

**Mr. Sullivan's Report to Mr. Gompers**

APRIL 21, 1920.

MR. SAMUEL GOMPERS,  
President, American Federation of Labor,  
American Federation of Labor Building,  
Washington, D. C.

DEAR SIR:

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It is gratifying to me to report, as its trade representative, authorized so to act by yourself and the Executive Committee of the A. F. of L.,\* that the Committee on Foreign Inquiry has agreed upon a report, the general findings having the unanimous approval of the members, while any particular study of the question bears the signature of the member by whom it was conducted.

The Committee, after investigating the present development of both voluntary and compulsory sickness insurance in this country and Europe, has endeavored to bring to a foreground view the salient features and results in the operation of either as affecting the welfare and liberties of the wage-workers.

The report of the Committee, it is understood, will shortly be published by The National Civic Federation.

Yours fraternally,

(Signed) J. W. SULLIVAN.

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\*For action taken by American Federation of Labor to date see pp. 71-83, inclusive.

## SECOND REPORT

### Committee on Foreign Inquiry

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# The National Civic Federation

## SOCIAL INSURANCE DEPARTMENT

WARREN S. STONE, *Chairman*

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### COMMITTEE ON FOREIGN INQUIRY

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### CONCLUSIONS AND RECOMMENDATIONS.

It goes without saying that we are all strongly in favor of any measures or means whereby the standard of life may be effectually and permanently raised, not only as regards health but also as regards welfare in general. We feel that the aim of social insurance in this direction will not be realized, confronted as we are by evidences of failure not far from disastrous. We attribute this result to a serious confusion of principles of public policy and insurance. We heartily endorse all efforts which may aid the reduction of the economic consequences of illness, accidents, and infirmity among wage-earners and the public at large, but we are emphatically of the opinion that the term insurance is completely misused in this connection and perverted from its accepted sense when applied to social insurance as generally understood. Social insurance is generally compulsory and subsidized either by the contributions of employers or the state, or both.

To the extent that this is the case, all social insurance is a form of relief and practically a poor law in disguise. Insurance in its accepted sense rests upon the theory of voluntary contributions and the contractual obligations of the parties concerned. All subsidized insurance is no more and no less than a method of subsidizing wages insufficient to maintain a proper standard of life. As thus conceived we look upon social insurance as strongly opposed to the best interests of our wage-earners and as certain to create wrongful class distinctions and social and industrial unrest.

Social insurance, and particularly compulsory sickness insurance, in our opinion, has not been a success but a failure, for those who have had every reason to expect to be benefited the most have received the least. The poorest poor are not being reached by this method of social amelioration, and can not be reached otherwise than by a thoroughly reconsidered and materially improved method of domestic or domiciliary assistance, clearly differentiated from poor relief in the generally accepted sense of the term. For a distinction should be drawn between relief measures aiming at the needs of the poor and of the pauper elements respectively. The two may have little or much in common, according to the individual facts in the case. We believe that the existing confusion in this respect is one of the underlying causes of the honest propaganda for compulsory health insurance, which, though aiming at many desirable objectives, must, in the future as in the past, fall far short of its purpose.

It is from beliefs—largely false or exaggerated—as to the success of social insurance in Europe, that the present movement for compulsory sickness insurance—improperly termed health insurance—in this country is obtaining its principal impetus.

Therefore the pending proposals for compulsory sickness insurance are to be studied, particularly in the light of European experience, first, as means to the particular

ends ascribed to them, and, secondly, with reference to their relations to the entire field of social insurance.

Social insurance in Europe has taken three main forms:

Compulsory insurance, subsidized.

Compulsory insurance, unsubsidized.

Voluntary insurance, subsidized.

In the first place, it should be noted that under all forms of compulsory insurance the employers generally are obliged to contribute. This is held out as a great advantage to the working people. In our opinion it is no advantage and should not be allowed to operate as an inducement to the working people to accept a system of insurance that would otherwise be unacceptable.

Where social insurance is subsidized by the state, it becomes more or less confused with poor relief. In some cases, as in the Swedish invalidity insurance, all the people with property, incomes or earnings are taxed, each to maintain insurance for himself, and poor relief is added discriminatingly only for those whose contributions have been insufficient to insure themselves a minimum for existence. But in other cases all wage-workers, or all wage-workers in certain categories, are segregated in a separate class of the community and made indiscriminately the beneficiaries of poor relief. This practice is explainable in Europe by the fact that the wage-workers, *as a whole* on a level of poverty unknown in most parts of America, are calling for drastic remedies. We do not believe that American wage-workers should be reduced to this level. Poor relief should be applied with discrimination and in the exceptional cases where needed. The great body of American wage-workers belong in the self-sufficient class and should be so recognized in law.

What has just been said would not preclude the state from organizing and even subsidizing institutions providing small insurances open to *all* the people. What has been done in this way in France deserves careful study before law-makers decide upon lines of state action.

As between compulsory insurance, on the one hand, and voluntary, state-subsidized insurance, on the other, decision should be made—if choice is to be made between them—only after a thorough study of the experience with voluntary subsidized insurance in France, Denmark and Sweden. We are aware that a change from voluntary subsidized to compulsory sickness insurance is now impending in Sweden; and that recent drift in some other countries of Europe has been in the same direction. But as to that drift three facts stand out which should make us slow about jumping to conclusions.

First. The drift to compulsory insurance is only one current in a broad tide moving toward some form of socialism, usually, more specifically, "state-socialism." Logically the state-socialist program should be adopted entire or not at all. There would be inconsistency for this country to select one feature of the socialist state machinery, and try to incorporate it in the social machinery of a state which in other respects adheres to the principles of the economic independence of the citizen.

Second. In Europe the more impressive compulsory social insurance systems have been adopted only after the development, by subsidies or otherwise, of well organized systems of voluntary insurance, and have been applied in first instance only to the industries largely covered by pre-existing voluntary insurance organizations, and have used those pre-existing voluntary organizations, temporarily or permanently, as the cornerstones of the compulsory systems. In other words, those compulsory insurance systems, generally, are not the pure and sudden creations of bureaucrats, to which the people have had to fit themselves, but are largely methods and means of insurance slowly developed by the insured to suit themselves, subsequently enlarged, standardized and aided by the governments. Methods and principles are the outcome of political, traditional and economic conditions. In contrast, the proposals for compulsory sickness insurance pending in this country are wholly the emanations

of pure theorists, to be suddenly imposed upon the insured with little or no intelligent election or trial on the part of the latter, individually or collectively.

Third. So recent has been the beginning of the pending drift to compulsory insurance in Europe—it is in part an aftermath of the war—that it has been adopted in only a very few countries long enough to judge of its results. And those few countries have all been Germanic, wherein the people are accustomed to discipline and state paternalism in social arrangements generally. It is significant that where compulsory social insurance is being tried for individualistic peoples—in sickness and disablement insurance in Great Britain, and in old age and invalidity insurance in France—general confusion and dissatisfaction have promptly resulted; and, although it is yet too early to draw final conclusions, the results as a whole appear to be far below the expectations aroused by the predictions of the authorities who initiated the measures.

One feature of European social insurance in general needs to be mentioned before getting down to sickness insurance in particular. The earliest and most easily obtainable sources of information as to the operations of any social insurance experiment are the reports of the public officials who themselves administer or control it. Such reports are usually more or less biased and unduly favorable, a few only presenting and discussing fairly the defects developed, whereas many others take the character of mere puffery advertisements of officials or party policies. Particularly are these reports to be looked upon as misleading in regard to expenses of operation, as they may conceal or ignore much of the cost of administration and supervision entailed upon the government and especially the cost of the involuntary services imposed upon employers. Consequently the truth as to the cost, effectiveness of operation or attainment of the near and remote purposes of these European experiments cannot be gained with certainty from these sources, but is obtainable only by intensive and critical study and

analysis of operations in the respective areas covered. The American proponents of compulsory social insurance cannot claim to have made any such study. Consequently very much about these European experiments, although assumed to be known by these reformers, is really unknown and must remain uncertain until recognized methods of modern scientific social investigation are employed in the matter.

Certainly much can be learned from the experience under these European experiments. Common sense requires first-hand study before American states embark on any venture along similar lines.

Opportunity to study European experience was shut off in August, 1914, by the war, and is still generally shut off by the disturbed condition of Europe. Moreover, all experience since the outbreak of the war has been abnormal. In what follows we base our tentative conclusions principally upon the normal experience which terminated August, 1914.

The members of this Committee, however, have had more than the usual opportunity for ascertaining up-to-date facts as to the general situation relative to sickness insurance in Europe. With respect to Great Britain the opportunities have been especially good.

Two of our members have recently visited that country. All have correspondents there. Answers to queries have been obtained from a number of sources, more particularly from prominent officials of some of the largest approved societies of Great Britain. Besides, of course, the Committee has secured the latest official reports on the subject. With respect to the continental countries, considerable information has been obtained from delegates to the International Industrial Conference at Washington.

Turning now to state sickness insurance in particular:

In a later chapter (*post*, p. 37) is a table showing the state sickness insurance laws so far adopted in Europe, with data regarding their extension—*i. e.* the



percentage of the population covered—at the latest date obtainable, generally prior to August, 1914.

It should be noted that under few of those laws is the insurance at all “universal,” but that in many of them it is limited in application to a few industries—generally either to the highly organized industries, to which compulsory insurance can most conveniently be applied, or to those industries which were previously largely covered by voluntary insurance.

It is noticeable, also, that experience with so-called “universal” compulsory wage-workers’ insurance has been extremely brief and up to 1914 was limited to Great Britain and Norway; that in Great Britain the experience has been unfavorable; and that in Norway, so far as we are able to ascertain, the experience has never been critically studied.

From such studies of European experience as we have been able to make, particularly in Great Britain and Germany, we are convinced that:

General compulsory sickness insurance is hopelessly inefficient for the prevention of illness.

Medical benefits, appropriate to and practicable with sickness insurance of wage-workers cannot be efficient for the cure or correction of such common ills as tuberculosis, feeble mindedness, congenital defects and the results of neglect in childhood.

Maternity benefits are inexpedient and out of place in wage-workers’ sickness insurance.\*

In compulsory insurance it would be both inequitable and inexpedient to provide benefits for chronic diseases.

Sickness insurance ought not to apply to vice diseases or to cases of disability due to or prolonged by bad or vicious habits.

The foregoing conclusions narrow the possible field of utility for the medical benefits under wage-workers’ compulsory sickness insurance far within what is claimed by its proponents. And, unfortunately, even within the narrow field remaining the utility of insured medical benefits is doubtful.

From its study of foreign experience, and of projects and proposals in America to date, this Committee is of

\*We are unanimously of the opinion that the State should provide the best possible medical care, etc., for all women in childbirth, but not through insurance.

the opinion that no plan has yet been devised for efficiently and economically providing medical attention, hospital care and other features of health conservation, as a benefit of insurance in conjunction with a cash insurance benefit during short sicknesses.\* Without going into the details of the "doctor problem" and of the manifold difficulties now proven to be involved in it, it is sufficient to note that:

It is quite certain and generally agreed to by even the proponents of compulsory sickness insurance that both the British and the German plans of dealing with this problem are seriously defective. (See Warren and Sydenstricker, "Public Health Bulletin No. 76," p. 59; Dr. Alexander Lambert, Bulletin No. 212, U. S. Bureau of Labor Statistics, p. 654.)

What, then, is the alternative? While the proponents generally agree in insisting that a wholly satisfactory plan can somehow be devised, yet up to date they have been hopelessly unable to devise one. And they differ among themselves radically as to methods and means.

Some insist that the insured patients must have the right of absolute free choice of physician, whereas others admit that such right, under the French accident compensation law, has resulted in general demoralization, waste and harm.

Some insist that the medical benefits must be provided by a public health service; whereas others acknowledge that those who pay the bills *will* insist upon controlling the service.

Some insist that the capitation system of paying the doctors must not be adopted; whereas others argue that such method of payment is the most satisfactory or the only one practicable.

The majority of proponents insist that the medical benefits shall be provided by associations of large numbers in relatively small areas; but they have been unable or at least have failed to specify how the benefits can be efficiently and economically provided for those persons who work in a relatively small area covered by an association, but reside in another area or another State, or for those persons who regularly or irregularly work in different areas.

The various plans and bills for sickness insurances published or introduced in legislatures in this country have been equally at variance on this point, their authors, under criticism, shifting suddenly from plan to plan, without having yet been able to decide upon any one that will stand analysis.

Until the proponents of compulsory sickness insurance can devise, formulate and agree upon some definite

\*The American Medical Association at its Convention in New Orleans, April 27, 1920, with an attendance of 3,800 members, adopted unanimously the following Resolution:

Resolved, that the American Medical Association declares its opposition to the institution of any plan embodying the system of compulsory insurance against illness, or any other plan of compulsory insurance which provides for medical service to be rendered contributors or their dependents, provided, controlled, or regulated by any State or the Federal Government.

plan which, after fair opportunity for criticism, can be accepted by the majority of the people as holding out at least the probability of providing an efficient and economical medical service, manifestly it would be wrong for us to adopt a doubtful mode of compulsory insurance of medical benefits. Until that is done, compulsory sickness insurance deserves consideration as a practicable method for the provision of pecuniary relief only.

It is certainly desirable that the community, collectively and individually, should bestir itself to reduce the hardships from loss of earnings resulting from ill health. The first and most important method for such purpose is the prevention of disease, the second is the cure of disease and the third and least is money relief.

As regards need of money relief, emphasis should be given to the misfortunes resulting from ill health in the order of their importance, which is usually as follows:

1. Premature permanent invalidity of a breadwinner.
2. Premature death of same.
3. Long sickness of same.
4. Short sickness of same.

For protection against the first three misfortunes mentioned, insurance, involving the accumulation of funds in accordance with highly technical principles, is generally essential, and many classes of workers may need help to provide it. But, for short sicknesses, insurance is often unneeded. Relatively few American wage-workers are unable while in health to accumulate savings equal to the cash benefit under state sickness insurance. One's own cash in pocket is more advantageous than an appeal to the state insurance to provide for needs during short sicknesses. And, for those who need it, protection against the wage loss from short sicknesses is provided by small fraternal societies, operated on the current cost basis,

without large reserve accumulations, to be found in nearly every American community.

Moreover, because of the uncertainty of the criterion of the right to benefit, experience seems to indicate that short sickness insurance can be administered fairly and satisfactorily only through small mutuals, in which the members know each other, watch each other, have a pride in keeping off the benefits, and exclude malingerers and persons of bad habits. Where the state intervenes to interfere with complete liberty of association and management, malingering and impositions become the rule.

Consequently, the proposed compulsory insurance of cash benefits during short sickness would start in with the least needed branch of social insurance and the branch in which state assistance and control is least needed and least practicable. This course may be chosen because of the comparative frequency of short sicknesses, or because that branch of insurance can be made most popularly attractive by glowing but unsubstantiated promises of advantages in connection with dubious medical benefits. However that may be, a mere indication of the four categories of misfortune above mentioned is convincing that, so far as cash relief is in question, short sickness insurance comes last, and, consequently, that efforts and resources should be devoted primarily to developing branches of insurance applicable to the other three. A practical and methodical program for the adoption of compulsory social insurance, therefore, requires that sickness insurance, confined to its proper proportion of the total practicable cost, should come in its order after invalidity, death and long sickness benefits have been adequately provided for.

Whether or not old-age insurance belongs in that program or should be replaced by old-age pensions is a somewhat different question, as to which this Committee expresses no opinion. But it should be observed that in our studies of foreign experience we have not been favor-

ably impressed with pending experiments with old-age pensions, whereas we have been impressed by the difficulties of applying similar systems to the mobile population of the United States as well as by the cost of pensions for the general population equaling the rates of old-age benefits paid by trade unions.

In the foregoing review nothing has been said of unemployment insurance. Experiments in Europe in that branch of social insurance really as yet amount to little outside of Great Britain. And we have not been favorably impressed by British experience to date, a study of which, by one of our members, follows in a later chapter. The problems involved in unemployment insurance, excepting the fundamental questions of compulsion and state subsidies, are quite distinct from the lines of insurance hereinabove discussed. This method of state provision for the necessitous must be given more serious attention and study before it can reasonably be included in a platform for social reform.

From whatever direction the state approaches the problem of intervention in the field of popular insurance, it should do so with a clear realization of the possibility or even probability of thereby doing more harm than good. The American people generally—wage-workers most positively included—are capable of providing for themselves against economic misfortune better than the state can do it for them. And they are learning to do so in continually increasing numbers. The need of state intervention for such purpose can relate only to the submerged exceptions for whom generally poor relief is a necessary remedy in misfortunes; and the advantage of disguising such poor relief under the name of insurance is doubtful.

But the prevention of disease and the establishment of means for adequate and economical care and treatment of the sick is largely a community problem, to be

solved by the state. We, therefore, conclude by concurring fully in the recommendations in the statement of the Committee on Constructive Plan of the Social Insurance Department of The National Civic Federation, copy of which follows in Appendix A.

J. W. SULLIVAN,  
ARTHUR WILLIAMS,  
P. TECUMSEH SHERMAN,  
FREDERICK L. HOFFMAN.

**RECENT SOCIAL INSURANCE EXPERIENCE IN  
GREAT BRITAIN WITH PARTICULAR  
REFERENCE TO SICKNESS  
INSURANCE.**

What in general terms may be considered the social insurance system of Great Britain includes at the present time, subject to certain minor qualifications, the following:

(1) Health insurance, which is divided into the following benefits:

- (a) Sickness benefit, or a cash payment in the event of illness resulting in incapacity for work of more than three days' duration. The cash benefit at the present time is 10s. a week for men and 7s. 6d. a week for women, not to exceed 26 weeks per annum. If the sickness is of longer duration a disability benefit goes into effect, as stated below. It is proposed to increase the cash benefit for men from 10s. to 15s. a week, and for women from 7s. 6d. to 12s. a week.
- (b) Disablement benefit, of 5s. a week for both men and women during incapacity for work in excess of 26 weeks duration, and payable to the age of 70, when the non-contributory old-age pensions go into effect. This benefit will be increased to 7s. 6d. under a bill introduced in the House of Commons on March 1.
- (c) Maternity benefit, providing the sum of 30s., payable on the confinement of an insured member's wife, or if the woman herself is an employed contributor, or both. This benefit, under the new law, will be increased to 40s.
- (d) Medical benefit, providing such treatment as is

common to the practice of the general practitioner. No important changes are contemplated in this respect, although the benefit falls very materially short of what is really required. This benefit has no value as a means of disease prevention, although serving a useful purpose in many cases. It does not include surgical or hospital treatment, nor dental treatment, nor auxiliary nursing service, nor adequate appliances called for by the needs of modern medical and surgical practice.

- (e) Sanatorium benefit, or treatment in an approved institution, or domiciliary treatment, including practically all that is available under the poor law. It is proposed under the new bill to remove this benefit entirely from national health insurance, it being recognized that the function should never have been assumed by the so-called health insurance system, being properly a public function and strictly within the duties of public health authorities. There are convincing reasons for believing that maternity benefit will likewise, in the near future, be removed from the national health insurance as more strictly within the functions of maternity and child welfare centers.

(2) Unemployment insurance. Under the original act this provided for a cash benefit, in the event of involuntary unemployment, of 7s. a week for both men and women. Under the revised law of December 25, 1919, this benefit was increased to 11s. It is now proposed to increase the amount payable to 15s. for men and 12s. for women. It is also proposed to very largely increase the number of persons insured. There is widespread dissatisfaction with the proposed changes, which are gov-



erned largely by the disastrous consequences of the ill-advised out-of-work donations. The latter are much more liberal than the former, furnishing another pernicious illustration that more may be receivable under a liberal policy of government aid than under a rational theory of thrift and mutual aid. (The out-of-work donation at the end of 1919 was 20s. a week for men and 15s. for women, and in addition allowances are granted to children, which may raise the average to as much as 30s. for men, more or less. In contrast, the payment under unemployment insurance is 11s. a week, and under sickness insurance 10s., subject, of course, to modifications.)

(3) Non-contributory old-age pensions. The original rate of old-age pensions was 5s. a week on attaining the age of 70, but this amount was increased by war donations and, subject to income restrictions, will now probably average 7s. 6d. Under the new law this will be increased to 10s. a week, while the range of persons eligible has also been increased.

The Committee has, of necessity, limited its investigations to the health insurance. A study of the unemployment insurance, made by one of its members, is reported in a later chapter.

In the early summer of 1914 this Committee, with the exception of one member who has since been added, made an intensive study of the operations of the British health insurance, unfortunately terminated prematurely by the outbreak of the war, as set forth in a report entitled "Report of the Committee on Preliminary Foreign Inquiry, Social Insurance Department, The National Civic Federation," dated November, 1914. In that report we explained in detail the various features of the National Health Insurance Act and the methods of administering the insurance, and criticized the financial scheme of the act and the actuarial calculations upon which it was based, the character of the general administration, the expense, the character and administration of the medical

benefit, the provisions for sanatorium and maternity benefits, the provisions for casual and itinerant laborers, the position of the deposit contributors, the failure of the plan for voluntary contributors, etc., and concluded that final judgment would have to be suspended, pending further experience, but that our impression was most unfavorable, and that the prospects were gloomy both for the taxpayers and the insured. For information covered by that report we refer the reader thereto. Here we propose to set forth only the information as to later experience under that act, obtained upon our recent investigations and inquiries.

Practically everybody in England is now thoroughly dissatisfied with the health insurance and is demanding radical changes. But the causes of dissatisfaction vary among the different classes affected; and the amendments demanded are correspondingly various, and are somewhat contradictory.

Taking up first the attitude of labor, more particularly of organized labor:

At the annual conference of the National Association of Trade Union Approved Societies, February 3 and 4, 1920, the president's address was delivered by S. Sanderson, Secretary of the Lancashire Cardroom Workers' Approved Society. The points in the address which bear directly on the subjects of the investigation of this Committee are given below.

The language employed by Mr. Sanderson shows clearly that he agrees to a remarkable degree with the main conclusions of this Committee in its Preliminary Report. In fact, such is the force of his statements, based upon an intimate official experience with the British health insurance, that standing alone they ought to be sufficient to call a halt in the sickness insurance propaganda which we are now witnessing in the United States. He emphasizes every fault in British health insurance pointed out by us six years ago, and likewise he justifies

all our criticisms and all our doubts as to the successful working of this British system. His statements follow:

"We have now eighty-four bona fide trade union societies with an aggregate membership approaching one million.

"Our object is to secure a higher standard of health for the workers. We are fighting for the right of every man, woman, and child to live a full and healthy life.

"We may derive satisfaction from the fact that the demands made upon the physical endurance and health of the people by war conditions has emphasized the vital importance of national health, and has convinced public opinion of the imperative necessity of everything possible being done to protect and develop this great national asset.

