SENATE No. 10

The Commonwealth of Massachusetts

REPORT ON SICKNESS BENEFITS

BY THE

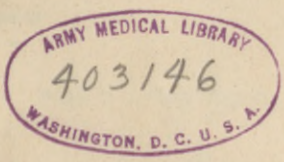
STATE ADVISORY COUNCIL

OF THE

DIVISION OF EMPLOYMENT SECURITY

UNDER CHAPTER 54, RESOLVES OF 1943

NOVEMBER 1, 1944



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CONTENTS.

The Commonwealth of Massachusetts

AUTHORITY FOR THE STUDY.

CHAPTER 54, RESOLVES OF 1943.

RESOLVE PROVIDING FOR AN INVESTIGATION RELATIVE TO THE PAYMENT OF BENEFITS UNDER THE EMPLOYMENT SECURITY LAW TO EMPLOYEES WHO ARE ABSENT FROM WORK ON ACCOUNT OF SICKNESS.

Resolved, That the state advisory council in the division of employment security is hereby authorized and directed to make an investigation of the subject matter of current senate document numbered two hundred and twenty-nine, and of current house documents four hundred and fifty-eight, eleven hundred and twenty-four and eleven hundred and thirty-three, relative to the payment of benefits under the employment security law to employees absent from work on account of sickness. Said advisory council shall report to the general court its findings, and its recommendations, if any, together with drafts of legislation necessary to carry such recommendations into effect, by filing the same with the clerk of the senate on or before the first Wednesday in November in the year nineteen hundred and forty-four. *Approved June 11, 1943.*

The Commonwealth of Massachusetts

Division of Employment Security,
State Advisory Council,
Boston, November 1, 1944.

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled.

In accordance with the responsibility assigned to the State Advisory Council of the Division of Employment Security, under chapter 54 of the Acts and Resolves of 1943, we have the honor to submit the accompanying report of the Council's investigation with respect to the possibility of protecting individuals against wage loss incurred due to sickness or non-industrial accident.

This report is based on the results of extensive hearings with representative groups throughout the Commonwealth, and analysis of research and statistical data.

In making its investigation, the Council enjoyed the full co-operation of the Director of the Division of Employment Security, who made possible the compilation and analysis of the research and statistical material.

The Council is also indebted to the public-spirited groups representative of labor, management, private insurance interests, the medical profession, and interrelated state departments who were most helpful in discussing the subject matter with the Council on several occasions. The public-spiritedness of many citizens of the Commonwealth, exemplified by their appearance at the public hearings of the Council, was also gratifying, and the opinions expressed at these hearings were of much assistance to the Council.

Respectfully submitted,

WILLIAM G. SUTCLIFFE,
Chairman.
ALFRED E. RANKIN.
FRED W. STEELE.
MARY M. RILEY.
JOSEPH J. CABRAL.

Mr. Henry Cloutier has not signed this report as he was absent at the time of its adoption.

The Commonwealth of Massachusetts

REPORT ON SICKNESS BENEFITS.

Part I. — Introduction.

Social Security in America — its Purpose and Principles.

The purpose of Social Security in America — or Social Insurance, as it is more popularly called — is to provide protection against the major economic hazards of life which are sufficiently widespread and have the effect of producing a dependency problem for society, thus becoming "social" in scope.

Its objective is to provide a measure of economic security against major hazards only when it has been determined through the democratic processes that former methods by which society attempted to meet its obligations have become inadequate through drastic changes in the social and economic structure of the country. Thus, with the catastrophic mass unemployment in the depression years of the 1930's, there came a full recognition of the need of protection against the threat of loss of income due to unemployment and also to old age — both inevitable economic hazards and beyond the control of the individual. Such a national crisis brought proposals for social and economic security within the scope of national legislation. The Social Security Act, enacted in 1935, was designed to meet this need.

In the case of unemployment, the aim in this country has been to grant as a measure of security an amount sufficiently adequate to provide a minimum protection for the worker in times of depression. This "minimum," or "basic layer of protection," is intended to tide the worker over for a temporary period of time while he seeks to re-establish

himself in permanent security by means of a job. In providing this protection to the worker, it is not the government that gives it to him. Social Insurance means that the government merely provides the compulsory method by which numbers of people facing a given hazard share among themselves the agreed cost of those individuals for whom the hazard exists. Work is the real security of the American workingman. He wants this above anything else. Work means practical slavery in lands where Nazism and Fascism flourish, but in a democracy such as ours, work means freedom and the acceptance of personal responsibility; the opportunity for initiative and private enterprise; and a challenge to acquire backbone and not wishbone.

In a democracy entertaining a free enterprise system of government such as that enjoyed in America, with its differing ideologies from those of totalitarian or national socialistic systems existent in many parts of Europe, the concept of Social Security necessarily differs also. In the democracy, the ideology is one of the right of the individual citizen to set up in business for himself and to possess the mechanical means of production. Under this system, an individual is granted maximum personal liberty and freedom, and for this liberty and freedom he assumes responsibility for protecting himself and his family against the major hazards of life. Under national socialism, the ideology is one of collective ownership by the State of the means of production, with its attendant suppression and relinquishment of individual personal liberties and responsibilities. It follows, then, that in the democracy, the concept of Social Security is not and should not be one of competition with, or negation of, the system of free enterprise. Its intent and purpose must necessarily be one of supplementation to private enterprise for such emergencies or hazards arising under the existing economy which are determined to be beyond the control of society within the free enterprise system.

In whatever protection is offered to him in the form of social insurance, the worker in America wants it, not at the cost of suppression or attrition, but with full preservation

of his freedom and liberty. He wants it only as a temporary stop-gap until such time as he is able to protect himself, either by a job or by individual savings. This safeguards and insures his dignity and self-respect. Instinctively, therefore, he wants jealously guarded the boundary between what government may or may not do for him, so as to preserve the democratic system which guarantees his personal liberties to him.

Scope of Specific Study.

A very important form of insurance upon which much attention is now being focused in this country is Health Insurance, which includes —

1. Preventive and curative medical care.
2. Compensation for loss of wages due to illness or accident of a non-occupational nature.

It is with the latter that this Council has been chiefly concerned, assuming it to cover the intent of Chapter 54 of the Resolves of the 1943 session of the Legislature.

There are important interrelations between disability insurance and a general Health Program, however, which must be recognized in approaching the problem. For instance, while it may be said that cash benefits for temporary disability are not necessarily part of a Medical Care Program, it can well be argued that the cost of compensation for disability can be needlessly high if wage earners generally do not receive essential medical care.

A complete Health Insurance Program has long been a controversial issue in the United States. Its advantages and disadvantages, however, are not considered to be within the scope of the Council's study. The Council's investigation has necessarily been confined to the possible protection of workers who become unemployed because of sickness or non-industrial accident, or who become ill during a period of unemployment.

Historical Background.

Foreign Countries.

With the transition from agriculturalism to industrialism came recurring cycles of depression and prosperity, the division of labor, and a new economy which made the worker increasingly dependent upon his weekly wage as his sole means of livelihood. Too often this wage was a mere subsistence wage which left the worker open to many dangers and economic hazards.

This transition occurred earlier in Europe than in the United States, and the evils inherent in the system were recognized and social reforms instituted to cope with the situation.

Starting in Germany during the latter part of the nineteenth century, and spreading to other European countries shortly thereafter, programs of Social Insurance included, as a first essential protection of workers, insurance against the risks of ill health, including medical care and cash benefits to compensate for wage loss. Other forms of protection, such as Unemployment Compensation, Old Age and Death Benefits, followed.

It is well to remember that the need for social security benefits to a worker in Europe, when unemployed because of sickness or lack of work, is infinitely greater than in this country by virtue of their relatively low wage scale.

Foreign Health Insurance Systems. — Nearly all foreign Health Insurance systems provide four kinds of benefits: (1) Sickness Benefit; (2) Maternity Benefit; (3) Death or Funeral Benefit; and (4) Medical Benefit.

The *Sickness Benefit* is the cash payment to compensate for wage loss during illness. In England, it is a flat sum, but in most countries it is fixed as a certain percentage of the "basic" or normal wage. Generally it represents from one half to two thirds of what the employee would receive if he were working. There is usually a waiting period of 3 to 5 days, and then payments continue in a number of countries up to 26 weeks. When the right to Sickness

Benefit is exhausted, a disabled person goes on an invalidity pension or disablement benefit, at a lower rate.

The *Maternity Benefit* generally consists of obstetrical attendance, and a cash payment for a certain number of weeks prior to and after confinement.

The *Death or Funeral Benefit* is a cash payment designed to aid in meeting funeral expenses. It is usually equal to twenty or thirty times the insured person's normal daily wage.

The *Medical Benefit* consists of medical care, the range of which varies considerably from system to system. In England general practitioner service and medicines only are furnished. In some countries practically complete care is given, including the services of general practitioners, specialists, hospital and sanatorium care, medicines and appliances. In Germany some of the funds require the patient to pay a small fee when the doctor is first consulted. In France the insured person pays the physician's fee and the cost of medicines, but is later reimbursed in part by his insurance society. As a general rule, however, the insured person is free to consult a physician and will receive all forms of care, furnished by the system, without cost other than his regular contribution. Some countries furnish care to dependents on the same basis as to the wage earner; others allow dependents to receive certain forms of care.

The *coverage* in Compulsory Health Insurance in most countries has usually applied to persons employed in industry and commerce. Recent developments extend Health Insurance to the farm population in some agricultural countries. Only six countries covered agricultural workers up to 1939, however.

The cost of *financing* Health Insurance is borne principally by the insured persons and their employers, although the governments often make either direct or indirect contributions from general tax receipts. In England, the insured pay a uniform rate (different for the sexes), but in most countries the worker's contribution is fixed as a certain percentage of wages, and is deducted from earnings by the employer. Such contributions are customarily supplemented or matched by contributions from the employer.

United States.

Social reform in the United States progressed at a slower pace. It differed in approach and concept from the European system. The pattern in this country has been set up on a categorical rather than a unitary basis. In other words, adding, by governmental compulsion, only that security which is recognized to be necessary and which will at the same time guard jealously the preservation of America's proud heritage of private initiative and personal liberty. In the United States we have a nation of nations, with each "nation" or "state" a separate sovereignty, with inalienable rights and powers separate and distinct from those of the federal or national government. The democratic processes under such a structure of necessity work more slowly but more thoroughly in the decisions and distinctions which must be made between federal and state control of any function determined essential of governmental performance.

Thus, the first approach to compulsory social measures was the requirement by the States for the establishment of Workmen's Compensation, which required employers to pay insurance premiums against the risk of occupational disease or accident of their employees while in the course of their employment. Outside of Workmen's Compensation and special Retirement Systems for state, local and federal government employees, most of which provided disability benefits prior to retirement, Social Security, as we now know it, was not determined to be necessary in this country until the depression years of the early 1930's. The outstanding development in social legislation then took place in the enactment of the Social Security Act in 1935, which has been amended in 1939.

While consideration was given to the subject of a complete Health Insurance Program by the Committee on Economic Security, who drew up the Social Security Bill, no such measure was recommended or provided for by the committee in the Social Security Act, due to organized professional opposition. The less controversial Public Health and Maternal and Child Health Programs received pro-

fessional as well as lay endorsement, however, and were enacted by Congress in the Social Security Act of 1935.

Social Security Act. — The purpose of this act is "to prevent and to relieve the misfortunes that come when earnings are cut off by lack of work, old age, blindness or death; when children are left with no one to support them, or when they lack necessary care; and when the health of the community is not properly protected."

The act is made up of nine separate but related programs which may be classified under three headings: Social Insurance, Public Assistance, and Health and Welfare Services. The purpose, by categories, is set forth below:

	Purpose.
Social Insurance:	
1. Unemployment Insurance	Provides a temporary weekly income for a worker who loses his job through no fault of his own.
2. Old-Age and Survivors' Insurance	Provides a monthly income for a worker and his family when wages stop because of old age; or for his family in case of his death.
Public Assistance:	
3. Old-Age Assistance 4. Aid to the Needy Blind 5. Aid to Dependent Children	Provides a monthly income for persons who, because of their age, or mental or physical disability, are unable to support themselves, and are in need.
Health and Welfare Services:	
6. Child Welfare Services	Provides for the protection and care of homeless, dependent and neglected children, and children in danger of becoming delinquent.
7. Services for Crippled Children	Provides for medical care and other services for crippled children.
8. Maternal and Child Health Services	Provides for strengthening state and local Health Services to mothers and children and extending Maternal and Child Health Services in rural areas.
9. Public Health Services	Provides for extending state Health and other governmental units in maintaining adequate Public Health Plans. (The United States Public Health Service, under the Social Security Act, also receives a separate appropriation for the investigation of diseases and related problems which are national or interstate in character. The entire amount is used for the prevention of preventable sickness.)

Old-Age and Survivors' Insurance is administered entirely by the federal government. The other eight are

operated by the States, with federal co-operation and financial assistance.

The Social Security Board, created by the Social Security Act, is the federal agency for the first five of these programs. The three Child Health and Welfare Programs fall under the jurisdiction of the Children's Bureau of the Department of Labor, and that of the Public Health Services under the United States Public Health Service, as the federal agencies responsible for co-operation with the States.

Principle of Compulsion. — The fundamental principle underlying each and every one of the above categories, and which would apply also to a Program of Sickness Benefits, if one were adopted, is the assumption of an economic need and the inability of the individual to provide for that need; hence the need for compulsory legislation to spread the risk and cost.

