

Workmen's Compensation Payments and Costs, 1971*

With the newly enacted Federal "black lung" benefits program moving into high gear, total cash and medical care benefits for workmen's compensation came to \$3,472 million in 1971—19.4 percent more than the 1970 level of \$2,909 million. This rate of increase is almost double the 10.8-percent growth from 1969 to 1970. The black lung benefit program makes cash payments to workers disabled from pneumoconiosis contracted in coal mines and to widows of miners who have died from the disease. In fiscal year 1971, the first full year of operation under the program, benefits totaled \$297 million. The black lung benefit program was enacted into law December 30, 1969, and benefits for fiscal year 1970 amounted to \$7 million. If the black lung payments are excluded from the 1970 and 1971 data, the remainder of the increase (\$273 million) in workmen's compensation benefits during 1971 would be 9.4 percent. This growth rate would be in keeping with the average annual increase of 9.6 percent registered for the 4 years before passage of the black lung benefit program.

Higher wage levels and medical care costs, and liberalized workmen's compensation laws all contributed to the rise in benefit payments. Average wages, to which cash benefits are related, advanced 5.6 percent from 1970 to 1971, and medical care prices, according to the consumer price index of the Bureau of Labor Statistics, went up 6.5 percent.

During 1970 and 1971, 28 State legislatures increased weekly benefits for temporary total disability—the most common type of disability sustained. In addition, 10 States and the Federal employees benefit program had their weekly maximums increased automatically as the result of legislation that tied their weekly maximums to a percentage—usually 50 percent—of their statewide average wage. Four other States passed such legislation in 1971.

A factor operating to keep down the increase in benefit outlays was the employment situation. The average number of workers covered by workmen's compensation laws in 1971—59.0–59.2 mil-

lion—was only some 200,000 more than the estimate for 1970. At least half this increase was attributable to legislative extensions of coverage—with the major changes a shift from elective to compulsory coverage in Florida, Iowa, Nebraska, and South Dakota and a reduction in numerical exemptions in Alabama and Virginia.

Payrolls covered by workmen's compensation laws were estimated at \$459 billion in 1971, a 6-percent increase from the total of \$433 billion in the preceding year. Aggregate benefit payments as a proportion of covered payrolls rose from 0.66 percent in 1970 to 0.68 percent in 1971. This increase continues the upward trend that first manifested itself in 1970 after 9 years in which benefit costs had leveled off at 61–63 cents per \$100 of payroll. (These figures exclude the black lung benefit program and the supplemental benefits paid in a few States from general revenues.)

The impact of the black lung benefit program may be seen in some of the benefit relationships developed in this series. For almost three decades, private insurance carriers have been responsible for more than 60 percent of workmen's compensation business in the United States, as measured by benefit outlays. This year—1971—the ratio dropped to 58 percent, while the State funds' share rose from 22 to 29 percent. This shift is attributable entirely to the black lung benefit program, which, along with other Federal workmen's compensation programs, have regularly been incorporated in the State fund figures (see accompanying table). If the black lung benefits were excluded from the data, the distribution by type of insurance would have been practically unchanged from the year before (63 percent for private carriers, 23 percent for State funds, and 14 percent for self-insurers).

Similarly, the black lung benefit program caused a shift in the distribution of benefits by type of payment—medical, cash, and survivor. Cash benefits—and especially survivor benefits—accounted for a larger share of total payments in 1971 than in 1970, as the figures at the top of the next column indicate.

In recent years survivor payments have equaled roughly 7 percent of all workmen's compensation payments and have risen \$5–\$20 million each year. In 1971, however, survivor benefits were about 10 percent of the total, with a rise of \$130 million

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[In millions]

Type of payment	1971		1970	
	Amount	Percentage distribution	Amount	Percentage distribution
Total.....	\$3,472	100	\$2,909	100
Medical and hospitalization.....	1,150	33	1,040	36
Compensation.....	2,322	67	1,869	64
Disability.....	1,887	57	1,664	57
Survivor.....	335	10	205	7

from the 1970 amount. This development reflects the fact that the black lung benefit program is exclusively a cash outlay program and pays only for permanent and total disability and death (but not for permanent partial or temporary disability). Consequently, survivor payments absorb a much larger portion of total outlays than is the case with the regular State workmen's compensation programs.

