Temporary Disability Insurance Coordinated With State Unemployment Insurance Programs

By Arthur J. Altmeyer*

Wage loss incurred by disability is one of the most serious threats to the economic security of American workers. The illogicality of paying benefits to an unemployed worker only so long as he remains able to work, and stopping those payments when he becomes ill, has been evident ever since unemployment benefits became payable, and States and their employment security agencies are manifesting a growing interest in temporary disability insurance. Coordination of temporary disability benefits with State unemployment insurance programs, the Social Security Administration believes, offers a feasible approach to this goal.[1] But the value of such a program, to workers and employers within a State and to the State as a whole, will depend in large part on the soundness and effectiveness of the provisions actually incorporated in the State law.

PROBABLY BECAUSE our Social Security Act became law in the midst of a severe depression, when millions of workers had no jobs and old people were being crowded out of the labor market, the United States began its national social insurance program with unemployment insurance and old-age insurance. In all other countries, social insurance has begun with measures to provide cash benefits or medical care—and usually both—to workers who fall sick or are chronically disabled. In every country and at all times—good and bad—sickness and permanent disability constitute a chief cause of poverty, dependency, and family break-down.

As our Nation has swung past the peak pressures of war production to the present very high levels of employment and earnings, it has become increasingly clear that our present social insurance programs, however well developed, leave large areas of economic insecurity still untouched. All States but one have workmen's compensation laws that provide cash benefits and medical care for covered wage earners who meet with certain work-connected injuries or diseases. Disabilities resulting from such causes, however, are only a small fraction—perhaps 5 and certainly less than 10 percent—of all disabilities suffered by workers. Nor has private insurance been able to offer the majority of wage earners adequate protection against the costs of sickness and disability at a price that they can afford.

It is obviously illogical to provide social insurance benefits to meet part of a worker's loss of earnings when he is able to work but cannot get a job but to make no provision against his precisely similar loss when he is too sick to work. The sick worker not only loses wages but also usually has to pay the doctor, buy medicine, perhaps meet hospital bills and other medical costs. The development of insurance against unemployment due to lack of work has inevitably called attention to the need for insurance against unemployment due to sickness.

Recognizing the force of this parallel, Maryland, Montana, and Nevada in 1945, and Idaho and Tennessee in 1947, modified the requirement in their unemployment insurance laws that a claimant must be able to work by providing that no claimant will be considered ineligible for unemployment benefits by reason of illness or disability occurring after he has registered for work if he has not refused a job that, except for his disability, would have been suitable. Under the Servicemen's Readjustment Act, readjustment allowances are paid to veterans who were able to work when they filed their claims, even though they later refuse work because of disability. Though such provisions alleviate some problems, they create other inequities and are not a substitute for temporary disability insurance.

Rhode Island became the first State to provide general social insurance against wage loss in temporary disability when, in 1942, it established cash sickness benefits for workers covered by its unemployment insurance law. In 1946, California followed suit. Bills relating to temporary disability benefits have been introduced in 21 other States. In the 2 State laws enacted and most of the proposed State laws, and also in a Federal law passed by Congress in 1946 for railroad workers, cash benefits for temporary disability are administered by the agency that administers unemployment insurance; the programs cover the same workers who are covered by unemployment insurance in the jurisdiction and use the same wage records and benefit formula.

Both Rhode Island and California have arranged to finance the cash sickness benefits from employee contributions that formerly went into the unemployment trust fund. In 1946, Congress passed legislation permitting States, if they so wish, to use employee contributions formerly deposited to their accounts in the Federal unemployment trust fund to finance temporary disability benefits. In addition to California and Rhode Island, seven States—Alabama, Indiana, Kentucky, Louisiana, Massachusetts, New Hampshire, and New Jersey—have collected employee contributions for unemployment insurance; most of them have considerable amounts of accumulated

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[1] For a discussion of substantive and administrative problems involved in developing a sound plan of disability insurance as part of a State's unemployment insurance program, see *Temporary Disability Insurance Coordinated With Unemployment Insurance* (January 1947), a monograph prepared by the Bureaus of Research and Statistics and Employment Security, and available, on request, from the Social Security Administration. A brief and nontechnical introduction to the statistics on disability is available in *Disability Among Gainfully Occupied Persons . . .*, by I. S. Falk, Barkev S. Sanders, and David Federman (Bureau of Research and Statistics Memorandum No. 61), June 1945.

funds ready at hand that can be used for disability insurance.