As to the specific Social Insurance Programs, the underlying theory, in addition to the person's inability to provide for himself, is that the catastrophe or happening is beyond the individual's control. The inevitability of old age and the phenomena of unemployment have been determined legislatively to be beyond an individual's control, and therefore become a public concern.

Accidents and certain diseases attributable to one's employment have been held to be beyond the individual worker's control, and therefore must be indemnified by those most responsible for their occurrence, — namely, employers. It is difficult to get agreement, on the other hand, that sickness contracted away from one's occupation is anything but a personal responsibility. However, there are those who contend the maintenance of productive capacity and the morale and physical well-being of workers should be the concern of an employer.

When a hazard becomes a public concern, as distinguished from private, compulsory government methods to alleviate the hazard are justified on two premises: (1) that the function is essential to the general welfare, and (2) that it is not in the public interest to restrict the function to private enterprise. Having established a justification for assuming

a responsibility in the field of social insurance beyond the regulatory function, compulsion by government is invoked either by making the purchase of insurance compulsory on certain classes of citizens, or by actually underwriting and assuming the risk, or both. Thus, the actual assumption of the risk by government is not necessarily a characteristic of social insurance. Illustrative of this is the Workmen's Compensation Insurance which is written in this country principally by private companies. It becomes "social" because employers are compelled to purchase the insurance for their employees' benefit.

Recent Developments in Health Insurance in Great Britain, Canada and the United States.

Within the past year increased interest in Health Insurance has resulted in proposals for the adoption of compulsory Health Insurance in the United States and Canada, and for the expansion of the program in Great Britain.

Great Britain.

In Great Britain, the widely discussed Beveridge Report was submitted to Parliament on December 1, 1943. As the report states, its main feature is "a scheme of social insurance against interruption and destruction of earning power and for special expenditures arising at birth, marriage or death. The scheme embodies six fundamental principles: flat rate of subsistence benefit; flat rate of contribution; unification of administrative responsibility; adequacy of benefit; comprehensiveness; and classification. . . . The aim of the Plan for Social Security is to make want under any circumstances unnecessary."

The Plan contemplates the "separation of medical treatment from the administration of cash benefits and the setting up of a comprehensive medical service for every citizen, covering all treatment and every form of disability under the supervision of the Health Department."

The Plan would increase the weekly amount of cash payments during disability (for a married man with a non-

working wife) from the present rate of 18s to 40s and would remove the present limit of 26 weeks on duration.

Canada.

Over a period of some years, the subject of Health Insurance has been considered by the Canadian Parliament with increasing interest, culminating in 1942 in the appointment of an Advisory Committee on Health Insurance. This committee's report, which was submitted to the Minister of Pensions and National Health on March 1, 1943, contains a draft health insurance measure for Canada. Benefits under the proposed measure are described, in part, as follows:

> The benefits comprise prevention of disease and the application of all necessary diagnostic and curative procedures and treatments, including medical, surgical, obstetrical, dental, pharmaceutical, hospital and nursing benefits, and such other ancillary services as may be deemed necessary. Provision is not made for cash benefit due to unemployment caused by illness, as it is considered that such benefit should be provided by Unemployment Insurance or by other means.

It is interesting to note that both the Beveridge Plan and the Canadian measure contemplate administration of the health services by an agency separate from that charged with the responsibility for cash benefits. Both plans are still in the discussional stage.

United States.

The Beveridge Report in England, and the Marsh Report in Canada, have focused attention on over-all proposals for greatly expanded Social Security Programs, the counterpart of the foregoing in this country being the Wagner-Murray-Dingell Bill, or the so-called "Cradle-to-the-Grave" plan.

Federal Level: Wagner-Murray-Dingell Bill (S. 1161). — The far-reaching proposal suggested in the Wagner-Murray-Dingell Bill would create a "Unified National Social Insurance System," accomplishing complete centralization of authority in Washington over all social insurances, includ-

ing a new program for Permanent and Temporary Disability, Hospitalization and Medical Care.

This bill, like similar measures in England and Canada, contemplates a method of joint administration with the Unemployment Compensation Program for the temporary cash payments for loss of wages due to illness separate and apart from the permanent disability benefits, which it would place under the Old-Age and Survivors' Insurance Program; and from the Medical Care Program, which it would place under the jurisdiction of the Surgeon-General of the United States. In attaching temporary disability benefits to the Unemployment Compensation system, however, the bill includes them as part of a federalized program. *The opposition of this Council to such federalization of the Unemployment Compensation system is well known to the Legislature.*

Under the proposal employers would be taxed 6 per cent; employees, 6 per cent; and the federal government would contribute 6 per cent if at a later date it was found to be necessary. On its face value, this would be an increase in tax to the workers of Massachusetts of 5 per cent, as they now pay but 1 per cent for Old-Age and Survivors' Insurance; and an increase of 2 per cent to the employers of Massachusetts, as they now pay 3 per cent under the Unemployment Tax Act, and 1 per cent under Old-Age and Survivors' Insurance. As a matter of cold economics, however, it may be contended that the entire 18 per cent would be shared by the worker in that the employer's tax is passed on to the consumer in the price of the article, and the government's share is passed on to the taxpayer.

Already the taxes are exceedingly heavy for the worker. Worthy as any program might be in the interests of the American workingman, the question he will want answered is, How much Social Security can he afford?

Were such a national program as that set forth in the Wagner-Murray-Dingell Bill to be adopted, a state plan for Sickness Benefits would, of course, be futile unless the state plan offered higher benefits than the national plan.

Proponents of an American "Cradle-to-the-Grave" plan would emulate the European theory of centralizing all

social legislation in a national authority. The preponderance of public sentiment expressed thus far, however, has been from opponents of such a national plan, who prefer to remember, and to continue to favor, our American form of government, composed of forty-eight sovereignties, able and willing to enact laws for the best interests of their people, and to think of the federal government as assisting the States, or performing only those functions which the States cannot perform.

The most vehement opposition to the Wagner-Murray-Dingell Bill has been that expressed within the medical profession to the Medical Care and Hospitalization feature of the proposal. Such opponents within the medical profession hold that if this proposal ever became law, it would destroy the effectiveness of medical care in the country; that incentive for the physician to become skilled in the art of medical practice would be entirely lost; and both the quality and quantity of medical care would drastically decline.

The medical profession maintains, and properly so, that the medical progress made in this country is greater than anywhere in the world under any methods. This by no means is to be taken as total satisfaction by the profession with its progress. The profession encourages the development of soundly conceived Sickness Insurance and Medical Care plans in the middle and lower income groups, but would prefer to see this development continue along the voluntary lines already established and well under way in this country. Those who would have no interference with their personal liberty and freedom of choice of physician join the medical profession in stoutly declining anything resembling compulsion in so personal a matter as individual illness, and would prefer to see permitted the opportunity for the continued development of voluntary plans of Sickness Benefits and Medical Care.

State Level: Rhode Island. — At the state level, the State of Rhode Island represents the only jurisdiction in the United States which has enacted legislation providing for the payment of benefits for unemployment due to illness.

Thus, by the traditional American categorical approach, Rhode Island attacks the problem of wage loss to workers by provision of cash sickness benefits as a separate item from any consideration of medical care.

The Rhode Island law became effective May 10, 1942, with benefits under it starting as of April, 1943. It is administered jointly with the Unemployment Compensation Law, in that the same personnel and machinery are utilized and the same benefit formula and coverage apply. A separate state fund, however, is maintained for the payment of Sickness Benefits, which is financed entirely by employee contributions representing 1 per cent of wages (up to $3,000) earned in "covered employment" after June 1, 1942.

This method of financing was particularly acceptable in Rhode Island because that State had previously required for purposes of Unemployment Compensation employee contributions of 1½ per cent. Upon enactment of the Cash Sickness Insurance Law, employee contributions for unemployment insurance were reduced to ½ per cent. Accordingly, the employee now pays for a combination of Cash Sickness Insurance and Unemployment Compensation no more than he previously paid for the latter alone. Such contributions are withheld by the employer and forwarded to the Rhode Island Unemployment Compensation Board, which is charged with the responsibility of administering the fund.

Administrative expenses are limited to 1 per cent of the amount collected. Since the Social Security Act makes no provision for grants to States to cover administrative costs of any form of Health Insurance, the use of Unemployment Compensation personnel and machinery in connection with the administration of Cash Sickness Insurance in Rhode Island is permitted by the Board on a proportional division of costs basis between the two programs.

As originally enacted, the Rhode Island Law excluded from Cash Sickness Benefits individuals receiving Workmen's Compensation or payments from their employers. By amendment in 1943, however, such individuals were permitted to receive Cash Sickness Benefits even when receiving one or both of the foregoing types of payment.

This has been subjected to much criticism as to its unsoundness, permitting, as it must in some cases, receipt by the worker of more income while sick than when working. It has the effect of fostering malingering, stifling initiative, and thus defeating the purpose of social insurance.

The law requires that each claimant see a doctor within five days after the start of an illness, and, with few exceptions, at least once a week thereafter until work can be resumed. Even with this required medical treatment, which ordinarily should reduce and minimize otherwise lengthy illnesses, and even with employment opportunities at a maximum, cash sickness benefit payments have been considerably in excess of expectations. As a further means of preventing malingering, the Rhode Island Unemployment Compensation Board added a medical panel to the administrative staff to review the certifications of the doctors and to examine persons whose claims were questionable. Even with this additional method of control, however, the outgo in payments has been so high that the contribution rate of 1 per cent has not been considered sufficient to support the plan. One important factor in the continual high claim load is believed to be due to the increased number of mental and physical ailments brought on by wartime overwork and nervous tension.

To prevent a possible deficit in the Sickness Benefits Fund, the Rhode Island Unemployment Compensation Board found it necessary to ask the 1944 General Assembly of Rhode Island to increase the employee contribution to the fund to 1½ per cent. It would be possible to make this increase without additional cost to the employee merely by eliminating the Unemployment Compensation contribution and transferring it to the Sickness Benefits Fund.

The Rhode Island Board also asked the General Assembly to increase the amount of money for administrative purposes from 1 per cent to 3 per cent of the amount collected.

In addition, the Board recommended the denial of Sickness Benefits to employees who continue to receive wages from employers during illness or who receive Workmen's Compensation or primary insurance benefits under Title II

of the Social Security Act (Old-Age and Survivors' Insurance). This would repeal the amendment of 1943, which never had the approval of the Unemployment Compensation Board, and bring the law back to its original concept.

State Level: New Hampshire Proposal. — In other States, legislation along these lines has been proposed from time to time, but none has yet been enacted outside of Rhode Island.

In 1939, the New Hampshire Legislature created a Commission on Disability Benefits, "to compile a report on the possibility of protecting individuals unemployed because of sickness or ill health." This commission rendered a report to the Governor in February of 1941, recommending the adoption of a system of Disability Insurance, the administration of which should be integrated with that of Unemployment Compensation. The life of the commission was extended for another two years to continue its study in the light of changing conditions and to submit its final report in 1943. The results of the commission's further studies were summarized in its Supplemental Report submitted in March of 1943. In this report, the commission expressed the opinion that the system should be compulsory: "It is the definite conclusion of the Commission that the need for such a program exists and that the only method whereby complete coverage may be achieved is through the operation of a compulsory system of Disability Insurance." Undoubtedly a major factor contributing to the recommendation of the commission for a compulsory system was the extent of voluntary protection found to be available in employment establishments in New Hampshire. As a result of spot checks, the Commission estimated that "probably 35 per cent of the 'covered' population had protection of one type or another." In other words, slightly more than one third of the working population covered under the New Hampshire Unemployment Compensation Law were covered in their places of employment by some form of voluntary protection against loss of wages due to illness.

After pointing out the legal obstacles in the way of combining the administration of the system as a branch or an integral part of the Unemployment Compensation Division, the commission recommended:

> In the event that congressional action is taken to provide by law for either a definite agreement to allow complete co-operation between the two systems or for the total administrative financing of the new program by the federal government . . . that favorable consideration be given by the Legislature to the enactment of the accompanying draft bill or similar legislation.

The draft bill which accompanied the commission's report provided that the program should be financed by a 1 per cent employee contribution, that administrative expenses should be limited to 2 per cent of such contributions, and that benefits should be paid for weeks of partial or total unemployment due to illness, with a one-week waiting period in each spell of unemployment. Rates and duration were to be based upon total annual earnings in the base period, with rates from $6 to $18 per week, set uniformly at 18 weeks.

More recently, and at the 1944 session of the Legislature, a bill was introduced which it is understood was sponsored by the Manufacturers Association of New Hampshire, providing that the State set up minimum standards and then require that every employer of a certain size either purchase a private insurance company policy which at least conforms to the minimum standards or set up a similar insurance plan of its own. Thus, it appears that in New Hampshire, employers are pressing to keep health and accident insurance in the hands of private carriers rather than to have the government enter the business.

Part II. — Public Opinion.

Informal and Public Hearings.

Over a period of many months during 1943, the Council conducted informal hearings with such representative groups

as manufacturers and their associations, labor, insurance companies, the medical profession, and interrelated state department officials. At these meetings, the Council sought to determine the attitude of these interested groups to a State Compulsory Program of Sickness Benefits.

In April of 1944 a second series of meetings was held with the representatives who participated in the preliminary conferences of 1943, to get the benefit of their additional views and opinions.