"The present social unrest is the fruit of neglect of first principles, of faulty statesmanship, of imperfect knowledge of economic science, of political stupidity, and of financial wickedness in high places. In the coming years the need of the community will be as much in the realm of spiritual and moral recuperation as in economics.

"Our educational ideal wants remodelling. The tale of infantile mortality, the scourge of tuberculosis, the figures of army examinations, the devastation of epidemics, point emphatically and conclusively to the preventable wastage of life. Hygiene, sanitation, and education have modified many diseases, but a great deal yet remains to be done. It will be a poor acknowledgment of the noble services of those who have fallen in the war if the lesson which the war was meant to teach is not learned, and if we miss the great opportunity of inaugurating human well-being, which they made possible by the sacrifice of their lives.

"Amongst the first duties of reconstruction is to give a reasonable chance to every man, woman and child to live a full and healthy life. Unless this is first secured all other efforts for the advancement and well-being of the people will be futile. The appalling wastage of human life is the greatest disgrace to English statesmanship.

"The efficiency, the health, and happiness of every unit is the greatest national asset, and the ever-increasing number of unfits constitutes an ever-increasing charge upon the national resources. The crippling of every worker afflicts the State not only in the cost of his maintenance, but in the sacrifice of his productive powers.

"I would point out that the Government have a committee sitting to inquire into the working of industrial insurance. There is also a committee sitting on the Workmen's Compensation Act to consider whether it would be advisable to establish a system of accident insurance under the control and supervision of the State. Already we have a State scheme for sickness and another scheme in a Bill for unemployment. I deem it my duty to warn the workers to walk warily in these new paths and to carefully test the various economic doctrines which are being so freely enunciated at the present time. Insurance founded upon mutual association and Government co-operation ought to supplement public charity and private relief to a greater extent. An organized system against sickness, against loss of employment, against the untimely death of the head of the family, and against all those misfortunes to which the workers are exposed, will certainly result in the suppression of almost all the economic causes of poverty.

"There are five possible misfortunes to which the worker are constantly exposed and which render him liable to cease work either permanently or temporarily, and thereby expose him and his family to hardship and misery. These misfortunes are illness, loss

of employment, accident, old age and death. The first question that naturally arises is as to whether a scheme to cover all those contingencies should be obligatory or optional. The plan of optional insurance, while, of course, more in keeping with the principle of liberty and, in addition, less vexatious and less burdensome, would, I fear, only cover a small part of the population in view of the widespread improvidence of mankind in general. If the working classes of this country could only be prevailed upon to join the trade union movement in their entirety and trade unions would cater to meet these misfortunes, a scheme of insurance could be worked at one-tenth the cost of a state scheme, and link up labor and capital in such a way as to lessen the possibility of hardship arising from any of these misfortunes.

"We are all, I fear, apt to forget that the money to provide what are erroneously called 'free state benefits' does not spring from nowhere. Whatever is provided by the state has to be paid for in taxes, and nothing can be done by the state which is not paid for by the individual.

"What happens over and over again? An agitation is started to get the state to do something. It grows in strength and purpose. The doing of it requires the passing of some new law. It always requires the appointment of officials to carry out the new work, and not infrequently a whole new department is started. It is like starting a new toy locomotive with a driver at £5,000 a year, a stoker at £1,500, and hundreds of assistants at big salaries. It is started off, turns a corner, gets out of sight, breaks down, and is forgotten with little good to anyone except the officials who go on drawing their salaries. The legislative past is like an iron-bound coast strewn with wrecks; as, for instance, the Poor Law, which is hated and detested by the poor, for out of every £1 spent 14s. goes in administration. The Unemployment dole, which cost an extra £2 in administration for every £1 paid in unemployment, while those white elephants called labour exchanges, which find employment largely for their own officials, and even national health insurance, which is costing 5s. to give a sick man 10s. In my view the state has messed and muddled everything it has touched.

"There is no real democratic control over state schemes. Take the Advisory Boards of the Ministry of Health. Dr. Addison appoints and drops the members as he chooses, and their function is advice only. They are independent of the insured population. Whatever the faults of trade unions—and they are many—they are at least controlled by the members.

"The outstanding feature of state schemes is the prodigious cost of administration. We in this conference have for years been saying that it is a scandal the benefits have not been increased. Even when we have convinced our members and our employers that contributions have to be increased to pay increased benefits we have to wait until that opinion is generally held all over the country before we can move. The fact is that the state is taking upon itself functions which it was never intended to discharge and which are alien to its nature. State ownership should not be introduced where state control suffices, while state control should not be applied any more than is necessary.

"In my view social insurance is no substitute for wages and the state should confine itself to encouraging and supporting the individual and the family to voluntarily engage in corporate action in order to safeguard themselves with the assistance of their employers against sickness, accident, invalidity, unemployment, and old age, and to render the financial assistance where the assistance is required. Otherwise we are on an inclined plane at the bottom of which we shall ultimately find the individual and the family

groaning under state absolutism. The position can be bovrilised as follows: A certain school of thought want to give the workers social insurance to supplant a living wage. The trade union movement must stand first for a living wage and that social insurance be regarded as supplementary and not supplanting that living wage.

"Social insurance will relieve distress, but does not try to remove its cause. Trade unionism has for its aim the prevention of destitution, and if it can succeed, as it surely will, to obtain for the workers a fair share of the wealth produced in the way of adequate wages, it will go a long way toward the end and the need of State assistance will be so much less. A trade union can and should provide all the necessary benefits to keep their members in times of distress without subjecting the workers to bureaucratic control, both tyrannical and inefficient, which characterises all state schemes.

"Take the question of medical benefit under the Insurance Act. I want to remind the conference that it was originally intended that a full and adequate medical service would be provided. Mr. Lloyd George said he wanted the poor man to have the same treatment as a rich man, but in practice this treatment is diminished to treatment which can properly be undertaken by a general practitioner of ordinary professional competence and skill.

"Insured persons are not receiving the treatment they were led to expect, because, instead of the standard of treatment being that within the competence of the average practitioner it has been reduced to the minimum standard of any practitioner. We have standardised mediocre practice. Not only that, we are paying millions of pounds for what is least needed. There is no provision for any kind of specialist treatment, for operations, and for the very things most needed by the workers. So incomplete is medical benefit that but for the assistance given by the great voluntary hospitals many of the most serious ailments of insured persons would have to go without adequate treatment altogether. Whilst the panel doctor has only to deal with the more simple ailments where we could almost do without him, their lightning treatment of symptoms has degenerated largely into mere drug-peddling, with the result that panel treatment and panel physic is regarded by not a few insured persons with something of the same abhorrence as pauper relief.

"The healing art of the future should be in the discovery of the beginnings of diseases and the elimination of their causes.

"With regard to sanatorium benefit, everybody admits it has been a failure and will continue to be until we concentrate our attention on the prevention of consumption rather than on the cure, and one might safely say that the satisfactory solution of the problem of the elimination of consumption involves the solution of most of the illnesses of our times.

"If we can make our country what a community of civilized men and women ought to be, if we abolish our dreadful slums, if we can free its people from the evil conditions both in the workshops and the supposed homes, if we can eradicate everything that causes needless sickness and disease, it will be a monument more precious than gold and more enduring than marble."

To similar effect the following editorial appeared in the "Democrat" of July 25, 1919, of which Mr. W. A. Appleton, Secretary of the General Federation of Trade Unions, is editor:

"We must always take into consideration that any forced conditions upon the workers must have a tendency to create revolt. Compulsory health insurance has not improved the working portion of the community, nor materially raised the standard of public health.

"All the more conspicuous and gratifying results in the improvement of social conditions, the lowering of the death rate, the gradual elimination of preventable diseases, etc., were secured more effectively in this country and entirely without compulsory insurance."

The foregoing represent opinions quite widespread among British labor. But the majority opinion of the working people, probably, is not quite so unfavorable to the health insurance. We are told that while they are extremely dissatisfied with the administration of the law and with the amounts of the benefits, yet that they desire to hold on to the benefits the law promises them. To comprehend the situation from their viewpoint it should be realized that the National Health Insurance includes really two branches of insurance, first, sickness insurance, which aims to provide medical, sanatorium and maternity benefits and "sick pay" during short illnesses; and, second, disablement insurance, which aims to provide a cash benefit, of about one-half the rate of the "sick pay," during long or permanent disabilities—up to the age of 70, when the old age pension begins. With its amendments the health insurance act has had the effect of a free donation by the government to the working people of disablement insurance fully paid up to the date when the act took effect, the value of such donation being variously estimated around £90,000,000. To the older workmen, especially benefited by this arrangement, since they have obtained the insurance without equivalent payments of dues, and who have been struggling through life with bitterly low wages, this donation was a godsend. Naturally it has created among them a certain spirit of friendliness to the act. But it should be borne in mind that this friendliness is due to the disablement insurance features of the act rather than to the sickness insurance features. And it is sickness insurance which is being

proposed in the United States and with which Americans are more immediately concerned.

In our Preliminary Report above referred to (p. 41) it was stated to be probable that the cost of the disablement insurance may exceed the estimate and the income provided "two or three times." We are now informed that the expenditures for disablement benefit are consistently rising each year, and that there are some grounds for the dread that the estimate will be exceeded two or three times. As yet, however, no valuation of the assets and liabilities of the various insurance carriers has been made. Thus after nearly six years' experience (the disablement insurance took effect in 1914) the uncertainty of the plan for financing the disablement insurance and the possibility of a deficit on that score of some hundreds of millions of pounds in the course of a generation, a burden of which the working people must bear at least their full share, remain as great as ever. These facts should be borne in mind in connection with the demands for increasing *all* the benefits without any definite plan for financing such increases.

This financial uncertainty is aggravated by the fact that no progress has been made toward defining the qualification for the disablement benefit—i.e., what is meant by "incapable of work." This qualification is carefully defined in the German and French laws; but in England it seems to be the policy for administrators to make up their minds as they go along as to what the law means. It should be noted that the exact definition to be given to this qualification will affect the cost of the disablement benefit and the value of the insurance to the workers enormously.

Returning from this digression, the following are the prevailing opinions among the workers in regard to various features of the health insurance, as reported from a number of trade union sources, with occasional comments thereon.

*Medical Benefit.* It seems to be the prevailing opinion among the workers that the medical service provided is better than none at all, and that before the act many low income workers obtained no medical care worthy of the name. But there is general dissatisfaction with the medical service, both for its omission of all specialized treatments and with the way it is administered. It is said: "The medical benefit, as provided, is not an evil. The evil lies in the way in which it is administered by the doctors."

It is complained in the representative labor press that insured patients do not receive from the panel doctors the attention that they used to receive from their club doctors or that pay patients receive from doctors in general practice. Referring to the influenza epidemic, the "Federationist," (Journal of the British General Federation of Trade Unions), March 19, 1919, said:

"The lot of the panel patient has never been a very happy one. To-day it is tragic. . . . Any one going the rounds of the surgeries in the poorer class districts will find many of them overcrowded with patients who have to wait two, three and four hours for attention. The immediate result is to drive the busy patient or the patient who objects to waiting in a germ impregnated atmosphere to the chemist's shop for ready-made remedies that may or may not be suitable for his complaint. The exploitation of the panel patient is a scandal and those responsible for it ought to be indicted."

In the London "Democrat," February 6, 1920, "A. T." who conducts the trade union page, wrote:

"It has been often stated that the workers did not receive that quality of medical care and attention under the National Insurance Act that they had the right to expect. This has been further confirmed by the deputation from the Federation of Medical and Allied Societies that recently waited upon the Minister of Health. This federation is of the opinion that the present basis upon which the medical profession gives its services does not provide a proper guarantee for good medical service, and they ask for a full inquiry, and a public one at that. What estimation the profession have of the present act is given in the statement of Dr. Arthur Latham, who stated that 'the insured public asked for bread and were given a stone.'"

A general demand among the insured is for a greater and an improved service. The medical profession is in accord with this demand; but there is wide divergence of



interest and opinion over the charge for such increased and improved service.

The feeling among the workers is that the doctors have greatly benefited by the insurance act—that the act has automatically strengthened their organization and enabled them to bargain with the state for their own advantage, and that they are now well paid for their services. In a plan, referred to as under consideration by the government for an improved service, the panel doctors' per capita fee is proposed to be raised from seven shillings six pence to eleven shillings, whereas the doctors are demanding thirteen shillings six pence. Consequently the outlook is dark for any mutually satisfactory agreement between these opposing interests or for any material improvement in service simply by increasing the doctor's fee. For that purpose it is necessary to make some radical change in the administration of the medical benefit.

The primary difficulty with the administration of the medical benefit under the act is that the "approved societies," which have to pay the cost, have no control over that benefit, which is administered by local public bodies, and no control over the doctors who certify to the right to the cash benefit. It was proposed, and some steps were taken for the purpose just before the outbreak of the war, to remedy the latter fault by the appointment by the approved societies of medical referees. (It has been stated in this country that such measure has been "successful.") But, with a few exceptions, the plan was dropped at the outbreak of the war. Now, as a way out of the present unsatisfactory arrangement two plans are being proposed: (1) That a public medical service be substituted for the present insured medical benefits, (presumptively leaving the cash benefit to be administered as at present). (2) That the state take over the whole insurance scheme, displacing the approved societies, and administer all the benefits, nationally and locally. Each of these plans is presented as a *sure* solution of the

problem. But manifestly the situation up to date is that the medical benefit has been a serious and expensive failure and disappointment, and that there is disagreement and uncertainty as to how it can be improved.

*Maternity Benefit.* It seems to be generally agreed that the maternity benefit has been largely appropriated by the doctor or midwife by increased charges for the same service as before the days of insurance, and that this benefit has had no appreciable effect in diminishing infant mortality. Proposals to remove the maternity benefit from the insurance are regarded by the labor representatives with equanimity, with the probable reservation that some provision be made by the state to replace it.

*Sanatorium Benefit.* The opinion of labor is that, all things considered, this benefit can hardly be described as a success either from an administrative or preventive point of view. A very enlightening exposition of the operations of this benefit is contained in an address published in the "National Insurance Gazette" of September 13, 20, and 27, 1919. What the sanatorium benefit has done, and has not done, as set forth therein, may be summarized as follows: On the one hand, it has increased the accommodations available for institutional treatment of tuberculosis; it has stimulated the local health authorities to widen the scope of their operations in connection with the treatment of the disease; it has contributed largely to bring about the establishment of a central body to control all health matters in a "Ministry of Health;" it has discovered that sanatorium treatment is only part of the treatment necessary for tuberculosis cases; and it has shown that the health insurance funds are totally inadequate for dealing effectively with the problem of treating tuberculosis. On the other hand, it has failed to provide adequate treatment for advanced cases; it has not provided a common channel through which all diseases shall pass; it has not provided for nor secured the

earlier notification of the disease; it has resulted in a lack of co-ordination in the measures taken for the prevention and cure of the disease; and it provides a treatment radically inefficient for the cure of the disease.

Noting that the increased accommodations mentioned have been provided principally by the poor law authorities or by Parliamentary "grants in aid", outside the act, that the alleged discovery that sanatorium treatment is only part of the treatment for tuberculosis was no "discovery" at all, the fact being well known long before, and that the principal points credited to the sanatorium benefit in the above résumé are simply revelations of or reactions from its faults and deficiencies, the conclusion is unavoidable that the way to deal with the tuberculosis problem is for the state to provide directly for the proper and adequate care of tuberculosis patients, instead of going through the preliminary step of attempting but failing to provide such care indirectly through insurance. And it is difficult to see why this conclusion does not apply to many other diseases which may possibly be eradicated by direct action.

It is now proposed that the sanatorium benefit be taken out of the Act entirely.

*The Cash Benefit ("Sick Pay")*. It seems to be the prevailing opinion that the cost of the cash benefit, generally, promises to keep within the income. But conditions are uncertain. Experience during the war has been abnormal. No valuation has yet been made. The cost for women seems to be exceeding the income; but the deficit is being supplied by grants in aid by the State. The tendency seems to be in the direction of treating the funds of all the approved societies as a unit, so that deficits in some will not matter if offset by surpluses in others. But there is general dissatisfaction with the amount of the cash benefit, not unnatural in view of the rise in wages and prices, and a general agreement that the amount shall be increased substantially, and the cost be met by

increased contributions. As to the distribution of the increased cost, however, there is ominous reticence.

*Deposit Contributors.* Nothing has been done to improve the much criticized arrangements for the deposit contributors, *i. e.* those involuntary contributors who have not obtained admission into any "approved society" and who are insured only to the extent of their individual contributions. But the number of these unfortunates, it is reported, has been reduced from 489,757 in 1913 to 268,000 in 1916.

*Casual Labor.* So far as can be ascertained, the difficulty of collecting the contributions for the casual laborers remains unsolved. Complex schemes for dealing with this problem were evolved before the outbreak of the war and a plan to reduce the evil of casual labor has recently been accepted for the Port of London, but nothing has yet been actually accomplished, except in the Liverpool Dock scheme, organized 1912-13; (for particulars of which, see "The First Year's Working of the Liverpool Dock Scheme", by R. Williams, London, P. S. King & Son, 1914).

*Malingering.* It is acknowledged that there is already considerable malingering. In one test investigation, as our informant puts it, out of 150 persons "on the cash benefit," 45 returned to work rather than face the medical referee, 49 were declared fit for work, and only 51 were found really disqualified for work. It is claimed that this rate of malingering should be regarded as abnormal; but why it should be so regarded is not stated.

*General Administration.* It is admitted that the insurance has been unpopular among the workers, particularly up to the end of 1914. Thousands were unable to obtain their benefits, and the administration was so involved that the approved societies could not handle their work. Since then, however, we are told administration has been somewhat simplified, travelers' cards have been improved,

and the rules have been so liberalized that fewer of the insured are "out of benefit."

*Voluntary Contributors.* No statistics are obtainable of the number of the voluntarily insured. In the General Federation of Trade Unions' Approved Society, out of 110,000 contributors only 50 are voluntary. But there is no doubt that voluntary insurance under the act has proved a complete failure. Bearing in mind that the state pays about 28% of the cost of the insurance, so that a voluntary contributor would get this insurance at that rate below cost, this condition is indicative of a low estimate of the insurance by the higher grade employees, many of whom have yearly wages just above the amount fixed by the law below which the insurance is compulsory.\*

*Act of 1918.* This act makes some financial adjustments in the insurance scheme, but its most noticeable feature is to create a Ministry of Health to co-ordinate the various health agencies of the state, which are now in a state of chaotic confusion. Information in this regard from a responsible authority is as follows:

"The general opinion is that the Ministry of Health was created for the purpose of co-ordinating and improving the activities of the various health organizations. The late Lord Rhondda was largely responsible for its creation. The necessity for co-ordination is clearly shown in the pamphlet on 'The Present Problem and the Ministry of Health,' issued by the Ministry of Reconstruction, and from which the following is quoted: 'Although provision is made generally for the tuberculous members of the population at large, separate provision is made through separate authorities for tuberculous school-children, tuberculous paupers, tuberculous disabled soldiers and sailors, tuberculous insured persons and tuberculous dependants of insured persons. While provision is made generally for the treatment of mental defectives amongst the population at large, separate provision is made through separate authorities for mentally defective school-children and mentally defective paupers. A mother, though entitled (if insured) to medical attendance from the insurance doctor under the insurance committee for a portion of her pregnancy period (but not at confinement), may be able to obtain advice and assistance from the maternity and child welfare scheme of another authority before and after her confinement, obtain maternity benefit from her approved society in respect of her confinement (for attendance at which she has had to make private arrangements), and later resumes her right to attendance

\* The provisions relative to voluntary insurance, except as to those already so insured, were repealed in 1918.

by the panel doctor. A disabled soldier, if insured, may be entitled to medical attendance from two authorities simultaneously for the disability for which he was invalided. Thus, while the attendance will, for the most part, be provided by the insurance authority, it may be supplemented by the pensions authority, but the extent of his disability for pensions purposes is considered by medical staff employed either by the pensions authority or by the Ministry of National Service. If he is suffering from a venereal disease, he would be handed over to the care of the County or County Borough Council and Insurance Committee. In either case his own insurance doctor would, nevertheless, be supposed to retain some responsibility for his treatment. Lastly, in the event of his contracting some other notifiable infectious disease, he may be taken charge of by yet another body, the local sanitary authority. The ordinary insured wage-earner is entitled to medical attendance in his home under the Insurance Committee; his wife and infant child may get medical advice at the Maternity and Child Welfare Clinic of the County or County Borough Council, and his children of school age are medically inspected during school attendance and may be treated at the school clinic by the staff of the local education authority. If, however, his wife or children need medical attendance so provided, he must arrange privately with a doctor at his own expense, or send them to the out-patients' department of a voluntary hospital at the expense of charitable funds. But if vaccination is necessary, he can get this done by the vaccination officer of the guardians, and if either he or any of his family require residential treatment, admission must be sought to the in-patients' department of a voluntary hospital. Should destitution occur for any reason, a different set of medical officers and of residential institutions will come upon the scene under the poor law. His infant children pass in due course from the purview of the child welfare clinic to that of the school clinic and later, on attaining the age of 16, to the care of the insurance practitioners. Finally, while different practitioners have been striving in separate water-tight compartments, under arrangements made under widely different authorities according to widely different (and sometimes conflicting) principles, to cope with the many forms of disease or subtly disabling influences to which health may be subject, yet the prime causes of their sickness, the condition of the man's employment, and of the factory in which he works, the sanitary conditions of the tenement and slum in which perforce the family dwell, the food and milk which are their sustenance, are the care of other separate authorities. These know as little of the results of their action or inaction upon the human object of their responsibility as the several doctors who are struggling with the consequences know of one another's labors."

The health insurance act itself is responsible for contributing greatly to the confusion so well described in the foregoing excerpt. It remains to be seen whether it is possible to co-ordinate the health insurance with the other health agencies of the state or whether the insurance organization will not have to be discarded as an impediment.

*Proposed Future Legislation.* A new bill has been introduced in Parliament, about the first of March (1920)

increasing the benefits and contributions; but our labor informants have been reticent about the readjustment of contributions necessary to meet the increased cost. A proposed readjustment of the panel doctors' charges has aroused the medical profession to arms. It has been publicly proposed to discontinue accumulating reserves for the disablement benefit and to use the full contributions immediately to pay increased benefits. We are told that this proposal has received less consideration than would otherwise have been given it, because of a widespread belief that the state will soon have to take over the insurance and administer it directly, providing funds as expediency may determine.

So much for the subject from the viewpoint of British labor. Turning now to the opinions of other classes in the community.

It is universally admitted that the representatives of the great Friendly Societies, the agencies of voluntary thrift and self-providence, with a wonderful record of achievement behind them, uniformly regard the National Health Insurance as a serious menace to their institutions and, indirectly, to the welfare of the community.

