent in 1947 to 22 percent in 1948. As in previous years, the percentage of beneficiaries attaining age 65 in the year of award was higher for women than for men, since women generally retire at younger ages than men. Almost 24 percent of the women and 22 percent of the men awarded benefits reached age 65 in 1948.

The proportion of awards to persons

aged 70 or over continued to decrease, dropping from 41 percent in 1946 to 37 percent in 1947 and 34 percent in 1948.

The average age of persons awarded primary benefits—69 years for men and 68½ years for women—was almost unchanged from the 1947 average.

The average primary benefit awarded increased from \$26.21 in 1947 to \$27.14 in 1948. For men aged 69 to 73 years the averages were more than \$1 higher than in 1947. The averages were highest for workers aged 65 and, in general, decreased gradually for the older ages, since older workers are more likely to have intermittent employment and resultant low benefit amounts. The average benefit amount for women was almost \$7 lower than that for men; in general, the difference was less for beneficiaries in the older age groups.

Table 1.—Old-age and survivors insurance: Number and average monthly amount of primary benefits awarded in 1948, by age and sex of beneficiary

[Corrected to Apr. 15, 1949]

Age of beneficiary <sup>1</sup>	Total			Male beneficiaries			Female beneficiaries		
	Number	Per cent	Average monthly amount	Number	Per cent	Average monthly amount	Number	Per cent	Average monthly amount
Total.....	275,903	100.0	\$27.14	236,329	100.0	\$28.13	39,574	100.0	\$21.22
65.....	61,562	22.3	29.96	52,151	22.1	31.19	9,411	23.8	23.15
66.....	46,943	17.0	28.75	40,241	17.0	29.79	6,702	16.9	22.45
67.....	28,211	10.2	27.73	24,023	10.2	28.76	4,188	10.6	21.82
68.....	24,339	8.8	26.90	20,563	8.7	27.97	3,776	9.5	21.08
69.....	20,907	7.6	26.32	17,674	7.5	27.48	3,233	8.2	19.97
70.....	18,693	6.8	26.12	15,940	6.7	27.22	2,753	7.0	19.80
71.....	15,011	5.4	25.17	12,862	5.4	26.17	2,149	5.4	19.18
72.....	12,660	4.6	24.44	10,818	4.6	25.35	1,842	4.7	19.10
73.....	10,265	3.7	23.84	8,860	3.7	24.66	1,405	3.6	18.68
74.....	8,388	3.0	23.50	7,287	3.1	24.24	1,101	2.8	18.62
75-79.....	22,878	8.3	23.81	20,375	8.6	24.36	2,503	6.3	19.31
80 and over.....	6,046	2.2	24.02	5,535	2.3	24.44	511	1.3	19.46

<sup>1</sup> Age at birthday in 1948.

active support and encouragement to methods and programs for reducing their incidence and costs.

## Conclusion

Temporary disability insurance, on a State-by-State basis, coordinated with the State unemployment insurance laws but not with any provisions for extended disability insurance, is not the most satisfactory answer to the problem of economic insecurity due to incapacity for work. It does, however, provide the covered workers with a measure of protection against

the risks of wage loss from short-time disability. The importance of the program depends in large part on the soundness and effectiveness of the provisions actually incorporated in the State law. Among the provisions, those concerning the type of law and its relationship to private plans are of primary significance in determining whether the program is simple, understandable, economical of administration, provides the greatest protection in adequacy of benefits, and furthers the basic objectives of social insurance.