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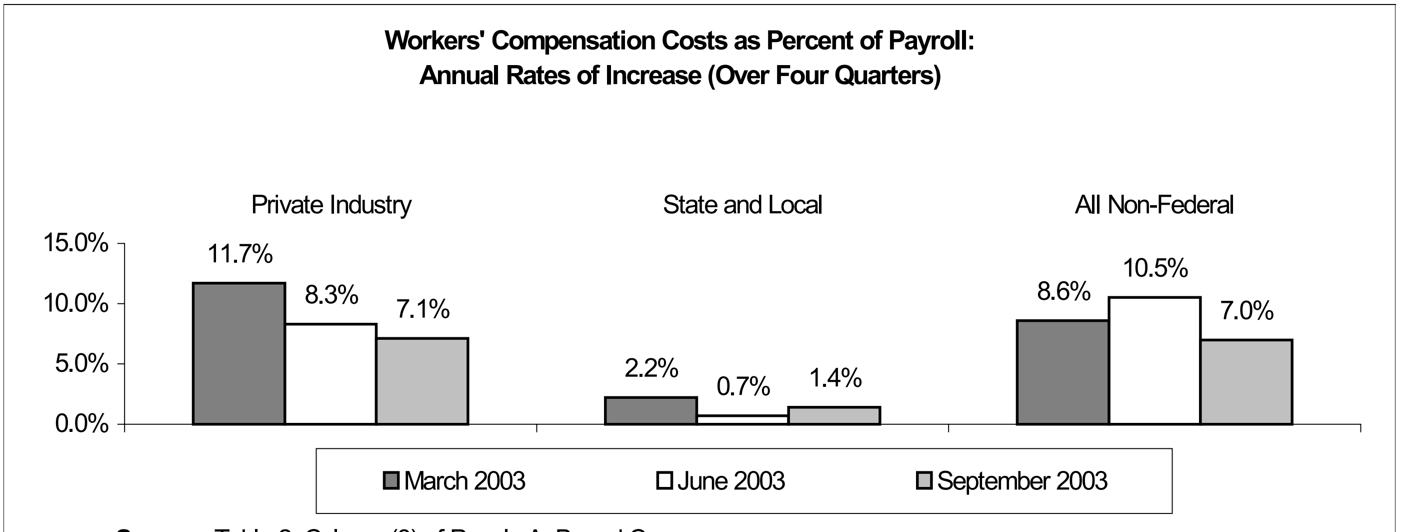
This issue is being distributed in March 2004. Readers will receive a deluge of issues in the next few months.

Summary of the Contents

The employers' costs of workers' compensation continued to increase in the third quarter of 2003, according to the latest data from the Bureau of Labor Statistics. However, for most employers, the increases in costs over the preceding 12 months were smaller in the third quarter than in the first two quarters of the year. For example, as shown in the figure below, private sector employers experienced an 11.7 percent increase in workers' compensation costs between March 2002 and March 2003, followed by a 8.3 percent increase in costs between June 2002 and June 2003, and a 7.1 percent increase in costs between September 2002 and September 2003. The increases of employers' costs for state and local governments and for all non-federal employers over the preceding 12 months were also lower in the third quarter than in earlier quarters of 2003. The data thus suggest that workers' compensation cost increases for employers are decelerating.

While the first article focuses on recent developments in the workers' compensation program, the second article steps back to examine developments over the twentieth century in employer expenditures on all types of employee benefits and social insurance programs. Most readers know that workers' compensation programs were established in most states between 1914 and 1920 and required employers to pay for the benefits. Perhaps less well known is that many employers began to provide employee benefits on a voluntary basis in the early twentieth century. Most readers will also know that employer expenditures on employee benefits and social insurance increased markedly over the twentieth century. Probably less well known is that such expenditures as a percent of wages declined during the 1990s.



Source: Table 2, Column (3) of Panels A, B, and C

Advisory Board Members

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Workers' Compensation Costs for Employers Increase at Slower Rate in Third Quarter of 2003

by John F. Burton, Jr.

The Bureau of Labor Statistics (BLS) recently released data on the employers' costs of workers' compensation in September 2003, and the results indicate that for most employers the increases were smaller than in the first two quarters of 2003. The data are available for employers in the private sector, for the state and local government sector; and for the combination of these sectors ("all non-federal employees"). Two measures of employers' costs of workers' compensation are available: costs per hour worked (which is how the BLS reports the data) and costs as a percentage of payroll (which were calculated for this article).

The data are based on a national sample of approximately 9,200 establishments and thus are the most comprehensive measure of employers' costs available on a relatively current basis, since the sample includes firms who self-insure their workers' compensation benefits as well as employers who purchase insurance from private carriers or state funds. The only employees missing are those who work for the federal government.[1]

Periods For Which Data Are Available

Annual Data

A previous article (Burton 2003a) presented extensive information on the employers' costs of workers' compensation using the BLS data, which are available for the private sector since 1986 and for the state and local sector and all-non-federal employers since 1991. Until 2002, the BLS data were only available for March of each year. Figure A indicates workers' compensation costs as a percentage of payroll (gross earnings) for private sector employers from March 1986 to March 2003. By this measure of costs, employers expended 1.74 percent of payroll on workers' compensation in 1986, and then costs increased until 1994, when costs peaked at 2.99 percent of payroll. Then costs dropped sharply, reaching a low point of 1.92 percent in 2001 before rebounding to 2.19 percent of payroll in 2003. Similar information on workers' compensation costs for state and local sector employers and for all-nonfederal employers are included in Burton (2003a), which also contains an appendix with more information on the BLS survey and the methodology used to prepare the information in this and the earlier article.

Quarterly Data

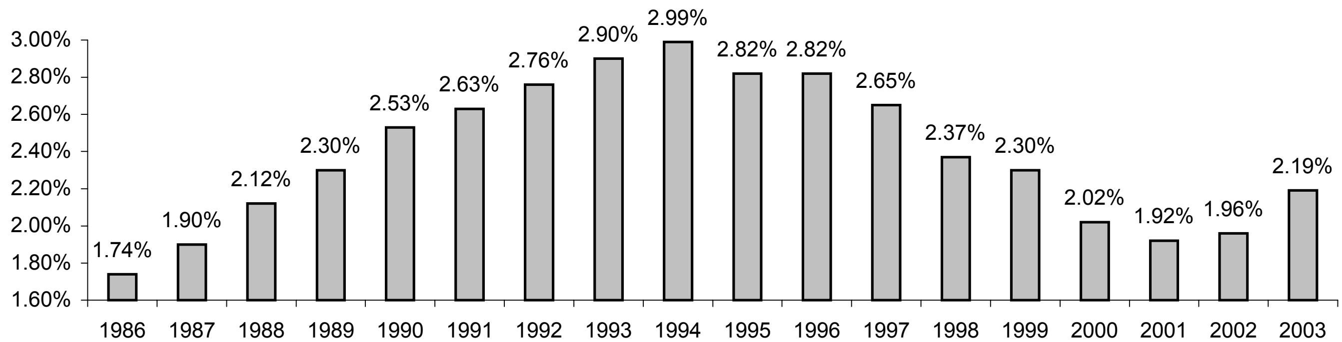
The BLS has published data every three months beginning in March 2002. This article analyzes the seven quarters of data available under this more frequent publication schedule. The data are presented in Table 1.

Workers' Compensation As A Percent of Payroll

Workers' compensation costs measured as a percent of gross earnings (or payroll) is the most common comparison used in the workers' compensation field.

The rationale is that, over time, employer expenditures on payroll, including wages, paid leave, and supplemental pay, increase due to factors such as higher productivity and infla-

Figure A - Workers' Compensation Costs as a Percentage of Gross Earnings, Private Industry Employees, March 1986-2003



Source: Burton (2003a): Tables 1 and 2.