STATE VARIATION IN BENEFIT PAYMENTS

Every State reported higher benefit payments in 1971 than in 1970, but, as shown below, the increases varied widely among the States. The largest proportion of employees—36 percent—worked in the 18 States and the District of Columbia that experienced increases of 5.0–9.9 percent.

Annual percentage change in benefits	Number of States ¹		Percentage distribution of covered workers ¹	
	1970-71	1969-70	1970-71	1969-70
Total.....	52	52	100.0	100.0
Decrease.....	0	2	0	6.5
+0-4.9.....	8	6	18.7	12.0
+5.0-9.9.....	19	17	35.7	23.4
+10.0-14.9.....	15	19	33.3	44.4
+15.0-19.9.....	5	4	6.5	4.4
+20.0 or more.....	5	4	5.8	9.3

¹ Includes the program for Federal civilian government employees and the District of Columbia.

This overall pattern of growth was not unlike the 1970 experience, except that the 1970 distribution showed a few more States with increases of 10.0–14.9 percent and a few less with increases of 5.0–9.9 percent. Only 18 States, however, were in the same benefit-increase category for both years. For example, of the 10 jurisdictions that reported increases of 15 percent or more in 1971, only Florida, Hawaii, and Nevada were

in this category in 1970. Similarly, only New Mexico and Pennsylvania registered increases of less than 5 percent in both years.

In 24 workmen's compensation programs, benefit increases were greater in 1971 than they were in the preceding year; a lower rate of increase was reported in 28 programs. Thirteen of the 25 jurisdictions with a greater-than-average rate of growth had also reported rises higher than the national increase in the preceding year.

The disparity between the regions was not as great in 1971 as in previous years. Except for the Pacific area, which reported a 4-percent rise, and the South Atlantic States, which experienced an increase of 13 percent, all the other regions had increases between 8 percent and 11 percent.

But there were wide disparities between neighboring States. Maine's benefit outlays, for example, advanced 24 percent as New Hampshire reported a 5-percent increase. Indiana had a 1-percent rise; for Michigan the increase was 14 percent. In Nevada benefit payments rose 20 percent, compared with 2 percent in New Mexico.

COST RELATIONSHIPS

Despite increased benefit payments, employers continued to spend the same proportion of their payrolls to insure or self-insure their risks under workmen's compensation programs. The estimated costs of workmen's compensation exceeded the \$5 billion mark for the first time in 1971 and represented about \$1.13 per \$100 of covered payroll, the same proportion as in 1970. In the 3 previous years, the rate had been \$1.07.

The 1971 cost to employers of \$5,168 million consisted of (1) \$3,749 million in premiums paid to private carriers; (2) \$933 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 \$485 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). The 1971 costs represented an increase of \$294 million or 6 percent from the 1970 total of \$4,874 million.

With the increase in benefit payments outpacing that of premium costs, the proportion of the premium dollar returned to insured workers in

the form of cash payments and medical services rose for the second year in a row—from 58.4 percent in 1970 to 60.8 percent in 1971. (These

ratios exclude the black lung benefit program and the supplemental benefits paid in a few States from general revenues.)

Estimates of workmen's compensation payments by State and type of insurance, 1971 and 1970¹

[In thousands]

