

Moderate to large increases in the ratio have been experienced in each of the 3 most recent years; the largest rise was almost six percentage points—from about 45 percent in 1967 to less than 51 percent in 1968. In contrast, in the period 1958-67 the proportion fluctuated practically every year between 45 percent and 49 percent. The years before 1958, like the present period, witnessed continuing improvement in the ratio.

If one assumes the most liberal replacement objective shown on table 11—that is, a full weekly wage replacement after a 3-day waiting period—the degree of wage replacement by insurance benefits for short-term sickness falls to 30 percent in 1970. But trends over the years were about the same as under the least liberal hypothetical pro-

visions and under each of the other assumed insurance objectives.

In summary, 1970 was a year in which growth was observed in benefit payments for short-term nonoccupational disability. The ratio of benefits to income loss showed gains for the various groups of workers and types of protection tabulated. But, in perspective, the gap between the benefit protection achieved and the amount of wage loss incurred is still considerable. Even in terms of the most restrictive insurance objective described in table 11 (providing a 1-week waiting period and a replacement rate of two-thirds), more than two-fifths of the income loss considered suitable for compensation was not being compensated in 1970.

Notes and Brief Reports

Workmen's Compensation Payments and Costs, 1970*

Despite a nonexpanding labor force, workmen's compensation payments in 1970 experienced the largest relative annual increase since 1951. Total cash and medical benefits under work-injury laws in the United States rose by \$303 million or 11.5 percent to a new estimated high of \$2,927 million. Although the 1970 increases in medical care prices and wage levels were less rapid than that of the previous year, apparently the carryover of awards from recent inflationary years was still having an effect. In addition, 1969 and 1970 witnessed considerable legislative activity as all but 12 jurisdictions liberalized benefits for disability and/or death. Injury-frequency rates in manufacturing—the number of disabling injuries per million manhours worked—rose from 14.8 in 1969 to 15.2 in 1970, according to preliminary estimates of the Bureau of Labor Statistics.

The number of workers covered by State and Federal workmen's compensation laws leveled off

*Prepared by Alfred M. Skolnik, Division of Economic and Long-Range Studies. Annual estimates of workmen's compensation payments appear in the January issue of the *Bulletin*.

in 1970. A few States expanded their coverage (Florida and Iowa by shifting from elective to compulsory coverage and Missouri by covering State employees compulsorily), but the general slowdown in the economy resulted in an average weekly covered labor force of about the same size as in 1969—58.8 million to 59.0 million persons. During 1969 the gain had been more than 2 million.

Average wages in private industry, on which cash benefits are based, advanced at a slower pace in 1970 (under 5 percent) than in 1969 when the rate of increase was more than 6 percent. Medical care prices also rose at a slower rate in 1970—6.3 percent, compared with 6.9 percent in 1969—according to the Consumer Price Index of the Bureau of Labor Statistics.

Legislative changes in State workmen's compensation laws seemed to be the most influential force in raising benefit expenditures. During 1969 and 1970, 30 States raised the maximum amount of weekly benefits for temporary total disability. In most cases, 1970 was the first full year to reflect the increases. In addition, eight States (and the program under the Federal Employees' Compensation Act) increased their weekly maximums automatically as the result of legislation that ties the maximum to current wage scales—usually 50 percent of their statewide average wage.

At the end of 1970, three-fourths of all State workmen's compensation laws paid a weekly

maximum of more than \$50, including dependent's allowances. Twenty-five of the laws provided for maximum payments of \$65 or more.

The 1970 workmen's compensation data reflect for the first time the new Federal "black lung" benefits program, enacted into law December 30, 1969. This program, administered by the Social Security Administration and financed from the general funds of the U.S. Treasury, provided monthly cash benefits amounting to \$7.1 million in fiscal year 1970 to coal miners disabled by pneumoconiosis and to selected dependents.

The leveling off of coverage in 1970 resulted in a covered workmen's compensation payroll that rose from \$414 billion to \$433 billion. This 4.6-percent increase was less than half the 10.1-percent increase of the previous year. Aggregate benefits as a percent of payroll, therefore, experienced one of the largest jumps in post-World War II history—from 63 cents per \$100 of payroll in covered employment in 1969 to 68 cents in 1970. The rate had been a stable 61–63 cents per \$100 between 1961 and 1968.