Public hearings were also held in the principal industrial cities throughout the State to get the sentiment of the public, including the rank and file of labor. (See Exhibit "A" for list of meetings held by the Council throughout the State.)

On the whole, the manufacturers and their representatives feared most the excessive burden of taxation, which would not only place them at a competitive disadvantage with employers in other States, but would also have the effect of nullifying private and group insurance plans now so well covered in employing establishments.

The insurance companies questioned the expediency of enacting legislation for Sickness Benefits in the present period of emergency and unsettled conditions, and cited as one important factor for serious consideration the additional cost to the program occasioned by the influx of women into industry in the war effort.

The two major movements of organized labor in Massachusetts appeared to be divided. One group very definitely favored a state compulsory plan of Sickness Benefits, even if the workers had to carry it alone. In the other group, the officials of the state headquarters opposed it if the workers were called upon to finance the program, while the rank and file of labor who attended hearings throughout the State favored the program even to the extent of employee participation.

The medical group's chief concern was the fear of eventual regimentation of medical care in the hands of a bureaucracy.

NEED FOR COMPULSORY SYSTEM — "PROS" AND "CONS."

Expression of opinion for and against a State Compulsory System of Sickness Benefits appeared to be as follows:

Pro. — Disability is one of the serious economic risks threatening the security of the workers. Some workers, particularly those in the low income group, cannot put aside sufficient money to see them through illnesses. The result is they neglect small illnesses until a serious illness develops, the payment for which often becomes a charge on society. A compulsory system is felt to be the only way in which these people can be protected. If they have been left unprotected by their employers, and they do not have the means to protect themselves individually, compulsory insurance becomes necessary, as it can be obtained for them at a much lower cost than they could afford individually.

Con. — As illness of the individual appears to be of such a personal nature, many individuals instinctively put away some reserve against this personal contingency. There are many who can, but who do not, due to lack of foresight and the will power to forego current demands in order to make provision for indefinite future contingencies. To safeguard a minimal percentage of the population who will not, or cannot, provide for themselves, a state compulsory system of Sickness Benefits would penalize the majority of the people for that which they either do not require or are able to provide for themselves.

Opinion was expressed that compulsion along this line is an initial entrance into the field of compulsory budgeting of one's expenditures, and amounts to an infringement on an individual's liberty. In approaching this new area of compulsion, it is argued that it is conceivable it might become more desirable to compel people to spend more for life insurance, or for adequate housing, with perhaps less for automobiles, etc.

The very definite feeling was expressed that Sickness Benefits or any similar compulsory social insurance health measure would substitute a concentrated and coercive system of health care for the traditional and highly effective voluntary system now enjoyed through private enterprise, and that such legislation was definitely bureaucratic in its trends.

Pro. — Loss of income is greater when out of work because of illness than when out of work because of unemployment, due to the additional burden of medical expenses. This means an aggravation of the very conditions that cause an impairment of health. Cash payments would assist such individuals in the payment of such medical treatment as may be necessary to get them back to work. The present Unemployment Compensation system presents an anomalous situation in this respect in that the unemployed worker receives no benefits if he is unfortunate enough to become disabled as well as unemployed.

Con. — At the present time incomes are higher. Personal thrift is being recognized by the federal government as a noteworthy quality through its war bond and anti-inflation campaign. More people are building up their personal cash reserves, as evidenced by the bond sales and the tremendous bank savings. Therefore, there should be comparatively few who will be unable to take care of themselves for some time to come following the war.

It has been estimated that by the end of 1946 approximately 13,000,000 additional or emergency workers will have been brought into the labor market because of the labor scarcity during the war.

Statistics indicate that incomes have increased considerably, the greatest gains having been in the low-income class.

Pro. — Among those most in need of protection, the low and middle income group, the number of persons insured under voluntary disability insurance plans is comparatively small. While nation-wide surveys place the average compensable duration of illness per worker per year (following a one-week waiting period) at one week, considered in terms of the individual worker, the risk is capable of producing catastrophic effects.

Con. — The counter-argument presented was the remarkable growth of not only group insurance plans between employers and employees, but of the private hospitalization plans especially designed for the low and middle income group. The voluntary methods were held to be far more preferable to the governmental compulsory methods in that they allow for freedom of choice in obtaining insurance for the specific risks desired, either individually or by groups. The effect of a compulsory system of Sickness Benefits would be the cancellation of such private and group plans. It was brought out that in normal times, illnesses of a catastrophic nature could be considered to be but 10 per cent of all illness.

Pro. — The insurance of relatively few persons under voluntary group plans furnishes a narrow distribution of risks, and consequently limits benefits. The cost under a state compulsory Sickness Benefits Plan should be cheaper in view of its larger coverage.

Con. — Most of the individual and group health and accident policies provide hospitalization and death benefits in addition to the weekly indemnity payable during periods of incapacity at very nominal costs and in many cases at no cost to the worker, while a compulsory state plan of Sickness Benefits would include but one feature, — the weekly indemnity payment for a fixed number of weeks based on the worker's earnings.

Pro. — In a period of much employment, workers and employers can afford the cost of an additional Social Program which would share the risks of sickness.

Con. — In spite of much employment and higher incomes, workers and employers can ill afford to pay for additional insurances with the already great burden of taxation on them at the present time, and which it is to be expected will continue some time following the war in order to pay for the war's indebtedness.

Secondly, it should be considered a most inexpedient time to impose further costs or burdens on either employers or workers until the war emergency is over and a return is made to more normal conditions, when better judgments can be formed as to economic necessities.

Pro. — The morale and efficiency of employees should be higher with the assurance all income will not stop should severe illness strike them.

Con. — Contention is made that employees paid while out sick do tend to malinger. Absenteeism could not help but increase if state benefits were to be given in addition to salary and Workmen's Compensation, as is done in Rhode Island. Policing the situation by individual employers is a far simpler and cheaper matter than could hope to be expected under a state-wide plan.

Part III. — Administration and Financing.

In the consideration of administration and financing of a Sickness Benefits Fund, as well as the source of administrative funds, several methods presented themselves.

Adaptability to Unemployment Compensation.

It was suggested that, essentially, the same general type of organization would be required for the administration of a program of disability benefits on the assumption of a similar coverage as under the Unemployment Compensation Law. The existing Unemployment Compensation machinery and procedures for the collection of contributions, the filing of wage record data, and the payment of claims were considered to be readily adaptable to similar functions under a disability program. The only exception to this would be the claims-taking function which would have to be done by mail, followed by medical certifications as to the authenticity of illnesses. The economy and efficiency to be gained by the utilization of such existing machinery, and the ease with which the two programs could be integrated, appeared to be obvious.

It was pointed out that the objectives of the two plans are similar, — namely, the compensation of workers for wage losses suffered as a result of unemployment. The only difference between the two systems lies in the reason for the worker's unemployment. In the case of Unemployment Compensation, the unemployment results from lack of work and the individual is available to take another job. In the case of the disabled person, the unemployment results from illness or non-industrial accident, and the person is not available to take another job, as he will return to his old one when well again. Otherwise, temporary disability is like temporary unemployment, and an insurance system covering it may be patterned after Unemployment Compensation, with repetitive certification of disability by a licensed physician as a procedure analogous to repetitive registration at an employment office.

Question of Administrative Funds in Joint Relationship with Unemployment Compensation, and Federal Attitude.

Under Title III of the Social Security Act, administrative funds are furnished to the States only for the administration of a program of unemployment benefits to those who have been thrown out of work through no fault of their own and who are able and available to take other work. It has been ruled by the Social Security Board that such funds cannot be used for the administration of a Sickness Benefits Plan. The only solution to their use for both programs would be an amendment to the Social Security Act eliminating the qualifying provision of "availability for work," thus permitting benefits for unemployment caused by either lack of work or by sickness.

The attitude of the Social Security Board in this respect is one of *status quo* in view of their recommendation to Congress for the centralization of all types of social insurance, including a new program of Permanent and Temporary Disability, under the Board's control in Washington.

Until such time as congressional action permitted the payment of administrative expenses out of Title III funds,

it would be necessary to establish, by a certain percentage of collections, a separate State Cash Sickness Benefits Administrative Fund, out of which the Social Security Board would be reimbursed, on a proportional division of costs basis, for the utilization of the Unemployment Compensation personnel and machinery in the administration of a Sickness Benefits Program.

Possible Application to Other Programs.

The observation was offered that a system of Sickness Benefits could be considered more analogous to Workmen's Compensation than Unemployment Compensation in that the worker who is unemployed because of illness or accident is not off the pay roll and is not available for other work; whereas, the primary requisite for receiving benefits under the Unemployment Compensation system is that the worker be able and available for work. Under such a set-up, it presupposes the State would assume the rôle of compelling employers to arrange for insurance for the benefit of their employees against the hazard of non-occupational accident or illness similar to the compulsion required for occupational accidents and illness. Under such an arrangement, one suggestion was offered that while employers should be compelled to provide for such insurance for their employees, it should be voluntary on the part of the employees as to whether or not they would be included under the employers' plans.

The further observation was offered that benefits for non-occupational accidents and illness involved questions which must be handled from entirely different approaches than those necessary under either Unemployment Compensation or Workmen's Compensation. Secondly, that it might be advisable to extend the coverage to the entire working population rather than to restrict it to the "covered" working population of either of the foregoing programs.

Were extensions to be made to those persons whose income is not subject to pay-roll accounting, such as domes-

tics and farm laborers, the same collection device as now used under the Unemployment Compensation Program could not be used. In other words, there would be a complete divorcement from the accepted insurance principle of basing payments on earnings and the collection of wage record data and taxes at the source. Coverage of the entire working population would presuppose the imposition of a flat premium, with perhaps a flat amount as a benefit, based on salary ranges rather than specific earnings, similar to private insurance methods.

Financing of Separate Sickness Benefits Fund.

Under the Massachusetts Employment Security Law, a Trust Fund is accumulated from employer contributions which, in compliance with the Social Security Act, can only be used for the payment of benefits to those unemployed because of lack of work. It would be necessary, therefore, to establish a separate State Sickness Benefits Fund for the payment of benefits to those unemployed because of illness.

From the findings and recommendations by groups of experts who have studied extensively into a Sickness Benefits Program, a tax of 1 per cent of pay roll was considered sufficient to cover the cost. However, in the State of Rhode Island, which has had a similar program since April 1, 1942, benefit payments under which became effective as of April 1, 1943, 1 per cent (paid entirely by employee contribution) has not proved to be wholly adequate to withstand an abnormal drain upon the Fund.

As mentioned previously, it was understood the Rhode Island Unemployment Compensation Board would ask its General Assembly of 1944 to transfer the employee contribution of .5 per cent under the Unemployment Compensation Program to the Cash Sickness Fund for the purpose of assuring the solvency of the latter fund. This would have the effect of eliminating entirely the employee contribution for Unemployment Compensation in Rhode Island, and the payment by the employee of 1½ per cent into the Cash Sickness Fund.

The reasons for the concern of the Rhode Island Unemployment Compensation Board in attempting to protect the solvency of its Cash Sickness Compensation Fund are evident. The fund has been experiencing a deficit of approximately $100,000 a month since April 1 of this year. Some of the main reasons given for the sharp rise in payments are as follows:

1. The increased familiarity of workers with their right to collect benefits up to $18 a week in case of illness.
2. The physical and mental effects of overwork during the war period.
3. Payments to claimants who are receiving Workmen's Compensation Insurance.
4. Payments to claimants for the full duration of pregnancy.

The Rhode Island Unemployment Compensation Board feels very strongly that claimants who are receiving Workmen's Compensation Insurance should not receive Cash Sickness Insurance at the same time, and that there should be a definite period of about ten or twelve weeks' duration for pregnancy cases.

It is said that if the deficit operation continues, the Rhode Island Reserve Fund will be completely exhausted within about twenty-seven months after it reaches its original starting level, which, at the present rate of drainage, would be reached in November of this year.

An even greater threat to the solvency of the declining fund in Rhode Island lies in the fact that a possible postwar slump, with declining pay rolls, would drastically reduce the fund's income while it would have to continue to meet benefit applications from persons who are no longer working and thus no longer contributing to the system, but who can still collect on the basis of credits accumulated during the previous year.

In a drive against malingering under the Rhode Island system, it is understood that about 90 per cent of the claimants are being asked to report for physical examinations to establish the validity of their claims, and that about 30 per cent of these do not appear for such examinations.

Pertinent to the problem of malingering, the argument was offered to the Council during its investigation that a uniform state-wide plan, when confronted with a rising claim rate, can only tighten its administrative controls or raise the contribution; whereas, under private plans designed to fit the needs of specific and smaller groups, individual provisions can be altered where special remedies are needed in isolated areas of abuse.

In the New Hampshire proposal of the Commission on Disability Benefits of 1943 for a compulsory state system of Sickness Benefits, a 1 per cent tax on the employee was also proposed as sufficient to finance a program in that State. This undoubtedly was based on the Rhode Island law, as it was the only precedent to follow at that time.

Administrative Costs.

The Rhode Island law also provided that a sum not to exceed 1 per cent of the employee contributions received should be used for administration expenses. This, too, has proven to be wholly inadequate, and, as mentioned before, it was understood the Rhode Island Unemployment Compensation Board would ask its General Assembly of 1944 to increase the amount of money for administrative purposes from 1 per cent to 3 per cent of the contributions.