Thus, social insurance against nonoccupational temporary disability has come into existence in this country in conjunction with unemployment insurance. Workers, employers, State administrators, and the general public have an important stake in considering the potentialities of such a program and the choices that lie open to them in establishing insurance against the economic risks of sickness and disability.

Scope of Present Laws and Proposals

It should be recognized at the outset that the two existing State laws and most of the proposals for State legislation deal, and are intended to deal, with only part of the problem of economic insecurity due to sickness and disability.

On an average day, nearly half of all the cases of disability among members of the labor force, or persons of working age who would have been in the labor market except for their disability, have already existed for 6 months or more. Ordinarily these long-disabled persons would be outside the scope of temporary disability insurance; if they had qualified for such benefits, they would have used up their rights. The greatest need for insurance protection, however, is in such households, where a worker has been laid up for a long time and may never be able to hold a job again. Only comprehensive provisions that include insurance against chronic or permanent disability will meet the needs of the families on which the risk of incapacity falls most heavily.

Among some 1,750,000 members of the labor force who, on an average day, have been incapacitated for less than 6 months, many are outside the coverage of State unemployment insurance laws or cannot meet the eligibility requirements of such laws. If the potential duration of disability benefits follows the patterns now set for State unemployment benefits, many incapacitated workers would have exhausted any temporary disability benefits for which they had qualified long before the end of 6 months. Under a coordinated program, the meaning of a temporary disability program for workers in a State will depend in considerable part on the adequacy of the State's provisions for unemployment insurance as well as on the specific provisions (not all of which need be the same as for unemployment benefits) adopted for temporary disability benefits.

Of great importance, too, is the fact that neither the existing laws nor most of the proposals for State legislation make any provision for meeting costs of medical care of the disabled worker. Cash disability benefits, like unemployment benefits, replace only part of the earnings the individual would have had if he had been on the job. Benefits therefore usually do not represent the family's ordinary living costs, let alone the additional expenses created by sickness. In other countries, temporary disability insurance has almost always been linked with medical services in a health insurance program.

This linkage recognizes that adequate medical care is fully as important to the worker as the money he receives to replace part of his wage loss. Prompt and adequate care of sickness and, whenever possible, prevention of more serious and prolonged incapacity are of paramount importance also to the insurance fund and to the community as a whole. The importance of linking cash benefits with provision for care of the sick or injured worker has been recognized in this country by the State workmen's compensation laws.

Granted, however, the limitations inherent in a program of temporary disability insurance alone, such a program of social insurance can enable workers to buy important protection which, by and large, they cannot get or afford in any other way.

Characteristics of a Coordinated Program

Unemployment insurance and temporary disability insurance are alike in that both are intended to compensate workers who are ordinarily in the labor market for part of their wage loss during relatively brief periods when they cannot earn. Coordination of administration of the two types of benefits can effect considerable savings in administrative costs and can simplify administration, as compared with two separate systems, from the standpoint of workers, employers, and administrative staff.

To serve both these objectives, the same wage reports, wage records, and initial determination of a worker's financial eligibility (in terms of his earnings in covered employment in the base period) should serve for both programs. Coverage provisions, the base period, certain eligibility requirements, and the basic benefit formula should also be the same.

On the other hand, disability insurance entails some special decisions by a State that is contemplating such a program, such as the definition of the disability to be compensated, procedures in determining that the worker is disabled, and so on. Several of these points are mentioned briefly below. A further decision of crucial importance from the standpoint both of the cost of the system and of its value to workers and the community concerns the type of fund to be established—whether, as in Rhode Island, all benefits are to be paid from the State fund built up from social insurance contributions, or whether, as in California, commercial insurance carriers participate in the program. This question will be discussed in connection with the costs and financing of a State program.

Definition of disability.—Under temporary disability insurance, a logical definition of disability is incapacity of the insured wage earner to perform his customary or most recent work without jeopardizing his recovery. Since most spells of disability are brief and insurance payments are made for only a relatively short time, it would be unreasonable to require that a claimant be disabled for *any* gainful work if he is to receive benefits. For example, a watchmaker with a broken wrist that keeps him from working at his own trade should be considered disabled even though he could perform a job as, say, a messenger.

The disability insurance law should be clear on the course to be followed in claims from pregnant women. The desirable course is to provide benefits to any insured woman who is unable to carry on her customary work, whether or not the cause of her incapacity is pregnancy. In any case, it

would be desirable to provide a minimum period of benefits of 6 weeks before and 6 weeks after childbirth.