State fund disbursements, which amounted to 26 percent of all benefits at the beginning of the 1960's, continued to decline in importance. In 1970, the State fund share was 22.9 percent, self-insurance paid 14.1 percent, and private carriers 63.0 percent. Both the self-insurance and private carrier components have experienced ups and downs in recent years.

Hospital and medical benefits topped the \$1 billion mark in 1970, though almost two-thirds of total outlays still go for compensating the wage loss of injured or deceased wage earners. Of the \$1,877 million paid in nonmedical benefits in 1970, about 11 percent (\$205 million) represents survivor benefits in death cases. The distributions by type of payment for 1970 and 1969 are shown below:

[In millions]

| Type of payment | 1970 | 1969 |
|----------------------------------|---------|---------|
| Total..... | \$2,927 | \$2,624 |
| Medical and hospitalization..... | 1,050 | 920 |
| Compensation, total..... | 1,877 | 1,704 |
| Disability..... | 1,672 | 1,519 |
| Survivor..... | 205 | 185 |

STATE VARIATION IN BENEFIT PAYMENTS

Testifying to the varied effects of statutory changes and economic conditions in individual

States are the wide State-to-State differences in the rate of increase in benefit payments. The variation ranged from a 31-percent increase in Texas to a slight decline in Wyoming. Among the other jurisdictions, nine States and the Federal civilian employees' program reported increases of at least 15 percent, 17 States showed increases of 10.0–14.9 percent, and in 16 States the percentage increase was 5.0–9.9 percent. The remaining seven jurisdictions had increases of less than 5 percent.

Distinct regional patterns of growth can be ascertained. The 10 States in which 1970 benefit payments were 15 percent or more above those in 1969 included five Far Western States and three Southern States. The highest rates of increase (12–14 percent) were recorded in the Southern, Southwest, Pacific, and Mountain regions, followed by regional increases of 9–10 percent for New England and the Midwest, with the lowest increases (about 6 percent) registered for the Middle Atlantic region.

Some States geographically next to each other, however, showed wide disparities. Delaware's benefit outlays, for example, advanced less than 1 percent at a time when Maryland reported a 15-percent increase. Rhode Island had a 25-percent rise, but Massachusetts had only an 8-percent increase. In Nevada, benefit payments went up 26 percent, compared with only 3 percent in Idaho.

In some respects, the distribution of increases in 1970 closely paralleled that of the preceding year. In both years, 17 jurisdictions had increases of 10.0–14.9 percent covering approximately two-fifths of the labor force insured under workmen's compensation. Almost one-fifth of the labor force in both years were under programs that experienced increases of 15 percent or more (11 jurisdictions in 1970 and 13 in 1969).

There were also several differences, however. Oddly enough, considering the fact that the 1970 nationwide increase in benefit payments exceeded that of 1969, 18 percent of the covered labor force in 1970 worked in eight areas that had rises of less than 5 percent, compared with 1 percent in three States in 1969. At the same time, increases of 5.0–9.9 percent took place in 16 States with 24 percent of the coverage in 1970 and in 19 States with 37 percent of covered employment in 1969.

Under 28 of the workmen's compensation programs, benefit increases were greater in 1970 than they were in the preceding year; a lower rate of increase was reported in 24 programs. For 13 of

the 22 jurisdictions with greater-than-average rates of growth, the increases were a continuation of a rise that had been greater than the national average during the preceding year. Arizona,

Estimates of workmen's compensation payments by State and type of insurance, 1970 and 1969 ¹