State	1971				1970				Percentage increase in total payments, 1971 from 1970
	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	
	\$3,472,112	\$2,004,534	\$1,015,870	\$451,708	\$2,908,575	\$1,843,264	\$652,042	\$413,260	19.4
Alabama.....	27,329	18,219	—	9,110	25,187	16,237	—	8,930	8.6
Alaska.....	7,230	6,745	—	485	6,922	6,457	—	465	4.4
Arizona.....	43,568	14,281	25,137	4,150	39,339	10,450	24,794	4,095	10.8
Arkansas.....	23,158	19,528	—	3,630	20,915	17,635	—	3,280	10.7
California.....	436,654	286,177	92,862	57,815	421,507	278,215	87,877	55,615	3.6
Colorado.....	25,526	9,056	14,150	2,320	23,850	8,056	13,624	2,170	7.0
Connecticut.....	42,477	39,147	—	3,330	39,490	36,395	—	3,095	7.6
Delaware.....	6,521	4,021	—	1,600	5,235	3,930	—	1,285	24.6
District of Columbia.....	8,884	8,239	—	645	8,455	7,845	—	610	5.1
Florida.....	111,555	99,160	—	12,395	95,636	85,017	—	10,625	16.6
Georgia.....	39,229	33,529	—	5,700	34,843	29,780	—	5,063	12.6
Hawaii.....	16,780	12,010	—	4,770	14,161	10,136	—	4,025	18.5
Idaho.....	8,111	5,767	1,734	610	7,300	5,258	1,497	545	11.1
Illinois.....	150,157	126,067	—	24,090	144,112	120,992	—	23,120	4.2
Indiana.....	44,376	34,696	—	9,680	43,895	34,320	—	9,575	1.1
Iowa.....	20,222	16,852	—	3,870	18,551	15,461	—	3,090	9.0
Kansas.....	19,744	18,049	—	1,695	18,313	16,768	—	1,575	7.6
Kentucky.....	30,157	26,222	—	3,935	26,078	22,678	—	3,400	15.6
Louisiana.....	71,286	61,986	—	9,300	63,924	55,584	—	8,340	11.5
Maine.....	9,752	8,482	—	1,270	7,891	6,861	—	1,030	23.6
Maryland.....	44,825	33,469	3,091	8,265	38,798	29,114	2,634	7,150	15.5
Massachusetts.....	97,374	90,749	—	6,625	90,395	84,215	—	6,150	7.7
Michigan.....	203,733	119,700	8,033	76,000	178,221	105,090	6,646	66,485	14.3
Minnesota.....	50,292	42,282	—	8,030	46,503	39,078	—	7,425	8.1
Mississippi.....	17,621	16,226	—	1,395	16,203	14,918	—	1,285	8.8
Missouri.....	45,668	38,908	—	6,700	41,454	35,369	—	6,085	10.2
Montana.....	10,927	8,570	6,016	1,341	9,614	2,891	5,388	1,367	13.3
Nebraska.....	10,888	9,558	—	1,330	10,258	9,008	—	1,250	6.1
Nevada.....	13,692	49	13,493	150	11,392	31	11,211	150	20.2
New Hampshire.....	7,294	7,134	—	180	6,963	6,813	—	150	4.8
New Jersey.....	146,612	132,682	—	13,930	134,996	122,168	—	12,828	8.6
New Mexico.....	11,350	9,990	—	1,360	11,072	9,747	—	1,325	2.6
New York.....	302,907	195,567	70,211	37,129	272,359	176,652	62,351	33,386	11.2
North Carolina.....	31,459	27,474	—	3,985	29,605	26,130	—	3,475	6.3
North Dakota.....	4,994	21	4,973	—	4,772	11	4,761	—	4.7
Ohio.....	221,174	551	159,893	60,730	196,970	460	142,380	54,130	12.3
Oklahoma.....	31,277	25,339	3,673	2,235	29,064	23,397	2,982	2,715	7.6
Oregon.....	56,283	18,091	35,822	2,370	50,588	16,299	32,159	2,180	11.3
Pennsylvania.....	121,917	67,464	25,143	32,310	123,543	64,433	28,195	30,915	1.1
Rhode Island.....	12,505	11,830	—	675	11,138	10,538	—	600	12.3
South Carolina.....	18,109	16,169	—	1,940	17,610	15,725	—	1,885	2.8
South Dakota.....	3,319	2,884	—	435	3,005	2,615	—	390	10.4
Tennessee.....	38,391	34,901	—	3,490	35,326	32,116	—	3,210	8.7
Texas.....	177,034	177,034	—	—	159,107	159,107	—	—	11.3
Utah.....	8,180	1,930	4,885	1,365	7,193	1,792	4,201	1,200	13.7
Vermont.....	4,057	3,757	—	300	3,762	3,482	—	280	7.8
Virginia.....	32,038	26,018	—	5,990	29,732	24,172	—	5,560	7.8
Washington.....	63,321	2,887	60,184	250	62,759	2,895	59,614	250	.9
West Virginia.....	29,536	213	23,605	5,718	25,541	34	21,302	4,205	15.6
Wisconsin.....	46,623	38,853	—	7,770	44,141	36,786	—	7,355	5.6
Wyoming.....	2,650	31	2,619	—	2,208	59	2,149	—	20.0
Federal workers' compensation:									
Civilian employees ⁵	152,243	—	152,243	—	119,455	—	119,455	—	27.4
"Black lung" benefits.....	297,198	—	297,198	—	7,138	—	7,138	—	(7) -9.2
Other ⁶	10,905	—	10,905	—	12,016	—	12,016	—	