#### As to employers:

The opinion of representative employers in England is not a matter of record in a form readily available for the present purpose. Opinion is divided largely because in most cases the subject matter has not as yet become one of serious concern to the employer. The alleged benefits resulting from National Health Insurance in the direction of removing ill-health producing conditions in particular trades have not materialized. One large representative employer engaged in the manufacture of war materials has placed on record his conviction that "The British Insurance Act is the most colossal pious fraud ever imposed on British employers and employees in the history of England. It has given great trouble and general dissatisfaction to everyone, except perhaps to members of the medical fraternity, for whose benefit the act appears to have been created." Another large manufacturer writes that "We frequently hear a good deal of dissatisfaction expressed by our employees with their panel doctors, and it would certainly seem to us that the complaints have some justification. Many of the industrious and better class employees prefer to attend a doctor as a non-panel patient, but it is only right to say that many doctors conscientiously administer the act to the best of their ability." In the case of a large and representative firm of pottery manufacturers in the Stoke-on-Trent district similar evidence has been presented, amplified by personal observations of members of the firm, that to their knowledge employees prefer to make use of non-panel doctors or pay panel doctors

privately to secure adequate and proper treatment. A firm in the north of Wales points out that, "While the administration of National Health Insurance may not be more burdensome to our industry than to any others, at the same time the principle of burdening any industry with the collection or administration of State enactments such as National Health Insurance is, in our opinion, entirely wrong, and throws upon industry work which it should not be called upon to do." A large rubber company near Birmingham writes: "Our experience is that the lowest labor class, who most require the benefits, do not get it." "The intermittent worker drops out of benefit rather quickly. Most of them do not belong to an Approved Society but insure through the Post Office. There are many complaints that Post Office cards are lost," etc. A representative firm of linoleum manufacturers in Scotland points out that: "We do not know that the introduction of National Health Insurance has led to any material improvement in the health of the wage-earning population," a statement fully confirmed by the vital statistics of Scotland. To the foregoing may be added, in conclusion, a statement by a firm of paper manufacturers near Birmingham that: "It seems to us that it is the duty of the state to see that all employees are cared for in case of sickness and breakdown; but the present system is cumbersome, wasteful and extravagant and does not achieve the object of bringing to the lower classes the proper medical service needed. In the upper classes of the poorer people we find that in many instances they will not avail themselves of the panel doctor, preferring to pay themselves and go to a doctor of their own choice."

The opinion of the medical profession, as expressed by its organized bodies, seems to be generally favorable to the act, except for dissatisfaction with the fees allowed the panel doctors. But a large proportion of the profession dissent strongly from that view. Thus Sir Arthur Newsholme, formerly Chief Medical Officer of the Local Government Board for England, speaking recently in New York, said in reference to this subject:

"The act in its present form is now generally condemned; and it is significant that the need for its radical reorganization appears to be universally accepted. Two medical benefits (medical and sanatorium) and a maternity benefit were conferred under the act; but, as they have been administered, it cannot be affirmed that any marked public benefit has accrued; and it is certain that if the same amount of money had been placed in the hands of the public health authorities to provide adequate medical aid to those needing it, of the kind most lacking and which they could least afford to obtain, great benefit to the public health would have been secured."

And William A. Brend, M. D., a writer of authority, in "Health and the State," had this to say:

"In taking a broad view, the advantages of the act must not be minimized. . . . But these benefits are all in the nature of poor relief under another name, and they do little to alter the conditions which bring about sickness. As far as improvement of the public health is concerned, the influence of the act has probably been



almost nil. The medical service is no better than that which preceded it, the main change being that a certain number of persons who formerly went to infirmaries and hospital out-patient departments now go to panel doctors; sanatorium treatment has proven of little value among the working classes; the provisions intended to deal with the evils of bad housing and insanitary conditions are unworkable; and the schemes for collecting public health information are futile. Nearly all classes grumble at the act; and though the panel practitioners have benefited financially the medical profession has been split into two camps, between which much bitterness exists."

We may conclude this review with the following expression of opinion of the radical reformers of Great Britain, taken from "The New Statesman," of December 1, 1917:

"Practically none of the fundamental drawbacks and none of the serious injustices of the scheme have been remedied." The amended act "leaves untouched both the grievances of the doctors and the still more serious failure of the commission to supply, as the act promised, 'adequate medical treatment;' . . . the provision of appliances and medicines is still unfairly restricted; . . . the practical breakdown of the campaign against tuberculosis remains unremedied; . . . at least half a million women of the same class as the rest are still excluded from the maternity benefit; . . . the 'deposit contributors' are still unprovided with anything that can be called insurance; . . . the economic absurdity of abstracting a loaf of bread a week from hundreds of thousands who have demonstrably not enough to live on continues unchanged; . . . and the commission has failed to solve the problem of the casual laborer. . . . Above all stands the failure of the scheme as a measure of public health. The act has not had any appreciable effect in preventing disease, diminishing infant mortality or in encouraging hygienic ways of living."

Taking everything together, the following conclusions as to the British health insurance system seem to be justified: Since our investigation in 1914 some features of the administration of the health insurance have been improved, but its methods of administering the benefits have been found essentially defective and unsatisfactory, so that it is necessary, in some way not yet determined, entirely to reorganize and in effect to start all over again, experimenting as at the beginning. The original income provided has been shown to have been insufficient to obtain the medical and sanatorium benefits promised, and the recent abnormal rise in prices has thrown the cash benefits out of scale, so that an entire reorganization of the financial plan is necessary; and in

proposals for such reorganization there are indications of a disposition to abandon any settled plan of finance and to muddle along experimentally, incidentally calling upon the taxpayers for more and more aid, thereby more and more confounding the insurance with poor relief. As to many details, such as malingering, the problem of the casual laborer, expulsions, etc., the abnormal conditions during the war have prevented the accumulation of any conclusive normal experience. As to the methods and requirements governing the wage-workers who fall under the compulsory system, our American citizens are invited to read the description of them given on pages 104-6, *post*, and take account of the response of their own sentiments in consequence. Under the circumstances it seems to this Committee that the test in Great Britain of the expediency of compulsory health insurance is just about where it was six years ago, and that the most favorable conclusion possible is a further suspense of judgment.\*

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FREDERICK L. HOFFMAN.

\* For a summary of the provisions and effect of the British National Health Insurance Act of May 20, 1920, which was enacted subsequent to the preparation of this report, see "First Annual Report of the Ministry of Health, 1919-1920—Part IV—Administration of National Health Insurance—1920—[Cmd. 913]"; also "Monthly Labor Review", September, 1920 (pp. 1-11). For the British Unemployment Insurance Act of August 9, 1920, see "Monthly Labor Review", September, 1920, pp. 165-169.

It should be noted that the Health Insurance Act of 1920 does not reframe the whole insurance system with a view to remedying its many faults and imperfections above disclosed or indicated, but is merely a piece of temporary tinkering on a few points only.

## BRIEF REVIEW OF EUROPEAN SOCIAL INSURANCE EXPERIENCE.

For analyses of the various European social insurance laws and for the official statistics relative thereto, so far as published in this country, the reader is referred to the 24th Report of the Commissioner of Labor, 1909, and to the Bulletins of the U. S. Bureau of Labor Statistics. The following tables are intended merely to give a rough outline of the whole, as a guide to what follows. The figures given in these tables and in the matter following are not authoritative. But they have been carefully collated by several of our members, principally from official publications, and are about as close an approximation to the truth as available sources of information enable us to present.

TABLE I.  
SICKNESS INSURANCE.

| Country       | Form                 | No. Insured       | Population  |
|---------------|----------------------|-------------------|-------------|
| Great Britain | Compulsory           | 15,000,000 (1919) | 45,000,000  |
| Germany*      | "                    | 14,500,000 (1913) | 65,000,000  |
| Austria       | "                    | 3,340,000 (1913)  | 27,800,000  |
| Hungary       | "                    | 900,000 (1909)    | 21,000,000  |
| Luxemburg     | "                    | 37,500 (1910)     | 260,000     |
| Russia*       | "                    | 1,394,000 (1914)  | 145,000,000 |
| Netherlands*  | "                    | ?                 | 6,500,000   |
| Norway*       | "                    | ?                 | 2,400,000   |
| Roumania*     | "                    | 140,000 (1911)    | 7,070,000   |
| Servia*       | "                    | 0                 | 4,500,000   |
| Portugal*     | "                    | ?                 | 6,000,000   |
| Denmark*      | Voluntary—Subsidized | 990,690 (1917)    | 2,775,000   |
| France*       | "                    | 3,747,176 (1912)  | 39,700,000  |
| Sweden        | "                    | 637,049 (1912)    | 5,700,000   |
| Finland       | "                    | 43,265 (1909)     | 3,000,000   |
| Belgium*      | "                    | 500,000 (1912)    | 7,400,000   |
| Switzerland*  | Mixed                | 531,803 (1917)    | 3,700,000   |

\*Notes to Table I.

The German insurance, until then limited in application to what may roughly be termed the organized industries, was being extended at the outbreak of the war to apply also to domestic servants and agricultural and itinerant labor; but no data relative to such extended coverage is yet available. It is not even known that such extension is yet really effective. In July, 1914, it was not.

The Russian compulsory law covers only European Russia—Finland excluded—and the Caucasus. It was just being put into effect at the outbreak of the war.

The Dutch law was to have taken effect in 1914. Data showing how far it has actually been put into effect is not yet obtainable. By its terms it applies only to low paid labor, and excludes casual labor and domestic servants. See *post*, p. 45.

The Norwegian law took effect in 1911, and, according to its terms, is quite wide in application; but no data as to its actual coverage have yet been obtained. See *post*, p. 44.

The Roumanian law was enacted in 1910 and took effect on paper in 1911; but in early 1914 it was still generally ineffective, and has since been practically suspended by war.

The Servian law was enacted in 1911; but, owing to wars, it has never yet been put into practical effect.

The Portuguese law has just been enacted. With the pending revolutions and political executions, what is needed in Portugal is life, rather than sickness, insurance.

The insured under the Danish law include many unemployed women, and not inclusively wage-workers. See *post*, p. 46.

The number insured given in the table under the French law covers only those insured in officially recognized societies, exclusive of school children (many of whom are insured in special recognized societies), and of persons insured in officially unrecognized associations; but it includes some who are insured against death or invalidity but not against sickness. See *post*, p. 49.

The number insured in Belgium is approximate for the mutual aid societies alone. Various establishment funds exist with many thousands of insured members in addition. See *post*, p. 47.

Under the new Swiss law insurance is voluntary, but any Canton can make it compulsory, and some have done so. See *post*, p. 52.

Not mentioned in the table, in Italy sickness insurance is compulsory for railway employees, and maternity insurance is compulsory for women employed in some industries.

Since this table was compiled it has been reported that health insurance laws have been enacted in Poland and Czecko-Slovakia.

It is also reported that the income limitations under the British and German laws have been increased, but such increases hardly cover the recent rise in wage rates and consequently do not extend the scope of those laws.

TABLE II.

## INVALIDITY INSURANCE:

| Country       | Form                 | No. Insured   | Year Effective |
|---------------|----------------------|---------------|----------------|
| Germany       | Compulsory           | 16,300,000    | 1890           |
| Luxemburg     | "                    | ?             | ?              |
| France*       | "                    | 7,000,000     | 1911           |
| Great Britain | "                    | 15,000,000    | 1914           |
| Netherlands   | "                    | ?             | 1914           |
| Sweden        | "                    | 3,240,000     | 1914           |
| Italy         | "                    | ?             | 1919           |
| Portugal      | "                    | ?             | 1919           |
| Roumania      | "                    | ?             | 1911*          |
| Servia        | "                    | ?             | 1911*          |
| Belgium*      | Voluntary—Subsidized | 1,130,000     |                |
| France*       | " "                  | 2,000,000 (?) |                |

## \*Notes to Table II.

The compulsory insurance listed in this table is all invalidity and old age insurance, except the British system, which is sickness and invalidity insurance, covering invalidity up to the age of 70 only (when it is replaced, in case of indigency, by old age pensions), and the German and French systems, which, besides covering in-

validity and old age, provide some insurance for surviving dependents in case of death. France is listed twice to indicate that the old, voluntary insurance is the *Caisse Nationale des Retraités* and the mutual benefit societies still continue along with the new compulsory insurance; but the aggregate of the figures given for the voluntary and the compulsory insurance, of course, contains many duplicates. Special compulsory laws for miners, seamen, railroad employees and public servants are not listed in this table. Also omitted are Austrian laws applying only to miners and office employees, respectively, and a Hungarian law (1909) applying only to miners, domestic servants, agricultural laborers and peasant proprietors. On the other hand, the Roumanian and Servian laws, intended to take effect in 1911, are listed *pro forma*; but they are as yet merely projects, of little or no practical effect. The number of insured given for Belgium is the total membership of the "*Caisse Générale de Retraite*" in 1908, and of the "Miners' Provident Funds" in 1905.

TABLE III.  
UNEMPLOYMENT INSURANCE.

| Country.       | Form.                                     |
|----------------|---|
| Great Britain* | Compulsory.                               |
| Belgium*       | Voluntary—Subsidies to trade union funds. |
| France*        | " " " " " "                               |
| Denmark*       | " " " " " "                               |
| Norway*        | " " " " " "                               |
| Netherlands    | " " " " " "                               |
| Germany        | Voluntary—Some local subsidized funds.    |
| Switzerland    | " " " " " "                               |

\*Notes to Table III.

This table excludes the special measures taken by European governments to relieve unemployment during the war or the period of demobilization.

A study of the British unemployment insurance, by one of our members, is presented in a later chapter. With that exception, our Committee has not investigated unemployment insurance abroad.

For early data relative to unemployment insurance in Belgium, see 24th Annual Report of the Commissioner of Labor, p. 548. In 1912 there were 432 trade union funds, with about 28,000 members, receiving municipal subsidies. The subsidies averaged about 45% of the full benefits.

For France, see 24th Annual Report of the Commissioner of Labor, p. 959. In 1913 there were 117 funds, with about 50,000 members, receiving public subsidies. The benefits paid amounted to about \$45,000, of which \$10,901 was reimbursed to the unions by subsidies.

For Denmark, see Monthly Review of the Bureau of Labor Statistics, February, 1916, p. 107. It is there stated that during the year ending March 31, 1915, there were 57 funds, with about 130,000 members, supported by contributions—51% from members, 30% from the state, 14% from municipalities, and 5% from interest, donations, etc.

In Norway, in 1913, there were 18 funds, more or less, with about 30,000 members, and about \$68,000 annual income, of which income \$9,522 came from state subsidies.

Since this table was prepared, and while this report has been in the hands of the printer, it has been announced that a system of unemployment insurance has been adopted in Italy; see Monthly Labor Review, April, 1920, pp. 191-8.

Passing Table III, as relating to a subject we have not investigated, we take up first Table II—"Invalidity Insurance"—in order to dispose of that subject briefly and to get to the subject of sickness insurance, with which, although of far less social importance, we in America are more immediately concerned:—

This table indicates a rush by European governments during recent years to experiment with compulsory invalidity insurance. We should not be misled by that movement, for the reason that it has been actuated more by popular impatience with intolerable economic conditions and by the spread of socialism, than by any strong belief among the well informed in the efficacy of this type of social insurance. It is by results that we should appraise the value of these experiments. And only one of them—the German—has been in operation long enough to produce results sufficient for appraisal. All the others are either just starting or are only about to start. And the serious troubles some of them are having at the very start (*e. g.*, the British and French systems) are warnings against imitation.

The sole tested precedent for compulsory invalidity insurance, as above explained, the German system—which may be said to cover Luxemburg—calls for no further consideration. Its daring plan of finance is universally condemned. The abuses to which it has given rise are notorious. Its administrative methods are the quintessence of autocracy and absolutism. As to whether or not those methods are socially advantageous even under conditions in Germany, minds may reasonably differ; but there would be no sense in adopting such methods solely for social insurance in America, and leaving the remainder of our present political and social organization entirely out of harmony and inconsistent. And essentially this German insurance is poor relief, fitted only for application to a proletariat submerged to a low level. If there be anything in state-provided invalidity insurance to be found in Europe fit for a free people, it must

be looked for in future developments from some one of the more recent and as yet untested of these experiments.

It may be noted in conclusion that the opinion seems to be growing in Europe, even among the partisans of state paternalism, that state provided invalidity and old age insurance entails too much bureaucracy, too much administrative expense and too many financial complications, to be advisable. The alternative proposed by the paternalists is "non-contributory" insurance—*i. e.*, invalidity and old age pensions entirely at the expense of the state. Thus the drift seems to be through compulsory state insurance to no popular *insurance* at all. In our opinion, that is not the road of true progress.

. Coming now to sickness insurance, which will be considered in more detail because of the movement now pending in America for the adoption of compulsory sickness insurance, under the name of "health insurance":—

In a "Brief for Health Insurance," published by the American Association for Labor Legislation, June, 1916, there is a map of Europe with all Russia, Norway, Germany, Austria, Roumania, Servia, Luxemburg, Holland and Great Britain marked in red, to indicate that those countries have *compulsory* health insurance laws; and then it is stated in the text that: "*All* the laws cover practically *all* low paid wage-workers." In an address delivered by Dr. John B. Andrews, Washington, D. C., December, 1916, it was declared that: "Today *universal* health insurance is *established* in not fewer than ten of the leading continental countries." And in an argument before a committee of the New York Legislature, March, 1918, Miles M. Dawson, Esq., is reported to have said: "Health insurance on a *compulsory* basis is in force in Great Britain, Norway and Switzerland, and is equally *successful* in all those countries." (All italics are ours.)

But a comparison of the number insured with the population of each of the countries mentioned, for which particulars see Table I, will show that when those statements were made there were just *two* countries in Europe in

which compulsory health insurance, applying to approximately all low paid wage-workers, was known to have been established—namely, Great Britain and Norway. The German law was, at the outbreak of the war, about to be extended to a similarly wide application; but it is not even yet known whether it has ever been truly established in such wider application. The Dutch law, which excludes some classes of low paid wage-workers, was to have taken effect in 1914, but it is not known yet that it has been established in normal operation. And the laws of all the other countries mentioned are either quite ineffective or expressly restricted in application to small percentages of the “wage-workers”—such small percentages in fact as to compare unfavorably even in *extension* with some of the voluntary systems. As to the statement that the British, Norwegian and Swiss “compulsory” systems are “successful”: The Swiss law is voluntary, except in some Cantons and Communes (see *post*, pp. 52-55); there is no material evidence available to indicate whether the Norwegian law is truly “successful” or not; and the evidence is overwhelming that the British law is pre-eminently unsuccessful.

The statements just criticised are cited, incidentally to illustrate the spirit of exaggeration that characterizes the propaganda for compulsory sickness insurance in this country, but more particularly to emphasize the basic assumption that underlies that propaganda—*i. e.*, that as soon as a compulsory insurance law is adopted on paper, immediately, by mere legislative fiat, the insurance becomes “established,” universally effective and generally successful. That assumption simply begs the question at issue, namely—the relative social value of compulsory and voluntary insurance—and is, of course, absurd. Before giving weight to the mere adoption of compulsory sickness insurance by a European country we should learn how that insurance really works; the classes and proportion of the people or of the work-people *actually* covered; the fitness of the insurance for the varying



needs of all those covered; the proportion of the insured "out of benefit"; the nature and quality of the medical benefits, if any; actually provided; the relation between the insurance and the medical profession and the effect of the insurance upon the practice of medicine; the certitude and promptness with which the insured obtain the benefits; the distribution of the cost; the extent to which the insurance partakes of the character of poor relief and its relations with the "poor laws"; the character, efficiency and cost of the administrative machinery, including particularly the "concealed cost"; the extent of malingering and kindred abuses; the relations of the insurance with and its influence upon supplementary forms of voluntary thrift and self-providence, etc. These are all "*facts*," not to be assumed nor accepted unquestioningly from official reports, but to be learned by investigation or adequate inquiry. The German and Austrian experience up to 1914 has been more or less thoroughly studied and the facts thereby revealed are slowly becoming known and appreciated in America. We have succeeded in learning the British experience to date quite thoroughly, as reported in a preceding chapter. It is upon the experience of these three countries that we base the tentative conclusions presented in the first chapter of this report.

As to the other systems listed in Table I, and as to the German amendments intended to become effective in 1914, the outbreak of the war not only shut off all possibilities of thereafter investigating earlier experience, but also practically terminated all *normal* experience. And since the war conditions have continued nearly as unfavorable for investigation. Even in the neutral countries, we are advised, everything relative to social insurance is still disturbed and abnormal. A good deal of information has been obtained; but it is generally fragmentary and superficial, relating more to changes in laws, administrative machinery, projects for the future, hopes, contentions, etc., than to actual results accomplished by

insurance—in other words, it relates to matters for future observation rather than to completed experience fit to be relied upon as a guide to conduct.

This late information, such as it is, will now be reviewed, noting to start with that there is nothing relative to social insurance since July, 1914, to record about Austria, Hungary, Russia, Roumania, Servia or Finland, except wreck and ruin.

*Germany.* In a purely mechanical sense, the German sickness insurance, with the help of a huge government bureaucracy, has been widely effective. But up to 1914 agricultural labor, domestic service and the itinerant trades were excluded. We have not been able to learn whether the sickness insurance has yet been *actually* extended to cover and provide the benefits for those hitherto excluded occupations. It remains a subject for future investigation to learn how efficiently it may operate in application to them. At present there is no information of any compulsory sickness insurance law applying efficiently and satisfactorily to agricultural labor, domestic servants, casual labor, or the itinerant trades. The merits of state compulsion as a means for making sickness insurance “universal” are still entirely undemonstrated.

*Norway.* Sickness insurance was made compulsory in Norway by a law enacted in 1909, to take effect in 1911, amended in 1911, and codified with amendments to take effect in 1916. (For an abstract of the provisions of this law, see Monthly Review of the U. S. Bureau of Labor Statistics, December, 1916). The outstanding features of this system are: Insurance is compulsory for practically all wage-workers (including domestic servants and peasant farmers) whose annual earnings do not exceed 1600 crowns (\$428.80) in rural districts or 1800 crowns (\$482.40) in urban districts. Public sick funds are instituted, but the insurance may be carried in trade or private funds. Premiums are payable for a com-

pulsorily insured member, six-tenths by the member, one-tenth by his employer, one-tenth by the municipality and two-tenths by the state. Voluntarily insured members pay seven-tenths of the premium, the subsidies being the same as for a compulsorily insured member. In order to avoid abuses in medical service, provision is made for the substitution of extra cash benefits in place of the insured medical benefits, physicians are compelled to furnish their services at ordinary rates, and the sick funds are authorized to exclude persons suffering from chronic diseases. Little data relative to this Norwegian insurance is yet obtainable; and, so far as we are able to learn, its operations have never yet been critically studied and reported.