Table 1 - Total Remuneration, Wages and Salaries, and Workers' Compensation, Quarterly Since March 2002
(In Dollars Per Hours Worked)

Panel A: Private Industry Employees		March 2002	June 2002	Sept. 2002	Dec. 2002	2002 Average	March 2003	June 2003	Sept. 2003
(1)	Total Remuneration	21.71	21.83	22.01	22.14	21.92	22.37	22.61	22.84
(2)	Gross Earnings	17.86	17.94	18.05	18.16	18.00	18.26	18.41	18.59
(3)	Wages and Salaries	15.80	15.90	16.00	16.08	15.95	16.15	16.31	16.46
(4)	Paid Leave	1.44	1.44	1.45	1.47	1.45	1.47	1.46	1.48
(5)	Supplemental Pay	0.62	0.60	0.60	0.61	0.61	0.64	0.64	0.65
(6)	Benefits Other Than Pay	3.86	3.89	3.95	3.98	3.92	4.11	4.20	4.25
(7)	Insurance	1.40	1.42	1.45	1.46	1.43	1.52	1.57	1.59
(8)	Retirement Benefits	0.63	0.62	0.63	0.64	0.63	0.67	0.67	0.68
(9)	Legally Required Benefits	1.80	1.82	1.84	1.85	1.83	1.89	1.93	1.95
(9A)	Workers' Compensation	(0.35)	(0.37)	(0.38)	(0.38)	(0.37)	(0.40)	(0.41)	(0.42)
(10)	Other Benefits	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
(11)	Workers' Compensation as Percent of Remuneration	1.61%	1.69%	1.73%	1.72%	1.69%	1.79%	1.81%	1.84%
(12)	Workers' Compensation as Percent of Gross Earnings	1.96%	2.06%	2.11%	2.09%	2.05%	2.19%	2.23%	2.26%
Panel B: State and Local Employees		**March 2002**	**June 2002**	**Sept. 2002**	**Dec. 2002**	**2002 Average**	**March 2003**	**June 2003**	**Sept. 2003**
(1)	Total Remuneration	31.29	31.20	31.89	32.32	31.68	32.62	32.99	33.62
(2)	Gross Earnings	24.83	24.72	25.17	25.46	25.05	25.66	25.96	26.26
(3)	Wages and Salaries	22.14	22.00	22.40	22.68	22.31	22.85	23.14	23.42
(4)	Paid Leave	2.43	2.45	2.49	2.49	2.47	2.51	2.52	2.55
(5)	Supplemental Pay	0.26	0.27	0.28	0.29	0.28	0.30	0.30	0.29
(6)	Benefits Other Than Pay	6.46	6.47	6.72	6.85	6.63	6.96	7.02	7.36
(7)	Insurance	2.82	2.85	2.96	3.02	2.91	3.12	3.16	3.32
(8)	Retirement Benefits	1.74	1.72	1.81	1.84	1.78	1.85	1.86	1.99
(9)	Legally Required Benefits	1.84	1.84	1.89	1.92	1.87	1.93	1.94	1.98
(9A)	Workers' Compensation	(0.34)	(0.35)	(0.36)	(0.37)	(0.36)	(0.36)	(0.37)	(0.38)
(10)	Other Benefits	0.06	0.06	0.06	0.07	0.06	0.06	0.06	0.07
(11)	Workers' Compensation as Percent of Remuneration	1.09%	1.12%	1.13%	1.14%	1.12%	1.10%	1.12%	1.13%
(12)	Workers' Compensation as Percent of Gross Earnings	1.37%	1.42%	1.43%	1.45%	1.42%	1.40%	1.43%	1.45%
Panel C: All Non-Federal Employees		**March 2002**	**June 2002**	**Sept. 2002**	**Dec. 2002**	**2002 Average**	**March 2003**	**June 2003**	**Sept. 2003**
(1)	Total Remuneration	23.15	23.20	23.44	23.66	23.36	23.93	24.19	24.48
(2)	Gross Earnings	18.91	18.92	19.09	19.24	19.04	19.39	19.57	19.76
(3)	Wages and Salaries	16.76	16.78	16.93	17.06	16.88	17.17	17.35	17.52
(4)	Paid Leave	1.59	1.59	1.60	1.62	1.60	1.63	1.63	1.64
(5)	Supplemental Pay	0.56	0.55	0.56	0.56	0.56	0.59	0.59	0.60
(6)	Benefits Other Than Pay	4.24	4.26	4.35	4.41	4.32	4.54	4.64	4.73
(7)	Insurance	1.61	1.63	1.67	1.69	1.65	1.77	1.81	1.86
(8)	Retirement Benefits	0.80	0.78	0.80	0.82	0.80	0.85	0.86	0.88
(9)	Legally Required Benefits	1.80	1.82	1.85	1.86	1.83	1.89	1.93	1.95
(9A)	Workers' Compensation	(0.35)	(0.36)	(0.38)	(0.38)	(0.37)	(0.39)	(0.41)	(0.42)
(10)	Other Benefits	0.03	0.03	0.03	0.04	0.03	0.03	0.04	0.04
(11)	Workers' Compensation as Percent of Remuneration	1.51%	1.55%	1.62%	1.61%	1.57%	1.63%	1.69%	1.72%
(12)	Workers' Compensation as Percent of Gross Earnings	1.85%	1.90%	1.99%	1.98%	1.93%	2.01%	2.10%	2.13%

Sources: Data in rows (1), (3) to (5), and (7) to (10) of Panels A, B, and C:
March 2002: U.S. Department of Labor, 2002a, Tables 1, 3, and 5.
June 2002: U.S. Department of Labor, 2002b, Tables 1, 3, and 5.
September 2002: U.S. Department of Labor, 2002c, Tables 1, 3, and 5.
December 2002: U.S. Department of Labor, 2003a, Tables 1, 3, and 5.
March 2003: U.S. Department of Labor, 2003b, Tables 1, 3, and 5.
June 2003: U.S. Department of Labor, 2003c, Tables 1, 3, and 5.
September 2003: U.S. Department of Labor, 2003d, Tables 1, 3, and 5.

Notes for Tables 1

Notes: * = $0.01 or less

(1) Table 1 and the text of this article use the term "remuneration" in place of the term "compensation" that is used in the BLS publications, and use the term "All non-federal Employees" in place of the term "Civilian workers'" that is used in the BLS publications.

(2) Total remuneration (row 1) = gross earnings (row 2) + benefits other than pay (row 6).

(3) Gross earnings (row 2) = wages and salaries (row 3) + paid leave (row 4) + supplemental pay (row 5).

(4) Benefits other than pay (row 6) = insurance (row 7) + retirement benefits (row 8) + legally required benefits (row 9) + other benefits (row 10).

(5) Workers' compensation (row 9A) is one of the legally required benefits (row 9).

(6) Workers' compensation as percent of remuneration (row 11) = workers' compensation (row 9A)/total remuneration (row 1).

(7) Workers' compensation as percent of gross earnings (row 12) = workers' compensation (row 9A)/gross earnings (row 12).

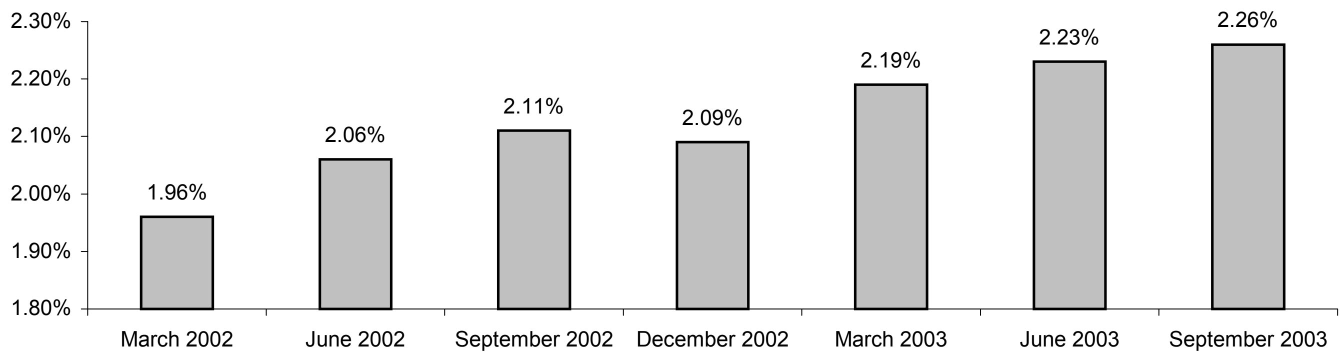
(8) Results in rows (2), (6), (11), and (12) were calculated by Florence Blum and John F. Burton, Jr.

tion, and one way to put the developments over time in employer expenditures on workers compensation in perspective is to compare them to payroll in successive years. For example, workers' compensation costs per hour for private sector employees increased from $0.31 in March 1990 to $0.40 in March 2003, which is a 21 percent increase. However, during that same period, payroll (gross earnings) per hour for private sector employees increased from $12.24 to $18.26, which is a 49 percent increase. That workers' compensation expenditures represented 2.53 percent of payroll in March 1990 and 2.19 percent of payroll in March 2003 provides information more useful than simply stating that workers' compensation costs per hour increased by 21 percent over those 13 years (Burton 2003a, 19).