Waiting period and benefit week.—In temporary disability insurance, as in unemployment insurance, the waiting period serves to rule out brief periods of inability to earn when the amount of the wage loss is less serious for the worker, and to conserve the funds of the system for the insured persons whose losses are greater. It also gives the time needed by the agency to carry through the operations necessary to pay benefits promptly when due.

Relatively many more spells of disability than of unemployment are limited to only a few days. Of all the spells of a day or more of disability among workers, probably from 75 to 80 percent last less than 8 days. A waiting period of 7 consecutive days would therefore conserve the financial resources of the disability fund, since the many very brief disabilities would be ruled out, while at the same time it would not leave a heavy financial loss to be carried by the worker. The waiting period appropriate in all States, regardless of the provisions in the unemployment insurance law, would be 1 week in a benefit year, equivalent to a week of total unemployment rather than to a week of total or partial unemployment.

The calendar week may be used for benefit purposes in unemployment insurance, since lay-offs are likely to come at the end of the week and since workers can receive benefits if they are only partially unemployed during the week. The beginnings of spells of disability, however, do not follow the calendar. To use a calendar week for the waiting period and benefit week in disability insurance (as in Rhode Island) results in hardship for claimants whose incapacity begins or ends in the middle of a week. A worker who falls sick on a Tuesday, for example, will have to be incapacitated for not only the remainder of that week but also all the week following before he completes the waiting-period requirement—not 7 days, but 12. When benefits are paid only for a full calendar week of incapacity, a claimant who is really well enough to go back to his job by the middle of a week would have an added incentive to wait until the following Monday, for otherwise he would lose compensation for the earlier days when he was actually too ill to work.

It is therefore desirable that the waiting period should consist of any 7 consecutive days of disability and that benefits should be paid on the basis of a flexible week of this type—7 consecutive days of incapacity—with provisions for compensating part-weeks at the end of a spell of compensable disability.

Eligibility.—To show that he is currently in the labor market, an unemployed worker must register at a public employment office before he can receive benefits, and must also hold himself available for any suitable job that offers. A disabled worker, to whom benefits are payable also on the assumption that he is losing earnings, obviously cannot be required to meet that test of current attachment to the labor market. Because eligibility for benefits is based on wages received in a past period—the base period, as defined by the law—disability benefits may be paid to persons who have been out of the labor force for a considerable time before the onset of their disability.

For example, in Rhode Island, which uses a calendar-year base period, a person who earned $100 in covered employment in the first calendar quarter of 1945 could claim disability benefits at any time between the first Sunday in April 1946 and the first Sunday in April 1947. Rhode Island amended its law in 1946 to require, as a test of current attachment to the labor market, that a claimant must have been employed or have registered for work at an employment office within 6 months before the weeks for which he claims disability benefits. California, which has an individual base period and benefit year, is using a similar requirement, but within a 3-month period. To safeguard use of the insurance funds for the purpose for which they are intended, it is important that both unemployment insurance and temporary disability insurance should have tests to determine that the worker is actually in the labor force at the time he claims benefits and not rely merely on the evidence that he has been employed at a prior period—his base period.

Also on the principle that the use of the insurance funds is intended for workers whose disability causes actual loss of earnings, an insured worker, though otherwise eligible, should not receive benefits if he continues to draw pay while he is sick or if he is receiving another social insurance benefit (unemployment benefit, old-age and survivors insurance benefit, or workmen's compensation payable for the same incapacity) equal in amount to his temporary disability benefit. In the interest of prompt payment of benefits for disability at the time when the claimant most needs the money, it is desirable to have temporary disability benefits paid to an otherwise eligible claimant even though his incapacity may later be found to have been covered by the State workmen's compensation law. If an award is later made to him under that law, the disability fund would then be reimbursed.

Claims and certification.—Obviously, provision should be made that a disabled person can file his benefit claim by mail and that others can fill out and sign his claim or other documents if his physical or mental condition makes it impossible for him to do so. Certification by a licensed physician that the claimant is incapacitated for his customary or most recent work is essential, since this is a medical question on which only a physician is competent to rule. In States that require employee contributions, persons whose religious tenets prevent them from consulting a physician may be permitted, as in Rhode Island, to "elect out" of the program—that is, they are exempted from contributions and are ineligible for benefits under the program.

Experience in this country and elsewhere shows that it is desirable to have the medical certification made by the claimant's attending physician and to have medical review of all such certificates by the agency. This practice, which Rhode Island follows, assures consideration of the case by a doctor who knows the patient, while the review (and, if indicated, examination of the patient) by the agency

physician protects the family doctor from undue pressure on the part of the patient or his family, safeguards insurance funds, and helps to assure uniform and equitable policies and decisions on claims.