Under the New Hampshire proposal of the Commission on Disability Benefits, it was figured 2 per cent of collections would be necessary to administer a program in that State.

Financial and Actuarial Difficulties in Present Abnormal Period.

Under the present abnormal conditions, it is practically impossible to estimate with any degree of safety the tax necessary to finance a Sickness Benefits Fund, nor the amount necessary to administer it. The high claim rate in Rhode Island and the experience of private insurance companies during the last year have pointed up very forcibly important factors for consideration in the administrative

and financial aspects of such a program. Among the elements affecting the claim rate, with their attendant drain on the fund, are:

Relationship of Amount of Benefits to Salary when working. — The higher the percentage goes, the higher you may expect to have the claim rate. If a person receiving Cash Sickness Benefits also receives all or part of his regular earnings or other benefits, a very unfavorable experience will be the result.

Claim Rate for Women. — The claim rate for women is much greater than for men. Under normal conditions, it might be assumed it is twice that of men. Under present conditions, however, it is further affected by the increased number of married women in industry due to the war effort.

The longer work week for both men and women, with its attendant mental and physical fatigue adding nervous exhaustions to the claim list.

The lowered physical standards for employment, with their obvious effect on absenteeism.

In addition, proper claim administration requires a high standard of medical certification and much personal attention to claims, all of which is evidence that many factors of an administrative nature as well as actuarial factors are important considerations in determining the possible claim rate and the proper assessment to finance it.

Types of Levy — "Pros" and "Cons."

At its hearings, the Council assumed, as a basis for discussion only, a Sickness Benefits plan patterned after the Unemployment Compensation law as to coverage and benefit formula, with the amount of assessment left open. Anywhere from 1 per cent to 2 per cent of wages (up to $3,000) was mentioned as a possibility. What the Council sought principally was expression of opinion as to the acceptance of responsibility for the financing of such a fund; *i.e.*, whether it should be financed by the employer alone, by the employee alone, or by both, or possibly by a combination of employer, employee and the State. There was lack of agreement, however, on this basic question.

If it be granted that a Medical Care Program is entirely a social problem separate and apart from cash payments for wage losses and should apply to all the population, fixation of responsibility for financing such a program by general taxation would be a comparatively simple matter, and many felt such a program was definitely a Health Department problem in that certain preventive medical care is now carried on by that Department.

Likewise, if it be granted that a system of cash payments for wage losses is a separate and distinct problem and one which applied only to the "covered" working population under the Unemployment Compensation law, then there appeared to be general agreement the insurance principle could be applied, basing the tax on a basis of earnings or pay-roll deductions. Differences of opinion arose, however, as to the group to be taxed. The main arguments for and against each of the various types of levy are summarized below:

Employee Contribution.

For. — Except for occupational disability, which is already covered by Workmen's Compensation, disability is a personal matter not necessarily connected with employment. If compulsory insurance of this risk is established, the cost should be borne by the individual insured.

Withholding by the employer is a relatively inexpensive method of collection from the viewpoint of the administration.

Policing and better controls would be possible, due to personal financial interest.

Against. — The incidence of disability is greatest among those whose income is the lowest and who can ill afford to have deducted from their wages an amount large enough to finance cash benefits during disability. Workers already have so many items deducted from their wages that they might object to a further deduction even for the financing of Cash Sickness Benefits.

Employer Contribution.

For. — Since disabling illness is a more or less constant cause of unemployment, a portion of the resulting wage loss should be included in labor costs of the establishment employing the worker. This can be accomplished by requiring the employer to contribute to a fund to be used for the payment of Cash Sickness Benefits.

Pay-roll taxes are expedient, in that they are relatively easy to collect.

Against. — The employer has practically no control over absence due to illness.

Illness may be regarded as a social problem rather than as an industrial one, and wage losses should therefore be made up from general taxation.

General Taxation.

For. — Neither industry nor the worker himself has much control over unemployment due to sickness. It is a social rather than industrial or personal risk, and its incidence is largely accidental. Therefore, cash benefits for wage losses due to sickness should be financed by general taxation rather than by a tax on industry or the worker, or both.

Against. — If Cash Sickness Benefits are to be limited to workers, or to given classes of workers, financing should come from these workers and/or their employers, rather than from all taxpayers.

Part IV. — Extent of Coverage under Voluntary Plans in Massachusetts.

Employment Establishments.

To assist the Council in its investigation, the Director of the Division of Employment Security requested all employers of twenty or more individuals subject to the Massachusetts Employment Security law to furnish, on a questionnaire form provided for the purpose, certain basic information regarding practices in their establishments with respect to payments to workers absent because of illness.

Questionnaires were mailed in January of 1944 to some 8,156 Massachusetts employers. Notwithstanding the fact that these questionnaires were received by them at a time when end-of-the-year work on various governmental reports was at its peak, Massachusetts employers extended to the Division the outstanding co-operation that has characterized their relations with the Division since its inception.

The most important facts revealed by the replies are as follows:

1. Of the workers employed in the reporting establishments, it is estimated that nearly 600,000, or nearly two thirds (65.9 per cent), receive some payment for periods when they are absent from work because of illness.

2. It appeared that about 305,500, or slightly more than one third (34.1 per cent), of the workers in the responding establishments were wholly without coverage of any kind for wage losses due to disability (other than that covered

by Workmen's Compensation). Of these, approximately 85 per cent were employed by manufacturing concerns, and nearly all of them were non-salaried or production workers.

3. The replies reflected the growing popularity of group health insurance, which was the sole source of payments in establishments employing 26.5 per cent of the estimated covered workers, and was one of the sources in establishments employing a further 21.2 per cent where pay-roll payments and/or an employees' benefit society was also reported.

4. In establishments accounting for 32.5 per cent of the estimated total of workers customarily receiving disability payments, the employer assumed the entire financial burden. In addition, replies covering 60.1 per cent of the estimated total workers indicated that payments were financed in part by the employer and in part by the worker, in varying proportions. It appeared that only 6.6 per cent of the estimated total workers were employed in establishments where the employer assumed no part of the expense.

5. The analysis revealed close correlation between the size of the establishment and the percentage of workers paid while ill. While the estimated coverage for all reporting establishments averaged nearly 66 per cent, that for establishments with less than 50 workers was only 42 per cent, while establishments with 2,000 or more workers showed an average of 79.6 per cent, the percentage increasing constantly as the size of the establishment increased.

The questionnaire did not specifically request a report on amounts or duration of disability payments. However, many employers volunteered that information. It appears that in many cases, especially where the entire burden is assumed by the employer, duration of payments is likely to be limited to short periods. However, statistics show that most absences for illness are also of short duration. In cases where there was a group health insurance policy in force, a week's waiting period was customarily required. In the case of benefit societies, the waiting period was often

of shorter duration than seven days. (For details of survey, see Exhibit "B.")

Benefit Societies.

A study of the fraternal benefit societies registered with the Massachusetts Department of Insurance in accordance with chapter 176 of the General Laws revealed that there were 572 of them paying benefits to members when ill. Of these, 43 associations, comprising 18,253 members, were connected with establishments covered by the Massachusetts Employment Security law, and are already represented in the survey of employment establishments above. The other 529 organizations included 151,563 Massachusetts members who received some form of remuneration from fraternal societies when ill. (For details of survey, see Exhibit "C.")

Part V. — The Trend.

Rhode Island.

Through enactment in 1942 of its Cash Sickness Compensation Act, Rhode Island became the first State to put into effect a compulsory state system of Sickness Insurance. The experience thus gained in Rhode Island will be of much interest and service to other States in their exploration of the subject matter.

New Hampshire.

New Hampshire is the only other State at the present time, as far as this Council knows, with proposals before the State Legislature on the subject matter.

Studies by Other States.

It is understood several other States are studying the matter seriously with a view to reporting to their respective Legislatures in the near future. It is a matter of record, too, that all State Employment Security Agencies have been urged through the Interstate Conference of Employment Security Agencies to explore the subject as a possible next step in the social legislative field.

Voluntary Plans.

Health and Accident Policies with Private Carriers — Group and Individual.

In addition to the Council's research study into the extent of present coverage under voluntary private and group plans in existence in the Commonwealth for the protection of individuals during illness, information elicited concerning the growth of voluntary plans for the country as a whole seems to indicate a positive trend in a growing interest and desire on the part of individuals and employers to favor such private coverage.

Private insurance carriers do not hesitate to admit that the threat of the possible entrance of the government into the insurance field has added impetus to their efforts to assume a larger responsibility and more personal concern with the possibilities of enlightening and enlisting more of the populace in private protection under health and accident policies.

A satisfactory trend is indicated in the numbers insured under group policies, with every prospect of its continuing, provided there are no developments which will make it impractical or difficult for employers and employees to carry such insurance. While group insurance in this country has been in existence for the last twenty years, it originally covered only life insurance. Of recent years, however, it has extended into the field of health and accident, hospital expense, and surgical operation coverage. Available figures indicate that the total number of employees insured under group health and accident insurance plans with private insurance carriers are as follows:

Group health and accident 6,500,000
As compared with 2,600,000 five years ago, and 1,500,000 ten years ago.

Group hospital expense (employees and dependents) . . 6,100,000
After only eight years of operation.

Group surgical operation coverage 3,750,000
After about five years of operation.

Under the most popular plan, benefits begin on the eighth day of incapacity and continue during disability for a maximum of thirteen weeks, but other maximum durations, such as 26 or 52 weeks, are available. To prevent over-insurance, the benefits are limited to a reasonable proportion of the employee's normal rate of weekly earnings. Special provisions usually apply for disability due to pregnancy and maternity.

Illustrative of the growth in health and accident premiums written in Massachusetts by private insurance companies reporting to the Massachusetts Insurance Department are the following figures:

Premiums increased from $4,370,105 in 1933 to $10,687,830 in 1943, or an increase of 145 per cent during the 10-year period. Of that increase of somewhat over $6,000,000 during the 10-year period, there was an increase during the last 5 years of $4,707,840, as compared with only $1,609,885 during the first 5 years of that period. In other words, the increase during the last 5 years was almost three times as great as the increase of the first 5 years, showing that the business is growing at an accelerating rate.

The above figures are exclusive of the Blue Cross Hospitalization Plan, with its over $3,000,000 of premiums, and is also exclusive of the various benefits offered by fraternal, employee and other benefit associations. Neither do they include the benefits paid by employers in the form of salary continuance, which was found to be a very common practice, with such continuity of wage coverage, in whole or in part, extending not only to salaried personnel but often to wage earners as well.

Hospitalization Plans.

In the United States there are thousands of prepayment Medical Care and Hospitalization Programs operating successfully. Roughly, they are classified into such types as, —

Company or Employee Medical Service Plans.
Regular Insurance Company Group Policies.
Medical Society Approved or Sponsored Plans.
Union-Sponsored Plans.

Co-operative Groups.
Consumer-Sponsored Plans.
Farm Security Administration Operations.
Private Group Practice Clinics.

Medical Society Approved or Sponsored Plans.

Most popular and best known among these Hospitalization Plans are the Medical Society Approved or Sponsored Plans, better known as the Blue Cross Plans, of which there are approximately 80 scattered throughout the United States, with approximately 15,000,000 subscribers built up in a comparatively short period of time. In Massachusetts alone there are at present 850,000 participants in the Blue Cross Plan after only seven years of operation, with expectancy of coverage of 1,000,000 before the end of the year.

The Blue Cross Plans are non-profit plans developed by community leaders and sponsored by the hospitals and the state medical societies, and are supervised by the State Departments of Insurance and Public Welfare. The movement is growing rapidly. Originally, these plans took in groups from factories and offices. At the present time extensions of the group idea to entire industries are in the process of development, as well as a national contract, so that there can be the same general service given to all employees of an industry wherever they are in the country. It can be seen that such hospitalization plans have wide possibilities for expansion of service.

UNION-SPONSORED PLANS.

Health Programs organized and operated by trade unions to provide medical care to its membership at low cost have been in existence for many years. In many of the large unions these programs started with medical care and hospitalization plans by the institution of complete health centers.

Under this and similar health programs of the trade unions, the expansion of Sickness Insurance in the form of cash benefits has been the greatest single development in recent years. The systems are compulsory for all qualified

members in those locals adopting a Sickness Insurance Plan. The plans appear to offer fair benefits commensurate with the amount of premium required.

Coverage through Collective Bargaining.

Significant in trend is that of the comprehensive group insurance coverage, including health and accident, obtained for members of a union or group of employees provided by a collective bargaining contract clause. It is understood there has been a substantial growth in the number of labor organizations which have been seeking such group insurance protection for employees through collective bargaining. A large part of the group coverage in Massachusetts at the present time can be attributed to this negotiation process between employers and labor unions. This would appear to be an indication of the acceptance of responsibility on the part of employers and representatives of labor for the general well-being of workers.

While the cost of many of these plans is borne entirely by employers, some of them are contributory by employees. The plans usually include such benefits as weekly sickness and accident benefits; accidental death and dismemberment; hospital benefits; medical service; surgical benefits; and special maternity benefits. In addition to the foregoing, many of them include a life insurance provision. Any injury or illness for which the worker is entitled to benefits under any Workmen's Compensation law is not covered by this type of plan. No medical examination is required. The costs of the different plans vary from about 1½ per cent to 3½ per cent of weekly pay rolls.

Part VI. — Conclusions.

Summary.