*The Netherlands.* Under a law or laws adopted June 5, 1913, sickness insurance was to become compulsory in Holland, beginning in 1914, for all wage-workers, except casual or day laborers, domestic servants, apprentices, taxpayers, persons whose daily wages exceed \$1.01 or \$2.02 (according to locality), etc. The special features of this law are: The premiums are payable one-half by the insured and one-half by the employer, the employer collecting the insured's contribution and remitting it, along with his own contribution, to the state. The cash benefit insured is high, averaging about 70% of wages. There is no medical benefit, but the payment of the cash benefit is conditioned upon the insured's providing himself with due medical care. The insured may choose his own insurance carrier. The state's functions are limited to collecting the premiums and transmitting them, less deductions for expenses, to the proper insurance carriers, and to determining the right to benefits where the insurance is not placed in a specially approved insurance carrier. We have not been able to ascertain how far this law has yet been put into actual and normal operation.

*Sweden.* In Sweden, through co-operation between the state and communities, medical care and attendance

is organized by a system of public and special institutions, with doctors, nurses and midwives, in all parts of the country. As a result of this, and of public supervision of hygienic conditions generally, the mortality in Sweden is exceptionally low. Supplementing the publicly provided medical care, pecuniary relief in sickness is insured by voluntary membership in various mutual benefit, guild, trade and establishment funds. Such insurance has been promoted since 1891 by a small per capita subsidy (generally about twenty or thirty cents per annum) from the state. Under this influence the number of the insured has increased rapidly and steadily, from 24,735, in 1892, to 637,049, in 1912. Notwithstanding such encouraging progress, there is now pending a proposal to make sickness insurance compulsory, based upon the report of a committee, of which Mr. Branting, the present Premier, was at one time a member. This proposal is simply one item in the program of the Socialist party. A critical analysis of the report of the committee, just referred to, by one of our members, follows in a later chapter.

*Denmark.* The early operations of the voluntary, state subsidized sickness insurance system of Denmark are well presented in the "Twenty-Fourth Report of the Commissioner of Labor, 1909"; and some phases of the medical experience are analyzed in "Medical Benefit in Germany and Denmark," by I. G. Gibbon (P. S. King & Son, London, 1912). The latest figures available show that this insurance has been spreading fast and steadily, the number of the insured having increased from 117,000 in 1893 to 990,690 (49.80% of the population over 15) in 1917. Because this number of insured includes a large proportion of married women, it does not indicate that the insurance yet covers quite as high a proportion of the wage-workers as is desirable. But it proves that voluntary insurance *can* be made to penetrate to the more indigent classes of the population. And it remains to be

demonstrated that this kind of insurance cannot eventually reach practically as wide an extension as the most autocratic compulsory insurance, or at least as wide an extension as is desirable—i. e. with the really “bad risks,” on the one hand, and the self-sufficient, on the other hand, left out.

For some late statistics of Danish sickness insurance see “Monthly Review,” Bureau of Labor Statistics, December, 1915, pp. 84-5, and March, 1919, pp. 306-7.

*Belgium.* In Belgium a large amount of old-age insurance in state institutions had been built up before the war. But sickness insurance had been comparatively neglected. Many public sickness insurance measures had been proposed and debated for years. Finally, in May, 1914, the government put through the Chamber of Representatives a bill for compulsory sickness, premature invalidity and old age insurance. The real fight over this bill was expected in the Senate. But before it reached the Senate, the war intervened. Since the treaty of peace this bill has been revived, and we are informed that, under strong pressure by the Socialists, it is likely to pass.

Under this measure, sickness, invalidity and old age insurance is to be obligatory for all persons employed, at wages or salaries not exceeding 2400 francs (\$480) a year, in agriculture, commerce or industry—with some few exceptions. The old age insurance is to be carried in the *Caisse Generale de Retraite*. The “premature invalidity” insurance is to be carried in mutual associations or regional funds. The principal features of the sickness insurance are as follows:

The insurance is to be carried in approved mutual associations or regional funds, the latter to be administered by boards composed of representatives of the mutual invalidity associations, the trade unions, the medical profession, the pharmacists, and the insured—the representatives of the insured to be selected by the govern-

ment. Each workman subject to the law is to have free choice of his insurance carrier. Contributions by the insured, in the mutuals are to be at such rates as each association may fix by its rules, and in the regional funds at the rate of twelve francs per year, which rate, however, may be reduced one half for those earning less than fifteen francs per week. The employer is to collect and remit his employee's contributions, unless furnished with a certificate that the employee is paying direct. Employers, unless they provide due medical care, *must* contribute two francs per each insured employee per year. The state is to contribute 25 centimes for every franc, up to twelve, contributed annually by each insured person. For insured persons born before December 31, 1870, this contribution is to be doubled. Additional subsidies are to be made to secure medical service to those of the insured who live far from a doctor, and for those associations and funds which provide maternity benefits. Subsidies to the insurance by the Provinces, Communes, etc., are contemplated; and it is provided that in such subsidies no discrimination shall be made against mutual associations because of their religious or political character, and that, except as to maternity benefits, the subsidies must not be proportionate to expenditures but must be either fixed or proportionate to contributions. The minimum benefits to be insured are: (1) A medical and pharmaceutical service, unless otherwise provided. (2) "Sick pay" of not less than one franc a day, beginning not later than the tenth day of disability and continuing for three months, when the invalidity insurance shall take effect. The insured have free choice of physician among those physicians of the neighborhood who accept the tariff adopted by the regional fund. The mutual associations may reject members for bad health, but may not drop a member for such reason after one year's membership. And the mutuals must provide a "control" by administrators or visitors, independent both of the insured and of their employers. The bill provides a credit of

5,000,000 francs to assist in establishing sanatoria for the insured suffering from contagious diseases, especially tuberculosis.

*France.* Apart from the insurance special to miners and seamen, what is classed as "sickness insurance" in France, is voluntary, in certain publicly "approved" or semi-approved ("free") mutual societies, insuring variously all sorts of benefits in case of sickness, invalidity, old-age, death, etc. Associations for mutual aid were first fully legalized in France in 1850, but subject to such vexatious political interferences that normal progress was hindered. Since 1898, however, associations for mutual benefit have been fairly regulated, and moreover subsidized by the state—the "approved" societies, which submit to the greatest public regulation and supervision, being subsidized quite liberally, the "free" societies, more independent in their methods, less liberally. As a consequence of this new policy, the number of the insured in such societies (children's or "scholastic" societies excluded) has increased from 1,891,482, in 1901, to 3,747,176, in 1912, and was reported to be still increasing steadily at the outbreak of the war.

To the foregoing figures should be added the members of officially unrecognized mutual aid societies, amounting, it is said, to several millions—the total insured in all mutual aid societies, children included, amounting, we are informed by one authority, to over 7,000,000 in 1913. From this total, however, a considerable reduction must be made to get the number insured against *sickness*, some of the societies not providing that line of insurance.

The following figures of receipts and expenditures of the "approved" and "free" societies, for the year 1912, fairly outline their sources of income and activities:

*Receipts.*

|   |                            |
|---|----------------------------|
| Contributions of participating members..... | \$9,816,026                |
| Contributions of honorary members.....      | 973,260                    |
| Fines and entrance fees.....                | 1,579,468                  |
| Subsidies, national and local.....          | 2,346,182                  |
| Donations and legacies.....                 | 686,510                    |
| Interest on investments.....                | 2,854,676                  |
| <b>Total .....</b>                          | <b><u>\$18,256,152</u></b> |

*Disbursements.*

|   |                             |
|---|-----------------------------|
| Expenditures on account of sickness.....                        | \$5,914,000                 |
| Pensions, allowances, etc.....                                  | 1,592,297                   |
| Funeral expenses .....  | 354,839                     |
| Aid to widows, orphans, aged persons, etc.....                  | 867,564                     |
| Cost of administration.....                                     | 672,717                     |
| Miscellaneous .....   | 2,150,737                   |
| Payments for old age insurance in <i>Caisse Nationale</i> ..... | 1,621,442                   |
| <b>Total .....</b>  | <b><u>\$13,173,596</u></b>  |
| <b>Assets Dec. 31, 1912.....</b>                                | <b><u>\$124,173,596</u></b> |

It is objected to this voluntary insurance that it does not reach well down among the industrial wage-earners—that a high proportion of its members are of the higher “employee” and “artisan” classes. To some extent that has undoubtedly been true, because in France the trade unions, elsewhere a powerful influence in promoting social insurance, generally have concentrated their efforts on politics, and have been indifferent if not hostile to contributory insurance, their political demand being for free pensions during “invalidity”—short or long. But there is good reason to believe that when progress was halted by the war voluntary mutual benefit insurance covering sickness was steadily winning its way among labor in organized industries.

The principal objection to this French voluntary insurance is its relatively small extension. In 1912 the officially recognized societies insured against sickness barely 9% of the population—or, according to some hostile critics, only 5.75% in 1910—as against 21% for the German sickness societies in 1910. But that comparison is misleading. There seems to be much insurance in France outside of the officially recognized societies. The German figures for 1910 represent 26 years of develop-



ment by compulsion; whereas the French figures for 1912 represent only 14 years of development by the slower inducement of small subsidies. And finally the relative extent of the need for sickness insurance differs in the two countries. Germany is predominantly a country of grand industries and low paid wage-earners. In contrast, outside of a fair number of industrial centers, whereto this sickness insurance is principally confined and wherein, consequently, it covers a relatively much higher proportion of the working people than the general average, France is predominantly a country of agriculture and petty industries, with an exceptionally high proportion of independent or semi-independent artisans. These French classes are notorious for their thrift and self-providence. It is not to be assumed that, because a large percentage of them are not recorded in any government bureau as prospective beneficiaries of a state fostered insurance scheme, therefore they are unprovided against sickness. And for the very poor, the medical benefits provided by compulsory insurance are supplied throughout France by free public medical assistance. That public medical service may be so poor and deficient as to invite criticism; but, judging from experience in Great Britain, it is no worse than the medical service that would probably be provided under compulsory sickness insurance.

There are many factors in the French social insurance situation that are uncertain. Figures obtained from reputable sources vary exceedingly. And data as to many most material factors are wholly unobtainable. Much remains to be learned by future investigation and experience before a correct judgment can be reached for or against this social insurance system.

As has been indicated above, miners' insurance in France is in a class by itself. From very early times mutual aid societies, insuring medical care, sick pay, funeral expenses and old age annuities (now through reinsurance in the *Caisse Nationale*), have existed among

the miners of France, as of other countries. In 1894, the French Government adopted this insurance, which had freely developed in the old mines, made it general by compulsion, and required all employers to contribute one-third of the cost. In 1913 there were 242,894 insured members. This insurance has been satisfactory in the older mining districts and has been deemed necessary, although not operating quite so well, in the new mines, manned largely by floating, immigrant labor.

The recovery of the lost provinces of Alsace and Lorraine has created a curious social insurance situation in France. These two provinces have brought with them the German invalidity and sickness insurance, and propose and will undoubtedly be allowed to retain it. It may be doubted whether the invalidity insurance will continue to function satisfactorily without the firm hand of the German autocracy on the cash spigot, and there are serious troubles ahead for its finances; but the sickness insurance, being as yet confined to organized industries and carried largely in establishment funds, beyond the normal reach of politics, may perhaps not give rise to many difficulties. This inroad of the German system has given new life to the party favoring the adoption of compulsory sickness insurance throughout France. It remains to be seen how the French working people, who have manifested no uncertain hostility to compulsory invalidity insurance, will welcome this new proposal. And if it should be adopted, it would still remain to be seen how compulsory insurance will work, when applied to a free people, by a feeble government with continually changing politics.

*Switzerland.* Under the Federal law of June 13, 1911 (for the text of which, see Bulletin of U. S. Bureau of Labor, No. 103), which became effective in 1914, mutual benefit societies (religious, political, public or otherwise), recognized as complying with the provisions of the law and insuring either a certain minimum medical

care when needed or at least one franc per day "sick pay" during absolute disability, for at least 180 days per year, or both, are entitled to Federal subsidies. That law also confers upon the Cantons the power, within their respective jurisdictions, to make the insurance compulsory, either generally or for certain classes of persons; to establish public funds, without barring the recognized societies; to require employers to collect their employees' contributions, but not to require employers themselves to contribute; and to delegate these powers to their respective Communes.

At the end of 1918 three Cantons and a large number of Communes in eight other Cantons had made the insurance compulsory, variously for transient labor or the poorer workers—i.e., those earning not to exceed 1,500 or 2,000 francs (or 2,500 or 3,000 francs in the enactments subsequent to the recent rise in wage and price levels), if married, or 1,000 or 1,500 francs, if single—their wives and children, etc.

At the end of 1917 the number of insured members of recognized societies (counting twice those insured in two societies) were—men, 379,039; women, 185,187; children, 65,701; total, 629,927 in a population of 3,700,000.

Before this law took effect there were already supposed to be well over 500,000 persons insured in mutual benefit societies in Switzerland, and it was estimated that the law would promptly increase the number to 800,000—660,000 in voluntary societies and 140,000 in public funds in the Cantons and Communes in which the insurance would be made compulsory. But the disorder created by the war has doubtless retarded development.

Owing to the facts that some of the recognized societies had not yet qualified for the Federal subsidies and that in case a person is insured in two societies only one subsidy is paid, the number of the insured for whom Federal subsidies were paid in 1917 was only 531,803. The Federal subsidies vary in proportion to the benefits,

ranging from 3 fr. 50 to 5 fr. 50 per capita per annum. If, through inability to make a satisfactory contract with physicians, a society with the approval of the authorities substitutes an extra cash benefit in place of a medical benefit, the subsidy as for a medical benefit is nevertheless payable. The Cantons and Communes also variously subsidize the societies and public funds for the benefit of their local members.

Principally to indicate the sources and extent of the various subsidies, the receipts of all the funds for the year 1917 are here given, as follows:

|  |                |
|--|----------------|
| Contributions of active members.....     | 11,830,613 fr. |
| Contributions of passive members.....    | 15,610 fr.     |
| Subsidies from Cantons .....             | 618,562 fr.    |
| Subsidies from Communes .....            | 121,045 fr.    |
| Subsidies from employers—regular .....   | 527,606 fr.    |
| Subsidies from employers—occasional..... | 349,284 fr.    |
| Subsidies from Republic—regular .....    | 2,230,852 fr.  |
| Subsidies from Republic—special .....    | 201,200 fr.    |

As may be calculated from the foregoing the average annual contribution per insured member was about 19 francs (\$3.80)—probably a little more.

The annual reports of the "*Office Suisse des Assurances Sociales*", from which the foregoing data is abstracted, give information sufficient to picture clearly how the machinery for this insurance system is being built up, but not sufficient to give any idea of how efficiently it is working.

To understand the why and wherefore of many features of this mixed system of insurance, it is necessary to go back to 1899. In that year a Federal act was passed by the National Assembly for compulsory accident and sickness insurance, in government institutions, of all classes of wage-workers earning not to exceed about \$1,000 a year. That law aroused bitter opposition, and, upon referendum, was defeated by a vote of over two to one. The present law is a sort of compromise substitute for the rejected act. Its principles may be said to be: Hands off the mutual benefit associations! Free choice

of insurance carrier! Home rule! Compulsory insurance only for the submerged tenth! It is a new experiment. And it will take time to learn how it works.

*Comparative sick rates.* The following data are instructive to indicate the efficiency of the control exercised by various types of insurance societies over claims for "sick pay". The abnormal rate at which sickness—real or feigned—has increased in Germany, is to be noted. That increase may be partly explained by reductions in waiting periods and lengthening period of benefits; but not altogether.

| CASES OF SICKNESS PER 100 MEMBERS. |       |      |       |      |      |      |
|------------------------------------|-------|------|-------|------|------|------|
|                                    | 1898  | 1901 | 1910  | 1911 | 1912 | 1913 |
| German Societies                   | 35    | ..   | ..    | 43.3 | ..   | 45.6 |
| French Approved*                   | 33.28 | ..   | 20.99 | ..   | ..   | ..   |
| French Free.....                   | 33.60 | ..   | 18.33 | ..   | ..   | ..   |
| Swedish—male ..                    | ..    | 30.5 | ..    | ..   | 31.6 | ..   |
| Swedish—female ..                  | ..    | 25.3 | ..    | ..   | 22.9 | ..   |

  

| DAYS OF SICKNESS PER 100 MEMBERS. |      |      |      |      |       |      |
|-----------------------------------|------|------|------|------|-------|------|
|                                   | 1898 | 1901 | 1910 | 1911 | 1912  | 1913 |
| German Societies                  | 616  | ..   | ..   | 853  | ..    | 919  |
| French Approved*                  | 712  | ..   | 461  | ..   | ..    | ..   |
| French Free .....                 | 623  | ..   | 367  | ..   | ..    | ..   |
| Swedish—male ..                   | ..   | 590  | ..   | ..   | 696.9 | ..   |
| Swedish—female ..                 | ..   | 590  | ..   | ..   | 666.2 | ..   |
| Danish—male ...                   | ..   | ..   | 480  | ..   | ..    | 440  |
| Danish—female..                   | ..   | ..   | 480  | ..   | ..    | 440  |

  

| DAYS OF SICKNESS PER CASE. |       |      |       |      |      |      |
|----------------------------|-------|------|-------|------|------|------|
|                            | 1898  | 1901 | 1910  | 1911 | 1912 | 1913 |
| German Societies           | 17.6  | ..   | ..    | 19.7 | ..   | 20.2 |
| French Approved*           | 21.39 | ..   | 21.96 | ..   | ..   | ..   |
| French Free.....           | 18.55 | ..   | 18.33 | ..   | ..   | ..   |
| Swedish—male...            | ..    | 19.5 | ..    | ..   | 22.1 | ..   |
| Swedish—female ..          | ..    | 23.4 | ..    | ..   | 29.2 | ..   |

*Comments.* From the foregoing, and from facts as to British, German and Austrian social insurance presented elsewhere or already generally known, it should be clear that, besides adoption of the principle of compulsion, there are many other features in the measures for compulsory sickness insurance that have been proposed in this country as to which European precedents and experience are adverse, doubtful or conflicting.

\* Adult societies only.

It is proposed that we should start in here with a jump, creating by legislative fiat a novel sickness insurance system, of universal application to wage-workers. No experiment of that kind has yet succeeded in Europe. The German system has been built up slowly, by gradual extension, using pre-existing voluntary insurance organizations as a basis, and when the war broke out, after 36 years of development, had not yet reached the classes of labor most difficult to suit by a bureaucratic scheme.

It is proposed here that we should apply compulsion to all wage-workers, or at least to all wage-workers earning less than \$1200 per year (at pre-war wage scales), whereas in Europe compulsory sickness insurance is coming more and more to be regarded as a medium for poor relief, to be applied only to the very lowly paid.

It is proposed here that the provision of all needed medical care shall be incorporated as a primary and essential function of sickness insurance, whereas in Europe, after trials of many variegated methods of providing medical care through sickness insurance, the conviction is spreading that it does not work well; and one of the latest precedents (Holland) omits all medical benefits, and two other late precedents contain provisions opening the door for the substitution of an extra cash benefit (Norway and Switzerland) in place of the medical benefits.

It is proposed here that sickness insurance and the carriers of such insurance shall be stereotyped and subject to public control and dictation in every material detail and particular, and that the persons to be insured shall be distributed among and assigned to insurance carriers in the discretion of a political board, whereas in Europe it is widely considered essential, even where the principle of compulsory contributions is accepted, that the politicians shall keep their hands off the insurance carriers and that the insured shall have full liberty of association for insurance, with a wide choice as to their

insurance carriers and as to the form, amount and kind of their insurance.

It is proposed here that employers shall be compelled to contribute fixed percentages of the insurance premiums, whereas in Europe that practice is beginning to be recognized as uselessly troublesome and expensive and to be delusive as to its supposed advantages for the insured wage-earners, wherefore employers' compulsory contributions have been dropped in the recent Swiss sickness insurance law and the recent Swedish compulsory invalidity insurance law.

It is proposed here to insure all the "bad risks" on the same terms and conditions as the "good risks," whereas in Europe there are signs of an awakening, even in the compulsory insurance countries, to the inexpediency and wrongfulness of that policy.

There is much yet to be learned about European experience, and to be studied, weighed and measured, before the lessons of that experience can be at all correctly applied to framing the provisions of either a compulsory or state subsidized sickness insurance law, should we eventually conclude to adopt either. In the meantime it is unconscionable to seek to persuade the American people to prejudge all the questions of choice of methods involved, and to adopt not merely compulsory sickness insurance, but even the most autocratic, bureaucratic and exotic form of such insurance, in the false belief that thereby they would be following the settled judgment of European opinion, based upon experience.

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## THE LOW LEVEL OF THE EUROPEAN COMPULSORY INSURANCE.

The American wage-worker, hearing much about the security against economic misfortunes enjoyed by the workers in Europe, will naturally be interested in the "benefits" and "dues" in connection with foreign social insurance. The following is a brief presentation of the complete benefits under the German and the British social insurance systems, occupational accident compensation being omitted as an extrinsic matter.

### GERMANY.

As a preliminary it should be noted that—

Germany has no unemployment insurance, either for the empire or the separate states. German municipalities have only in a few instances local unemployment insurance, the methods not uniform.

Germany has no gratuitous old-age pension system (i.e., obtained without previous contributions from the beneficiaries), such as Great Britain's.

Germany's social insurance is a coordinated accident, sickness, invalidity, old-age and survivors' insurance system, requiring two separate, regular contributions (obligatory dues) from the insured workman during his maturity and while employed.

As to the benefits and dues, it is first to be noted that in sickness insurance the costs and benefits vary in the different societies, but there is no data in regard thereto available under the amended law of 1911—which was just being put into effect when the war broke out in 1914. Under the amended invalidity law, however, the costs and benefits are fixed. Hence in what follows reference is generally to the old law for the sickness insurance and to the new law for the invalidity insurance.



The benefits of the sickness insurance consist of medical care; a cash benefit, called "sick pay": care in the home or in the hospital, together with an allowance for the family in case of hospital treatment; a pecuniary benefit in maternity cases for a period of eight weeks; a funeral benefit, consisting of twenty times the amount of the estimated average daily wage of the insured person, but not less than fifty marks (\$11.90). These are prevailing rates. Individual sick funds are allowed to vary these benefits in different ways, and in certain cases also to extend their amount and duration. The average "sick pay" for the year 1910 was about 30 cents per day, or \$1.80 per week.