Amount and type of benefits.—A worker should not have a financial incentive to claim a disability benefit rather than an unemployment benefit or vice versa. For this reason, and also to simplify and unify administration, the same benefit formula should be used for both purposes. The basic benefit amount must, of course, be less than customary wages so as not to weaken the beneficiary's incentive to get a new job or go back to his job as soon as he can.

The unemployment insurance laws of five States recognize the presumptively greater needs of beneficiaries on whom others are dependent by providing an allowance for certain dependents of a jobless worker in addition to the basic amount to which the individual's past wage record entitles him. Such allowances express the objectives of social insurance by adjusting benefits to take account of the presumptive needs of the individuals concerned. To make additional allowance for dependents enables a social insurance system to meet actual needs effectively without the unnecessarily high costs and other disadvantages that arise if an amount adequate for the claimant with dependents is payable to everyone who qualifies for benefits. For these reasons, dependents' benefits have also been incorporated in the Federal system of old-age and survivors insurance, in certain provisions for veterans, in some State workmen's compensation laws, and in many foreign social insurance systems. The need for allowances for the family of a disabled worker is ordinarily even greater than for that of a jobless worker since, as has been pointed out, the former ordinarily must meet the additional expenses of illness at the time when he is losing earnings. This need is the more urgent when, as under the existing programs in this country, disability insurance is not linked with insurance against the costs of medical care. It is to be hoped that the development of coordinated programs of unemployment insurance and temporary disability insurance will include the provision of dependents' allowances under both programs.

Duration of benefits.—Under both unemployment insurance and temporary disability insurance the potential duration of benefits should be enough to give most covered workers protection for the whole period of their inability to earn. The two programs differ in one respect, however. While the average length of spells of unemployment differs considerably between good years and bad, the amount and average duration of disability among workers does not vary greatly from year to year. Payment of temporary disability benefits to any eligible worker for as much as 26 weeks would protect the large majority of persons with valid claims, though, as has been pointed out, it would not solve the subsequent problems of persons with protracted or chronic disabilities, which require insurance against permanent disabilities or invalidity. It is therefore desirable that temporary disability benefits should have a uniform potential duration of 26 weeks. Such a provision would not cause serious administrative difficulties in States that have a briefer uniform duration or variable duration for unemployment benefits.

Cooperation of interested groups.—As in other areas of social insurance, effective and economical administration can be greatly facilitated by the full understanding and cooperation of the groups directly concerned—workers, employers, physicians and others who deal professionally with sickness and disability, and the general public. Both in working out and setting up a program of temporary disability benefits and in its subsequent operation, a State may make good use of advisory councils composed of members of such groups to aid in furnishing needed information, reconciling the inevitable differences of opinions arising from different viewpoints, and promoting a wider understanding of common interests in the program.

Financing and Costs

Source of funds.—Both Rhode Island and California finance temporary disability benefits wholly from employee contributions. The Federal temporary disability system for railroad workers, on the other hand, is financed out of the 3-percent employer contribution originally levied for unemployment insurance alone. Temporary disability insurance contributes to the well-being of the community as a whole and of employers as well as of the workers directly protected, since it may be expected to help improve the health of the population, reduce dependency and the need for public aid, and sustain worker morale and the buying power of the community. It is a sound principle of social insurance that all who benefit from the program should share in financing it. Consideration therefore may well be given to having employers and government also contribute toward the costs of temporary disability benefits.

In unemployment insurance, Federal grants to States meet the full cost of administering State unemployment insurance laws that have been approved by the Federal Security Administrator as meeting general conditions specified in the Federal law. The Federal Government does not share financially in costs of the existing State programs of temporary disability insurance. In its concluding annual report, for the fiscal year 1945–46, the Social Security Board reaffirmed its conviction of the undesirability of the 100-percent Federal grant for State administration and proposed as an alternative method a Federal contribution for unemployment insurance if those programs are maintained on a State-by-State basis.

The Board recommended, in brief, a grant-in-aid program under which, after modification of existing provisions of the Federal Unemployment Tax Act, matching Federal grants would be made to States to help pay costs of both benefits and administration of State unemployment insurance laws. If Congress so desires, modification of Federal provisions relating to the financing of State unemployment insurance programs could be developed in such a way as to include Federal participation in financing temporary disability benefits in States that had a coordinated program for both these short-term risks. This participation

would express the important Federal stake in national health and economic well-being and in effective efforts to promote these objectives throughout the Nation.