While the Council senses a strong desire for an extension of facilities to aid in meeting the costs of unusual or prolonged illness, it is not convinced of any pressing need or urgency for governmental compulsion in the Commonwealth of Massachusetts to accomplish it at this time in

view of the growth and trend of development along voluntary lines.

It was found on a spot check of the working population covered under the Unemployment Compensation law, which represents approximately 75 per cent of the total working population in the Commonwealth, that 65.9 per cent, or nearly two thirds, of the individuals were covered in their places of employment by some form of voluntary protection against loss of wages due to illness. This would appear to be indicative of the sympathetic understanding and harmonious working relations between employers, trade unions and the workers.

In addition, the development and growth of voluntary hospitalization plans in the Commonwealth is evidence of the good faith and co-operation of the medical profession in its attempts to bring hospitalization, by a pooled method, within the reach of the low and middle income group of society.

It was also found that outside of those connected with establishments covered by the Massachusetts Employment Security law, there are 529 fraternal societies in Massachusetts which pay sick benefits with a membership of 151,563 potential recipients.

The Council has not lost sight of the fact, on the other hand, that slightly more than one third of the "covered" population under the Unemployment Compensation law do not appear to have some form of protection in their places of employment against wage loss due to illness. The trend, however, would seem to indicate a likelihood of their future coverage under voluntary auspices. Most of those in this category, it is safe to say, are found in the smaller establishments. While private insurance group plans usually cover groups of at least twenty-five persons, evidence has been received indicating that plans are under way by some of the larger life insurance companies writing accident and health policies in the Commonwealth for the reduction of their coverage from groups of twenty-five to groups of ten individuals. Evidence has also been produced of the present existence of policies for the coverage of groups of as

few as five individuals, and at reasonable costs. These policies offer the liberal feature of covering any group of five individuals, whether they be employers or employees, and not necessarily those in the employ of a common employer. In addition, they grant the privilege of continuance of policies as individual policies, at the group rate, in the event other policies in the group become lapsed or discontinued. There is reason to believe that private insurance companies generally will consider it their responsibility to develop as attractive and economical plans as possible, consistent with costs of good administration, to answer the need for smaller group coverage. It is hoped that the plans available for smaller group coverage will be more widely publicized than they have been in the past, and that those employers without private plans of wage continuity in case of illness will come into line and avail themselves of some form of group coverage for their employees.

Recognition must also be given to the many and varied types of individual health and accident policies available through private insurance carriers, but which, obviously, cannot be as attractive in premiums as the group plan of coverage. It is expected that serious study will be given by the private carriers to the further development of this type of insurance along more economical lines than heretofore when more normal conditions make it possible to do so.

The Council is concerned with the possibility, although admittedly a remote one, that with the cancellation of war contracts, some employers may find it necessary to terminate private or group plans of insurance coverage on their employees as one method of reducing expenses. Employers are free to admit, however, that this would take place only as a last resort, knowing full well the effect it would have on working relations with their employees.

Perhaps the chief concern of the Council in connection with employer plans of group insurance is the present lack of continuity of coverage, or transferability of the employee's insurance protection, from one employer to another, although we can report the awareness of private insurance carriers with this problem and with their sense of responsibility in meeting it.

Even with the sense of responsibility for the one third not covered by protection against wage loss due to illness in their places of employment, the Council would question very seriously whether the employer or employee can afford additional taxation at this time, with the already heavy burden imposed, and which will continue for some time to pay for the war indebtedness. When overtime is dispensed with and the forty-hour week is resumed, with its attendant drop in earnings, it is questionable, with the continued deduction of the withholding tax, whether the balance of the worker's income could stand an additional deduction.

A most disastrous result to labor of employer participation in an additional tax burden for such a program would be not only the fear, but inevitability, of pre-employment physical examinations for selection of workers (not present in private group plans) at a time when reconversion plans call for a maximum of employment and the elimination of any measure which would retard such employment.

The present voluntary coverage in health and accident protection in Massachusetts, including cash payments for wage loss, is striking evidence of a consciousness on the part of employers, trade unions, private insurance carriers and the medical profession for the "social security" of the people in Massachusetts and of what can be accomplished through co-ordinated efforts in the private enterprise system. The plans in existence cover this protection to a previously unbelievable extent. Most remarkable, also, is the extent to which the citizens have availed themselves of the opportunities afforded by the various individual and group plans. The Council would question the advisability of disturbing or perhaps thwarting the gains thus made, as the economic independence thus attained when the people meet these problems themselves is democracy in action. Permission of the continuance of this movement by private enterprise and encouragement of its expansion, by groups or individually, to those not yet benefiting by such coverage, would seem to be a very definite need. In the preservation of our American way of life, it would seem essential to establish beyond a reasonable doubt that private enter-

prise could not meet the problem effectively before government compulsion could be justified.

It is clear that there is still much more to be explored, despite all the discussions that have taken place thus far on any phase of a Health Insurance Program under possible governmental control. As yet, some of the basic and fundamental issues or questions have not been answered. It may be questioned, for example —

1. Whether the broad concept that a "minimum of protection" against the major hazards of life should be carried over by the government into the field of illness.

2. Whether a cash benefit for loss of income during illness is a separate, or even a major, phase of a Health Program.

3. Whether anything but a major hazard should be provided for by governmental compulsion.

4. Whether governmental compulsion is necessary until such time as it is clearly demonstrated that private enterprise cannot assume the responsibility.

5. Whether the rôle of government should not be one of adding impetus to the establishment and expansion of private plans rather than in direct participation.

Recommendation.

Because too many unknown factors present themselves in these abnormal times to permit safe judgments; because of the confusion in the minds of many due to the multiplicity of bills before Congress and the fact that basic issues remain unanswered; and because it would be most desirable to watch further developments under our private system of enterprise, the Council would recommend continued study of the subject matter into more normal times, when answers to some of the unknown factors may be forthcoming and when better judgments may be made as to whether private enterprise in Massachusetts has met the challenge for even better and quicker progress in this field than heretofore.

If it is the wish of the Legislature that this Council continue in the study, we shall be glad to accept the assignment.

EXHIBIT A.

SCHEDULE OF MEETINGS HELD BY STATE ADVISORY COUNCIL, DIVISION OF EMPLOYMENT SECURITY, ON SICKNESS BENEFITS.

Separate groups:	DATE
Labor (State Headquarters Officials)	July 9, 1943
Petitioners of Bills	July 15, 1943
Manufacturing Employers:	
Associations	July 22, 1943
Employers	July 29, 1943
Employers	August 5, 1943
Non-Manufacturing Employers:	
Associations	August 12, 1943
Associations	August 19, 1943
Employers (General)	August 26, 1943
Employers (General)	September 2, 1943
Employers (General)	September 9, 1943
Employers (Retail Department Stores)	September 16, 1943
Employers (Utilities)	September 23, 1943
Employers (Insurance)	September 30, 1943
Medical	October 7, 1943
Interrelated State Departments	October 14, 1943
Fraternal Organizations	October 21, 1943
Dr. Vlado A. Getting, Commissioner of Public Health	October 25, 1943
Labor Representatives (International Organizations and Central Labor Unions)	November 1, 1943 November 4, 1943
Combination of above groups	April 12, 1944 April 13, 1944 April 14, 1944
Public hearings (afternoon and evening meetings):	
Lawrence	April 17, 1944
Fall River	April 20, 1944
New Bedford	April 20, 1944
Springfield	April 26, 1944
Pittsfield	April 27, 1944
Worcester	April 28, 1944
Boston	May 1, 1944
Insurance group	August 7, 1944 October 9, 1944

Exhibit B.

EXTENT OF PAYMENTS NOW BEING MADE TO WORKERS FOR TIME LOST BECAUSE OF ILLNESS IN ESTABLISHMENTS SUBJECT TO THE MASSACHUSETTS EMPLOYMENT SECURITY LAW AND PRACTICES IN CONNECTION THEREWITH.

Foreword.

The Advisory Council of the Massachusetts Division of Employment Security was authorized and directed by the General Court in June, 1943, to make an investigation relative to the payment of benefits under the Employment Security law to employees absent from work on account of sickness, and to render a report thereon to the court at its next regular session.

To assist the Council in its investigation, the Director of the Division requested all subject employers of twenty or more individuals now subject to the Massachusetts Employment Security law to furnish, on a questionnaire form provided for the purpose, certain basic information regarding practices in their establishments with respect to payments to workers absent because of illness. A copy of this form is presented in Appendix A.

Questionnaires were mailed in January, 1944, to some 8,156 Massachusetts employers. Notwithstanding the fact that these questionnaires were received by them at a time when end-of-the-year work on various governmental reports was at its peak, Massachusetts employers extended to the Division the outstanding co-operation that has characterized their relations with the Division since its inception. Of the 8,156 questionnaires mailed, 5,561 (or 68.2 per cent) were returned in time for inclusion in this report. These represented approximately 76 per cent of the estimated total number of workers employed in the establishments to which questionnaires were mailed.

In addition to supplying specific answers to the items called for by the questionnaires, 223 of the responding employers co-

operated further by enclosing with their replies additional information as to rates, duration, etc., in effect in their establishments. These enclosures will provide a wealth of material not otherwise available with respect to practices in Massachusetts.

The questionnaires received have been coded by the Division by four-digit industry groups and by cities and towns. The information furnished by the employer included:

1. The source of any cash sickness payments customarily made in the establishment.
2. The class of employees customarily receiving such payments.
3. The method of financing.

For ease of analysis, the replies have also been classified by size-of-establishment groups.

Summary of Findings.

On the basis of the analyses completed to date, the most important facts revealed by the replies are summarized as follows:

1. It is estimated that nearly 600,000 employees in the responding establishments now receive some form of disability payment. Even without allowance for establishments not canvassed or not replying, these 600,000 employees represent about 43 per cent of the total number of individuals on the pay rolls of *all* Massachusetts employers covered by the Employment Security law. While the proportion of workers paid when ill would not necessarily be the same in the establishments not canvassed, or in those which failed to return the questionnaire, it is apparent from the survey that (subject to a waiting period in many instances) at least half of the employees covered by the Massachusetts Employment Security law are customarily paid for all or some portion of the time lost through illness.

2. Of the workers employed in the reporting establishments, it is estimated that approximately two thirds (65.9 per cent) receive some payment for periods when they are absent from work because of illness. However, in view of the diversity of practices, no attempt was made at this time to obtain information as to amount or duration of payments.

3. The lowest percentage of workers customarily receiving payments was found in the construction industries (12.7 per cent), while the highest percentage appeared in the finance, insurance and real estate division (96.6 per cent). In the manufacturing division (which accounts for 60 per cent of the total employment for establishments subject to the Massachusetts Employment

Security law), the percentage of coverage indicated was 59.3. (See Chart A.) For the textile, shoe and apparel industries, the percentage of coverage was considerably below this figure.

4. It appeared that about 305,500 (or 34.1 per cent) of the workers in the responding establishments were wholly without coverage of any kind for wage losses due to disability (other than that covered by Workmen's Compensation). Of these, approximately 85 per cent were employed by manufacturing concerns, and nearly all of them were non-salaried or production workers.

5. The replies reflected the growing popularity of group health insurance, which was the sole source of payments in establishments employing 26.5 per cent of the estimated covered workers, and was one of the sources in establishments employing a further 21.2 per cent where pay-roll payments and/or an employees' benefit society was also reported. (See Chart C.)

6. In establishments accounting for 32.5 per cent of the estimated total of workers customarily receiving disability payments, the employer assumed the entire financial burden. In addition, replies covering 60.1 per cent of the estimated total workers indicated that payments were financed in part by the employer and in part by the worker, *in varying proportions*. It appeared that only 6.6 per cent of the estimated total covered workers were employed in establishments where the employer assumed no part of the expense. (See Chart D.)

7. The analysis revealed close correlation between the size of the establishment and the percentage of workers paid while ill. While the estimated coverage for all reporting establishments averaged nearly 66 per cent, that for establishments with less than 50 workers was only 42 per cent, while establishments with 2,000 or more workers showed an average of 79.6 per cent, the percentage increasing constantly as the size of the establishment increased. (See Chart B.)

8. The questionnaire did not specifically request a report on duration of disability payments. However, many employers volunteered that information. It appears that in many cases, especially where the entire burden is assumed by the employer, duration of payments is likely to be limited to short periods. (However, statistics show that most absences for illness are also of short duration.) In cases where there was a group health insurance policy in force, a week's waiting period was customarily required. In the case of benefit societies, the waiting period was often of shorter duration than seven days.

These and other findings based upon an analysis of the data included in the questionnaires are commented upon in the pages which follow.

Extent of Coverage.

The extent of coverage for the 895,083 employees of the 5,561 responding establishments may be summarized as follows:

	Number of Workers Employed.		
	Total.	Customarily Receiving Payments when Ill.	Not Receiving Payments when Ill.
Total — all responding establishments	**895,083**	**589,582**	**305,501**
Establishments reporting no payments	114,672	-	114,672
Establishments reporting partial coverage (estimated distribution).	267,459	76,630	190,829
Establishments reporting complete coverage	512,952	512,952	-
Per cent distribution — total workers	100.0	65.9	34.1

The foregoing tabulation shows that 65.9 per cent of the workers employed in the responding establishments enjoyed some degree of protection against wage losses due to illness, and that 34.1 per cent of them did not.