Private Sector Employees. The employers' costs of workers' compensation as a percent of gross earnings (payroll) for private sector employees from March 2002 to September 2003 are shown in Figure B and in Row (12) of Panel A of Table 1. The employers' costs of 1.96 percent in March 2002 increased until September 2002, dropped slightly in December 2002, and subsequently resumed an increase in the first three quarters of 2003, reaching 2.26 percent of payroll in September 2003.

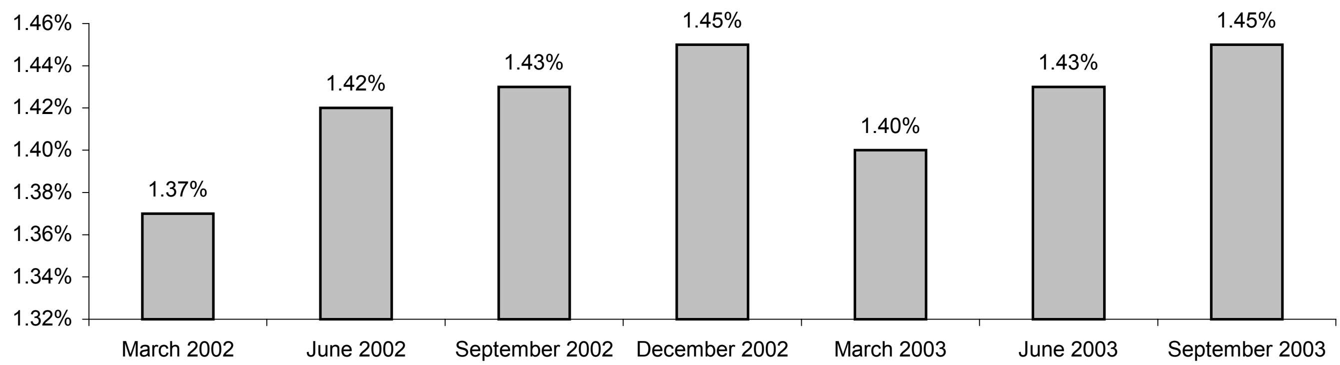
State and Local Government Employees. The employers' costs of workers' compensation as a percent of payroll for state and local government employees from March 2002 to September 2003 are shown in Figure C and Row (12) of Panel B of Table 1. The employers' costs increased from 1.37 percent of payroll in March 2002 to a peak of 1.45 percent of payroll in December 2002, dropped to 1.40 percent of payroll in March 2003, and then increased for two quarters, when the costs matched the previous peak of 1.45 percent of payroll in September 2003.

Figure B
Workers' Compensation Costs as a Percentage of Gross Earnings, Private Industry Employees, March 2002 - September 2003



Source: Table 1

Figure C
Workers' Compensation Costs as a Percentage of Gross Earnings, State and Local Employees, March 2002 - September 2003



Source: Table 1

All Non-Federal Employees. The employers' costs of workers' compensation as a percent of payroll for all non-federal employees from March 2002 to September 2003 are shown in Figure D and Row (12) of Panel C of Table 1. The employers' costs increased from 1.85 percent of payroll in March 2002 to 1.99 percent of payroll in September 2002, dropped slightly to 1.98 percent of payroll in December 2002, and then increased in the first three quarters of 2003, reaching 2.13 percent of payroll in September 2003.

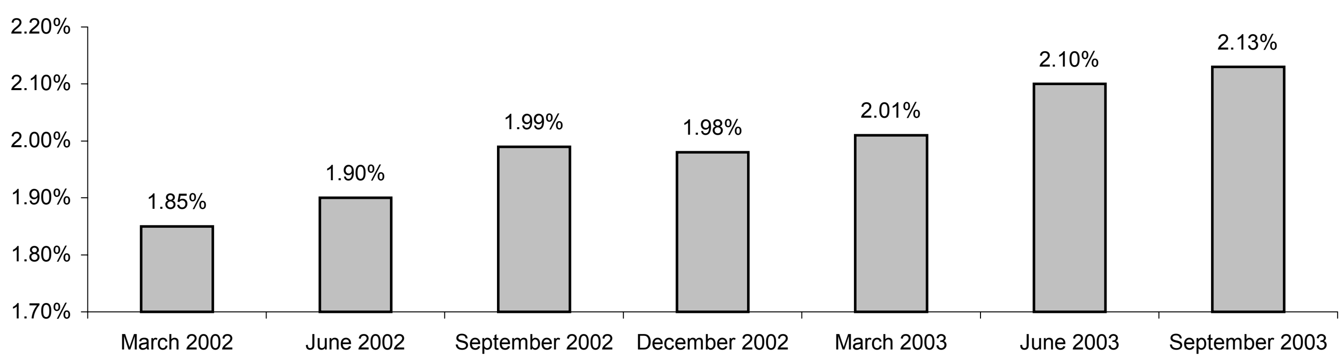
Workers' Compensation Costs Per Hour Worked

An alternative measure of the employers' costs of workers' compensation is expenditures on the program in dollars per hour worked.

Private Sector Employees. The employers' costs of workers' compensation in dollars per hour worked for private sector employees from March 2002 to September 2003 are shown in Figure E and in Row (9A) of Panel A of Table 1. Private sector employers expended $0.35 per hour on workers' compensation in March 2002, and these costs increased to $0.42 per hour in September 2003.

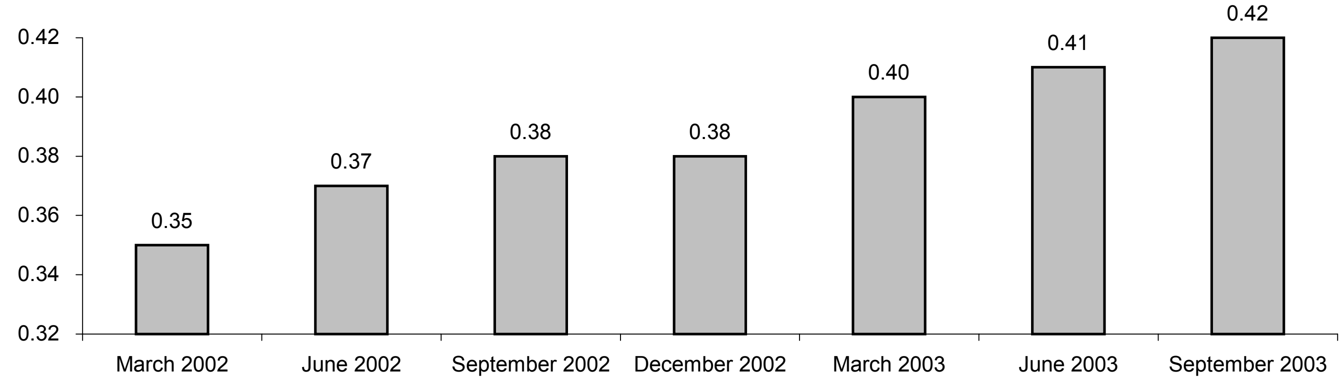
State and Local Government Employees. The employers' costs of workers' compensation in dollars per hour worked for state and local government employees from March 2002 to September 2003 are shown in Figure F and in Row (9A) of Panel B of Table 1. The data indicate that employers in the state and local government sector expended $0.34 per hour on workers' compensation in March 2002; that these costs fluctuated between $0.36 and $0.37 per hour between September 2002 and June

Figure D
Workers' Compensation Costs as a Percentage of Gross Earnings, All Non-Federal Employees, March 2002 - September 2003



Source: Table 1

Figure E
Workers' Compensation Costs for Private Industry Employees, March 2002 - September 2003 (in Dollars per Hour Worked)



Source: Table 1

2003; and that these costs reached \$0.38 per hour in September 2003.

All Non-Federal Employees. The employers' costs of workers' compensation in dollars per hour worked for all non-federal employees from March 2002 to September 2003 are shown in Figure G and in Row (9A) of Panel C of Table 1. The data indicate that non-federal government employers expended \$0.35 per hour on workers' compensation in March 2002 and that these costs increased in most quarters until they reached \$0.42 per hour in September 2003.