Medical care begins with the beginning of sickness. Pecuniary sick benefit, generally to the amount of one-half the basic wage for each working day, if the sickness incapacitates the insured person from work, usually begins with the fourth day of disability and terminates with the expiration of the twenty-sixth week. The sickness insurance is maintained by contributions from employers and employees, the employees paying two-thirds. The state does not contribute to the funds, but lends its aid in many ways. The methods of fixing contributions and cash benefits are too complex to be detailed; (see "Social Insurance in Germany," by W. Harbutt Dawson). The combined contributions of employer and employee vary between 3% and 6% of "basic wages," such wages limited not to exceed \$1.44 per day. The average combined contribution in 1910 was about 3%.

The old-age and invalidity insurance is state administered and is compulsory for those wage-workers whose earnings fall below a designated maximum. One-half the assessments or dues are paid by the insured and one-half by the employer, while the state adds to each pension an annual subsidy of fifty marks (\$11.90). The wage-earners are graded in five wage-earning classes, according to each individual's estimated average annual earn-

ings, not necessarily his actual earnings. The wage classes and weekly contributions are:

| Wage Group. | Annual Earnings.                         | Weekly-Contributions. |        |
|-------------|--|-----------------------|--------|
|             |  | Pfennigs.             | Cents. |
| I.          | 350 Marks or under (\$83.30 or under)    | 16                    | 3.8    |
| II.         | 350 to 550 Marks (\$83.30 to \$130.90).. | 24                    | 5.7    |
| III.        | 550 to 850 Marks (\$130.90 to \$202.30)  | 32                    | 7.6    |
| IV.         | 850 to 1150 Marks (\$202.30 to \$273.70) | 40                    | 9.5    |
| V.          | 1,150 Marks or over (\$273.70 or over).. | 48                    | 11.4   |

The benefits provided by this insurance are "sickness pensions" (generally following the expiration of and to be distinguished from the "sick pay" under the sickness insurance) for temporary invalidity, "invalidity pensions" for permanent invalidity, "old-age pensions," and finally "survivors' pensions," besides medical treatment, care in institutions, etc., in the discretion of the insurance carrier. The sickness and invalidity pensions being at the same rate may, for convenience, both be called "invalidity pensions," to distinguish them from the cash benefit under the sickness insurance law.

To become entitled to benefits, the insured person must have paid regular dues for specified periods, designated as "waiting time."

For invalidity pensions the waiting period is 200 weeks, during which at least 100 weekly contributions must have been made; otherwise the waiting time is 500 weeks.

The invalidity pension begins usually at the termination of twenty-six weeks of sickness benefit and the amount (made up of a basic sum, a supplementary increase, and an imperial subsidy), is graduated according to the five wage-classes above mentioned and according to the number of contributions. The lowest invalidity pension, in the lowest class, is 116 marks (\$27.70) per year. The highest possible attainable, in the highest class, for fifty years' continuous contributions, is about \$2.08 per week. For thirty-four years' contributions in the middle class, the pension is about \$1.24 per week.

For old-age pensions, the waiting time—1,200 weeks of contributions—is more than twenty-three years.

The annual amount of the old-age pension, payable at the age of sixty-five (formerly seventy) to those insured in each of the five above specified classes of wage-earners is here given in tabulated form in order to be read at a glance:

| Class. | Insurance Pension. |          | State Subsidy. |          | Total Pension. |          |
|--------|--------------------|----------|----------------|----------|----------------|----------|
|        | Marks.             | Dollars. | Marks.         | Dollars. | Marks.         | Dollars. |
| I.     | 60                 | 14.28    | 50             | 11.90    | 110            | 26.18    |
| II.    | 90                 | 21.42    | 50             | 11.90    | 140            | 33.32    |
| III.   | 120                | 28.56    | 50             | 11.90    | 170            | 40.46    |
| IV.    | 150                | 35.70    | 50             | 11.90    | 200            | 47.60    |
| V.     | 180                | 42.84    | 50             | 11.90    | 230            | 54.74    |

As the wage-earners usually shift from one wage-earning class to another during the time they are paying dues, probably no individual will receive exactly any one of these specified amounts but something in between some two of them.

If an insured workman qualifies for both an invalidity and an old-age pension, he is paid the larger.

Survivors' pensions are payable to *invalid* widows, and to children and orphan grandchildren under fifteen years of age, upon the decease of a workman who has qualified for an invalidity pension. The widows' pension is three-tenths of the total of the basic sum and supplementary increase of the deceased workman's invalidity pension, plus fifty marks a year payable during invalidity, the first orphans' pension is three-twentieths of the total of the same sums, plus twenty-five marks, and each additional orphan's pension is one-twentieth, plus twenty-five marks, payable in each case until the child reaches the age of fifteen, whereupon a small settlement is paid it. If a workman in the medium wage class dies after making 700 weekly contributions leaving an invalid widow and three young children, the widow's pension will be about 78.80 marks (\$18.81) per annum, the first child's pension will be about 37.20 marks (\$9.50) per annum, and the

pension for each of the younger children will be about 29.90 marks (\$7.17) per annum.

To illustrate the operation of the sickness, invalidity, old-age and survivors' insurance, the case may be taken of a German wage-worker earning six dollars a week and consequently in the highest wage class. (The average payments and pensions of the lower wage classes are of course less.)

On the average, a workman with wages of six dollars per week would pay for the sickness insurance sixteen cents weekly and for the invalidity insurance six cents; (this latter contribution, however, will have to be increased because of the recent reduction of the age of retirement from 70 to 65). These are the figures for the deductions from his wages, and do not include any contributions except his own. In return he would receive:

Under the sickness insurance, besides the medical benefit, a weekly payment of about \$3.30 (the average rate being nearer 55 than 50 per cent of basic wages) for not to exceed a number of weeks which varies in the different societies, generally twenty-six, and beginning at a different date in the different societies but generally on the fourth day of disability.

Under the invalidity, old age and survivors' insurance, the cash benefits would be as follows:

Conditioned upon his having made 1,200 weekly contributions, upon reaching the age of 65 (formerly 70) years, he would be entitled to an old-age pension of 230 marks annually, or about \$1.05 weekly.

Conditioned upon having made 200 weekly contributions, if he should become a permanent invalid at any time, he would be entitled to an invalidity pension, varying in proportion to the number of weekly contributions made; for examples:

If he had made 500 weekly contributions his pension would be 210 marks annually, or ninety-seven cents weekly.

If he had made 1,763 weekly contributions (thirty-four years) he would be entitled to an annual pension of 362 marks, or about \$1.67 weekly.

And if he should die after having made 500 weekly contributions, leaving an invalid widow and a child under 15, his widow would receive a pension of about 98 marks (\$22.54) per annum, and his child a pension of about 49 marks (\$11.27) per annum.

It is to be noted that the sickness insurance is linked up very closely in certain ways with the accident insurance. The sickness insurance covers disability by accident, occupational or otherwise, for the first thirteen weeks. That fact, combined with the fact that in about 84 per cent of all occupational accident cases disability terminates within those thirteen weeks, is generally estimated to reduce the cost of accident compensation paid by employers on the average to about 54 per cent of average earnings. But that is not the only important consequence. Under the German composite accident-sickness law, the sickness insurance bears the cost of medical treatment entirely for the first thirteen weeks, except where in serious cases the accident insurance associations may elect to intervene; whereas under the American accident compensation laws the employers pay the medical cost, within certain time and other limitations. A part—some investigators say a greater part—of the medical cost in Germany is in exaggerated fees for treatment of trifling injuries. Consequently the result of the German law is to impose far the greater share of the medical cost in occupational accident cases on the sickness societies, with the result that at least two-thirds of it comes from the contributions of the working people. The total result is that under the American accident compensation laws, even with only 50 per cent compensation, the injured workmen get more at the expense of their industry than under the German law with its nominal 66 2/3 per cent rate of compensation.

## GREAT BRITAIN

Under the social insurance laws of Great Britain the highest money benefits, translated roughly into American money at pre-war rates of exchange, are:\*

Sickness payments for men (approximately) thirty-five cents a day; for women, twenty-six cents. Weekly—\$2.43 for men, \$1.82 for women. In a year (no more than twenty-six payments)—men, \$63.20; women, \$47.35. The beneficiary is entitled also, within narrow limits, to free medical treatment and medicines.

The total maternity benefit to an insured woman or the wife of an insured man is thirty shillings (\$7.30).

Disablement (or invalidity) payments, payable to either men or women, are about 17½ cents a day—\$1.22 per week—payable up to the age of seventy.

The old-age pension, payable to a man or woman seventy years of age but conditioned upon indigency, is now about \$2.43 (until recently \$1.22) per week.

The regular unemployment benefit (operative in only a few occupations) now amounts to about \$2.67 (until recently \$1.70) per week. In fifty-two weeks the total amount permitted to be drawn—fifteen weeks' benefit—is \$40.10 (until recently \$25.51). (After the war there was for a time allowed indiscriminately a special unemployment "dole".)

That completes the list of all forms of British government working class insurance benefits. That's the whole scheme.

To qualify himself for his compulsory benefits, the British wage-worker must observe many requirements.

For sickness insurance he must first obtain from the government a card; he cannot get employment without one. This card therefore becomes a license to work. Before being able to draw any sick benefits, he must pay twenty-six weeks' dues at six cents (for a woman it is

\* For proposed increases in the benefits, see *supra*, pp. 17-18.

four cents) a week, and if these dues are not paid regularly the amount of the relief is reduced. He can draw only twenty-six weekly sick payments per year. He is not free to employ any doctor he wishes but must select one from a list (the "panel") approved by government authorities. His medical treatment comprises only the simplest of remedies for the sick and the scantiest of supplies for the disabled.

To qualify for the old-age pension, an applicant must not have an income from all sources sufficient to make up with the ten (until recently five) shillings pension more than twenty (until recently thirteen) shillings a week. In certain British trade unions, in order to make the union superannuation benefit and the government old-age pension together amount to no more than the thirteen shillings, the union payments have been reduced as much as two or three shillings per week. When the old-age pension went into effect the general average wage of laboring men over seventy was reduced to eight shillings a week, which permitted drawing all the five shillings pension. The self-employed at small gains similarly gave up a part of their work so as to make just sufficient income not to debar themselves from the full government allowance. Small property holders transferred their titles to relatives so as legally to draw the five shillings.

To qualify for unemployment insurance, the British wage-worker in one of the compulsorily insured trades must carry an unemployment insurance card besides his health insurance card, having already, when a member of a union, his union card. This unemployment insurance costs the workman five cents a week, subtracted by the employer from his wages. To qualify for benefit a claimant must prove that he has paid not less than 10 full weekly contributions. No benefit is payable for the first week of idleness. Only one week's benefit can be drawn to five full weekly payments of dues. No more

than 15 weeks' benefits are payable in any consecutive twelve months.

It should be noted in this connection that, whereas the German sickness insurance system is elastic, permitting groups of workmen, with the consent of their employers, to increase, within narrow limitations, the rates of contributions and cash benefits, the British system is absolutely rigid, holding the benefits in all societies down to the common low level. This has been a subject for particular complaint since the recent extraordinary increase in wages and cost of living.

In contrast with the benefits payable under these European systems—and the two analyzed represent the high water mark in Europe—note the benefits insured in some of our American trade union funds and fraternal benefit societies. The European insurance may be better spread out, but it is spread out remarkably thin.

Typical examples of trade union sick benefits and pensions in the United States will serve to illustrate both wage levels and customary wage earners' mutual financial assistance in this country as compared with the figures given above for foreign countries.\* The Bakery and Confectionery Workers' International Union of America, having 13,916 contributing members to the sickness fund, paid in 1917 \$59,969 on account of sickness, at the rate of \$7 per week. In the eight years and seven months from January 1, 1909, to July 31, 1917, a total of \$306,830 was paid in sick benefits at an average monthly cost per member of 36 cents. Under the Locomotive Engineers' Sick Benefit plan, members between the ages of 21 and 45 years pay 90 cents a month dues, which entitles them to \$10 a week for 26 weeks and \$5 a week for an additional 13 weeks. The dues are doubled at the age

\*Establishment Funds have been adopted by various industrial enterprises, municipalities and railroads. Generally both workers and employers contribute to the benefit insurance funds, but in the main the great industrial concerns of the United States have non-contributory pension systems.—P. T. Sherman.

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of sixty or the benefits are reduced one-half. In this union the life insurance is mostly for three classifications for members, \$1,500, \$3,000, and \$4,500. The Indemnity Association of the Order of Railway Conductors has a scale of benefits ranging from \$30 a month, for members aged between 30 and 35 years who have paid dues of \$1 a month for 61 to 120 months, to \$65 a month for members aged 65 years, paying \$4.50 a month, who have paid dues for over 480 months. The accident insurance of the conductors is classified according to grades of occupation, indemnity, and premium. The weekly cash benefit during 52 weeks' disability from an accident is \$15 or \$25, and for the loss of life or of a leg, foot, arm, hand or eye is \$1,500 or \$2,500, according to classification. The Typographical Union, 65,203 members, pays an old-age and disability pension of \$6 a week, the total in 1916 amounting to \$337,330, while the mortuary benefits were \$386,347 and the "home" expenditures \$147,225. In these three beneficial features the union expended in the last five years nearly four million dollars (\$3,888,474). The union establishment ("chapel") funds, a usual feature of the trade in the larger cities, pay as sick benefits, \$8, \$10 and \$12 a week.

The choice, therefore, seems to be between holding on to the American high level voluntary insurance, trying to spread it, or abandoning such insurance in favor of a general compulsory plan, leveled down to suit the tail enders, no matter what the cause of their destitution may be.

J. W. SULLIVAN.

## SOCIAL INSURANCE AND THE AMERICAN WAGE-WORKERS.

In recent years there has been in the United States something of a movement—or what by political hot-house forcing processes has taken on the appearance of a movement—to promote compulsory state and federal social insurance. Although a decade has elapsed since the spread of the principle from the old Socialist platform over among the body of near Socialists who are inspiring the movement, no state has yet passed any social insurance laws. Official response to agitation for the purpose has come in the appointment of legislative investigating commissions, on sickness insurance mostly, in the principal industrial states, while in about forty of the states there has been little or no action on the subject by the law-making bodies.

The movement has usually been initiated by professional uplift or radical political organizations not connected with the trade unions, although the masses of our wage-workers look to the latter as the sole authorized source for the expression of a systematically ascertained agreement in labor sentiment. As is usual with zealous propagandists, the case for sickness insurance especially has been accompanied by insistent claims for its remarkable effectiveness for the amelioration of the lot of the workers in the foreign countries in which it has been tried. Labor in industrial centers now hears itself exhorted, not to pay intelligent attention to the subject, but to pass ready-to-hand resolutions demanding the passage of a theorists' bill providing for compulsory sickness insurance. Some labor organizations have complied.

A statement to the wage-workers of the facts foremost in the development and general discussion of the question is therefore timely. Those facts on being clearly seen

will at least show how vitally propositions for compulsory insurance must affect family life and the quality of self-dependence among Americans.

This movement, which in its entirety proposes state systems of compulsory sickness, invalidity, old age and unemployment insurance, applicable exclusively to wage-workers, it will hardly be denied, links up in the minds of the generality of its advocates with a comprehensive theory of law-enforced "socialization." On the assumption that in European countries among the results of compulsory sickness insurance previous to the war there was an abolition of much of the extreme poverty of the working-classes, those advocates see established an essential part of the foundation for the new social order contemplated in a socialistic program. They reiterate the argument that, especially in Germany and Great Britain, the situation of the wage-workers previous to 1914 was in important respects enviable in comparison with that of Americans in similar occupational walks of life. The more prominent among the proponents of social insurance have gone so far as to endeavor to establish as a statistically grounded fact the assertion that despite trade union effort the change in later years in the general economic condition of the American workers has been not upward but downward. This endeavor is at once an indictment of the labor movement of this country and an attempt to substitute for its form and policy the proposed system of European state Socialism, or one of its variants, an immediate step being government wage-workers' sickness insurance. American readers are becoming familiar with comparisons between the much lauded success in Europe in this respect and the loudly bewailed trade union failure in America.

To the grade of mind which accepts Socialism in the bulk, sickness insurance is a petty detail not worth much argument or even investigation, but to the discriminating mind inclined to hold fast to whatever principles have

proved sound in our present imperfect system of society, state sickness insurance becomes the more important the more it is considered in its proposed details of administration, in its significant designated social classifications and in both its immediate and remote consequences as affecting not only the workers to whom it is to be applied but the nation as a whole.

To the American Socialist, the sole question with regard to any proposed political innovation is whether it is in the Socialist platform. If it is, it is to be accepted and argued for. But to the rest of our population, the other nineteen-twentieths or forty-nine fiftieths, any phase of a proposed radical reconstitution of society must stand scrutiny. The proclamations of panacea workers need the correctives of authoritative data and a discerning consideration. Whether this review of the subject is characterized by these features is left to the decision of the reader.

The wage-working masses, the independence of whose lives is to be intimately affected if compulsory social insurance comes to them, are invited to give sober thought to the facts herewith presented. They are urged to get deep into their minds the notable features of compulsory sickness insurance, as carried out especially in Germany and Great Britain, and the social conditions giving rise to the compulsory character of the insurance. They can then make some estimate of what losses as well as benefits to the insured the enforcement of a similar principle in its necessary details would bring in this country. They are to decide as American citizens fitted to be their own guardians whether it would not be wise to have the theory and practice of all systems of social—that is, working-class—insurance thoroughly examined and thrashed out in patiently sustained general investigation and discussion before accepting any feature of it in any form.

## IN THE AMERICAN FEDERATION OF LABOR

The leading officials of the American Federation of Labor and of various international unions and brotherhoods, under instruction from their constituents, have in a general way been observing for years the development of social insurance in various countries. Consideration has been given the subject at Federation conventions and by the Executive Council and special committees between conventions. It is to be kept in mind that trade union decisions on matters of national bearing are made at the annual conventions of the American Federation of Labor, affiliation with the Federation by the four independent brotherhoods being in the course of accomplishment and association of these two wings of united labor in watching legislation having long been a fact.

The Federation has considered resolutions on social insurance at most of its conventions since 1905. The promoters of the resolutions have usually been Socialists.

In 1905, at Pittsburgh, Victor L. Berger moved "that the Federation indorse the general principle of state insurance as now in operation in Germany." A substitute resolution was passed which merely indorsed "the principle of government insurance of a voluntary nature."

In 1906, at Minneapolis, a motion by Berger, that the convention "demand that some plan of compulsory life and other insurance be enacted," was defeated.

In 1907, at Norfolk, a resolution went through without debate calling for "some plan of compulsory life or other insurance," to be "enacted either by the state or by the nation," but the resolution, having no specific reference to social insurance, apparently made no impression on the delegates, and nothing came of it except a little flip to Socialists' propaganda among themselves.

In 1910, at St. Louis, the Committee on President's Report recommended "that the different State Federations and Central Labor Unions and the membership with-

in the various states put forth every effort to secure the enactment of such legislation relative to insurance as may be necessary to prevent the interference with the rights of organized labor in the humane work in which our trade unions are engaged." This action had special reference to a law passed in one of the Southern states which put burdens on the mutual benefit funds of the carpenters' union.

In the "Report of the Proceedings" for 1910, after the table giving statistics under the heading of "Benefits Paid to Members by International Organizations During the Past Year," the following paragraph was printed:

"Your attention is called to the fact that the amounts herein reported as having been expended by the international unions on account of various benefits in the past year are those paid directly by the internationals, and therefore the totals represent but a small proportion of the aggregate sum paid by trade unions in the way of benefits. A number of international unions have not as yet established benefit features, and others pay only partial benefits. It must be borne in mind that in every trade, local unions have existed independently prior to the formation of the international union, and almost without exception they provide death, sick, out of work, etc., benefits for their members. In these instances benefit features have thus become identified and recognized as belonging to the jurisdiction of a local union. This system has retarded international unions in establishing and extending benefit features, for the reason that it is difficult to bring locals that have to support their own benefit funds to consent to increase the tax to such an amount as would enable the internationals to secure the means for such purpose. In most instances, benefits paid by internationals are supplemental relief paid to members in addition to the benefits provided by their local unions."

The information given in the foregoing paragraph is much overlooked by the promoters of compulsory sickness insurance in the United States. Whereas, for example, the death benefits of the international unions, as given in the table for 1919 ("Proceedings"), amount to \$5,122,399, the report states that "the totals represent but a small proportion of the aggregate sum paid by trade unions in the way of benefits." The Typographical Union is represented in the table as paying in benefits \$355,931, but its outlay for the year in directions not named in the table, including old age benefits and the support of the "home," brought the total up to \$751,884.

The matter of tabular presentation of the voluntary social insurance results in the American labor organizations is a point rarely understood by European statisticians. In the usual comparative national statistical tables on this subject issued in Great Britain, Germany, France, and Italy, the United States is quite at the bottom of the list in trade union benefits. On many occasions European labor officials and statisticians have asked Americans about this country's apparent backwardness in this respect. The reply is, it is a case of the facts vs. stating the facts in print. The Socialist Ph. D. upon whom the sickness insurance propagandists largely depend for their statistics has repeatedly asserted that the table of the American Federation of Labor report shows that for the international unions the annual social insurance receipts were often only slightly more than \$500,000. Had he known enough about the American trade union movement to qualify himself to state the facts of the matter, he would have been obliged to report that every one of the big unions expends more than that sum in general benefits. The explanation of the comparatively small returns in the American Federation of Labor tables is two-fold: First, our unions make no special point in getting up general statistical statements, their few officials being otherwise busy; secondly, as already stated, the benefit work is done in local unions rather than through the internationals and the local unions do not report their benefits to the international unions. These methods differ from those of the European labor bodies, whose benefits are usually administered from national organization centres, to which the local unions as branches regularly make reports.

In 1911, the President's Report urged the American Federation of Labor membership "to secure the enactment of such legislation as would prevent permanently any interference with the right of organized labor to care for the sick and other disabled people." The Committee

on President's Report approved of this recommendation, and no resolution on state sickness insurance came before the convention.

In 1913, at Seattle, resolutions directed the executive committee to make the subject of social insurance a matter of serious inquiry. A resolution was passed declaring that the trade unionists, "as heretofore, are now in favor of all national and international unions paying strike, unemployment, old age, partial disability, death and other benefits." The matter was referred to the Committee on Education.

In 1914, at Philadelphia, the convention approved of the Executive Council's suggestion that "a serious study be made of the proposition for the American Federation of Labor to establish an insurance department, which would be voluntary and which would be inaugurated with straight life and then extended to other forms of benefits as experience should warrant."

The Executive Council's report of 1914 contained a tabulated statement of certain existing trade union phases of insurance. In the intervening twelvemonth information had been gathered regarding benefits in various forms paid in many of the international and local unions, much of the statement of facts, however, not being interpretable through tabulation. Evidence was given of mutual benefit work beyond estimate performed by American trade unionists locally without systematic record—in unionized establishment societies, in free neighborhood assistance and especially in work sharing. Customary help of this character, taken for granted, goes without record; it cannot be set forth in statistics. International unions, it was again testified, in many cases pay benefits from headquarters without any supervision of, or connection with, local unions, while the reverse is frequently the practice, international officials not getting reports of local methods; and local and international unions in a single occupation often give dual benefits independently.