It is interesting to note that the 589,582 covered workers shown above represent (without adjustment for coverage in establishments not canvassed or not replying) about 43 per cent of the total number of individuals employed by all establishments subject to the Massachusetts Employment Security law. While data are not available as to the extent of coverage among the 465,000 employees not represented in the responses, it may be conservatively estimated that at least 100,000 workers not included in the survey have similar protection, and that, accordingly, at least one half of the employees covered by the Employment Security law customarily receive payments when unemployed because of illness.

As indicated in the above summary, employees in establishments reporting partial coverage were distributed between the "covered" and "excluded" groups on an estimated basis. These estimates took into account the classes of employees reported as receiving payments, the industry division and the method of financing reported. Further details regarding such estimates appear below under "Workers Not Covered."

VARIATIONS IN COVERAGE, BY INDUSTRY DIVISIONS.

After adjustment for the estimated number of workers excluded in establishments reporting only partial coverage, the replies indicated the following distribution by industry divisions:

INDUSTRY DIVISION.	Total Workers Represented in Replies.	Estimated Number Customarily Receiving Payments.	Per Cent of Total.
Total	**895,083**	**589,582**	**65.9**
Construction	13,629	1,736	12.7
Manufacturing	634,235	376,194	59.3
Transportation, communication and utilities	31,710	23,846	75.2
Wholesale and retail trade	142,991	128,773	90.1
Finance, insurance and real estate	38,273	36,980	96.6
Service	28,931	19,411	67.1
Others	5,314	2,642	49.7

On the basis of the replies received, it appeared that in the construction industries payments during illness were largely limited to salaried and key workers, the total for the division being estimated at 12.7 per cent.

At the other end of the scale, individuals employed by financial institutions, insurance companies, etc., where the employment is usually on a weekly basis, and often on a monthly or annual basis, the traditional attitude of the employer is reflected in the responses to the questionnaire. It appears that 96.6 per cent of the workers in establishments classified in this industry division customarily receive some compensation for time lost through illness.

In the industry division representing the greatest proportion of Massachusetts employees — manufacturing — it appeared that 59.3 per cent of the workers reported by establishments returning the questionnaires were accustomed to receive some payment for wage losses due to sickness.

The next most important division, wholesale and retail trade, accounted for 142,991 (or 16 per cent) of the 895,083 workers represented by the returns. Here, the estimated number having some protection against wage losses through illness was 128,773, or 90.1 per cent. These variations are shown graphically in Chart A.

VARIATIONS IN COVERAGE, BY SIZE OF ESTABLISHMENT.

After workers excluded in establishments in which only limited groups of employees were paid had been prorated on the basis of the assumptions referred to above, it appeared that the percentages of employees who would receive payments, by size-of-establishment groups, were approximately as follows:

SIZE OF ESTABLISHMENT.	Total Workers Represented in Replies.	Estimated Number Receiving Payments.	Per Cent of Total.
Total	**895,083**	**589,582**	**65.9**
Employees:			
20 - 24	23,484	9,992	42.5
25 - 49	59,010	24,954	42.3
50 - 99	75,764	36,650	48.4
100 - 249	114,930	61,536	53.5
250 - 499	99,468	56,608	56.9
500 - 999	109,153	73,479	67.3
1,000 - 1,499	57,704	45,514	78.9
1,500 - 1,999	44,838	33,414	74.5
2,000 and over	310,732	247,435	79.6

As the foregoing table shows, the percentage of workers paid during periods of illness increases generally as the size of the establishment increases (except for a slight drop in the case of establishments employing between 1,500 and 2,000 workers). The employee in the establishment employing 2,000 or more has apparently nearly twice as good a chance of being compensated while ill as does the employee in the establishment employing between twenty and fifty.

It will be realized that the survey was limited to establishments employing twenty or more workers in June, 1943. That the ratio would continue to decline for establishments employing less than twenty people is not to be assumed from the findings in this report. It will be noted that there is a slight increase in the smallest establishments covered, over the next larger group. This decline may be merely accidental, or it may indicate a tendency in the opposite direction which would increase as the size of the establishment decreased. Chart B presents graphically the variations among size-of-establishment groups.

Workers Not Covered.

Of the 5,561 replies received, 1,519, reporting 114,672 workers, stated that no payments were made to any employees during disability. In addition, 2,135 other employers, accounting for 267,459 workers in all, reported that only selected groups of such employees received disability payments. As indicated above (under "Extent of Coverage"), it appeared reasonable to assume that some 190,829 employees in these 2,135 establishments also received no wages or other payments while ill.

A summary of the workers excluded, by description of coverage (if any), in the reporting establishments is as follows:

Class of Workers Excluded.	Number of Establishments.	Total Workers Employed.	Estimated Number Covered.	Estimated Number Excluded.
Total	**3,654**	**382,131**	**76,630**	**305,501**
All (negative replies)	1,519	114,672	–	114,672
Salaried workers	26	9,236	8,397	839
Hourly-rate workers	95	6,804	5,695	1,109
Extras, part-time workers, longshoremen, etc.	3	637	573	64
All except salaried or other key workers	2,011	250,782	61,965	188,817

Distribution of Workers Not Covered, by Industry Divisions.

On the basis of the assumptions indicated above, it appeared that the estimated 305,501 workers not receiving payments when ill, representing 34.1 per cent of the total number of employees in the responding establishments (895,083), were distributed as follows among the various industry divisions:

Industry Division.	Workers Not Covered.	
	Number.	Per Cent.
Total	**305,501**	**100.0**
Manufacturing	258,041	84.5
Wholesale and retail trade	14,218	4.6
Construction	11,893	3.9
Service	9,520	3.1
Transportation, communication and utilities	7,864	2.6
Finance, insurance and real estate	1,293	.4
Others	2,672	.9

Since manufacturing workers showed less-than-average coverage (59.3 per cent as against an average of 65.9 per cent), and since they comprise more than 70 per cent of the workers represented in the responses, it is to be expected that a very large proportion of the non-covered workers will be found in the manufacturing division. It will be observed that 84.5 per cent of the 305,501 non-covered workers are employed by manufacturers.

Type of Coverage.

Provision was made in the questionnaire for the employer to indicate the source of any disability payments customarily made to workers in the establishment, as follows:

(*a*) Employees' benefit association.
(*b*) Group health insurance policy.
(*c*) Employer's pay roll.

By type of coverage, the reporting establishments and estimated total of 589,582 workers customarily paid when ill are summarized as follows:

Type of Coverage.	Establishments.		Estimated Workers Covered.	
	Number.	Per Cent.	Number.	Per Cent.
Total — all affirmative replies	**4,042**	**100.0**	**589,582**	**100.0**
Employees' benefit association only	118	2.9	60,336	10.2
Group health insurance only	671	16.6	155,394	26.5
Employer's pay roll only	2,931	72.5	151,145	25.6
Combination — benefit society and group health insurance.	14	.4	11,909	2.0
Combination — benefit society and pay-roll payments.	73	1.8	97,345	16.5
Combination — group health insurance and pay-roll payments.	205	5.1	46,690	7.9
Combination — all three sources	30	.7	66,763	11.3

It will be noted that the pay roll is the *only* source of payment in 72.5 per cent of the establishments, and is *one* of the sources in all but three of the categories listed above. In other words, the pay roll is a source of payment in approximately 80 per cent of these establishments, and in 72.5 per cent, the only source. (Moreover, as indicated later in this report, the employer often bears a part or all of the cost in establishments where a group health insurance policy or employees' benefit association is one of the sources of payment.)

The group health insurance policy was next in importance, being the sole source in 16.6 per cent of the establishments and one of the sources in a total of 6.2 per cent more.

The employees' benefit association was cited as the sole source of payment in only 2.9 per cent of the establishments, and appeared as one of the sources in 2.9 per cent more. Accordingly, it was by far the least important source of payment.

Workers customarily receiving payments when ill are also distributed by types of coverage in the above tabulation. The relative importance of the various types, from the standpoint of workers represented, is reflected by the percentage variations among them. However, for establishments where more than one source of payment was indicated, it was not possible from the data available to segregate the workers by source of payment; accordingly, the percentages receiving payments through each of the three sources could not readily be estimated.

Subject to the limitations mentioned above in connection with establishments combining two or three types of coverage, the relative importance of the three types of coverage is indicated below:

Type of Coverage.	Per Cent of Covered Workers Employed in Establishments where Type of Coverage is Reported.	
	Alone.	In Combination with Other Types.
Pay-roll payments	25.6	35.7
Group health insurance	26.5	21.3
Employees' benefit society	10.3	29.8

The responses indicate that in some establishments an employee received payments from the employer as well as from the group health insurance policy or the benefit society.

As stated above, it should be realized that in addition to payments made direct to the employee through the pay roll, the employer often assumes a part or all of the financial burden of group health insurance premiums and frequently lends support to the employees' benefit association, as commented upon in detail later in this report.

Variations in Type of Coverage, by Industry Divisions.

It was interesting to observe the variations in type of coverage by industry divisions, as shown in the following tabulation:

Industry Division.	Totals.		Pay Roll Only.		Group Health Only.		Benefit Association Only.		Benefit Association and Group Health.		Benefit Association and Pay Roll.		Group Health and Pay Roll.		Combination All Three Types.	
	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.
Total	**4,042**	**100.0**	**2,932**	**72.5**	**670**	**16.6**	**118**	**2.9**	**14**	**.4**	**73**	**1.8**	**205**	**5.1**	**30**	**.7**
Agriculture, etc.	11	100.0	8	72.7	2	18.2	1	9.1	–	–	–	–	–	–	–	–
Mining and quarrying	9	100.0	8	88.9	–	–	–	–	–	–	–	–	1	11.1	–	–
Construction	138	100.0	126	91.3	10	7.3	–	–	–	–	1	.7	1	.7	–	–
Manufacturing	1,839	100.0	1,125	61.2	463	25.2	74	4.0	12	.7	43	2.3	107	5.8	15	.8
Transportation	169	100.0	109	64.5	34	20.1	4	2.4	–	–	5	3.0	14	8.3	3	1.8
Wholesale and retail trade	1,071	100.0	836	78.1	111	10.3	31	2.9	2	.2	21	2.0	61	5.7	9	.8
Finance, insurance and real estate.	373	100.0	343	92.0	18	4.8	–	–	–	–	1	.3	9	2.4	2	.5
Service	393	100.0	346	88.0	27	6.9	8	2.0	–	–	2	.6	10	2.5	–	–
Unclassified	39	100.0	31	79.5	5	12.8	–	–	–	–	–	–	2	5.2	1	2.5

Group health insurance appears to be more popular among manufacturing establishments, nearly one third (32.5 per cent) of the affirmative replies reporting that plan either alone or in combination with other types of coverage, as shown by the percentages appearing in the above table.

As the tabulation shows, the group health insurance plan had also been rather widely adopted in transportation, communication and utilities industries, since it was indicated in 30.2 per cent in all, of the establishments in that industry division.

VARIATIONS IN TYPE OF COVERAGE, BY SIZE OF ESTABLISHMENT.

Analysis by size of establishment revealed that the source of payment was largely determined by the number of employees involved, as the following table indicates:

Size of Establishment.	Totals.		Pay Roll Only.		Group Health Only.		Benefit Association Only.		Benefit Association and Group Health.		Benefit Association and Pay Roll.		Group Health and Pay Roll.		Combination All Three Sources	
	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.
Total	**4,042**	**100.0**	**2,932**	**72.5**	**670**	**16.6**	**118**	**2.9**	**14**	**.4**	**73**	**1.8**	**205**	**5.1**	**30**	**.7**
1–25	870	100.0	784	90.1	56	6.4	7	.8	–	–	3	.4	19	2.2	1	.1
25–49	1,215	100.0	991	81.6	159	13.1	13	1.1	1	.1	7	.6	43	3.5	1	.1
50–99	846	100.0	585	69.1	169	20.0	16	1.9	2	.2	9	1.1	61	7.2	4	.5
100–249	611	100.0	357	58.4	151	24.7	27	4.4	8	1.3	22	3.6	37	6.1	9	1.5
250–499	242	100.0	121	50.0	62	25.6	26	10.7	1	.4	9	3.7	19	7.9	4	1.7
500–999	142	100.0	59	41.5	40	28.2	10	7.1	1	.7	9	6.3	19	13.4	4	2.8
1,000–1,499	45	100.0	11	24.4	14	31.1	8	17.8	–	–	5	11.1	4	8.9	3	6.7
1,500–1,999	25	100.0	8	32.0	10	40.0	3	12.0	–	–	2	8.0	1	4.0	1	4.0
2,000 and over	46	100.0	16	34.8	9	19.6	8	17.4	1	2.2	7	15.2	2	4.3	3	6.5

It is to be observed from the above tabulation that coverage is less likely to be limited to pay-roll payments as the size of the establishment increases, while the employees' benefit association and group health insurance are more popular with the larger establishments. The benefit association appears to be a negligible factor in establishments where less than 100 workers are employed, although it was reported as the sole source, or one of the sources, of payments by 41 (or 35.3 per cent) of the affirmative replies received from organizations employing 1,000 or more workers.

Distribution of Cost of Disability Payments as between Employer and Worker.

Provision was made in the questionnaire for reporting whether the cost of disability payments made was borne by the employer alone (either directly or through group health insurance or a benefit society financed entirely by the employer), or whether the employees shared the cost or assumed the entire burden themselves.