[In thousands]

| State | 1970 | | | | 1969 | | | | Percentage change in total payments, 1970 from 1969 |
|------------------------------------|-------------|--|---------------------------------------|--------------------------------------|-------------|--|---------------------------------------|--------------------------------------|---|
| | Total | Insurance losses paid by private insurance carriers ² | State fund disbursements ³ | Self-insurance payments ⁴ | Total | Insurance losses paid by private insurance carriers ² | State fund disbursements ³ | Self-insurance payments ⁴ | |
| Total..... | \$2,926,731 | \$1,843,853 | \$669,046 | \$413,832 | \$2,624,105 | \$1,640,964 | \$606,675 | \$376,466 | +11.5 |
| Alabama..... | 25,167 | 16,237 | ----- | 8,930 | 22,879 | 14,759 | ----- | 8,120 | +10.0 |
| Alaska..... | 6,922 | 6,457 | ----- | 465 | 6,150 | 5,735 | ----- | 415 | +12.6 |
| Arizona..... | 39,339 | 10,450 | 24,794 | 4,095 | 33,767 | 5,314 | 24,418 | 4,035 | +16.5 |
| Arkansas..... | 20,915 | 17,635 | ----- | 3,280 | 19,011 | 16,031 | ----- | 2,980 | +10.0 |
| California..... | 421,507 | 273,215 | 87,677 | 55,615 | 373,868 | 245,448 | 79,090 | 49,330 | +12.7 |
| Colorado..... | 23,850 | 8,056 | 13,624 | 2,170 | 20,661 | 6,799 | 11,982 | 1,880 | +15.4 |
| Connecticut..... | 39,490 | 36,395 | ----- | 3,095 | 35,547 | 32,702 | ----- | 2,785 | +11.1 |
| Delaware..... | 5,235 | 3,950 | ----- | 1,285 | 5,214 | 3,989 | ----- | 1,225 | +1.4 |
| District of Columbia..... | 8,455 | 7,845 | ----- | 610 | 8,366 | 7,761 | ----- | 605 | +1.1 |
| Florida..... | 96,656 | 85,011 | ----- | 11,645 | 82,295 | 72,379 | ----- | 9,916 | +17.4 |
| Georgia..... | 36,120 | 29,760 | ----- | 6,340 | 30,347 | 25,937 | ----- | 4,410 | +19.0 |
| Hawaii..... | 14,161 | 10,136 | ----- | 4,025 | 12,136 | 8,686 | ----- | 3,450 | +16.7 |
| Idaho..... | 7,300 | 5,258 | 1,497 | 645 | 7,087 | 4,617 | ----- | 530 | +3.0 |
| Illinois..... | 144,112 | 120,992 | ----- | 23,120 | 129,397 | 109,637 | 1,940 | 20,760 | +11.4 |
| Indiana..... | 43,895 | 34,320 | ----- | 9,575 | 40,189 | 31,424 | ----- | 8,765 | +9.2 |
| Iowa..... | 18,551 | 15,461 | ----- | 3,090 | 16,922 | 14,102 | ----- | 2,820 | +9.6 |
| Kansas..... | 18,343 | 16,768 | ----- | 1,575 | 17,000 | 15,540 | ----- | 1,460 | +7.9 |
| Kentucky..... | 26,078 | 22,678 | ----- | 3,400 | 23,078 | 20,068 | ----- | 3,010 | +13.0 |
| Louisiana..... | 63,924 | 55,884 | ----- | 8,340 | 57,139 | 49,684 | ----- | 7,455 | +11.9 |
| Maine..... | 7,891 | 6,861 | ----- | 1,030 | 7,200 | 6,260 | ----- | 940 | +9.6 |
| Maryland..... | 38,995 | 29,114 | 2,693 | 7,188 | 33,913 | 25,731 | 2,601 | 5,581 | +15.0 |
| Massachusetts..... | 90,395 | 84,245 | ----- | 6,150 | 83,406 | 77,731 | ----- | 5,675 | +8.4 |
| Michigan..... | 178,221 | 105,930 | 6,646 | 66,485 | 100,531 | 94,226 | 6,420 | 59,885 | +11.0 |