Strike payments, in the mind of the American trade unionist, lead in importance. Strikes serve to win the rightful substitutes—higher pay, especially—for benefits from union or state. The American Federation of Labor's first practical object, pursued aggressively, has been to raise wages and shorten the workday through the workers' control of their own labor power collectively. The strength of the Federation unions carries them beyond the line of merely administering benefits and resisting the attacks on wage rates by employers, so often the status of labor organizations in Europe. The latter, when not purely political bodies, being commonly in their origin mutual aid societies, use their benefit statistics as a form of advertisement in drumming up new members.

The Executive Council's report in 1914 stated, with regard to the insurance laws of other countries, that it "should be given more time in which to continue its labors pertaining thereto." The scope of the investigation should be both extensive and intensive. "However," was added, "the attention of workers should be called to a condition dangerous to their welfare which has developed out of social insurance and welfare provisions—the requirement of physical examination of workers as a condition requisite for employment or continuous employment." The Executive Council further said it had decided to await the delivery of the large amount of testimony on both problem and experience to be given at the International Congress on Social Insurance to be held in Washington in September, 1915. But that proposed congress was prevented by the war. This 1914 Executive Council report indicated, in extent and content, the several efforts made, both in convention and council, by the representatives of the trade union movement, duly to consider this subject and especially to note its consequences upon the organization and liberty of the American wage-workers.

The dominant thought in the trade union movement in regard to insurance of any form is self-dependence for

the workers singly or in association. At the convention in 1914 these guiding principles, formulated by the Executive Council, were adopted:

"In every local union of an international the initiation fees and dues should be uniform. The initiation fee should be low, the dues high enough to fulfill every usual obligation of the organization and to create a reserve fund to meet trade emergencies as well as extraordinary situations of health and life such as epidemics. There should be but one strong general fund in the international union. Where circumstances permit, the funds should be held by the local unions subject to call of the international executive board, or the funds, under proper regulations and after local expenses have been met, should be sent to headquarters of internationals for safe investment in the name of the international. In either event the funds should be in amount and in availability in a position properly to support the contentions of the membership with strike or lockout pay, as well as to provide for commendable incidental trade union benefits, and for the constructive interests or general development of the organization. The sums to be paid in the form of benefits, including insurance, should be well calculated and absolutely within the means of the organization to meet the obligations. It is better that the stipulated payments of benefits be small, with the opportunity of increasing them as experience shall warrant, than to place them at so high a figure as to make meeting obligations impossible, thus destroying not only the system of insurance but the confidence of the members in the organization itself. While a study of these systems is recommended, it is to be said also that international unions which are among the largest and most stable of those affiliated in our Federation maintain separate funds under various headings—'pensions,' 'mortuary,' and the like. Our American labor movement in itself furnishes models for the study and imitation of unions either not yet having insurance features or not having all the forms possible for them to develop."

In asserting that trade unions afford examples of successful sickness insurance the Executive Council was strictly within the sphere of incontrovertible fact. The sick benefit of the International Cigarmakers is \$5 per week, with the total ranging about \$200,000 a year. Death and disability benefits are graduated. In the International Molders' Union the sick benefit fund had paid between January, 1896, and October, 1919, \$2,509,460. Says the "International Molders' Journal": "At no time has there ever arisen a question as to the honesty with which this fund has been supervised. Whenever the books have been audited, whenever the accounts of the department have been examined by conventions, it was found that they were accurate to the cent. Every penny paid into the fund had been expended in the form of sick

benefits." The Bakers' International Union paid in sick benefits for the year ending January 31, 1919, \$70,747. The average monthly cost was 39.5 cents per member, the influenza epidemic having increased the year's sick dues considerably. The "Bakers' Journal," March 29, 1919, in giving the statistics of its sick and death benefits, said: "These figures demonstrate beyond a question of doubt the absolute soundness of our financial system, as while the benefit funds of numerous other international unions were completely depleted, and various extra assessments levied, our International Union was able to meet its obligations without the necessity of any additional assessments and still maintain their reserve funds in a fairly sound condition."

In 1915, at the San Francisco convention, social insurance was necessarily one of the subjects among "unfinished business" reported by the Executive Council to the delegates, investigation having been precluded by the war, and the whole matter was for that reason postponed.

In 1916, the Executive Council reported: "During the past year there has been persistent agitation in favor of compulsory social insurance laws. The agitation was originated by an organization that is neither responsible to the wage-earners nor representative of their interests. That organization has introduced identical bills for compulsory social insurance in four or five state legislatures during the past year." The measures drawn up "were formulated without consultation with the wage-earners and introduced in legislatures with professional representatives of social welfare as their sponsors. The measures themselves and the people who prepared them represent that class of society that is very desirous of doing things for the workers and establishing institutions for them that will prevent them from doing things for themselves and maintaining their own institutions."

The convention adopted a recommendation by the Executive Council "that the subject of social insurance in all its phases be given greater consideration and an extension by the unions, preferentially by the national and international unions as well as by the local unions, and, in any event, in so far as social insurance by the state and national governments is concerned, if established at all, it should be voluntary and not compulsory." A paper, got up by the Socialist group, and signed by about forty of the 400 to 500 members of the convention, stated the wish of the signers to be recorded as voting in the negative on that part of the report of the committee dealing with social insurance.

The same year (1916) a joint resolution introduced in the Federal House of Representatives by the Socialist Congressman Meyer London provided "for an investigation of compulsory social insurance and unemployment, and the reporting of a plan to Congress whereby compulsory social insurance could be established." This resolution also was introduced without consultation with the responsible representatives of the wage-earners of the country at American Federation of Labor headquarters. It was opposed by organized labor and not acted upon by Congress.

That this Meyer London resolution deserves a place among the curiosities of proposed socialist legislation will be seen from the following excerpt:

"That it shall be the duty of the commission to submit and to report through the President to Congress plans and recommendations for the relief of unemployment by the regularization of industry, by the employment of labor in the reclamation of arid lands, reforestation, the exploitation of the natural resources contained in the public lands of the United States, and on work connected with the prevention of floods and inundations, the reclamation of swamp lands, the building of public roads, canals, and similar public undertakings, and by the establishment of industries which are to be maintained by the government of the United States. The commission shall report, through the President, to Congress its findings and recommendations contemplated to be made by this section not later than one year from the date of the appointment of this commission."

The "American Federationist" of May, 1916, had this editorial paragraph in reference to the London proposition:

"A hearing was had on the resolution April 6. At this hearing actuaries and men and women interested in social problems from a professional standpoint were present and urged the adoption of the resolution. These persons spoke in accord with what evidently was a well arranged program, each dealing with a particular phase of the problem to which the witness had given special study. It was very significant that the list of speakers contained no representative of the wage-earners. On April 11, the same committee of Congress, that on Labor, held another hearing at which representatives of organized labor appeared, President Gompers leading."

In opening his remarks, Mr. Gompers said:

"Were it not either for my coming upon this resolution by pure accident, or my having been informed through the alertness of the Legislative Committee of the American Federation of Labor that this bill was introduced, I would not have known it at all."

In the course of his argument Mr. Gompers cited the trade union authority for the views he expressed:

"I say this, too, that whenever in the American Federation of Labor there has come up for determination the question of compulsory governmental conditions, whether by the establishment of the hours of labor by law, in private industry or in any other system of compulsion, whether in arbitration or in matters of this character, the view that I have expressed here has prevailed. I speak, therefore, by the authority of the conventions of the American Federation of Labor,

"The position of the organized labor movement is not based upon misery and poverty, but upon the right of the workers to a larger and a constantly growing share of production, and they will work out these problems for themselves. If the government, by aiding the people, can contribute and will contribute toward this voluntary movement for social insurance for the workers, it will have done nothing to place an obstacle in the way of initiative on the part of the toilers, will take away nothing of their rights and their liberty, and the workers will keep within themselves the power and control over their lives and their work."

While neither state nor national laws relating to sickness insurance were enacted in 1916, many of the best known spokesmen for organized labor declared against hasty legislation on the subject. In a special article, "Labor vs. Its Barnacles," in the April number of the "American Federationist," Samuel Gompers said:

"Compulsory institutions under the control of a strong central government, following a definitely organized policy and making sustained efforts to carry out plans and policies, is an entirely different situation from compulsory authority to regulate in the hands of constantly changing officials under a decentralized government."

Mr. Gompers held that the experience in Europe with respect to health insurance "ought to be given most thorough consideration before a compulsory system totally at variance with our national institutions and national spirit is foisted upon the workers of any of our states. . . ."

"Compulsory sickness insurance for workers is based upon the theory that they are unable to look after their own interests and the state must interpose its authority and wisdom and assume the relation of parent or guardian. There is something in the very suggestion of this relationship and this policy that is repugnant to free-born citizens. Because it is at variance with our concepts of voluntary institutions and freedom for individuals, labor questions its wisdom.

"This one thought needs to be emphasized. The so-called American Association for Labor Legislation has formulated the bill in question, had it introduced in several legislatures, and is pressing every energy for its enactment. And yet it has never asked or taken into consultation any official body of labor or its authoritative spokesmen and representatives. That association has evidently gone on the theory that the workers of America are still in the condition where they must be led by some 'intellectual,' that the workers have neither the judgment nor the will to protect and promote their own rights and interests, and that therefore this self-assumed guardianship must be exercised by would-be 'uplifters.'

"The legislation proposed in New York and other states calls attention to what would be the inevitable consequences of adopting this policy. As is evident from the proposed measure, it would build up a bureaucracy that would have some degree of control or authority over all of the workers of the state. It is in the nature of government that when even a slight degree of power is delegated the natural tendency is to increase that power and authority so that the purposes of the law in question may be achieved more completely."

In the "American Federationist," January, 1917, regarding the National Conference on Social Insurance held in Washington the previous month, Mr. Gompers in an editorial said:

"It was evident that there were represented two diametrically different groups of thinkers, those who were looking upon the problems of the wage-earners from the outside and viewing them with sympathetic concern and benevolent thought, and those who were looking upon the problems of wage-earners through the experience and eyes of wage-earners. The one group wanted to do something *for wage-earners* to relieve their suffering and need. The other group wanted to do something *for itself*, to solve its own problems and to establish itself in a position to take care of the emergencies of life. After all had presented their thoughts and course of action it was evident that the consensus of opinion was in favor of maintaining voluntary institutions."

Representative speakers for the organized labor movement of America at this conference advised caution in moving toward government health insurance.

John P. White, then President, United Mine Workers, wrote:

"The fear of organized labor, and lovers of human freedom generally, is that low wages will become so buttressed by remedial measures of this sort that the public conscience will be dulled into an acceptance of low wages as a permanent institution."

George W. Perkins, President, Cigar Makers' International Union, said:

"Without going into the question of compulsory industrial and social insurance by the state, I venture the opinion that society at large owes the unions, which pay these benefits, a debt which can be wiped out only by subsidizing the unions, through regular financial contributions computed upon a fair basis, for its outlay in this direction. It cannot be successfully denied that we are caring for the sick and the unemployed and burying the dead, and that in so doing we are in a measure lifting just that much of the burden from the shoulders of society at large, which to a certain extent is the beneficiary of our activities and financial outlay without contributing one cent. The unions are not insurance companies. They do not base their payments upon cold, methodical, actuarial analysis, and they do not exist for profit."

Grant Hamilton, of the Legislative Committee, American Federation of Labor, said:

"Before the American Federation of Labor gives its approval to any plan contemplating the establishment by law of any form of social insurance it must first be assured that the economic freedom of the workers is guaranteed, and that the participation in benefits to be derived from any system of this character is not based upon continuous employment in a certain industry or predicated upon time of service or other devices intended to tie the workers to their jobs. . . . Regulation by statutory law is the panacea for every social ill by welfare groups not associated with the organized labor movement, with apparently no consideration of the ever-present clash of the legislative and judicial branches of the government whereby the rights and liberties of the working people might be jeopardized. . . . Sympathetic advocates of health insurance justify the plan by indicating the numbers injured, incapacitated, and exhausted by modern production. Organized labor has also called attention to the number of debilitated and physically deteriorated men and women thrown aside as useless by industrial managements, and has demanded the eradication of the inhuman speeding-up devices that have wrecked many human lives. Driving workers at high tension, over fatigue, and insanitary conditions of work are fundamental causes in ruining the health of the workers. . . . For the prevention of disease there is no agency more effective than high wages—wages that enable the workers to be comfortably housed, well nourished, and free from the harassing dread of pauperism and dependency. Major General William C. Gorgas bears eloquent testimony to the effect

of high wages upon health and disease prevention. He has said: "Our increase of wages tended to alleviate this poverty, and I am satisfied that to this measure, the increase of wages, we owe the greater part of our success in general sanitation, outside of malaria and yellow fever. I wish this great sanitary measure—increase of wages—could be universally adopted. I am aware that it is impossible for it to be done in the United States by edict of government, as it was done at Panama, but I believe it could be done even more effectually by other methods. Add to the labor man's wage from \$1.25 to \$2.50 a day and you will lengthen the average American's thread of life by thirteen years at least."

In 1918, at the American Federation of Labor convention, St. Paul, Minn., the six delegates of the International Ladies' Garment Workers' Union, Socialists, proposed "a comprehensive national system of social insurance." In opposition, several Massachusetts delegates asked for "an immediate investigation of the subject of social health insurance." They called attention to great efforts "during the past few years" "to obtain the approval and support of organized labor to a scheme for social health insurance promoted by persons and organizations who have no affiliation with the labor movement," and referred to "the intensive and costly campaign which the promoters of this scheme have carried on during the past two years, at one time seeking to have this legislation adopted in twenty-eight different states. Therefore suspicion has been aroused that this scheme was supported and promoted by those who for years have sought to disrupt and retard the cause of the workers."

In approving the Massachusetts resolution in preference to that proposed by the Socialists, the Committee on Resolutions said:

"Your committee notes that the Executive Council rightfully distinguishes trade and occupational diseases from general illnesses not attributable to employment in industry and commerce. We believe that trade and occupational diseases should be considered in law as well as in fact an obligation on industry, and that those who contract for the employment of the workers should be required to provide compensations to those suffering by health impairment due to their employment."

The Resolutions Committee, being of opinion that the Garment Workers' resolution was "at variance with the investigation which should necessarily precede a definite



conclusion or program on this subject," approved of the Massachusetts proposal that a special committee on social health insurance be appointed, a course which the convention adopted.

In 1919, the special committee—John A. Voll, John J. Manning, Mrs. Sara Conboy, Hugh Frayne, and Collis Lovely—handed in its conclusions to the Executive Council, reporting that many sessions had been held in making its investigations. The council, not being unanimous in indorsing the report in all its findings, and desirous of reaching a conclusion which should receive the favorable judgment of the convention, recommended that the entire subject matter of health insurance be submitted to further investigation. In the Federation the matter rests at that stage. The reconstruction program of the American Federation of Labor contains no recommendation on health insurance.\*

\*In June, 1920, the Executive Council reported to the Convention held in Montreal, Canada, as follows:

"The Executive Council in its report to the convention of the American Federation of Labor, held in June, 1918, recommended the appointment of a special committee to make an investigation into the subject of health insurance, particularly as it applied to industrial and occupational diseases. This recommendation was approved. At the 1919 convention the E. C. expressed the need for further investigation.

"The E. C. finds itself unable to reach a unanimous agreement upon the subject of voluntary health insurance and trade union health insurance on the one hand as against compulsory state or industrial health insurance on the other. Therefore, because of our inability to agree we recommend to the convention that the entire subject-matter be referred to a committee to be selected by the E. C.; that the personnel of that committee shall represent the proponents and opponents of compulsory health insurance; that this committee shall make a study and investigation and report to the E. C. at the earliest possible time, and that the report of this committee as made to the E. C. be submitted to the 1921 Convention of the A. F. of L."

The recommendation to the Convention of the Committee on Executive Council's Report follows:

"In the Executive Committee's Report, under the caption 'Health Insurance,' the Executive Council recommends to the Convention that the entire subject matter be referred to a committee to be selected by the Executive Council; that this Committee shall make a study and investigation and report to the Executive Council at the earliest possible time, and that this report as made to the Executive Council be submitted to the 1921 Convention of the American Federation of Labor.

"Your committee concurs in these recommendations.

"The report of the committee was adopted."

In the railroad brotherhoods, state sickness insurance has been regarded with indifference or has encountered decided opposition.

Warren S. Stone, Grand Chief, International Brotherhood of Locomotive Engineers, has frequently given voice to the opposition of that organization to compulsory health insurance. The brotherhood convention, in May, 1918, unanimously adopted the report of a committee appointed to investigate the question. The committee, "after giving all the correspondence pertaining to this case due consideration," recommended: first, "that it does not approve of any legislation that would compel our members to take out health insurance"; second, "that the grand body go on record as opposing any state legislation compelling our members to take out any such insurance and that our state representatives be notified to this effect."

Mr. Stone at a public meeting said:

"The trickery of the group of social reformers who are attempting to foist upon labor a pernicious system of compulsory health insurance was evidenced when effort was made to convey to the public the impression that Mr. Samuel Gompers had changed his position. This was done during his absence in Europe where he was rendering patriotic service last August. They revamped an address of Mr. Gompers published in the 'Official Bulletin' of the Committee on Public Information and issued it as a press statement of their own organization. This 'made over' speech, originally addressed officially to members of the Committee on Labor, Advisory Commission, Council of National Defense, contained the inserted deduction that this was regarded as the opening way for the early adoption of social health insurance; (again no mention of 'compulsory,' which that organization, the American Association for Labor Legislation, advocates). This was quite evidently a sinister, deliberate effort to mislead. Fortunately, a good trade unionist was at hand to protect the position of Mr. Gompers. His assistant in the Committee on Labor, Mr. Matthew Woll, President of the International Photo-Engravers' Union, promptly issued a denial."

At another meeting Mr. Stone said:

"I am opposed to the paternal idea of government. I do not believe in a form of government that does everything for the individual except tuck him into bed at night. My reasons for objecting to governmental control or the placing in their hands of control over wage-earners are many, among others: governmental power grows by what it feeds on. Give an agency any political power and it at once tries to reach out after more, its effectiveness depending on increasing power. This has been demonstrated time

and again. The first thing to do, in order to establish social insurance, is to divide workers into two groups, those eligible for benefits and those considered capable to care for themselves according to their wage-earning capacity. This governmental regulation would tend to fix the citizens into classes, and if the system prevailed for any length of time would establish class distinctions difficult, if not impossible, to overcome. . . . Each year, more and more of our citizens are coming to believe in the theory of drugless healing. These and Christian Scientists and members of the New Thought church would have their religious liberty interfered with, because it would force medical examination and medical treatment upon them. It would destroy the very foundation of our principle of government—the spirit of independence.

“Is it [sickness insurance] to be fed to the laboring men and women, whether they want it or not? It would appear so. Take the Brotherhood of Locomotive Engineers, and the others are along the same lines. We have 147 millions of dollars of insurance in effect today. We have paid out over forty millions in the homes of deceased and disabled members. We have an indigent fund and a pension fund, whereby men can take care of themselves. We are paying out over three million dollars a year. We have not a single member of the organization who is a public charge, and yet we are going to have this form of health insurance forced upon us whether we want it or not. And ours is only one of the many labor organizations working along the same line.”

Two years ago, in February, 1918, a conference of the New York State Federation of Labor, about 200 delegates present, indorsed a health insurance bill brought to it by its Committee on Health and its Executive Council. A delegation from the group of non-wage-workers which is most prominent in promoting the measure throughout the country was present, its spokesman taking a leading part in the proceedings. The State Federation has officially since stood committed to compulsory sickness insurance. But some of the most prominent trade unionists in the state oppose the principle.

Hugh Frayne, Chief Organizer, Eastern District, American Federation of Labor, has made these charges:

“Those who are promoting the compulsory legislation, we are informed, *made application for positions* when the law went into operation, they assuming that it was going to become a law. We have good reason to believe, judging from past actions, that those promoting these laws creating guardianships for labor, are doing so primarily to create positions and then establishing high examinations under civil service so that no one excepting those who have a *college education* can take them. Labor cannot be represented because the qualification by the civil examination is too high. We have experienced that in the past.

“I want to say that we protest against compulsory social insurance and more so when any men set themselves up to create such measures without even taking the trouble to consult us regarding the same.”

Peter J. Brady, President New York State Allied Printing Trades Council, has said:

"In the public schools—I guess it is the best place to put them—there should be clinics for the periodical examination of school children, both as to their health and for dentistry. Anybody that keeps up with the papers today can find where the social workers are promoting, in their neighborhoods or in their districts, some charitable proposition, whether in the neighborhood settlement, or possibly in the basement of the school, a proposition to secure money for the equipment of a clinic for these very things—appealing to the wage-earners thus on a charitable proposition, something that we abhor, something that we object to, and something we won't stand for. So that I say to you, and to the people behind this kind of legislation, that if they are so anxious to take care of the wage-earner who is not able to take care of himself, *start in by taking care of his children*, and, in addition to providing them with sufficient facilities for the proper development of their minds, so that they will know how to take care of themselves and take their place in society later on, also take care of their health."

Timothy Healy, International President, Stationary Firemen's Union, takes this stand:

"We manage in our unions to take care in our own way of all people who are unfortunate and need our attention. We have had a great deal of experience in the different unions. . . . The labor organizations will always get behind any movement that is for the uplift, for the betterment of labor—higher wages, decent hours of labor, and good sanitary conditions. Good pay, so that a man can support himself and his family decently, provide good food and a sufficient amount of clothing for his family, is the thing that counts for health."

#### THE SO-CALLED "STANDARD BILL" AND STATE COMMISSIONS

Management of the campaign for health insurance centers in the American Association for Labor Legislation, which has no standing in the conventions of the American Federation of Labor or of the Railroad Brotherhoods. After issuing, in November, 1915, a pamphlet, "Health Insurance; Standards and Tentative Draft of an Act," it caused bills drawn up in accordance with the draft to be introduced in the legislatures of New York, Massachusetts and New Jersey. By this so-called "standard bill" wage-workers earning less than \$100 per month are to be placed under compulsory insurance by which in cases of sickness or disability from accidents not covered by workmen's compensation they are to be provided with—

1. Cash benefits (2/3 wages).
2. Medical service.
3. Surgical and nursing attendance.
4. Medical and surgical supplies.
5. Hospital service.
6. Cash benefits to dependents.
7. Funeral benefits.
8. Maternity benefits.
9. Dental work.
10. Medical treatment of dependents.