In order to simplify the employer's task in filling out the form, no question was asked concerning the extent of the workers' and the employer's share of the cost when it was shared between them. In some cases, the replies indicated that the workers supported the benefit society themselves or paid the entire amount of the premiums on the group health insurance policy. In others, however, it. was reported that the employer assumed the entire responsibility for payments to salaried workers, while other employees paid a portion or all of the group health insurance premiums or supported the benefit society in whole or in part.

It was therefore not possible, on the basis of the information obtained, to estimate what proportion of the cost of disability payments now being made to Massachusetts workers, as reported in the questionnaires, is borne by the employees themselves.

The affirmative replies showed the following distribution:

	Affirmative Replies.	
	Number.	Per Cent of Total.
Total — all bases	**4,042**	**100.0**
Costs assumed entirely by employer	3,066	75.9
Costs assumed entirely by employee	127	3.1
Costs shared between employer and employee (not necessarily on an equal basis).	826	20.4
Financing not indicated	23	.6

It will be noted that the employer carried the entire burden in more than three fourths (75.9 per cent) of the establishments in which some or all of the employees received disability payments, and also carried an undetermined proportion in another 20.4 per cent.

As indicated earlier in this report, however, analysis of the replies showed many establishments in which only key workers or salaried employees enjoyed this protection. Most of these limitations were reported by establishments in which the employer assumed the entire burden of disability payments.

After elimination of the estimated number of workers excluded, the distribution of covered workers by financing was as follows:

	Estimated Covered Workers.	
	Number.	Per Cent of Total.
Total — all affirmative replies	**589,582**	**100.0**
Costs assumed entirely by employer	191,780	32.5
Costs assumed entirely by employee	38,577	6.6
Costs shared between employer and employees (not necessarily on an equal basis).	354,287	60.1
Financing not indicated	4,938	.8

Subject to the limitations set forth above, this distribution is shown graphically in Chart D. Chart E shows a further breakdown by type of coverage.

Since the questionnaire did not call for information regarding duration, these charts (Charts D and E) are not designed to show the relation of *total* costs of disability payments actually made as between employer and employee.

Textile Industry.

Of the 409 textile manufacturing establishments to which questionnaires were mailed, 333 (or more than 80 per cent) replied. The responding establishments represented 110,917, or 85 per cent, of the total workers employed by the textile employers canvassed (130,628). This industry group is the most important in the Commonwealth from the viewpoint of workers employed.

Replies indicating that none of the employees receive payments while ill numbered 116, and accounted for 34.8 per cent of the

responding establishments. They represented 18,291 workers, or 16.5 per cent of those employed in such establishments.

Replies indicating that all or some portion of the employees were customarily paid when absent because of illness totalled 217 and represented 65.2 per cent of the responding establishments. It is estimated that of the total number of workers represented by the responding employers in the textile group, 110,917, only 49,389, or 44.5 per cent, customarily receive compensation either from the employer or from a benefit society or group health insurance policy for wage losses due to illness. It also appears that substantially all of the excluded employees are production workers.

In this connection, it was noted that of the 47 replies indicating that *all* employees in the establishments are covered, 8 were from New Bedford employers who reported 10,358 workers covered by group health insurance policies. The contract between the New Bedford Cotton Manufacturers' Association and the Textile Workers Union of America C. I. O., specifies that the association shall furnish group life, death and dismemberment, accident, health and hospital insurance for all employees of its member mills, without expense to the employee. Under this arrangement, textile workers in New Bedford receive weekly benefits of $10.50 beginning with the eighth day of disability due to sickness not covered by Workmen's Compensation for a maximum of 13 weeks for any one disability. We are informed that this provision is being inserted in the C. I. O. cotton textile workers' contracts in other Massachusetts areas as such contracts come up for renewal. By April 20, 1944, it was reported that 43 textile plants, scattered throughout the Commonwealth, had negotiated contracts in which this provision appears.

This arrangement will provide coverage, during the term of these contracts, for a significant portion of the Massachusetts labor force.

The group health insurance policy was by far the most important type of coverage indicated for the textile industry. By source of payment, the estimated number of workers customarily receiving payments while absent through sickness was distributed as follows:

Type of Coverage.	Estimated Number of Workers.	Per Cent of Total.
Total	**49,389**	**100.0**
Benefit society only	4,865	9.9
Group health insurance only	35,900	72.7
Pay-roll payments only	6,600	13.4
Combination of group health and pay-roll payments	1,849	3.7
Combination — all three plans	175	.3

In the textile group, payments to more than half of the estimated covered workers were being financed entirely by the employer; in addition, the employer was sharing the burden, either by paying salaried workers while others financed their own disability compensation (through group health insurance or a benefit society), or by contributing a part of the premium for group health insurance covering all or some portion of the employees. Less than 5 per cent of the covered workers were employed in establishments where the employer bore no part of the cost of the disability payments being made.

Cost Borne by —	Number of Workers.	Per Cent of Total.
Total	**49,389**	**100.0**
Employee alone	2,237	4.5
Employer alone	25,108	50.8
Both contributing	21,909	44.4
Financing not indicated	135	.3

Shoe and Leather Manufacturing.

In pre-war times, shoe manufacturing and its related activities represented the second most important industry in Massachusetts.

Questionnaires which were mailed to 469 employers in this group accounted for 63,770 employees. Replies were received from 346 employers (73.8 per cent of the total canvassed), representing 47,444, or 74.4 per cent, of the total workers.

The replies indicated that in 139 (or 40.2 per cent) of the responding establishments, none of the 12,433 employees received any payments during illness.

The remaining 207 establishments, employing 35,011 workers, indicated that all or some portion of their employees were customarily receiving payments. On the basis of the information shown in the replies, the number receiving some form of disability payment was estimated at 17,149, or 36.2 per cent; as in the textile group, the excluded employees are principally production workers.

By type of coverage, this estimate of 17,149 workers is summarized as follows:

Type of Coverage.	Estimated Number of Workers.	Per Cent of Total.
Total	**17,149**	**100.0**
Benefit society only	5,178	30.2
Group health insurance only	5,508	32.1
Pay roll only	2,116	12.3
Combination of group health insurance and benefit society	920	5.4
Combination of benefit society and pay-roll payments	845	4.9
Combination of group health insurance and pay-roll payments	2,292	13.4
Combination — all three sources	290	1.7

As the above table shows, group health insurance is the most important source of payments in this industry also. The benefit society is apparently relatively more popular in the shoe industry than in either textiles or apparel manufacturing.

Apparel Industry.

Of the 529 establishments canvassed in this industry group, 320, or 60 per cent, returned the questionnaires. These represented 29,506, or 65.2 per cent, of the total workers in the 529 establishments (45,269).

The replies indicated that relatively few employees in this industry group receive any payments when they are unemployed because of illness. Of the 320 questionnaires returned, 152 stated that none of the 12,057 employees was paid while ill.

Affirmative responses were received from 168 employers representing 17,449 workers. In a large proportion of these, however, the questionnaires showed that only a selected group of workers was actually paid while ill. The number customarily receiving such payments is estimated at 5,878, or 19.9 per cent, as compared with the state average of 65.9 per cent. As in the

textile group, the excluded employees were principally production workers.

In this industry group, group health insurance was the most important source of payments on the basis of estimated workers covered, as the following summary shows:

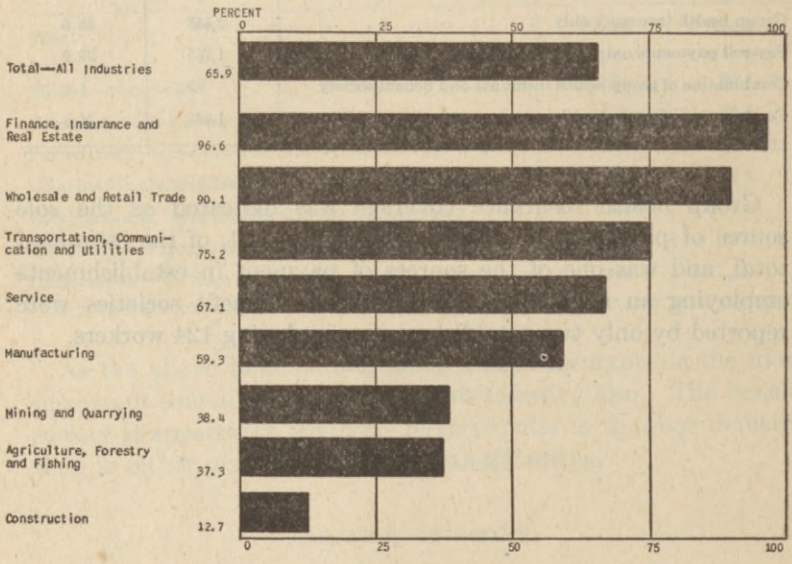
Type of Coverage.	Estimated Number of Workers.	Per Cent of Total.
Total	**5,878**	**100.0**
Benefit society only	41	.7
Group health insurance only	2,558	43.5
Pay-roll payments only	1,755	29.9
Combination of group health insurance and benefit society	89	1.5
Combination of group health insurance and pay-roll payments	1,435	24.4

Group health insurance coverage was indicated as the sole source of payments for 2,558, or 43.5 per cent, of the estimated total, and was one of the sources of payment in establishments employing an additional 1,524 workers. Benefit societies were reported by only two establishments, employing 124 workers.

CHART A

PERCENT OF WORKERS CUSTOMARILY RECEIVING PAYMENTS FOR PERIODS WHEN ABSENT THROUGH ILLNESS

BY MAJOR INDUSTRY DIVISIONS

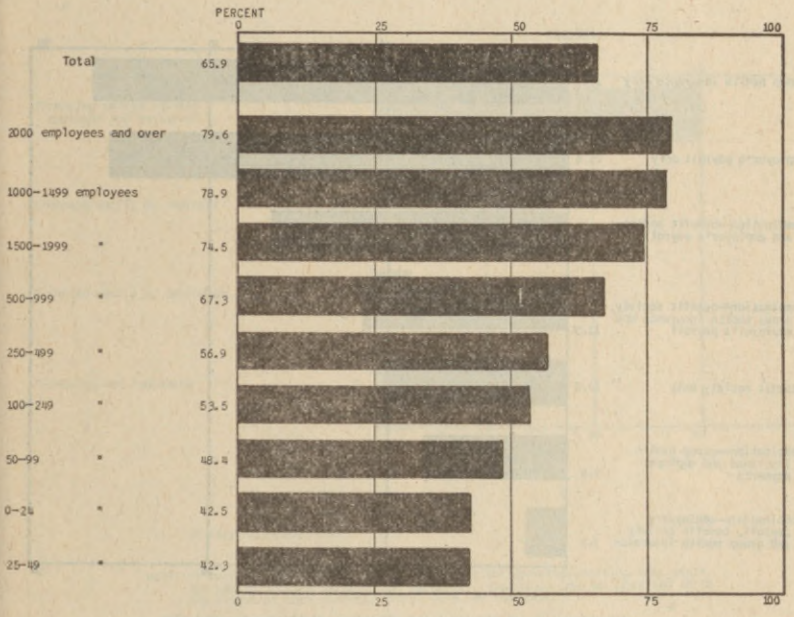


Based upon replies received from 5,561 of 8,156 employers of 20 or more individuals.

CHART B

PERCENT OF WORKERS CUSTOMARILY RECEIVING PAYMENTS FOR PERIODS WHEN ABSENT THROUGH ILLNESS

BY SIZE-OF-ESTABLISHMENT GROUPS

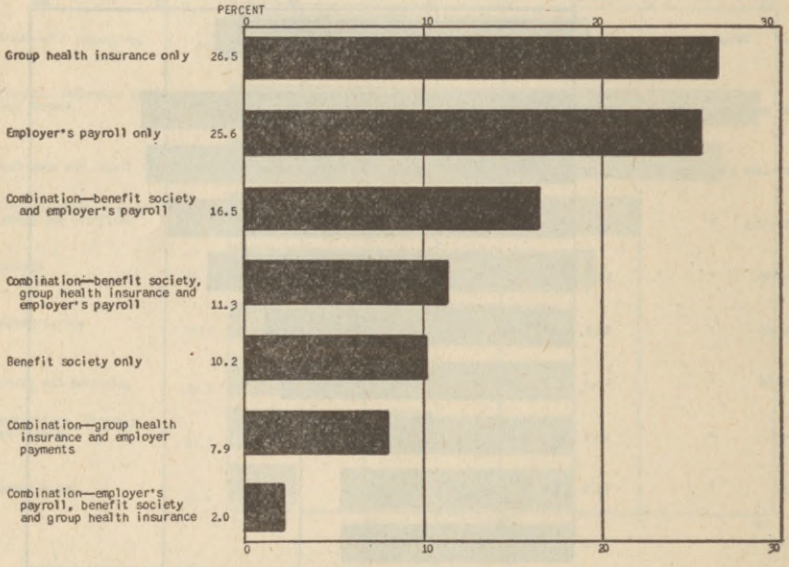


Based upon replies received from 5,561 of 8,156 employers of 20 or more individuals.