A more comprehensive recommendation of the Social Security Board for a unified national social insurance system, including insurance against all major risks of loss of earnings and also against medical costs, would facilitate not only a consistent and equitable plan for financing temporary disability benefits and other social insurance benefits but also appropriate coordination of the various types of insurance benefits, without gaps or overlapping, and the utmost simplicity and economy in social insurance administration.

Contribution rate.—The cost of temporary disability insurance will depend on the particular provisions a State adopts, the composition and characteristics of the groups of workers covered, administrative methods and practices, and geographic and other factors. Assuming a waiting period of 7 consecutive days, 26 weeks' uniform potential duration of benefits, a requirement of attachment to the labor force equivalent to that required for unemployment insurance, and weekly benefit amounts equivalent to the State benefits for total unemployment, a State should probably have in sight, for some years ahead, at least annual amounts equal to or approximating 1.5 percent of pay roll. Its own experience, coupled with the experience of other State systems, will then be its best guide for future adjustments. Administrative expense may be expected to represent from 5 to 10 percent of contributions or of benefit payments, whichever is higher. In other words, out of each dollar collected in contributions, 90 to 95 cents would be returned in benefit payments to sick and disabled workers.

Actual experience under the particular provisions of the Rhode Island law showed benefit costs in the first 3 benefit years of 0.86, 1.08, and 1.01 percent of taxable wages in the respective calendar base years. Rhode Island now allocates 4 percent of current contributions (which are 1.5 percent of taxable wages) for costs of administration. Probably such costs would be relatively lower in that State than elsewhere because of its small area and urban concentration of population. California has provided 5 percent of contributions (which are 1 percent of taxable wages) for administration.

Type of fund.—One major factor determining costs, and in fact the ultimate social value of a system of temporary disability benefits, hinges on the decision as to the type of fund to be established.

A State plan of disability insurance makes protection of covered workers mandatory, but there are different ways of furnishing this protection. The State itself may pay all benefits, as Rhode Island does, from contributions deposited in the State fund. At the other extreme is the recommendation made in 1946 by the New Jersey State Commission on Post-War Economic Welfare, which would require all employers covered under the system to guarantee protection, either as self-insurers or through insurance underwritten by private commercial insurance carriers. The California law follows a middle road: an individual employee may elect exemption from the pay-roll tax if his employer is insured under a private plan approved by the California Employment Stabilization Commission. Under such an arrangement, in other words, private insurance companies are allowed to participate, subject to certain regulations, in insuring nonindustrial disability, and persons who choose to take out commercial insurance with such companies are not obligated to contribute to the public system.

The object of temporary disability insurance, as of any social insurance, is to provide basic protection to covered workers and to provide it at the lowest possible cost. If commercial insurance carriers take part in the program it is impossible to achieve this second objective—insurance at the lowest possible cost—and it will be more difficult to assure basic protection of all covered workers. Workers have an especially important stake in the decision on the type of fund to be adopted if, as under the present systems, it is they who are to pay for the disability benefits.

Sickness and disability are more common among some groups of workers than others and are most common among the workers whose earnings are lowest and most irregular. If the cost of insurance is not to be too great for the groups with the highest disability rates and the greatest need for protection, the risk must be pooled so that contributions from the more fortunate groups help to pay the costs of benefits to the less fortunate. This is the essence of social insurance—the pooling of a risk among a large group of persons who are subject to it so that all have protection at a cost that all can pay.

Private insurance companies, on the other hand, are business enterprises. In order to exist, they must have business that is profitable or is likely to become profitable. They must avoid insuring poor risks, or charge higher rates for such groups, or limit the policies they write for them so as to pay in only the most serious cases and in small amounts. Conversely, they must seek the good-risk groups.

The employees who would choose to "contract out" of a State plan would generally be the good risks who, by doing so, could get a cheaper rate or what appeared to be more liberal benefits under a private contract. The competition of many commercial insurers for the profitable business would inevitably require the companies to refuse poor-risk groups, or drop them as they were discovered, or adjust benefits to premiums in one way or another. The net effect of this situation would be to leave the poorest risks to the State fund. To assure reasonably adequate benefits for these groups in which disability is frequent, the State would have to charge more—possibly double, treble, or even quadruple the contribution rate that would be adequate if all covered workers contributed to the State fund. This difference would be taken as a severe reflection on the State's administration by many persons who did not realize the circumstances.