| Minnesota..... | 46,593 | 39,078 | ----- | 7,425 | 41,342 | 34,742 | ----- | 6,600 | +12.5 |
| Mississippi..... | 16,203 | 14,918 | ----- | 1,285 | 15,134 | 13,934 | ----- | 1,200 | +7.1 |
| Missouri..... | 41,454 | 35,369 | ----- | 6,085 | 38,018 | 32,438 | ----- | 5,580 | +9.0 |
| Montana..... | 10,549 | 3,480 | 5,384 | 1,685 | 9,057 | 2,817 | 4,793 | 1,447 | +16.5 |
| Nebraska..... | 10,258 | 9,006 | ----- | 1,250 | 9,696 | 8,511 | ----- | 1,185 | +5.8 |
| Nevada..... | 11,392 | 31 | 11,211 | 150 | 9,074 | 28 | 8,896 | 150 | +25.5 |
| New Hampshire..... | 6,963 | 6,813 | ----- | 150 | 6,207 | 6,072 | ----- | 135 | +12.2 |
| New Jersey..... | 134,996 | 122,168 | ----- | 12,828 | 121,125 | 109,516 | ----- | 11,609 | +11.5 |
| New Mexico..... | 11,072 | 9,747 | ----- | 1,325 | 10,599 | 9,329 | ----- | 1,270 | +4.5 |
| New York..... | 272,389 | 176,652 | 62,351 | 33,386 | 263,327 | 170,204 | 60,847 | 32,276 | +3.4 |
| North Carolina..... | 29,605 | 26,130 | ----- | 3,475 | 26,492 | 23,257 | ----- | 3,235 | +11.8 |
| North Dakota..... | 4,772 | 11 | 4,761 | ----- | 4,371 | 35 | 4,336 | ----- | +9.2 |
| Ohio..... | 188,511 | 40 | 136,381 | 51,670 | 180,738 | 301 | 130,877 | 49,560 | +4.3 |
| Oklahoma..... | 29,589 | 23,397 | 2,952 | 3,240 | 26,292 | 20,676 | 2,736 | 2,880 | +12.5 |
| Oregon..... | 50,588 | 16,299 | 32,159 | 2,130 | 45,289 | 14,779 | 28,597 | 1,913 | +11.7 |
| Pennsylvania..... | 146,389 | 64,433 | 51,041 | 30,915 | 138,639 | 61,310 | 47,949 | 29,380 | +5.6 |
| Rhode Island..... | 11,138 | 10,538 | ----- | 600 | 8,899 | 8,419 | ----- | 480 | +25.2 |
| South Carolina..... | 17,455 | 15,725 | ----- | 1,730 | 16,189 | 14,584 | ----- | 1,605 | +7.8 |
| South Dakota..... | 3,005 | 2,615 | ----- | 390 | 2,872 | 2,497 | ----- | 375 | +4.6 |
| Tennessee..... | 35,326 | 32,116 | ----- | 3,210 | 32,521 | 29,566 | ----- | 2,955 | +8.6 |
| Texas..... | 159,107 | 159,107 | ----- | ----- | 121,722 | 121,722 | ----- | ----- | +30.7 |
| Utah..... | 7,193 | 1,792 | 4,201 | 1,200 | 6,694 | 1,564 | 4,015 | 1,115 | +7.5 |
| Vermont..... | 3,762 | 3,482 | ----- | 280 | 3,504 | 3,244 | ----- | 260 | +7.4 |
| Virginia..... | 29,732 | 24,172 | ----- | 5,560 | 26,016 | 21,151 | ----- | 4,865 | +14.3 |
| Washington..... | 62,759 | 2,895 | 59,614 | 250 | 56,961 | 2,448 | 54,263 | 250 | +10.2 |
| West Virginia..... | 25,541 | 34 | 21,302 | 4,205 | 23,272 | 39 | 19,604 | 3,629 | +9.7 |
| Wisconsin..... | 44,141 | 36,786 | ----- | 7,355 | 40,589 | 34,109 | ----- | 6,480 | +8.8 |
| Wyoming..... | 2,208 | 59 | 2,149 | ----- | 2,229 | 52 | ----- | 2,177 | -0.9 |
| Federal workmen's compensation: | | | | | | | | | |
| Civilian employees ⁵ | 119,455 | ----- | 119,455 | ----- | 99,096 | ----- | 99,096 | ----- | +20.5 |
| "Black lung" benefits ⁶ | 7,138 | ----- | 7,138 | ----- | ----- | ----- | ----- | ----- | ----- |
| Other ⁷ | 12,016 | ----- | 12,016 | ----- | 12,038 | ----- | 12,038 | ----- | -0.2 |