¹ Data for 1971 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 1970 and 1971. 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 Not computed; periods not comparable.

⁸ 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.

For private carriers alone, the ratio of direct losses paid to direct premiums written (commonly termed the "loss ratio") reflected the same upward trend. The 1971 loss ratio was 53.5 percent, compared with 51.5 percent for 1970 and 50.4 percent for 1969. A ratio based on losses incurred (which includes amounts set aside to cover liabilities from future claims payments) would be higher.

State insurance funds also showed a rising loss ratio, continuing a pattern that began in 1968. The proportion of benefit payments to premiums was 67.8 percent in 1969, 69.7 percent in 1970, and 71.2 percent in 1971.

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 dividends and non-dividend-paying companies) they generally average about 4-6 percent.

poor—the group of families with dependent children where the head of the household is working full time (30 hours or more a week) but earning minimal wages. By establishing a minimum income level, the Act approaches the determination of one kind of official poverty level.

The amount of the benefit is half the difference between the total family income and the level of income prescribed, according to family size. The prescribed basic income level under the FIS (as amended April 4, 1974) is £20 a week for a family with one child, with the FIS program paying half the difference up to a maximum of £5 a week.² If the family is earning £15, then half the difference, or £2.50 is payable weekly. The usual age limit for children is 16, but it is extended for those in school or vocational training.

Entitlement to the FIS carries automatic entitlement to certain other welfare benefits: exemption from charges for prescriptions, dental treatment, and glasses; free welfare milk and vitamins; free school meals; and refund of fares for traveling to the hospital for treatment. These benefits are already available to those receiving a supplementary allowance; that is, the unemployed, part-time workers, the sick and disabled, and women with dependent children whose low income entitles them to a weekly, means-tested cash assistance payment to cover minimum living requirements. Workers in full-time employment, even though their income falls below the level prescribed by Parliament as adequate to cover minimum living requirements, are specifically excluded from receiving a supplementary allowance. With the introduction of the FIS they became eligible for the complementary welfare benefits listed above.

After 7 months of operation, the FIS has had two major effects. First, it raised the income level of 66,365 low-income families by an average weekly payment of £1.73.³ All these families had been ineligible for supplementary allowances because the head of the family was in full-time employment.

The FIS program was expected to benefit particularly those single persons among the lowest

Social Security Abroad

New British Programs: Early Experience*

Two new social assistance programs—the family income supplement¹ and the constant attendance allowance—were introduced in Great Britain during 1971. Data on the first several months of operation of these programs are now available in the 1971 annual report of the Department of Health and Social Security.

FAMILY INCOME SUPPLEMENT

The family income supplement program (FIS), which went into effect in August 1971, is designed to help the families of the country's lowest-paid workers through payment of a weekly cash benefit. The target is a specific segment of the working

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¹ See "Family Income Supplement in United Kingdom," in the *Social Security Bulletin*, June 1971, pages 21-22.

² One pound equals U.S. \$2.38.

³ Payments during this period were made under the original provisions of the law when the basic income level was £15 a week, with the program paying half the difference up to a maximum of £4.