The effect of contracting out may be seen in workmen's compensation in States that do not have an exclusive State fund. Some employers pay as much as 50 percent of pay roll in premiums for insurance against work-connected accidents and diseases; others pay a fraction of 1 percent.

The range in rates for nonoccupational disabilities would probably not be as large, but it would certainly be great, and the highest rates would fall on those least able to pay.

In the long run, the effect of such a system would be to use the mandatory force of public law to develop, largely at the expense of low-paid workers in a State, the business of commercial insurance companies. Some of the better-risk groups might pay a little less to a private insurer than they would pay under an all-inclusive State program, or for the same rate might appear to get a somewhat more generous contract, though it appears doubtful whether, on the whole, the group would get more in benefits. They certainly would get much less in benefits than they paid in premiums.

In social insurance, any excess of contributions over benefits to the more fortunate groups goes toward lightening the otherwise necessary contribution rates of the less fortunate; under private insurance, it goes toward paying the costs of underwriting the business, which are high, and toward profits or other purposes. Rhode Island is administering temporary disability insurance for 4 percent of the premiums collected, and has administered it for less. From April 1, 1943, when Rhode Island began paying cash sickness benefits, to June 30, 1946, when contributions were temporarily increased to build up the diminished reserves of the State fund, the State collected $14,631,262 in contributions and paid out $14,979,389 in benefits, with a resultant loss ratio of premiums written to losses paid of 102 percent. By contrast, a recent study for the Social Security Administration showed that in the 5-year period 1938–42 a group of 60 health and accident insurance companies paid in benefits 69 cents of each net premium dollar collected. Many employees are in small establishments that could not well be covered by group contracts and would have to be covered by something more like individual health and accident policies. The same study showed that 226 accident and health insurance companies, group and individual contracts combined, paid to policyholders 52 cents of each dollar of net premiums collected.

It is often assumed that competition for business eliminates the less efficient, but in health and accident insurance such elimination has not been at all rigorous. For more than half the companies for which information was obtained in the study mentioned above—133 companies out of 215 that provided usable information on this point—the return in benefit payments to policyholders averaged only about 38 cents of the net premium dollar taken in—34 cents under individual contracts and 60 cents under group contracts. These companies represented one-fourth of the entire health and accident business and one-fourth of the group business. The companies with the best records returned, on the average, only 68 cents of each premium dollar for all types of health and accident business—59 cents on individual contracts and 76 cents on group contracts.

When the Social Security Act was under consideration, Congress rejected a proposal that it permit contracting out for the old-age and survivors insurance program. In disability insurance also I believe that contracting out would run counter to the objectives of social insurance. The California law contains provisions intended to safeguard the State insurance fund against adverse selection, but it has not been established that they can operate effectively. I personally know of no feasible method for assuring that the good and the bad risks will actually be pooled, that basic protection will be provided to all covered workers at the lowest possible cost, and that the contributions or premiums paid for temporary disability insurance will go—as they do in social insurance—almost wholly to the disabled.

Moreover, voluntary contracting out, as provided under the California law, will necessarily require more complicated and cumbersome administrative practices than are necessary under an exclusive State fund. Administrative costs will be higher for both the State agency and employers. Unless all their employees are under the State fund, employers would have to ascertain each quarter which employees are thus insured and which are continuing with private insurers. It will be hard for workers, particularly those who change employers, to know their rights. It will often be necessary—and both costly and complicated—to apportion the benefit liability for a claimant among the State fund and one or more private carriers or among several private carriers.

Though the problem is simpler under workmen's compensation, since in that program an employer makes the decision for all his employees, in States where the State fund is not the exclusive insuring agency the administrative expenses are three times as great as those in States with exclusive State funds. Much if not all of this difference is due to the greater administrative complexities that are inevitable when a State fund must operate in conjunction with commercial insurance carriers.

Conclusion

Coordination of temporary disability benefits with State unemployment insurance programs offers a feasible approach to some of the untouched area of economic insecurity arising from sickness and disability. Such a program can be of very significant value to workers and employers within a State and to the State as a whole. The importance of the program to all groups, however, will depend in considerable part on the soundness and effectiveness of the provisions actually incorporated in the State law—that is, on the establishment of a system that is simple, understandable, and economical of administration, returns fair value to its contributors, and furthers the basic objectives of all social insurance. In formulating the plan for such a program, no decision is more important than that concerning the type of fund to be used in financing and administering the benefits.