The cost is to be divided as follows:

40% for the employer.

40% for the employee.

20% for the state.

The "standard bill" or an adaptation of it was introduced, in 1917, in New York, Michigan, California, Maryland, Oregon, Pennsylvania, New Jersey, Illinois, Connecticut, Wisconsin, and New Hampshire, and, in 1918, in New York. States in which the "standard bill" or a bill having somewhat similar provisions was introduced in 1919 were New York, New Jersey, Ohio, Kansas, Michigan, and Minnesota. In the course of several years, bills to appoint commissions to study the subject were passed in Connecticut, Massachusetts, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Wisconsin, and California. Adverse reports followed from the commissions in Connecticut, Illinois and Wisconsin, and favorable reports from those of New Jersey and California. The Ohio commission reported four in favor and three opposed. In Massachusetts, the first commission reported favorably one year and a second commission adversely another year. The Massachusetts Constitutional Convention rejected the project as presented to it. California had two commissions and the Legislature in 1917 passed a resolution for submission to the people to amend its constitution so as to permit compulsory health insurance.

The first Massachusetts commission's inquiry was into the desirability of sickness insurance, old-age pensions, unemployment and hours of labor in continuous industries. Conducted hurriedly, the investigation resulted in an admittedly superficial report. A minority of four of nine members recommended the adoption "of a general system of health insurance for wage-workers supported by enforced contributions from employers and the state." One member, while concurring in this recommendation, dissented as to the distribution of the cost until more accurate information should be available, "based on Massachusetts statistics." Two members, though sympathetic, opposed specific legislation "until the means by which this end may be attained are thoroughly understood and public opinion is formed on the subject." The remaining two members counseled against "immediate legislation," contending that "this commission has not had sufficient time to study the subject thoroughly."

The second Massachusetts commission continued the study of health insurance begun by the first commission, going, with the cooperation of bureaus of the state government, more intensively into social conditions in the state. Of the eleven members of the commission, nine reported adversely to compulsory health insurance—one, however, with the qualification that final judgment should be suspended. A minority of two advocated "non-contributory" health insurance of wage-workers.

In Massachusetts, further, the proposition to amend the constitution to permit compulsory social insurance came up before the Constitutional Convention, July 30, 1918, and after an entire afternoon's debate was unconditionally rejected by a vote of 107 to 43.

The first California commission reported that "health insurance of wage-earners would mean a tremendous step forward in social progress," but that they were not "prepared to offer a plan for the organization of the meas-

ure," that there were serious objections to the plan of the American Association for Labor Legislation, and that a plan of organization which they had themselves sketched out might "be open to objections still more grave."

The second California commission made no further investigation or inquiry into the desirability of compulsory health insurance, but contented itself with preparing and publishing some "standards for health insurance," based upon a long distance study of the British National Health Insurance in the rosy light of official reports, along with some propagandist material, selected from the report of the first commission, to assist the campaign in favor of the adoption of the proposed amendment to the state constitution, then pending, to permit compulsory social insurance. One member, however, recommended an "act for state health insurance," on different lines from those laid down in the "standards" adopted by the majority. The proposed amendment to the constitution was rejected by the people, November 5, 1918, by a vote of 133,858 in favor of the amendment, to 358,324 opposed.

The New Jersey commission, in a pamphlet of twenty pages, reported in general terms very unsatisfactory health conditions in the state's industries and recommended compulsory health insurance. Special emphasis was placed upon the prevention of sickness, the opinion being expressed, without accompanying evidence, "that health insurance is a measure which gives great promise both of relieving economic distress due to sickness and of stimulating preventive action."

The Connecticut commission investigated health insurance, hours of labor, minimum wages, old-age pensions, mothers' pensions and occupational diseases, going into the subject of health insurance only far enough to satisfy the members that there was no general demand for it in the state. The commissioners unanimously reported in favor of postponing further legislative consideration

of the subject "until the changes in our national, state and social relations resulting from the war have been fully adjusted."

The Wisconsin committee studied the subject of compulsory health insurance with some degree of thoroughness. It found need for improvements in the public health service and recommended measures for that purpose. Four of its five members reported that there is "no urgent, well defined demand" in the state for compulsory health insurance, and "no outstanding social or economic conditions in Wisconsin at this time which would make health insurance, as a compulsory measure administered by governmental authority, either necessary or expedient." One member, however,—a Socialist—recommended a compulsory health insurance law along the lines of a pending bill.

The Ohio commission investigated the subjects of health insurance and old-age pensions quite extensively; but its data were collected and presented in its report with a marked bias in favor of compulsory insurance. Of the seven members of the commission, four recommended compulsory health insurance and three recorded themselves as opposed. But all united in emphasizing and giving first place to the need of other measures for sickness prevention.

The Pennsylvania commission investigated the subject of old-age pensions. Its report draws a very depressing picture of economic conditions among masses of the working people in that state; but none of the data presented was relevant to the subject of compulsory sickness insurance, save upon the assumption that compulsory sickness insurance is a cure for poverty. The commission recommended no immediate legislation but rather that the problem be further studied and investigated.

The Illinois commission investigated the subject of health insurance most thoroughly, with the co-operation of departments of the state government, of the health de-



partment of Chicago, and of experts, some of the latter of national reputation. Six of the eight acting members of the commission decided that its findings did not justify it in recommending compulsory health insurance. The remaining two members recommended "universal" compulsory health insurance. The 650 pages of the report of the Illinois commission contain as much well sifted matter pertaining to the subject in hand as any experienced reader of reference books could expect to find in a government document. The committee's recommendations relate to prevention of disease, to control over public health administration in the state, and to the appointment of commissions to study the problems of occupational diseases and of the health and welfare of mothers and infants. Important conclusions were: "There is no inference that compulsory insurance has resulted in an improvement in health." . . . "It seems clear that compulsory health insurance is not an important factor in the prevention of disease or in the conservation of health." . . . "Compensation for occupational disease should be provided by the employer in whose employment the disease is incurred. Occupational disease is a hazard peculiar to the industry concerned. It is caused by that industry. With non-occupational diseases the case is different." . . . "Ten cents per day will provide the wage-earner with all the insurance needed."

In most of the states neither labor nor the community in general has shown a real fighting interest in the question of compulsory sickness insurance. In the half dozen states where it has come up for public discussion the proposition has not been energetically supported by organized labor. It usually remains a subordinate phase of chronic Socialist fuss and fume. No law providing for the system has yet been passed in any state.

In California, when the issue was up for discussion two years ago, Daniel C. Murphy, President of the State Federation of Labor, argued strongly against the prin-

principle of compulsion, while giving his approval to the general theory of social insurance on a voluntary plan. James W. Mullen, editor of the "Labor Clarion," declared himself as strongly opposed to compulsory social insurance. He said the truth as to European experience was that "the persons who most need insurance of this kind will be absolutely left out of consideration when the scheme is put into operation." He said the casual laborer out of work would be unable to pay his contribution and therefore would not be entitled to benefits.

Thomas J. Donnelly, Secretary Ohio Federation of Labor, with a colleague, O. B. Chapman, as members of the Ohio Health and Old Age Insurance Commission, reported:

"We cannot agree that the state should at this time enact compulsory health insurance laws, dividing the cost of such insurance equally between the employer and employee, with the state paying the cost of administration. We do not believe that the employees should be declared indigents or wards of the state because they should have been the victims of social injustice, and because of the failure of the state to perform its full health duty; or that they should, like Esau, be confronted with the proposition to sell their birthright for temporary, and, under the proposed health insurance plan, partial relief. This birthright, in this instance, is individual and industrial liberty. . . . Industrial feudalism and supervisory government are the two greatest dangers to American freedom, equality and the development of character and responsibility of the individual. It is our firm conviction that the plan of health insurance as outlined and proposed by the majority members of the commission contains within it the germ of industrial feudalism, that it will destroy the independence of the workers and retard the development of character and responsibility by the American wage-earner and naturalized industrial employees."

It should be noted that, although the movement for compulsory health insurance rests largely upon controverted assertions of the success of European experiments in that form of social insurance, and although flatly contradicted claims of the results of such European experiments have been accepted in evidence by the State Commissions and Committees whose reports are before the country, yet not one of these Commissions and Committees has investigated results abroad to learn the truth or falsity of the assertions and reports criticized, nor dwelt upon the need of such an investigation. But,

on the other hand, they have not accepted as undisputed facts the assertions regarding European experience of the formulators and supporters of "standard bills."

New York has been the field of the greater part of the contentious discussion of compulsory sickness insurance. But as yet the state has had no commission to investigate the question. In the last four years a health insurance bill has been introduced at the annual sessions of the legislature, each bill after the first differing in important respects from those preceding it. There have been radical changes with regard to the occupations to be included and numerous alterations in details for carrying out the scheme. The basis of the Mills bill of 1916, in the absence of the findings of a competent commission, was the "standard bill" of the American Association for Labor Legislation, having provisions now no longer asked for by the association. The association in 1915 and 1916 published three successive drafts of its "standard bill," with changes, "arising from suggestions," and then accepted a fourth tentative draft, made up in part by other agencies, the provisions of which appeared in the Nicoll bill, introduced in the Legislature in 1918. In 1919, further changes came with the introduction and amendments of the Davenport bill in the State Senate. A reading of these successive bills brings to view the crudeness of the original "standard bill," which its sponsors were anxious to have adopted, the imperfect provisions of which would now have been law had the bill passed. Argument on these bills has necessarily shifted each year as new phases of the project appeared. Changes in the general proposition have related to insurance carriers, to the occupations to be exempted, to the estimate of cost, to the amounts of sick payment, to the cash contribution by the state, to the proportions of the contribution to be paid by employer and employee, and to the methods of administering the system.

The interested citizen who reads the Mills bills of three and four years ago, the Nicoll bill, and the Davenport bill, noting the progressive variations in the provisions proposed by their advocates, will ask if it is by any means a certainty that those advocates have as yet arrived at conclusions clear to themselves, whether as to principles or details of their measure. Whoever reads these bills and acquaints himself with the run of comment, political or otherwise, on them and their purpose, must speedily see that sickness insurance takes no more than a subordinate place in any health program looking to prevention first and then to the treatment of disease and to means of meeting wage losses from disease.

The state may rightly undertake measures to control the treatment of the sick and to protect all its citizens alike against the various menaces to health. In the matter of meeting wage losses, the state may be expected to supervise associations for the purpose and to supply the machinery for such supervision. How much further should it go? The trade unionist stops to reflect when in theory he is brought to the line which sets him and his fellow wage-workers apart as wards of the state, as subjects of special taxation and as material for a social machinery run by state officials.

What may be the weaknesses in a law introduced "by request," not backed by the conclusions of competent and judicial investigators, is shown in a "memorandum" prepared by Dr. Lee K. Frankel, A. Parker Nevin, Esq., and Hugh Frayne, relating to the bill introduced by Senator Ogden L. Mills, January 15, 1917, in the New York State Senate. The "memorandum" was prepared for legislators to show the weaknesses, shortcomings and dangers in the proposed legislation. These were:

1. Inaccurate definition of disability.
2. The presumption that compulsion is essential.
3. The scheme of insurance neither compulsory nor voluntary, but a mixture of both.

4. Certain groups of workmen excluded from membership.
5. Discrimination against voluntary members.
6. Benefits not based on accurate knowledge of cost.
7. Lack of uniformity in medical and surgical care.
8. Failure to give funds necessary autonomy and power.
9. Malingering not controlled.
10. Difficulties in administration.
11. Fundamental insurance principles ignored.
12. Distribution of cost based on insufficient data.
13. Cost of the benefits sure to be in excess of the provisions of the bill.
14. Administrative machinery complicated and unnecessary.
15. No supervision by the Insurance Department.
16. Prevention of disease a secondary consideration.

It is a regrettable fact that the promoters of state sickness insurance have pursued their purpose with a disregard of accuracy in placing the facts of the case before the public. Their claims have been far too large; their references to precedents could not stand examination; their hasty anticipation of the findings of an unbiased commission exhibits the weakness of unbusiness-like planning. Bases of their arguments have easily been proven unsafe. For example, Senator Davenport, in the New York Senate, April 10, 1919, said: "It was the result of the study of an English Royal Commission of health insurance in other parts of Europe that led Lloyd George to put this system in operation in England in 1911." There never was such a royal commission nor even a departmental committee nor any public report or opinion from medical authorities or organizations in Great Britain to give color to this assertion. "This system," declared Senator Davenport, "is used all over Europe." In this assertion there was "a world of untruth," as all the intellectuals backing the bill them-

selves very well knew. "The insurance funds," said Senator Davenport, "would be run entirely by the workers and employers themselves." But his bill provided for a state commission with power to control and direct the administration of the insurance. So numerous have been the misrepresentations relating to the development and present situation of health insurance in foreign countries, and to the significance of the provisions and even to the mechanism planned in the Davenport and other bills, that the Committee on Constructive Plan, Social Insurance Department, The National Civic Federation, in October, 1919, issued a "Refutation of False Statements in Propaganda for Compulsory Health Insurance." It contained scores of contradictions and corrections.

#### THE UNCERTAINTY OF THE CONDITIONS TO RIGHTS TO BENEFIT

In studying social insurance due attention and weight should be given to the conditions upon which the insured benefits are promised—in other words, the criteria of the right to benefits—and to their adaptability to fair and equal application in practice. In life insurance the criterion of the right to benefits is the death of the insured. Death is a certain fact; and, except in rare cases of disappearance, is capable of absolute and undisputed proof. In old age insurance, the attainment of a certain age is the criterion of the right to benefits; and in countries where complete vital records are kept the attainment of such age is seldom a matter of doubt or difficult of proof. But the criteria of the right to benefits under invalidity and sickness insurance are wholly different. The criterion in invalidity insurance is "invalidity"—sometimes called "disablement." But what is meant by "invalidity"? "Incapable of work." Conceded; but incapable of what work? Under some of the social insurance laws it is defined to mean total incapacity to pursue any gainful occupation. In others, it is defined to mean incapa-

city to earn at least one-third of one's normal wages in any suitable occupation. In other laws, it is undefined and left open as a subject for dispute and bitterness. And what is the evidence of incapacity? The man of strong will may continue at work in a physical condition wherein others would give up. Who, then, is to decide? Or is there to be a double standard, one for those who want to work and another for those who do not?

In sickness insurance the criterion is generally incapacity through sickness to work at one's usual occupation. This is the most uncertain criterion of all, so uncertain as to be incapable of fair and equal application in practice, save under exceptional conditions and among a select body of insured.

What is sickness? Who is sick? Who is to decide when one is sick? Who is to say when one's sickness is his own fault? Who is to determine justly the numerous questions in the whole matter of sickness? To what degree is sickness in many cases a mere state of mind? People of robust mentality ignore the common, passing aches and pains that frighten the timid. One's habitual attitude toward sickness counts for much. Some have the doctoring habit, some the medicine habit, some the habit of going to a sickbed for the slightest ailments that others wear away by work.

Who should be paid for being sick? There are regions in this country in which a relaxing climate, or the hookworm, or malaria, continually brings the underfed, the aged, the careless and ignorant so close to the sickness line that a weekly sick-pay would speedily carry many weak brothers over to a series of short illnesses or even to permanent invalidism. There are in all parts of the country the incapable, morally or mentally—granted, a small percentage of the total—who inevitably fall into the classification of human beings who must be helped. Under any form of sickness insurance, voluntary or compulsory, a certain proportion of the members of any

group anywhere would quickly develop the habit, to be indulged in to the maximum possible degree, of being "on the funds." In every hundred wage-workers some are known to their co-workers as sure to be first, last, and, as nearly as possible, all the time on the bounty list. Should it be a sick pay list, with imperfect regulative hindrances, they would often report present. In every trade requiring men of hardy physical make-up the weaklings, already to some extent a burden on their companions, would be the bad risks under any form of insurance.

Among men and women whose social education has been obtained in this country, the majority would surely today avoid taking unearned money in any form. That is a manifestation of the American spirit. But what would be the consequences in this respect after a decade of such a sickness insurance law as that of Great Britain? Character corrupting habits inevitably spread on opportunity and temptation. Would not the bad risks turn out to be bad examples? For one man to reject what another man continually takes requires the stoicism and personal pride of a strong nature. Expectations of help from the state can in time be made to replace a good citizen's resolutions to do all possible for himself. But the trade union principle has been to contend for individual rights in facing employer or the community and to resent unjustifiable interference by either.

Statistics as to the percentage of the wage-workers sick and of the average number of days' sickness annually are necessarily variable from several causes. Aside from epidemics and accidents or war there enter into the enumeration such factors as climate, race, nationality, the industries, and family stock, and habits and modes of life. Under sickness insurance, there is variance according to whether the cases to be compensated are reckoned from the first day or after a period of several days' waiting time before the insurance pay begins. When the pay ends is a further point; the insured person who is to re-



ceive a week's sick pay on Saturday may be disinclined to report himself well on Thursday. A permanent and prominent factor in the background is signified in the ever vexatious questions for the judges as to who is actually sick, who is convalescent and who is fully restored to health.

The Federal Commission on Industrial Relations in its final report six years ago made the statement that "each of the 30,000,000 wage-earners in the United States loses an average of nine days a year in sickness." Of this the Illinois Health Insurance Commission reporting May, 1919, says: "The data obtained from our various investigations warrant the conclusion that this is only a slight overstatement of the average time lost." In its study of establishment funds the Illinois commission found that in three of the largest groups, with 134,274 members, the total of disability after a waiting period of six days would average 8.9 days for the entire membership. Thirty-three smaller funds, with 66,854 members, the waiting period being seven days, gave as an average 5.1 days lost for the entire membership. The largest number of wage-earners thus far studied, as reported by the commission, in nine comparable benefit associations, with 663,163 wage-earners, the waiting period being 8 or more working days, showed an average loss of 6.54 working days each. The commission's report says: "While these data indicate something of the loss due to sickness and non-industrial accident, they are not presented and cannot be accepted as an accurate measure of disabling illness among wage-earners as a whole." . . . "The partial evidence available, and it cannot be regarded as entirely representative, indicates the conclusion that about twenty per cent. will be disabled for a week or more because of sickness and non-industrial accidents and that the workmen collectively will lose in the course of the year between 8 and 9 days because of such disabilities."

The National Conference on Industrial Diseases, held in Chicago, in 1910, estimated the average days lost through sickness by the 33,500,000 men, women and children then engaged in gainful occupations in the United States at eight and one-half days per worker. The commission's report adds: "This is in striking agreement with the results of sickness surveys made by the Metropolitan Life Insurance Company among policy holders and others in various localities. Seven such community surveys have been made by the company in widely separated localities which included a large variety of community types." The averages reported by the Metropolitan Life Insurance Company were 8.5 days for men and 9.4 for women. The Ohio Health and Old Age Insurance Commission repeated the formula in January, 1919: "Available statistics show that every worker loses an average of nine days annually." The first Massachusetts Commission estimated, largely on assumed data, that the number of days lost on account of sickness would be 8.5 per person per annum. The California State Commission made out an average loss of working time in the Bay cities of the State in certain industries as only 2.9 days per person per annum, and that out of 1,200 workingmen whose records were examined one-fourth of the entire amount of sickness was lost by ten men. So runs variation in estimating crowds in the dark.

The testimony from European countries as to the average loss of time of workingmen per annum through sickness varies according to the basis of calculation, as well as for other reasons. In Austria, the time "on the cash benefit" averages about 9.45 days per annum. This percentage, however, includes the first four weeks of disability from industrial accidents and excludes much time lost from chronic ailments. In Germany, "cash benefits" reached an average of 8.66 days a year per capita, including the first 13 weeks of time lost from compensatable accidents and also time in hospitals when the cash benefits

are cut in half. Other authorities give 9.45 days for Austria and 9.2 days for Germany, countries having compulsory sickness insurance, allowance not being made for factors of difference in computing the averages, and contrast them with 6.5 days for Boston, Mass., and 7 days for Rochester, N. Y., and 6 days for the State of California, populations having no compulsory sickness insurance.

However, while accepting the general truth as lying somewhere between the extremes of the percentages given for different countries by diverse statisticians, the wage-worker who has horse sense will reconcile himself to certain large probabilities. He is one in a great body of human beings who on the average lose from three days' work upward per year. He takes it as a matter of course that the highest figures usually represent the feeble and incapable, the improvident and the vicious, the helpless creatures in the lowest social scale. Every trade union has its laggards in the procession who sooner or later fall by the wayside.

The first Massachusetts Commission estimated the annual cost of sickness per wage-worker at \$25.70 per person, the basis being the rates of the fraternal and labor organizations of the State. In New York, promoters of compulsory sickness insurance have computed the annual loss in time and money outlay at \$75 for each wage-worker. Accepting these estimates for what they may be worth, the members of a skilled trade union can calculate that at most the total of the cash benefits from compulsory sickness insurance to those who should fall sick would be the equivalent of a raise in wages amounting to a very small percentage. It might be three per cent or it might be five. This point is of capital importance in making up one's mind whether or not to favor state sickness insurance. By the "standard bill" the first three days of a sickness are not to be covered by the insurance. The expenses of that "waiting period" are to be met by the sick person himself; the average nine days' loss hence be-

comes, roughly, a six days' concern of the State. But the compensation is to be only two-thirds of wages; the nine days of sickness thus shrinks to four days of compensation. There is a further cut on these four days; the dues of the insured wage-workers are to be 40 per cent of the entire amount of the state insurance fund. Thus, the money to be got on the average by compulsory insurance comes down to less than 3 days' wages of the insured!

The rest of the benefits promised in the compulsory sickness insurance bill present the problems of the probabilities of fulfillment, of inquisitorial intermeddling with the insured, of reconstituting medical practice despite almost united opposition by medical practitioners, of placing a patient in the position of an applicant for state assistance instead of being a free client judging for himself and making a contract for services with a doctor of his own choosing, and finally of converting the doctor himself into a functionary of a bureaucracy.

Besides: Costs to the state? Rules and regulations for everybody insured? Complicated administrative machinery? Malingering? New bewilderments in politics? The constant clash of interests involved? Indiscriminate forced classification of the self-dependent with the always dependent? Still worse, the assumption that the American wage-worker is a weakling, an inferior creature who needs an authoritative protector, a childish fellow incapable of the foresight to pilot himself through the exigencies of life and lacking the manly quality of voluntarily joining with his fellows in craft or neighborhood organizations whose developments have shown that they can surely, satisfactorily and at a minimum cost, do all and more than all that the State can reasonably promise?