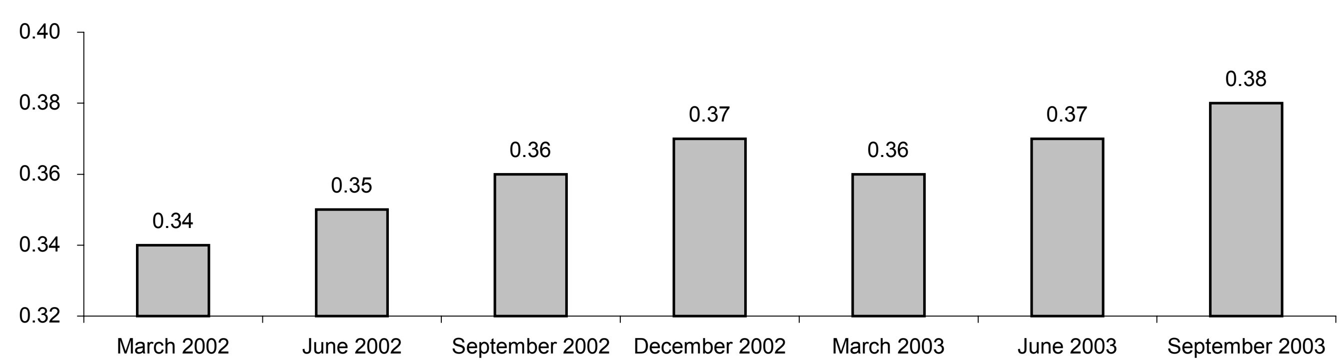
Recent Increases in Workers' Compensation Costs

The most comprehensive set of employers represented in the BLS survey are those employing all non-federal employees. For those employers, the low point for employers' costs as a percent of payroll occurred in March 2002, when the costs represented 1.85 percent of payroll. Tables 2 and 3 indicate the increases in workers' compensation costs since March 2002.

Employers' Costs as a Percent of Payroll

Private Sector Employees. The employers' costs of workers' compensation as a percent of payroll increased from 1.96 percent in March 2002 to 2.26 percent of payroll in September 2003 (Table 2, Panel A, Column (1)). This represents a cumulative increase of costs of 15.3 percent over six quarters (Table 2, Panel A, Column (2)). The quarterly data can also be used to calculate annual rates of increase in workers' compensation costs over the preceding year. For example, private sector employers' costs were 1.96 percent of payroll in March

Figure F
Workers' Compensation Costs for State and Local Employees, March 2002 - September 2003 (in Dollars per Hour Worked)



Source: Table 1

Table 2 - Employers' Cost of Workers' Compensation as Percent of Gross Earnings (Payroll): Increases Since March 2002

Panel A: Private Industry Employers

	Employers' Costs as % of Payroll (1)	Cumulative Increase Since March 2002 (2)	Increase Over Twelve Months (3)
March 2002	1.96		
June 2002	2.06	5.1%	
September 2002	2.11	7.7%	
December 2002	2.09	6.6%	
March 2003	2.19	11.7%	11.7%
June 2003	2.23	13.8%	8.3%
September 2003	2.26	15.3%	7.1%

Panel B: State and Local Employees

	Employers' Costs as % of Payroll (1)	Cumulative Increase Since March 2002 (2)	Increase Over Twelve Months (3)
March 2002	1.37		
June 2002	1.42	3.6%	
September 2002	1.43	4.4%	
December 2002	1.45	5.8%	
March 2003	1.40	2.2%	2.2%
June 2003	1.43	4.4%	0.7%
September 2003	1.45	5.8%	1.4%

Panel C: All Non-Federal Employees

	Employers' Costs as % of Payroll (1)	Cumulative Increase Since March 2002 (2)	Increase Over Twelve Months (3)
March 2002	1.85		
June 2002	1.90	2.7%	
September 2002	1.99	7.6%	
December 2002	1.98	7.0%	
March 2003	2.01	8.6%	8.6%
June 2003	2.10	13.5%	10.5%
September 2003	2.13	15.1%	7.0%

Source: Column (1) from Table 1, Row (12) of Panels A, B, and C.

2002 and 2.19 percent of payroll in March 2003, which represents an 11.7 percent increase in costs over the twelve months (Table 2, Panel A, Column (3)). The data indicate that the annual rate of increase in the employers' costs of workers' compensation in the private sector were declining over the first three quarters of 2003, dropping from 11.7 percent in March 2003 to 8.3 percent in June 2003 to 7.1 percent in September 2003 (Table 2, Panel A, Column (3) and Figure H).

State and Local Employees. The employers' costs of workers' compensation as a percent of payroll increased from 1.37 percent in March 2002 to 1.45 percent of payroll in September 2003 (Table 2, Panel B, Column (1)). This represents a cumulative increase of costs of 5.8 percent over six quarters (Table 2, Panel B, Column (2)). The quarterly data can also be used to calculate annual rates of increase in workers' compensation costs over the preceding year. For example, state and local government sector employers' costs were 1.37 percent of payroll in March 2002 and 1.40 percent of payroll in March 2003, which represents a 2.2 percent increase in costs over the twelve months (Table 2, Panel B, Column (3)). The data indicate that the annual rate of increase in the employers' costs of workers' compensation in the state and local government sector fluctuated over the first three quarters of 2003, decreasing from 2.2 percent in March 2003 to 0.7 percent in June 2003, and then increasing to 1.4 percent in September 2003 (Table 2, Panel B, Column (3) and Figure H).

All Non-Federal Employees. The employers' costs of workers' compensation as a percent of payroll increased from 1.85 percent in March 2002 to 2.13 percent of payroll in September 2003 (Table 2, Panel C, Column (1)). This represents a cumulative increase of costs of 15.1 percent over six quarters (Table 2, Panel C, Column (2)). The quarterly data can also be used to calculate annual rates of increase in workers' compensation costs over the preceding year. For example, all non-federal employers' costs were 1.85 percent of payroll in March 2002 and 2.01 percent of payroll in March 2003, which represents an 8.6 percent increase in costs over the twelve months (Table 2, Panel C, Column (3)). The data indicate that the annual rate of increase in the employers' costs of workers' compensation for all non-federal employees fluctuated over the first three quarters of 2003, increasing from 8.6 percent in March 2003 to 10.5 percent in June 2003, and then decreasing to 7.0 percent in September 2003 (Table 2, Panel C, Column (3) and Figure H).[2]

Workers' Compensation Costs Per Hour Worked

Private Sector Employees. The employers' costs of workers' compensation per hour worked increased from \$0.35 percent in March 2002 to \$0.42 in September 2003 (Table 3, Panel A, Column (1)). This represents a cumulative increase of costs of 20.0 percent over six quarters (Table 3, Panel A, Column (2)). The quarterly data can also be used to calculate annual rates of increase in workers' compensation costs over the preceding year. For example, private sector employers' costs were \$0.35 per hour worked in March 2002 and \$0.40 in March 2003, which represents a 14.3 percent increase in costs over the twelve months (Table 3, Panel A, Column (3)). The data indicate that the annual rate of increase in the employers' costs of workers' compensation in the private sector were declining over the first three quarters of 2003, dropping from 14.3 percent in March 2003 to 10.8 percent in June 2003 to 10.5 percent in September 2003 (Table 3, Panel A, Column (3) and Figure I).

State and Local Employees. The employers' costs of workers' compensation per hour worked increased from \$0.34 in March 2002 to \$0.38 in September 2003 (Table 3, Panel B, Column (1)). This represents a cumulative increase of costs of 11.8 percent over six quarters (Table 3, Panel B,

Table 3 - Employers' Cost of Workers' Compensation in Dollars Per Hours Worked: Increases Since March 2002

Panel A: Private Industry Employers

	Employers' Costs in Dollars (1)	Cumulative Increase Since March 2002 (2)	Increase Over Twelve Months (3)
March 2002	0.35		
June 2002	0.37	5.7%	
September 2002	0.38	8.6%	
December 2002	0.38	8.6%	
March 2003	0.40	14.3%	14.3%
June 2003	0.41	17.1%	10.8%
September 2003	0.42	20.0%	10.5%