CHART C

PERCENT DISTRIBUTION OF ESTIMATED TOTAL NUMBER* OF WORKERS CUSTOMARILY RECEIVING PAYMENTS FOR PERIODS WHEN ABSENT THROUGH ILLNESS

BY TYPE OF COVERAGE (OR COMBINATION OF TYPES) REPORTED BY EMPLOYING ESTABLISHMENT



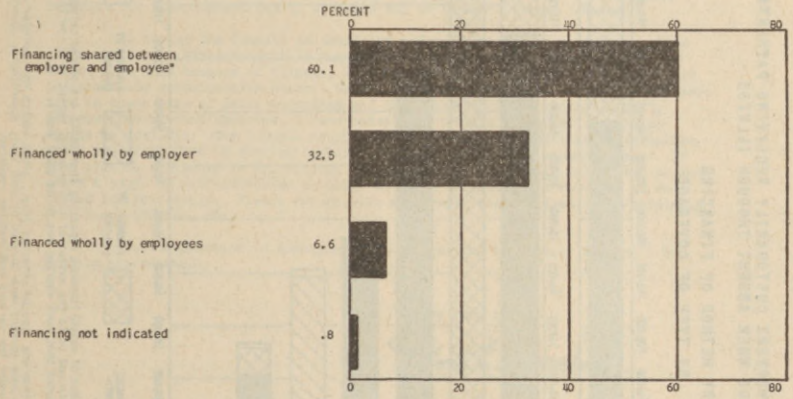
* Estimated at 589,582 for 5,561 responding establishments, employing 895,083 workers.

NOTE: Where the employer reported more than one type of coverage (e.g., group health and employer's pay roll), it was not possible to determine how many workers were covered by each type; accordingly, coverage for such establishments can only be shown under the various combinations reported.

CHART D

PERCENT DISTRIBUTION OF 589,582 WORKERS CUSTOMARILY RECEIVING PAYMENTS WHEN ABSENT THROUGH ILLNESS

BY TYPE OF FINANCING



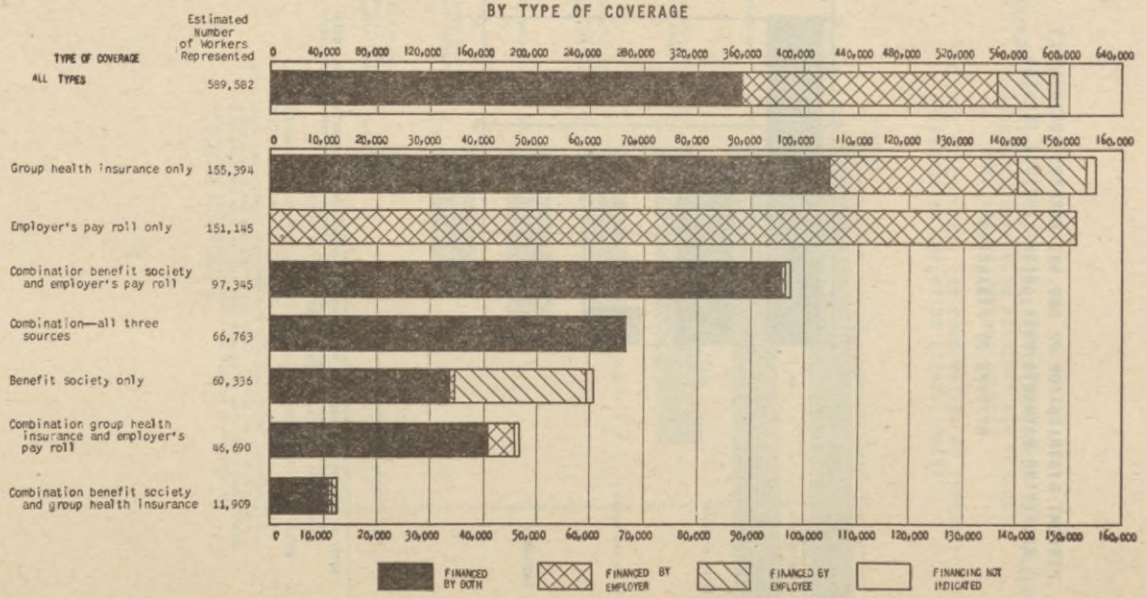
* In varying proportions.

NOTE: It must be realized that in the case of establishments reporting that costs are shared between employer and employee, information was not obtained as to the extent of such sharing, except in a few instances.

DISTRIBUTION OF WORKERS CUSTOMARILY RECEIVING PAYMENTS FOR PERIODS WHEN ABSENT THROUGH ILLNESS

CHART E

BY METHOD OF FINANCING
BY TYPE OF COVERAGE



NOTES: (a) It must be realized that in the case of establishments reporting that costs are shared between employer and employee, information was not obtained as to the extent of such sharing, except in a few instances. Accordingly, it should not be assumed that such sharing was on an equal basis.

(b) Where the employer reported more than one type of coverage (e.g., group health and employer's pay roll), it was not possible to determine how many workers were covered by each type; accordingly, coverage for such establishments can only be shown under the various combinations reported.

The Commonwealth of Massachusetts
Division of Employment Security
881 Commonwealth Avenue, Boston 15

In Reply Refer to
Research and Statistics

To the Employer:

The Advisory Council of this Division was directed by the Legislature at its latest session to make an investigation of the subject of cash sickness benefits for unemployment due to sickness and to render a report thereon.

To assist the Council in obtaining information regarding existing plans and practices in Massachusetts in connection with payments to employees who are absent from work because of illness, I am requesting a selected list of employers to answer the questionnaire below. Having in mind the problems which all employers face in these days of labor shortages and increased reporting requirements by various governmental agencies, I have endeavored to make the questionnaire as simple as possible. The Council would be grateful for any additional information which you might care to furnish concerning rates, duration of payments, etc. If your plan is available in typewritten or printed form they would be pleased to receive a copy. A self-addressed envelope on which no postage is required is enclosed for your reply. Please return with your reply the enclosed card containing your name, address, etc.

Your cooperation in supplying this information by January 20th will be greatly appreciated.

Yours very truly,

Robert E. Marshall
Robert E. Marshall, Director

Approximate number of employees_____
Do workers in your establishment receive payments for periods when they are absent because of illness? Yes ☐ No ☐ If so, please check the appropriate blocks below.

Source of Payment	Class of Employees Receiving Payments	Financing
Paid by employees' benefit association ☐	All employees ☐	Employee contributions (or premiums) only ☐
Paid through group health insurance policy ☐	Optional ☐	Employer contributions (or premiums) only ☐
Paid by employer ☐	Salaried employees excluded ☐	Both employer and employee contributions (or premiums) ☐
Other, please describe	"Hourly-rate" employees excluded ☐	
	Limited to salaried employees ☐	
	Other, please describe	

_____
(Name of Employer)

Date_____ By_____
(Title)

QUESTIONNAIRE.

Exhibit C.

DISABILITY COVERAGE OF BENEFIT SOCIETIES REGISTERED WITH THE MASSACHUSETTS DIVISION OF INSURANCE.

In connection with the Advisory Council's investigation of the subject of cash sickness benefits for unemployment due to illness the Department of Reports and Analysis has made a study of the organizations registered with the Massachusetts Division of Insurance in accordance with chapter 176 of the General Laws. This chapter requires, in effect, that all fraternal benefit societies paying death or disability benefits in Massachusetts shall be registered with the Division and shall annually file certain information. Some of these organizations have been in existence for many years, as indicated by dates of incorporation running back to 1874.

An examination of the by-laws of the registered organizations in the Division's files reveals that 572 of them pay benefits to members when ill. Of these, 43 associations, comprising 18,253 members, were connected with establishments covered by the Employment Security law, and are therefore already represented in the survey recently made by this Department.[1] The other 529 organizations included 151,563 Massachusetts members, and were classified as follows:

	Number of Organizations.	Number of Massachusetts Members.
Groups organized under the "lodge system"	19	72,353
Groups of individuals of foreign birth or extraction	414	57,536
Groups of public employees, such as policemen, firemen and postal workers.	89	13,309
Occupational groups	5	5,225
Other groups	2	3,140
Total	529	151,563

[1] "Extent of Payments Now being Made to Workers for Time Lost because of Illness in Establishments Subject to the Massachusetts Employment Security Law, and Practices in Connection Therewith." May 4, 1944.

It should be realized that, with the exception of the societies representing public employees, any of the groups listed above may include workers covered by the Massachusetts Employment Security law. It is also possible for an individual to belong to more than one of these societies.

Since membership in most cases is not restricted to employed individuals, it appears that some portion of the above total would be accounted for by housewives and others not normally a part of the labor force.

Groups Organized under the "Lodge System."

Societies operating under the lodge system (as defined in section 2 of chapter 176), which paid temporary disability benefits to their members numbered 19 and reported a total membership of 72,353 in Massachusetts.

The largest single organization was found in this group — L'Union St. Jean Baptiste d'Amerique. It had a membership of 29,093 in Massachusetts alone at December 31, 1943.

Another large association operating under the lodge system was La Société des Artisans, with a Massachusetts membership of 13,563 at the end of 1943.

Most of the societies in this class drew their membership from various groups of foreign birth or extraction.

Groups of Fraternal Societies Not Operating under the "Lodge System" and Comprising Individuals of Foreign Birth or Extraction.

About 80 per cent of the 529 societies paying disability benefits, as summarized above, came within this category. They accounted for a total of more than 57,500 members.

Analysis of the membership requirements set forth in their by-laws showed the following distribution among nationality groups:

Nationality Groups.	Societies.		Membership.	
	Number.	Per Cent.	Number.	Per Cent.
Totals	**414**	**100.0**	**57,536**	**100.0**
Italian	170	41.1	13,769	23.9
Portuguese	24	5.8	11,237	19.5
Lithuanian	68	16.4	10,827	18.8
French-Canadian	8	1.9	6,756	11.8
Polish	33	8.0	3,809	6.6
Jewish	23	5.5	2,561	4.5
Miscellaneous	88	21.3	8,577	14.9

Of the 88 societies listed above as "miscellaneous," the names of a substantial number indicated that their members were probably of foreign birth or extraction, but their nationality groups could not readily be identified. Also included under "miscellaneous" were certain nationalities represented by a few societies with a relatively insignificant total membership.

It will be observed that, from the viewpoint of toal membership, the Italian societies were the most important, representing 23.9 per cent of the total coverage, and that Portuguese organizations were next, with a percentage of 19.5. The third most important group were the Lithuanian societies, which accounted for 18.8 per cent of the total membership.

A study of the by-laws indicated that approximately 63 per cent of the membership was accounted for by organizations comprising both men and women. Organizations limited to men represented 24 per cent of the societies and 21 per cent of the membership, while women's organizations accounted for 13 per cent of the societies and 16 per cent of the membership.

Chapter 176 specifies that membership (so far as disability benefits are affected) shall be limited to persons between 16 and 60 years of age. However, many of the societies set a minimum of 18 or 21 or an upper limit of 45, 50, or 55.

It appeared that a substantial proportion of the societies, about 26 per cent, representing 21 per cent of the total membership, undertook to furnish physicians' services along with disability benefits. Only 28 per cent of the societies, accounting for 26 per cent of the membership, were definitely shown *not* to be furnishing physicians' services, while the balance, representing 47 per cent

of the total, and accounting for 54 per cent of the total membership, failed to indicate in their by-laws whether such services were furnished or not.

Along with provisions for disability payments, a relatively large proportion, 88 per cent of the societies, accounting for 89 per cent of the total membership, also paid death benefits. Only four of the societies were definitely identified as *not* paying death benefits, while the by-laws of the remaining forty-three were not clear on this point.

The lowest disability benefit rate indicated for these organizations was $1.50 per week, while the highest was $15. The most popular rates among this group of societies were $5, $7 and $10. About half of them pay disability benefits of less than $7 per week.

Maximum duration of benefits, as indicated by the by-laws, varied widely. A large proportion of these societies failed to indicate clearly in their by-laws whether the stated maximum applied to a calendar year, to a single disability, or was cumulative from the date of the member's initiation. In many cases the rate diminished with duration of illness. On the basis of the information available, it appeared that nearly half of these societies, representing about 40 per cent of the total membership, restrict their maximum to less than $100, and that only 15 per cent of the organizations, covering about one fourth of the total membership, pay maximum amounts of $200 or more.

Since organizations paying disability rates of not more than $10 are *not* required to file annual statements of income and expenditures, it was not possible to determine the amounts collected from members or the total amounts paid to them.

Membership dues as shown by the by-laws are in some cases as low as 25 cents a month, and it is evident that disability payments are financed by some societies, in part at least, from other sources, including the proceeds of social events and special assessments on members.

Groups of Public Employees.

These 89 societies, comprising over 13,000 members, represented firemen, policemen, postal workers, etc.

While their stated annual dues were relatively low, their benefit rates and duration were much higher, on the average, than those paid by the foreign nationality groups, the main source of income probably being the social events which are run annually by many of them for the purpose of raising funds for the benefit society.

Occupational Groups.

These five associations represented, respectively, marketmen, barbers, printers, perchers and commercial travelers. Their total membership was 5,225, of which 4,685 were accounted for by the Eastern Commercial Travelers' Health Association.

Other Groups.

Two other societies found to be registered were not classifiable in any of the groups mentioned above, — the Massachusetts Benevolent Association for the Deaf, Inc., with a membership of 43, and the Masonic Casualty Company, with a Massachusetts membership of 3,097. Membership in the latter is restricted to members of the Masonic Fraternity.

As indicated earlier in this report, the amount of benefits paid by these societies and the method of financing could not readily be determined from the records available. However, it was evident from our study that the fraternal societies registered with the Division of Insurance play an important rôle in partially compensating the workers who belong to them for loss of wages due to illness.