¹ Data for 1970 preliminary. Calendar-year figures, except that data for Montana and West Virginia, for Federal workmen's compensation, and for State fund disbursements in Maryland, Nevada, North Dakota, Oregon, Utah, Washington, and Wyoming represent fiscal years ended in 1969 and 1970. Includes benefit payments under the Longshoremen's and Harbor Workers' Compensation Act and Defense Bases Compensation Act for the States in which such payments are made.

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

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

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

⁵ Includes payment of supplemental pensions from general funds.

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

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

Florida, Georgia, Nevada, and the Federal program for civilian employees, among the 11 jurisdictions with increases of 15 percent or more, had increases of similar proportions in 1969.

COST RELATIONSHIPS

The total cost of workmen's compensation to employers was estimated at \$4,882 million in 1970, an increase of about 10 percent from 1969. With covered payrolls rising at half that rate, employers were required to spend \$1.13 per \$100 of payroll in covered employment to insure or self-insure their work-injury risks. For the previous 3 years, the rate had been \$1.07 per \$100 of payroll.

The 1970 cost to employers of \$4,882 million consisted of (1) \$3,578 million in premiums paid to private carriers; (2) \$859 million in premiums paid to State funds (for the Federal employees' program, these premiums are the sum of the benefit payments and the costs of the administrative agency); and (3) about \$445 million as the cost of self-insurance (benefits paid by self-insurers, with the total increased by 5-10 percent to allow for administrative costs).

With the increase in benefit payments slightly outpacing that of premium costs, the proportion of the premium dollar that was returned to insured workers in the form of cash payments and medical services rose fractionally to 59 percent. This increase represented a reversal of a downward trend that had prevailed since 1962 when benefit payments amounted to 64 percent of premiums. (These ratios exclude the "black lung" benefit program and supplemental benefits paid in a few States from general revenues.)

The same trend shown for all business is also noted when the experience of private carriers alone is examined. The ratio of direct losses paid to direct premiums written (commonly termed the "loss ratio") rose from 50.4 percent in 1969 to 51.5 percent in 1970 after dropping gradually from a high of 56.0 percent in 1962. A ratio based on losses incurred (which includes amounts set aside to cover liabilities from future claims payments) would be higher. According to data from the National Council on Compensation Insurance, losses incurred by private carriers represented 63.3 percent of net premiums earned in 1970, compared with 62.5 percent in 1969.

Somewhat in contrast to the experience of private carriers, the proportion of benefit payments to premiums for the State insurance funds showed no change between 1969 and 1970. The loss ratio was 67.7 percent for both years. The ratio had been lower in 1967 and 1968, however.

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

Social Security Abroad

New Benefits for Blue-Collar Workers in Sweden*

During June of 1971 the Swedish Employers' Confederation and the Swedish Confederation of Trade Unions agreed to introduce a private pension plan for blue-collar workers—the STP plan—to become effective July 1, 1973. In addition, the settlement, covering the period 1971-73, provided cash sickness benefits for blue-collar workers to supplement the country's national program. Similar plans have previously been available to salaried or white-collar personnel only; such plans date back as far as 1917.¹ This new agreement is integrated with and supplements the national universal pensions, the wage-related national supplementary pensions (which began in 1960), and the health insurance programs.

In the past, a retired blue-collar worker in Sweden was sometimes entitled to a modest pension from his employer. These special arrangements were not widespread, however. There was

* Prepared by Leif Haanes-Olsen, International Staff.

¹ The 1917 pension fund came about as a result of an agreement between the Federation on Swedish Industries and the Chambers of Commerce. It was a pension for white-collar workers in industry and commerce. In 1919, it merged with a similar fund started by a number of insurance companies 3 years earlier. At that time, the fund received its present name, the Swedish Staff Pension Society.