Panel B: State and Local Employees

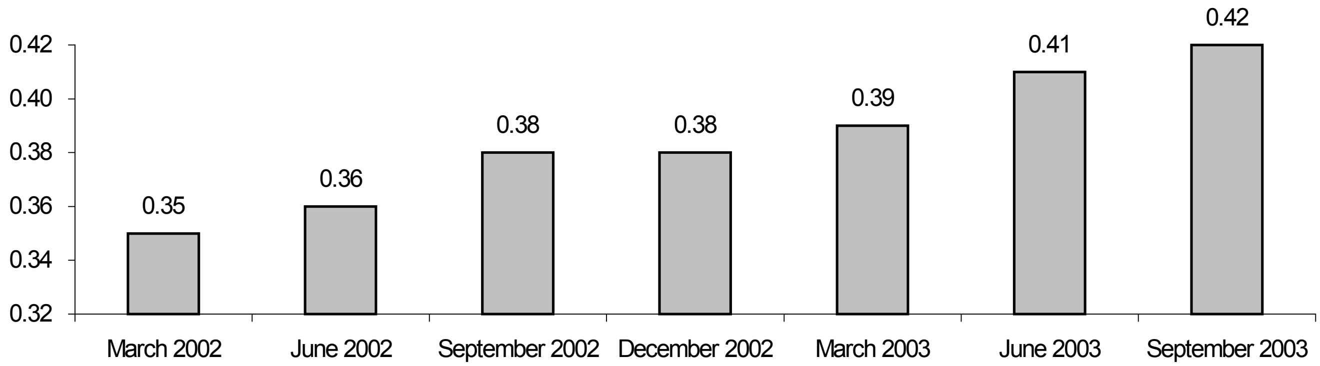
	Employers' Costs in Dollars (1)	Cumulative Increase Since March 2002 (2)	Increase Over Twelve Months (3)
March 2002	0.34		
June 2002	0.35	2.9%	
September 2002	0.36	5.9%	
December 2002	0.37	8.8%	
March 2003	0.36	5.9%	5.9%
June 2003	0.37	8.8%	5.7%
September 2003	0.38	11.8%	5.6%

Panel C: All Non-Federal Employees

	Employers' Costs in Dollars (1)	Cumulative Increase Since March 2002 (2)	Increase Over Twelve Months (3)
March 2002	0.35		
June 2002	0.36	2.9%	
September 2002	0.38	8.6%	
December 2002	0.38	8.6%	
March 2003	0.39	11.4%	11.4%
June 2003	0.41	17.1%	13.9%
September 2003	0.42	20.0%	10.5%

Source: Column (1) from Table 1, Row (9A) of Panels A, B, and C.

Figure G
Workers' Compensation Costs for All Non-Federal Employees, March 2002 - September 2003 (in Dollars per Hour Worked)

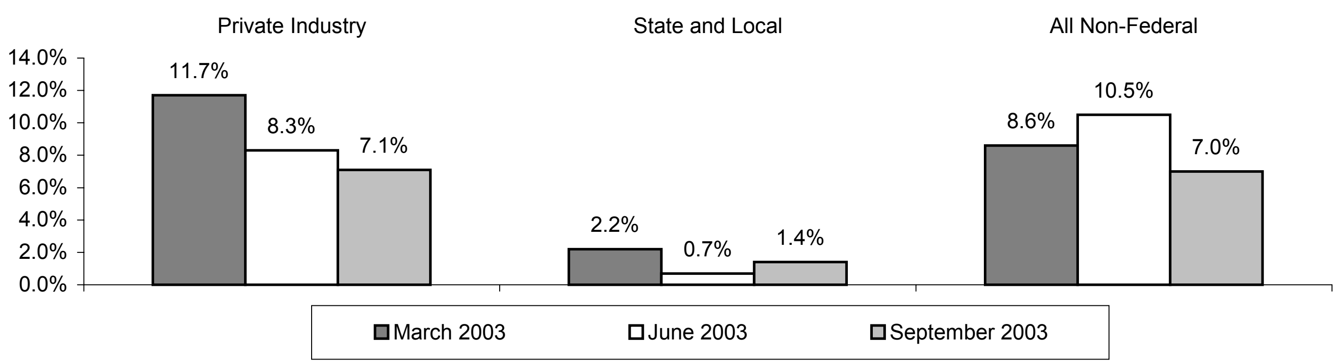


Source: Table 1

Column (2)). The quarterly data can also be used to calculate annual rates of increase in workers' compensation costs over the preceding year. For example, state and local government sector employers' costs were \$0.34 per hour worked in March 2002 and \$0.36 per hour worked in March 2003, which represents a 5.9 percent increase in costs over the twelve months (Table 3, Panel B, Column (3)). The data indicate that the annual rate of increase in the employers' costs of workers' compensation in the state and local government sector declined over the first three quarters of 2003, slowing from a 5.9 percent increase in March 2003 to 5.7 percent in June 2003, and then to 5.6 percent in September 2003 (Table 3, Panel B, Column (3) and Figure I).

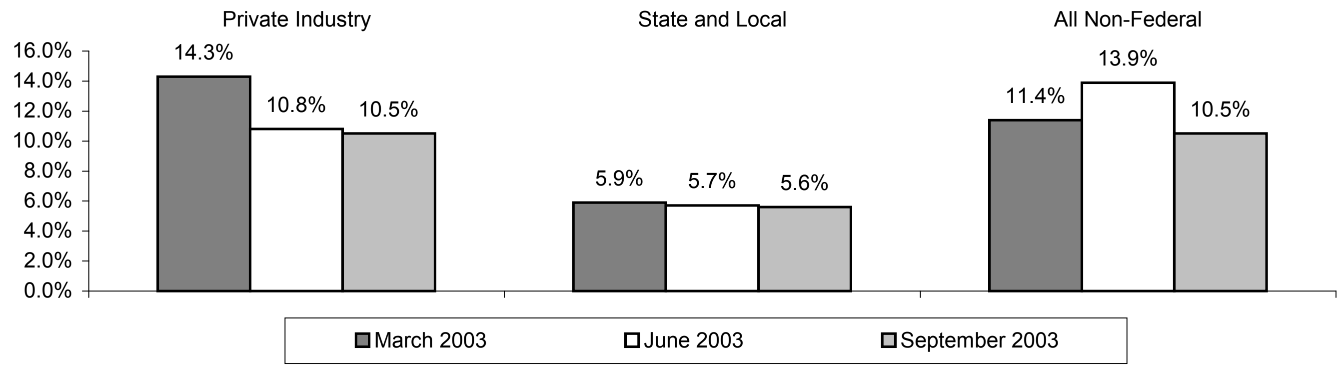
All Non-Federal Employees. The employers' costs of workers' compensation per hour worked increased from \$0.35 in March 2002 to \$0.42 in September 2003 (Table 3, Panel C, Column (1)). This represents a cumulative increase in costs of 20.0 percent over six quarters (Table 3, Panel C, Column (2)). The quarterly data can also be used to calculate annual rates of increase in workers' compensation costs over the preceding year. For example, all non-federal employers' costs were \$0.35 per hour worked in March 2002 and \$0.39 in March 2003, which represents an 11.4 percent increase in costs over the twelve months (Table 3, Panel C, Column (3)). The data indicate that the annual rate of increase in the employers' costs of workers' compensation for all non-federal employees fluctuated over the first three quarters of 2003, increasing from 11.4 percent in March 2003 to 13.9 percent in June 2003, and then decreasing to 10.5 percent in September 2003 (Table 3, Panel C, Column (3) and Figure I).

Figure H
Workers' Compensation Costs as Percent of Payroll: Annual Rates of Increase (Over Four Quarters)



Source: Table 2, Column (3) of Panels A, B, and C

Figure I
Workers' Compensation Costs in Dollars Per Hour Worked: Annual Rates of Increase (Over Four Quarters)



Source: Table 3, Column (3) of Panels A, B, and C

CONCLUSIONS

Workers' compensation costs for employers can be measured several ways, including costs per hour worked by employees and as costs as a percent of payroll. I prefer the latter measure for reasons stated in the article, but both measures are included in the article. The BLS data are available for three aggregations of employees (and their employers): for private sector employees, for state and local government employees, and for all non-federal government employees (which is the combination of these private sector and the state and local government sector and thus is the most comprehensive measure). All three combinations of employers are included in this article, although since the state and local government sector is much smaller than the private sector, the most important results are those for the private sector employees and for all non-federal employees.

The BLS published annual data on workers' compensation costs annually based on a March survey from 1986 to 2002 for private sector employees and from 1991 to 2002 for all non-federal employees. The lowest employers' costs for workers' compensation as a percent of payroll for all non-federal employees in this annual data series were in March 2002. This date corresponds with the inauguration of a quarterly data series on employers' costs of workers' compensation and other forms of remuneration, which are the data focused on in this article.

I would describe the increases in workers' compensation costs since March 2002 as significant but not soaring.

The BLS data indicate that the employers' costs of workers' compensation increased over the six quarters ending in September 2003 by 15.3 percent in the private sector and by 15.1 percent for all non-federal employees when measured as costs as a percent of payroll (Table 2 Column (2)), and by 20.0 percent both for private sector employers and for all non-federal employers over these six quarters when measured as costs per hour worked (Table 3, Column (2)).

The data also indicate that, when measured by costs as a percentage of payroll (Figure H), the annual rates of increase in workers' compensation costs declined for private sector employers during 2003 from 11.7 percent per year in the first quarter to 7.1 percent per year in the third quarter. When measured by costs per hour worked (Figure I), the annual rates of increase in workers' compensation costs declined for private sector employers during 2003 from 14.3 percent per year in the first quarter to 10.5 percent in the third quarter. For all non-federal employees, the annual rate of increase in the employers' costs of workers' compensation peaked in the second quarter of 2003, and then declined: when measured by costs as a percent of payroll from 10.5 percent in the second quarter to 7.0 percent in the third quarter (Figure H), and when measured as costs per hour worked from 13.9 percent in the second quarter to 10.5 percent in the third quarter (Figure I).

Commentators on these results can provide various assessments.[3] I would describe the increases in workers' compensation costs since March 2002 as significant but not soaring. And the pattern within 2003 so far suggests that worker' compensation cost increases for employers are decelerating. The BLS results for subsequent quarters will be enlightening.

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ENDNOTES

[1] The National Academy of Social Insurance (NASI) produces an annual publication that includes data on benefits, costs, and coverage for all employees and employers, including those in the federal sector. However, the data are only available with a lag. Thus, the most recent NASI publication (Williams, Reno, and Burton 2003) presents 2001 data.

[2] The patterns shown in Table 2 and Figure H are unusual, since both private sector employers and state and local government employers experienced a decline in the annual rate of increase of workers’ compensation costs as a percent of payroll between the quarters ending in March 2002 and June 2003, while employers of all non-federal workers (which is the sum of the two other aggregations of employers) experienced an increase and then a decline in the annual rate of increase in workers’ compensation costs. The anomalous results appear to be due to rounding of the data in the BLS publications.

[3] The issue of whether the employers’ costs of workers’ compensation are soaring (as one source reported) was discussed by Burton (2003b).

Protecting Workers and Their Families from Economic Insecurity

by John F. Burton, Jr.

Four sources of economic insecurity threaten workers and their families: (1) loss of wages resulting from unemployment; (2) lack of adequate income during retirement; (3) inadequate medical care for non-work-related health problems; and (4) insufficient medical care and income to deal with the consequences of workplace injuries and diseases. After a brief historical overview of the various approaches that have been used in the U.S. to deal with these economic problems, I speculate about future solutions to the problems.[1] Far from an uplifting analysis culminating in a clear set of compelling solutions for the twenty-first century, the subtheme of my analysis of recent developments can be described as the *Anatomy of Melancholy*.[2]

The 1880s through the 1920s

The origins of these sources of economic insecurity for workers can be traced to the last few decades of the nineteenth century, when the nation rapidly industrialized and much of the population moved from farms to urban areas. Industrialization and urbanization were accompanied by wide fluctuations in unemployment. Workers without jobs were especially vulnerable because they could not rely on homegrown food to tide them over during downturns.

In theory, labor markets were competitive, and employer needs and worker desires interacted to determine optimal working conditions. In practice, labor markets generally did not correspond to this model on both the demand and supply sides. Some markets were monopsonies – where the limited number of employers had superior bargaining power. Many labor markets had "excess supply" because of the large numbers of unemployed workers, many of whom were immigrants. As a result of these failures of the theoretically beneficial attributes of the competitive labor market, workers often were subject to onerous working conditions.

Several approaches to deal with these unfavorable by-products of industrialization were used beginning in the 1880s and continuing into the Progressive Era (1900 to 1920) and the Period of Normalcy (1920 to 1929). For purposes of this analysis, I will refer to the entire 50 years as the Progressive Era.

One approach involved workers who prized their independence and who relied on individual savings and skills to cope with adverse conditions. However, many workers were overwhelmed by the magnitude of the economic problems, and the country soon turned to other approaches.

A second approach was collective action by workers, which was an effort to offset the superior bargaining power of employers by unions demanding higher wages and benefits that would ameliorate their economic insecurity.[3] However, unions were generally unsuccessful in their efforts to negotiate with employers, in part because there were a number of incidents of labor violence that caused employers and much of the public to view unions as a "menace."[4]

A third approach to dealing with economic insecurity was government regulation. By the beginning of the twentieth century, twenty-eight states had child labor laws that regulated matters such as the maximum number of working hours, and sixteen states limited work hours for women. Most northern states also passed laws mandating sanitation and safety in factories.

A fourth approach to offsetting adverse working conditions also involved the government, namely the creation of social insurance programs. Workers' compensation statutes, which provide cash benefits and medical care for workers disabled by work-related injuries or diseases, were enacted in most states between 1914 and 1920. Prior to workers' compensation, workers injured on the job had to sue their employers in negligence suits to recover medical costs and lost wages, a remedy that was condemned by most commentators.[5] Workers' compensation tried to deal with the deficiencies of the common law by creating a no-fault system (which aided workers), with specified benefits (which was supposed to reduce litigation), and with the elimination of tort suits (which aided employers).

A fifth approach to adverse labor market conditions was adopted by a small but influential group of progressive employers that began to voluntarily improve working conditions or indemnify workers for adverse outcomes. This strategy is generally identified with welfare capitalism. The antecedent to welfare capitalism in the Progressive Era was "welfare work," which is a term coined by John R. Commons that he defined as "all those services which an employer may render to his work people over and above the payment of wages." Welfare work consisted of four categories of benefits: (1) programs that promoted health and safety at the workplace, such as guards on machinery; (2) activities that focused on health and safety in the workers' homes, such as cooking classes; (3) educational, recreational, and social activities, such as noontime dancing; and (4) financial benefit plans, such as pensions, sickness benefits, and life and health insurance. By the 1920s, welfare work had evolved into a more comprehensive strategy by employers known as "welfare capitalism," which included welfare benefits, but also formal personnel programs and formal mechanisms for employee voice (through representation plans that avoided unions as the larynx for the voice).[6]

The progressive employers who were proponents of welfare work and welfare capitalism had several motives for providing benefits. Some employers were motivated by moral obligations, and rather than provide higher wages – which workers might spend in brothels and dance halls – paternalistic employers provided meals, supervised recreation, and health facilities. Also, employee benefits such as pensions tied the worker to the firm, which employers assumed would increase employee loyalty and productivity. Employers also provided benefits in order to fend off union organizing activities and to undermine government efforts to protect workers from economic insecurity.

During these decades prior to the 1930s, the notion that government was not the appropriate source of protection for workers also resonated with much of the labor movement. Indeed, until his death in 1924, Samuel Gompers, president of the AFL, was vice president of the National Civic Federation, which was "the leading organization of politically conscious corporate leaders." This alliance with employers was consistent with the unions' strategy of voluntarism, which eschewed government support and endorsed collective action by workers as the preferred means to achieve labor's goals.

The emergence of welfare capitalism among progressive employers during the Progressive Era has been ably analyzed in recent studies. However, the provision of benefits by employers was not endorsed by important employer organizations, most notably the National Association of Manufacturers. Moreover, most employers did not provide significant benefits to their workers. Thus, a comprehensive survey of private sector employers in 1929 indicated that a maximum of 14 percent of workers were covered by pension plans, and the total cost of all employer-provided benefits in 1929 represented only 1.3 percent of payroll.

Nor did workers receive much protection from government to deal with the various sources of economic insecurity. The aversion by employers and, in most instances, by labor to government provision of benefits helps explain the failure to enact social insurance programs in addition to workers' compensation during the 1910s and 1920s.

Thus, at the end of the half-century spanning 1880 to 1929 (the Progressive Era), workers and their families were almost entirely dependent on their own resources to deal with the economic insecurity that resulted from industrialization.

The 1930s

The U.S. economy plunged into a severe depression in the 1930s. The unemployment rate peaked at almost 25 percent in 1933 and remained above 14 percent until 1941. Most employers were overwhelmed by the adverse economic conditions, and most company-provided benefits were cancelled in the early 1930s.[7]

The Depression also significantly affected unions. The futility of trying to achieve economic gains for workers in a dysfunctional labor market led most union leaders to abandon the policy of "voluntarism," in which government action was considered a threat to the benefits that unions could provide their workers. Government intervention was now embraced by unions in the labor market.

The government intervention in the 1930s included the first significant regulation of employee benefits by the federal government. A leading example is the Fair Labor Standards Act, which established minimum wages and overtime pay requirements.

The federal government also established several significant social insurance programs during this decade, including the Social Security Act of 1935, which provided old age and survivors (OAS) benefits. The Act also established the federal-state unemployment insurance program.[8] Another consequence of the changing political environment was the enactment of the National Labor Relations Act (NLRA) in 1935, which protected the rights of workers to organize, to bargain collectively, and to engage in strikes.

The 1940s to the 1980s

Employer payments for employee benefits surged from 1.9 percent of payroll in 1940 to 13.5 percent in 1980, and then grew more slowly until reaching 14.2 percent of payroll in 1990. The increases began during World War II, when the economy was regulated to suppress excess demand through mechanisms such as wage controls, which limited increases in take-home pay but allowed employers to provide additional compensation as deferred income, including pensions. After the war, several major unions pressed for pensions, facilitated by the National Labor Relations Board's decision that pensions were a bargainable issue. Pensions soon spread among other unionized and unorganized industries, and employer contributions for pensions increased from 1.5 percent of payroll to 7.5 percent between 1948 and 1980 before declining to 5.5 percent in 1990.

Part of the decline in employer contributions to pensions after 1980 can be traced to the enactment of the Employee Retirement Income Security Act (ERISA) in 1974, which established standards in all areas of funding, structure, and administration of the pension system. In the aftermath of ERISA, new pension plans decreased and terminations of existing plans increased. Another source of a decline in the proportion of the workforce with pensions was the drop in union membership after the 1950s. This drop in unionization was in turn associated with a declining proportion of pension plans with defined benefits largely or solely financed by employers and an increasing proportion of pension plans with defined contributions that generally shifted some costs from employers to workers.

There was also a rapid increase in health insurance in the post-war period, with employer contributions increasing from 0.4 percent of payroll in 1948 to 6.8 percent in 1990. However, the increasing expenditures masked a declining proportion of workers with health insurance provided by their employers after 1979.[9] Part of the explanation for the decline in health care coverage was due to the increasing importance of non-unionized employers.

The growth of employer payments for pensions, health care, and other employee benefits between 1940 and 1990 reflect in part a sixth approach to dealing with economic insecurity, namely the use of tax incentives to encourage the provision of benefits in the workplace. The federal tax code was amended during World War II to clarify the favorable tax treatment of pension and welfare funds, and the increases in corporate and personal income taxes coupled with the deductibility of employer expenditures on employee benefits in the post-war period encouraged this approach.

The social insurance programs established during the 1930s expanded during and after World War II, with employer contributions for these programs increasing from 1.4 percent of payroll in 1940 to 7.5 percent in 1990. Most of the growth was due to expanded coverage of workers and additional benefits provided by the Social Security program.[10]

However, efforts to establish new social insurance plans were generally unsuccessful during the post-war decades, most notably government health insurance for the general population. An effort for a single-payer plan that might have served as a model for state-based reform was narrowly defeated in California in the mid-1940s. At the federal level, the Truman Administration failed to enact a health plan in 1949. Perhaps President Nixon proposed the most promising effort for a national health plan in 1971.[11] However, the labor movement and leading Democrats opposed the Nixon plan because they favored a health insurance plan financed from a new payroll tax and general revenue, and that would have eliminated commercial insurers and made the Federal government the single payer. The stalemate over the opposing plans resulted in no law being passed.[12]

The 1990s

The six-decade trend of increasing employer contribution rates on employee benefits reversed during the 1990s. Employee benefits dropped significantly, from 14.2 percent of payroll in 1990 to 11.0 percent in 2000.

Employer expenditures on retirement benefits dropped because the rise in the stock market caused many defined-benefit pension plans to be funded in excess of actuarial needs. The continuing increase in the prevalence of defined contribution plans also helps explain the decline in employer costs for pensions.[13]

Employer contributions for health insurance also declined after 1995, in part reflecting a temporary victory in the battle to contain costs through the implementation of managed care. In addition, during the 1990s, some employers eliminated their health insurance plans, and many of the ongoing plans shifted some of the costs to employees through increased deductibles, copayments, and employee contributions toward premiums.

Employer contributions for social insurance plans also declined during the 1990s, from 7.5 percent of payroll in 1990 to 7.1 percent in 2000. This decline resulted from a combination of stable employer contribution rates to the Social Security program, coupled with declines in employer contributions to the unemployment insurance and workers' compensation programs.[14]

Congress rejected the major social insurance initiative in the 1990s, namely the Clinton Administration's 1993-94 proposal for health care reform. There were, however, several federal statutes enacted during the decade that *inter alia* regulated workplace health benefits, such as the FMLA[15] and the HIPAA.[16]

The Twenty-first Century

What are the primary threats to economic security in the twenty-first century and can the six approaches relied on in the last century to deal with these threats provide solutions to our current problems? The economy has changed in recent decades in ways that may make old remedies inapplicable to current problems. In particular, competition has increased in both product and labor markets as a result of deregulation of domestic industries and increased international trade under the banner of globalization.

Loss of wages resulting from unemployment[17] and the deficiencies of medical care and cash benefits provided to workers disabled by workplace injuries and diseases,[18] while important, are not the sources of economic insecurity with the greatest costs. One of these expensive challenges is the provision of adequate retirement income, which currently requires contributions from employers and workers of at least 15 percent of payroll.[19] This figure is likely to increase in the short run as suddenly underfunded pension plans are replenished and to increase in the long run as the baby boomers retire in coming decades.

The other source of economic insecurity that is already very expensive and will become increasingly expensive is the provision of medical care to workers and their families. Employers spent over 6 percent of payroll on group health insurance in 2000.[20] A recent study reported that premiums for job-based health insurance increased 12.7 percent from 2001 to 2002, and postulated "the nation may be facing many years of double-digit premium increases."[21] There are, of course, many expenditures on health care not based on workplace contributions. Overall, the nation spent 13.2 percent of Gross Domestic Product (GDP) on health care in 2000,[22] a figure that is predicted to account for 16 percent of GDP by 2010 and as much as 38 percent of GDP over the longer term.[23]

How will the six approaches to dealing with economic insecurity cope with the expenses of retirement income and health care? One approach – workers relying on their own resources – is patently deficient to deal with health care needs. The average premium for group health insurance provided through the workplace in 2002 was $663 per month or almost $8,000 per year, considering both employer and employee contributions.[24] Moreover, an individual worker would probably be unable to purchase equivalent insurance at the same rate because of carriers' concerns about adverse selection.[25]

Reliance on individual workers to provide for the bulk of their own retirement income is also questionable, particularly for low-income workers who typically have limited resources when they retire. The governments in many states have only aggravated the problem of poor retirement planning by touting lotteries as the pathway to nirvana. The revenues from lotteries are a perverse form of regressive taxes that solve state budgetary shortfalls while promoting financial foolishness among the citizens.

A second approach of the twentieth century was collective action by workers. The main deficiency of this approach is that the unionized proportion of the private sector workforce has declined in the last 50 years from one-third to less than one-tenth. Moreover, even in some organized firms, unions have been forced to "give-back" some of the retirement and health benefits paid for by the employers.

A third approach to providing economic security that was important in encouraging employer payment for benefits is reliance on tax incentives. While tax incentives to encourage employers to provide health care and retirement benefits are important, the decline in corporate and individual tax rates makes this a less effective tool for governments.[26]

A fourth approach to economic security is voluntary corporate provision of benefits. A primary rationale is that the benefits promote worker loyalty and longevity, which in turn increase productivity and profits.

I fear that an unfortunate permanent legacy of the 1990s is that economic incentives for corporate behavior were fundamentally changed. Financial awards for corporate management were more closely tied to the price of company stock, based on the theory that this would increase the alignment of financial interests between management and shareholders. However, the unintended consequence in some firms was the irresistible urge for management to inflate short-term profits by short-term strategies, aided by dubious or even illegal accounting techniques, in order to artificially inflate stock prices. The time horizon for corporate planning appears to have shortened as a result, and I doubt that the reforms resulting from the Enron and other scandals of 2002 will appreciably correct the management myopia.

The increasing competition from deregulation and globalization has abetted the tendency of management to concentrate on short-term solutions as well as encouraging management to shift risk to others – notably workers. One manifestation of this new-age corporate strategy is the downsizing of permanent employees to only those who perform the "core" competencies of the firm, while relying on contingent workers or employees of other firms to perform "noncore" functions, such as maintenance or production or human resource management. Another manifestation of the emphasis on short-term gains is the shifting of risks of retirement and health care needs to workers. After all, who needs long-term and loyal employees when corporate planning is based on instant gratification?

There are, to be sure, some long-existing employers that continue to resist the addiction to short-term returns, and there are certainly younger firms that have adopted aspects of welfare capitalism and thrived. Unfortunately, these "progressive" employers do not appear to represent the dominant style of twenty-first century management, and so reliance on employers to provide protection to workers against economic insecurity is problematic, at best.

If these four approaches to dealing with economic insecurity all appear to have their limitations, what role is there for the remaining two approaches: social insurance and government mandates for the labor markets? There appears to be a compelling case for an expanded role of government in providing health care. Nonetheless, the thought of dealing with the rapidly deteriorating coverage and cost problems of our health care system by placing primary reliance on employment-based health insurance appears ludicrous. Instead, we need to move beyond the six approaches used to deal with economic insecurity during the twentieth century to deal with the health care problems of the twenty-first century. Of course, denouncing the solutions of the past does not provide a grand vision of what should now be done with our floundering health care system. Unfortunately, no one to date has provided a grand vision for a modern health care system that is also politically acceptable.

As for solutions for adequate retirement income, the short-run challenge appears to be the preservation of the crucial elements of the current employment-based system until better long-term solutions involving the government can be designed. The targets of current efforts to undermine the present system include the efforts to convert defined benefit plans into less-expensive defined contribution plans. Another target for retirement benefits is the old age component of the Social Security program, where there are efforts underway to convert part of the benefits from a defined-benefit plan into individual investment accounts, which are essentially defined contribution plans fraught with ups and downs based on stock market performance. This approach would seem to perpetuate or magnify, rather than to address or limit, economic insecurity among workers.

The threats to economic security among workers thus are increasing as we move into the twenty-first century, largely because of the looming cost increases for retirement income and medical care. The challenge for the next few decades will be to find the proper mix of the old and new approaches to providing economic security to workers and their families. This challenge is especially daunting because one of the primary "old" solutions to these problems – namely benefits voluntarily provided by employers – appears unlikely to be of great value in the new millennium. Indeed, we seem to have come full circle in terms of employers' interest in providing benefits to workers, with the current decade looking more and more like the early decades of the twentieth century. And so let me close on that sub-theme of melancholy by welcoming you to the "new" Progressive Era.

ENDNOTES

1. This article is adapted from my Presidential Address to the Industrial Relations Research Association in January 2003, which was published as John F. Burton, Jr., "Improving Policies and Approaches to Employment Relations: Protecting Workers and Their Families From Economic Insecurity," in Adrienne E. Eaton, ed., *Proceedings of the 55th Annual Meeting of the Industrial Relations Research Association.* Champaign, IL: Industrial Relations Research Association, 2003, pp. 1-11. Permission to reprint portion of the Presidential Address were granted by the Industrial Relations Research Association.

This article and the address is based in part on John F. Burton, Jr. and Daniel J.B. Mitchell, "Employee Benefits and Social Insurance: The Welfare Side of Employee Relations," in Bruce E. Kaufman, Richard A. Beaumont, and Roy B. Helfgott, eds, *From Industrial Relations to Human Resources and Beyond: The Evolving Process of Employee Relations Management*. Armonk, NY: M.E. Sharpe: 2003, pp. 179-219. Unless otherwise indicated, quotations and data in this article can be found in that chapter. I appreciate the contributions of Dan Mitchell to the chapter, but absolve him of responsibility for any errors of facts, analysis, or opinions in this article. I also appreciate the comments on a preliminary draft of the IRRA address provided by Bruce Kaufman and Paula Voos.

2. The *Anatomy of Melancholy* was written by Robert Burton (1577-1640), who opined:

All my joys to this are folly,

Naught so sweet as Melancholy.

3. A few unions established their own employee benefit plans, including pensions. By 1930, union pension plans protected 798,700 workers, or 20.5 percent of total union membership.

4. An enlightening report on the Pullman strike of 1894 recounting the general hostility of the government, the public, and many academics is Louis Menand, *The Metaphysical Club*. New York, NY: Farrar, Straus, and Giroux: 2001, pp. 289-306. The split in the academic community is reflected in the criticism of classical economics by Richard Ely, who founded the American Economic Association to combat the influence of conservative theorists such as William Graham Sumner.

5. The criticisms of the tort suits included the inadequate protection for workers, the expenses and delays associated with litigation, and the concerns among employers about the occasional high costs resulting from successful suits.

6. Bruce Kaufman properly criticized an earlier draft of the IRRA address as more or less equating welfare work and welfare capitalism. As Bruce indicated, "welfare work was an antecedent to welfare capitalism, but the latter was a later development and was much more broadly constructed in terms of component parts, its philosophy, and strategic intent and design." The evolution of welfare work into welfare capitalism is examined in Burton and Mitchell (2003), as cited in note 1.

7. There was a resurgence of pension plans after 1932, although most of these new plans required employee contributions. Employer contributions for all types of employee benefits increased from 1.4 percent of payroll in 1930 to 1.9 percent of payroll in 1940.

8. These programs increased the employers' contributions for social insurance from less than 0.1 percent of payroll in 1930 to 1.4 percent of payroll in 1940.

9. Between 1979 and 1992, the percentage of civilian, full-time, year-round workers who received health insurance through their employers dropped from 82 percent to 73 percent.

10. The additional benefits provided by the Social Security program in the post-war period included disability insurance (DI) for disabled workers and health insurance (HI) benefits, commonly referred to as Medicare, for persons 65 years or older and for disabled persons.

11. The Nixon plan would have required employers to pay 65 percent of the cost of the premiums for employees who worked at least 25 hours per week. The plan would have maintained private insurance carriers, and so gained their support. The proposal also received qualified support from some important employer organizations, including the National Association of Manufacturers.

12. By the late 1970s, organized labor for the first time embraced the idea of health insurance based on mandates for employers, but by then employer interest in providing benefits at the workplace had dissipated.

13. Employer contributions for pensions dropped from 5.5 percent to 3.8 percent of payroll between 1990 and 2000.

14. The drop in UI costs largely reflected the declining unemployment rates from 1992 to 1999. The employers' costs of workers' compensation dropped from 2.2 percent of payroll in 1990 to 1.3 percent in 2000, reflecting both an improvement in workplace safety and a concerted effort by employers and carriers to constrict eligibility and reduce benefits.

15. The Family and Medical Leave Act of 1993.

16. The Health Insurance Portability and Accountability Act of 1996.

17. Unemployment obviously was a major problem in the 1930s, but the improvements in macro-economic policies in conjunction with the federal-state UI program created in the Depression provide an adequate framework for dealing with the problem of unemployment. I recognize that we are currently experiencing a breakdown in the political system that has resulted in many workers exhausting their UI benefits, that many workers do not qualify for UI benefits because of their tenuous connection to employers, and that globalization is having a particularly severe impact on unskilled workers, and so I do not want to minimize this problem. However, measured in financial terms, the UI program has been costing employers only about one percent of payroll in recent decades, and so is a relatively small component of expenditures on economic insecurity.

18. I am aware of the deficiencies and strengths of the current workers' compensation programs, and could easily overwhelm you with possible solutions. However, again the workers' compensation program currently costs employers less than two percent of payroll and so I will focus my attention on other sources of economic insecurity with greater costs.

19. Employer and employee contributions to the OAS components of the Social Security program are over 10 percent of taxable earnings, and employer contributions to pensions and profit sharing plans represent another four percent of payroll. In addition there are employee contributions to employment-based retirement plans, as well as individual savings.

20. In addition to expenditures on group health plans, the combined employer and employee contributions on the HI component of Social Security are almost three percent of taxable wages.

21. Jon Gabel et al. "Job-Based Health Benefits in 2002: Some Important Trends," *Health Affairs*, Volume 21, Number 3 (September/October 2002), pp. 143-151.

22. Katherine Levit et al., "Inflation Spurs Health Spending in 2002," *Health Affairs*, Vol. 21, No. 1 (January/February 2002), pp. 172-181.

23. The estimates for 2010 and the longer term are from *The Economic Report of the President*, February 2002, p. 149.

24. Gabel et al., p. 145.

25. Even the employee contributions for group health plans provided by employers exceed the resources of many workers: the average premium paid by employees in 2002 for family coverage in firms with 10 to 199 workers was more than $200 per month. Gabel et al., p. 146.

26. The reduction in tax rates during the 1980s reduced the incentives for employers to provide such benefits, and one estimate is that these declining tax rates explain almost 20 percent of the decrease in the subsequent decline in private pension plan coverage of young males.

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- The full text of the *Report of the National Commission on State Workmen's Compensation Laws.* The report was submitted to the President and the Congress in 1972 and has long been out of print.

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