#### THE PRINCIPLES OF TRADE UNION OPPOSITION

Summarized, the principles on which the great majority of representative trade unionists, not only in labor

conventions but at the meetings of local unions, oppose compulsory sickness, or any form of compulsory insurance, are these:

Voluntary social insurance coincides with democratic traditions; the worker should have free choice as to the form, amount and methods of his insurance. The fundamental principle upon which the American labor movement is established is voluntarism in all its activities. No abridgment of the free exercise of the right of the wage-worker to look after his own affairs should be permitted. Working men are not to be made the wards of any other social element nor of all others combined. There is a distinct line of demarcation between sicknesses which arise from the worker's occupation and sicknesses not attributable to his occupation. Compulsory compensation by industry for occupational diseases, as well as such compensation for occupational accidents, is rightly to be considered as entirely distinct from compulsory insurance of sickness disconnected from one's occupation. Legal compulsion for health insurance carries with it the stigma of inability on the part of the insured to take care of themselves. Compulsory classification of the workers as dependents on the State is a form of pauperization. It involves a surrender of rights and liberties and an acceptance of paternalistic benevolence and inquisitorial interference in the management of the family life. Dependence on the State means control by the State, the tendency of which has ever been to reach further and further as against the individual. Justification for a plunge into imitation of any European compulsory sickness insurance system could be found only in a much lower depth of poverty than that existing among the American wage-working masses. There is no established proof that the European methods have lowered any nation's death-rate (and inferentially the sickness rate) or have by their benefits satisfactorily replaced wage losses through sickness. The many American voluntary methods of insurance have made remarkable progress since the date of the

conception of compulsory insurance in Europe. Civilized mankind has reached a new era. As Mr. Gompers has said: "There is in our country more voluntary sickness insurance than in any other country in the world. We have institutions whereby voluntary insurance can and will be increased." The usual rate of death benefits or old age pensions or weekly sickness allowances in American trade unions amounts to double or treble the sums paid either by European governments or by European working men's organizations. A score of American international unions have within their own organization methods of mutual financial self-help for which the state can find no substitute and which form object lessons for imitation in other voluntary organizations. It may be affirmed that the consensus of opinion among American working men, organized and unorganized, is that, as to the health of the nation, first in order should come definite means of preventing sickness through community hygiene and general education on the subject.

Under compulsory insurance the terms and conditions are decidedly not the same to the wage-worker as those when he insures in freedom with a fraternal or other voluntary organization. Government social insurance registers a worker as a ward of the state. It obliges him to take common part in a system which includes masses of other working people, skilled and unskilled, of every degree of thrift and unthrift. His obligatory card subjects him peculiarly to identification, control, inspection, discipline and direction by government authorities. He has a number; by it "he is to be registered, tabbed, checked and perhaps judged." His cards, held by his employer during his period of employment, and in part stamped at his expense, emphasize the distinction between the free master of self and the hired man held in bondage. The employee must insure for the flat, unchangeable benefits accorded under the insurance act to all the insured in his class. He cannot drop out except by becoming permanently unemployed. He has entered

on new relations with the public officials, his employer, his benefit society, his doctors, and the less thrifty among the working people, relations all dictated to him by the government. The social insurance laws discriminate between him and people of larger means by compelling him to submit to a supervision from which he would be exempt had he a little more money; and in Europe they have even subjected the worker's household to visits of inspection and regulation not dreamed of in the case of non-wage-workers. The employer has means for blacklisting the employee which do not exist when the latter is free to insure himself voluntarily. The benefit society of the employee is totally changed from its independent character when it becomes a mere agency for the administration of the government insurance. The employee's doctor is one of an official list whose incentive for faithful performance of duty is weakened in the absence of em-  
 ration. The panel doctor's remuneration is generally per capita regardless of the quality or results of his services; the sickness societies, which are financially interested in the results, would, under plans here proposed, be deprived of their liberty to interfere for their own or their members' protection.

Under compulsory insurance the thrifty trade unionist is under duress to help carry the weaker members among the wage-workers of all occupations; and the methods to which he is subject, radically different from the recognized means of mutual benevolent assistance in American labor organizations, are prescribed by rigid law. The wage-worker accustomed to self-reliance and independence finds his freedom restricted in various directions. This point has thus been expressed: "If healthy, sober, thrifty and a skillful artisan, he has paid a high price in the loss of various personal rights—of the right to be free from police interference when selecting his own methods of thrift, of the right of preventing an employer from making deductions from his wages, of the right of being in a sick benefit society which exercises liberty of self-

management, of the right of an unrestricted selection of a doctor, and of the undoubted right not to be saddled with an unfair share in the support of the mass of chronically sick, or sham sick, or self-deceived as to sickness, and other such known burdens of society in the helpless classes who would be forever on the benefits."

Great expectations have been held out to the American workingman in the zealous endeavor to induce him to accept compulsory sickness insurance. But those who have observed the actual workings of European experiments in compulsory insurance know that such expectations can never be realized, that the possible advantages of it for any workingman are small—for the industrious and thrifty workman, none at all,—whereas the price to be paid is heavy and certain. The American workman is studying and learning the facts. He wants to know exactly what those proposed "reforms" would mean for him and the community. He does not want to be misled by glittering generalities and false promises, to his inevitable disappointment and bitter discontent. He has a disturbing sense of doubt that a government paternalism, suitable to the type of immigrant from Austria whom he has seen arriving in this country, or even to the type of British immigrant coming with testimony as to the deprivations and low wages of the workers in the land that he has quit, is a beneficial substitute for the principles and privileges of American citizenship which experience has taught all our people to appreciate. The wage-workers of this country are by no means in despair. They propose to advance upward by exercising their rights, by continually taking all the wages the country's production justifies, by self-assertion, self-protection, self-determination, through group or individual action, as called for by occasion. The American wage-worker is no suppliant for favor, from boss or state. Nor is he an inert pawn, to be moved at will by the superior "intellectual" mind.

J. W. SULLIVAN.



## PROPORTIONS OF THE INDIGENT CLASS IN THE OLD WORLD AND THE NEW.

What are the comparative levels of poverty in Germany and Great Britain? What are the differences between wages in those countries and in the United States?

Are the "proletariat" of Europe and the wage-workers of the United States on the same economic level? Is their general condition equally barren of opportunities? Can it be said with truth that there is an American proletariat? Is caste known in the United States as throughout Europe? What would the answer be to Marx could he today proclaim his slogan in America, "Workmen, you have nothing to lose but your chains!"?

The wage-workers' social situation in America has broad features of difference from that of Europe. In this country there are three distinct strata in the wage-working masses—the American, the negro, and the foreign. Each stratum has its subdivisions. The English speaking immigrants of a quarter of a century ago, or even of half that period, are quite Americanized. A fructifying part of their intangible capital is a knowledge of American methods and institutions. As with the succeeding years immigration came to be drawn mainly from widening zones in Europe, passing from the Irish on the west to the Russians on the east, so have the newcomers in their order progressively learned to take up with American life and to share in the country's increasing wealth. A measure of a foreign-born workingman's wage-scale is to a considerable extent his years in America.

The initial blunder of the Socialists and of the "intellectuals" who seek to introduce in our society first-step planks of the state socialist program is in persistently looking upon the wage-workers of America as a mass all equally impoverished. This is far from the truth. They must grant that in all the various occupations are individuals quite distinct as to nationality, color, skill and

physique. Further, if observers will but inquire sufficiently to get at the facts their reward will be a perception of a constant change going on in the social situation not only of individuals but also of families, of whole industrial groups, even of the body of the descendants of immigrants once regarded as low in the human scale. They will see what were only the faint glimmerings of potentialities becoming obvious qualities of high personal worth and positive elements of national value.

Naturally, native born Americans are the majority in the more highly skilled trades, with men of other English speaking nations often their equals, or nearly so, in wage drawing power. Distinctions, however, are developed in the course of time among individuals, irrespective of racial groups. This is true of employees in every establishment in the land. It is a curious but persistent form of census taker's blindness that permits social workers and college library formulators of economic reports to look upon wage-workers as merely industrial units having approximately equal social weight, like the figures of statistical tables. To the unsharpened comprehension of the casual non-working-class visitor to a great factory all the workers therein are simply so many "hands." It is broadly true that these "hands," in overalls, may apparently be but attendants at parts of the bewildering complexity of machinery, and they may look alike as peas in their habits and grease-marks of toil and move heavy-footed in the performance of their work. No doubt thousands of young "students of sociology," prompted by a passing curiosity or cramming for a degree, every year or every month pass through factories, printing offices and slaughter houses, to carry away no more definite ideas than that they have seen roughly dressed and presumably uneducated working people occupied at the lower grades of production, examples of a stationary caste, far below the hierarchy of the directorship. These surface observers have perceived only the deceptive seeming uniformity in the mass; they couldn't see the trees for the

woods. But the American man or woman of middle age who has ever been a wage-worker can look back through the decades and see standing out like separate species of trees the remarkable differentiation which time has witnessed in any force of workers coming within their experience. As trees grow according to their nature, their root power, and their soil, so men in general may grow; but beyond the material factors of growth particular men exhibit to an extraordinary degree the dominant human factor of the will in moving upward. Every force of one hundred wage-workers of twenty years ago has illustrated the social flexibility of this country's labor, the contrasts in the ambitions or aptitudes of workingmen and the high proportion among them capable of seizing means for advancement. Whoever has become intimate with factory life knows how far apart the various employees of an establishment may stand in industry, social habits, aims, home life, and in taking the everyday steps that result either in personal failure or legitimate success. A workshop is a democracy each member of which constantly makes appraisal of every other member. The differences lie not so much in nationality or book instruction or physical power as in varieties of self-developed character. Nature, the creative democrat, has placed among the workers every human quality. Individuality counts according to conditions. As to many conditions, most men make their own beds.

Fellow-workmen hold the microscope on one another. All of a given force know how many are habitually self-dependent and how many commonly dependent upon others; all agree that some among the number border on defectiveness and that others at times need guardians. The big majority are normal human beings. A high reputation comes to those who exercise the elements of prudence and forethought which characterize either inherent or acquired wisdom. Some are always reckless and others ever prudent, whether as to marriage or business ventures or self-indulgence. Between are the average. Fore-

man, chairman, and the man at the bench alike know which of the force are sending their children to school the extra two or three years in the early 'teens that count so much for physical and mental growth and the placing of the child in after life. They know which among the force are content to live in slums and which would make slums of a good neighborhood. "Slumites make the slums." They know the one or two per cent who are the irreclaimable victims of drink and the five to ten per cent who give way to drink occasionally. They know why some men would be foredoomed to fall away among the "submerged tenth" in any country where that proportion can be submerged. They know that while ninety per cent of the workmen in America desire to do a fair day's work for a fair day's pay there is a very small percentage who have the lazy pauper spirit, willing even to accept a state reward for their improvidence, to be collected mainly from their fellow workmen. Notoriously, in every working class group the individuals bound to come up regularly as claimants for assistance from their more provident fellows are known to all. Deduction: The intimate knowledge as to character possible in the small social group is an essential factor to the efficiency of any sickness insurance plan.

No social element is stagnant in America. The stages of working class progress here are marked in the changes of population in certain of the streets of every factory town in New England. The quarter known thirty to forty years ago as "Dublin" is now "Little Italy." What has become of those poor greenhorn Irish? A small proportion passed off among the wreckage of populations. Many, especially the children, moved upward, financially and otherwise. In the west are old-established mining towns in which nearly every successful business or professional man sprang from a father who was a working miner. True is it also that today in every mining town are numerous non-English speaking foreigners who in the last six years have saved more money than was accumu-

lated in the course of generations by their forefathers in Europe. It would be interesting to know how much of the two billion dollars now in the savings banks of the State of New York are held by immigrants. In this country personal thrift still takes precedence over state compulsion in providing against individual misfortune.

It is pertinent to this investigation to know that the last United States census report gave the number of men over twenty-one years of age as 17,000,000 native and 6,000,000 foreign born. In the six industrial states in which the agitation for compulsory sickness insurance has taken some hold—New York, Pennsylvania, California, Illinois, Massachusetts, and New Jersey—nearly 40 per cent were foreign born, while for the whole country only 27 per cent were foreign born. The custom of looking to the paternal state for protection—of having it support even the church—inculcated among the foreign born of our industrial centers, has resulted in receptivity to the promotion among them of such projects as compulsory state social insurance. Yet when in California the extent of that sentiment came to be mathematically recorded in a referendum vote the truth came out that even in the working class districts the majorities against the principle were overwhelming. California, by the census, had 297,365 white foreign born men over twenty-one years of age to 548,842 white native born. It is noteworthy that the few industrial states having a large newly arrived foreign population are the favorite fields for paternalistic social uplifters and investigators. It is there that, as the newspaper men say, they gather their "sob statistics." In such regions, by reason of their civic feebleness, their lack of the national spirit, their under-development as free citizens, their ignorance of English, it is the poor foreign working people who are by far the most numerous victims of accidents and sickness and of misery in general.

But their pitiable condition is exceptional, compared with the situation in the country as a whole. If American wage-workers in general were as helpless as the ex-

ceptionally worst off among them or as the average European wage-worker it might be fitting for a protective state to marshal them apart from the rest of the community, take a percentage of their wages from them to be paid to the most necessitous, apportion among them a possible equal percentage in charity, and dictate in many respects the ordering of their lives. However, American labor standards of living can easily be shown to be far superior to European.

As to our poorly paid immigrants and other exceptional classes of the poor, it would be a doubtful policy to take from them any part of their insufficient wages for insurance. It is a far wiser policy to seek to expedite their progress towards American standards of wages and living.

#### POVERTY AND PATERNALISM IN GERMANY

Out of what conditions did social insurance spring in Germany?

The paternal care of the German masses by the German government, in particular through social insurance, is a matter frequently referred to by American "socializationists" as one of the significant achievements of governmental authority that portend coming events in this republic. Judging from the numerous scrappy notices of the subject to be had from any clipping bureau service, and from the views expressed by casual talkers one meets in traveling, as well as from the passing comment of popular promoters of social reforms in a sheaf (and the enthusiastic oratory of the soap-boxers), one might conclude that a general opinion is sought to be created that governmental effort in Germany had, before the war, worked a variety of marvels in the emancipation of its working people from disease and economic distress. The impressions gathered from these and similar unauthoritative sources would suggest that many features of the millenium had come through German state efficiency in social affairs,

and especially that the interests of labor were guarded in every direction;—that, for example, state insurance so well protected the working classes that no individual among them had need to fear the economic consequences of sickness, accident, disability, old age or unemployment; that government labor exchanges had entirely done away with all private employment agencies; that suffering through destitution was effectively prevented; that sweating in industry was a thing of the past, strikes and lockouts rare and wages the highest in Europe, while the cost of living to the workers had been brought down to a minimum through government supervision of commerce and commodities. The claims for Germany's guardianship of the wage-workers went further, and reiteration of these claims made an impression on public opinion in other countries. It became accepted as economic truisms that in Germany the masses were comfortably housed in up-to-date dwellings; that the death rate was at the lowest point known to any people; that the misery of the hundreds of homeless beings sheltered nightly in New York's municipal lodging house would be impossible to Berlin; that food prices were lower than in England and rents cheaper; that for rich and poor alike a thoroughly modern system of government had made Germany the country to be preferred in all the world.

It is for the reader to decide whether this parade of social accomplishments appears overdrawn, accustomed as he has been for years to the repeated accounts of Germany's wondrous and varied civic excellences.

But the fact is that economic authorities—among the foremost possible to be quoted, as is seen further on—declare that not one of the foregoing representations is true. What is more, the reader who has without inquiry accepted Germany's alleged superiorities as facts unquestionable will be astonished to learn that England on official investigation has established comparisons which placed her working classes in the essentials of a civilized

life on a higher plane than those of Germany, while in turn it can be easily proven that the English working classes are economically on a far lower plane than the American. Citations from public reports and private authors, covering all the points mentioned, here follow:

In 1908, the British Board of Trade (Labor Department) issued a report on "Working Class Rents, Housing and Retail Prices," covering the thirty-two principal industrial cities of the German Empire. The following are among the findings of this report:

"A majority of the wage-earners of Berlin inhabit dwellings consisting of only a living-and-bed-room (combined) and a kitchen, while a great many have to be contented with a single room. Of 8,773 Berlin working class dwellings whose rents were classified for the purposes of this report, 58 per cent. consisted of a room and kitchen and 40 per cent. of two rooms and a kitchen. A portion of the loft or a portion of the cellar for storage purposes often goes with each dwelling, and the tenants of the better houses may have both those appurtenances. Speaking generally, it is in the back buildings, and not in the dwellings that look on the street, that the working classes are found. The only exception is in districts which are almost exclusively populated by the workers." (Page 23.)

"How little diffused are even the more urgent conveniences of domestic life in Berlin may be judged from the fact that not one-half of the dwellings enumerated in 1900 had separate kitchens. Of every 1,000 dwellings only 107 at the front and 19 at the back had larders (provision closets), 77 at the front and 5 at the back had bathrooms, and 291 at the front and 150 at the back had independent closets. In the working class districts baths were non-existent, and larders almost so." (Page 22.)

"An inquiry on this subject (W. C.'s) made in 1905, of 13,221 members of the local Sick Fund for Mercantile Employees elicited the fact that in 9,554 cases the closet was shared in by 1 to 10 persons, in 1,898 cases by 11 to 15 persons, in 744 cases by 16 to 20 persons, in 456 cases by 21 to 30 persons, in 95 cases by 31 to 40 persons, and in 29 cases by over 40 persons." (P. 24.) These figures related to dwellings, not to factories.

"At the census of December, 1900, of the total population of Berlin 96.7 per cent. lived in rented dwellings, and of those 84.6 per cent. lived in dwellings of not more than four rooms, while in London only 54 per cent. of the total population lived in tenements of not more than four rooms." (P. 18.)

"Even in the parts of the city in which the working classes live, one meets with few such outward signs of poverty as are to be seen in any large English industrial town. But when from the broad boulevards one turns into the courtyards behind the street fronts and ascends to the higher stories where the working classes live, one is faced with contrasts hard to reconcile with the impressions which have been derived outside. As often as not the dwellings will be found to consist of two rooms only—one used as a living-and-bedroom, and thus occupied day and night all the year through, and the other a small kitchen, which is likewise made to serve as a bedroom, and here may be crowded together a family of four, five, six, or more persons. At the census of 1900, there



were in Berlin 4,086 dwellings consisting only of a kitchen, and 11 per cent. of these were inhabited by four persons and upward, while over 24,000 households lived in basement tenements." (P. 3.)

"Berlin is essentially a town of large houses. 'Barracks' is the name given locally to the oppressive structures that rise to a height of five stories in every part of the town and stretch far behind the street front, around and alongside of narrow courtyards circumscribed so as to afford merely the irreducible minimum of light and air which the sanitary regulations require." (P. 16.)

Not infrequently there are three of these courtyards, one after another, the four sides of each bound by the high walls of tenements. Archways through the buildings on the ground floor level give access to the courtyards from the street. The casual American visitor to Berlin not knowing any kind of slum except that characterized by dirty streets and old houses of a forbidding aspect, seeing the comparatively clean and solid stone street fronts of the big Berlin tenements, writes in his diary, "Berlin has no slums." Later, if he completes his observations on this point, he may correctly write: "Berlin's slums are in the upper stories or facing the inner courtyards of her barracks-like apartment houses." Because of its deceptively fair street-front appearance, Berlin has been dubbed "the city with a dickey."

"The German working classes are housed almost exclusively in large tenement buildings, frequently constructed round a central courtyard, each building containing a number of separate dwellings. . . . The English working man for the most part . . . rents a small separate house. In the case of Germany, tenements of two rooms and three rooms are the most frequent for working class households; in England, tenements of four or five rooms are the predominant type." (P. xi.)

"The workman in a German town pays for housing accommodation about one quarter more than the workman in an English town, for the same number of rooms, exclusive in both cases of local taxation." (P. xlii.)

In 1905, the report says, the number of horses slaughtered for the Berlin meat markets was 13,752. In fifteen cities, the total per year runs to about 30,000. Mention is made of the consumption of dog flesh in Chemnitz, Dresden, Konigsburg, Thutte, Munich and Zurickaw (the Germans say for consumptives).

"White (wheaten) bread is eaten by the German workmen to only a very small extent, and then chiefly in the form of breakfast rolls; 'black' rye bread, from flour once or twice ground, is used

extensively in all parts of Germany; and between these two extremes there are many varieties, chiefly of bread composed of rye and wheat (or in some instances, as at Dresden, rye and maize) in varying proportions, and usually known as 'grey' bread." (P. xxi).

"Butter was about 5 per cent. dearer in Germany than in England; beef, pork, bacon and coal from 20 to 25 per cent. dearer; mutton, wheaten flour, and paraffine oil 35 to 40 per cent. dearer. If we take the arithmetic meaning of the above numbers (in which the lower prices for milk and potatoes in Germany were noted) as a rough index to the relative price levels of the two countries, for commodities common to both, it is 117 for Germany as compared with 100 in England." (P. xiv).

"For skilled men in the building trades the German wages are about 75 per cent. of the English; for skilled men in the engineering trades (machinery) about 85 per cent. of the English; for compositors in the printing trades (hand compositors) the ratio is about 83 per cent. Building trades laborers in Germany earn about 86 per cent. of the weekly earnings of the corresponding class in England, and it is only the lowest paid class of all—the engineering laborers—whose earnings in Germany are as high as in this country. It is evident that weekly wages in Germany are as a whole considerably below the level of those prevalent in England." (P. 1).

A table on page li, of this British report, gives as the usual hours of labor per week: For the building trades, Germany, 58 and 59; England, 52½ to 53½. Engineering trades, Germany, 59½; England, 53. Printing trades, Germany, 54; England, 52½.

"It will be seen that, except in the case of the printing trade, the hours of Germany are from 8 to 12 per cent. higher than in England. On the average of the above trades, German hours exceed English by rather more than 10 per cent." . . . "If, however, for the trades considered, German weekly wages are to English weekly wages approximately as 83 to 100, while hours of labor during the week are as 111 to 100, the hourly earnings of the German workman must be to those of the English, roughly, as 75 to 100. That is to say, for the building and engineering trades in the towns investigated (32 principal places) the average hourly earnings of the workman in Germany are only about three-quarters of those of the English workman doing the same work." (P. li.)

Taking note of the fact that the estimates are based only on the building, engineering and printing trades, and cover only about three-fourths of total expenditures, the report concludes that: "*The German rate of money wages per hour is about three-quarters of the English rate, and the cost of rent, food and fuel nearly one-fifth greater than in England.*"

In "The German Workman" (1911) (p. 129), W. H. Dawson says of the Berlin Municipal night shelter that it

admits "between the hours of 3 and 11 p. m., any penniless person who has no other resting place" "on five successive days for a maximum of five times in the course of three months. Soup and bread is given out at coming and going. At 7 o'clock in the morning the halls pour out their contents, to the number of 3,000 or even 3,500, it may be, and they may remain deserted for the next eight hours." "The night shelter houses more than half a million persons during the year."

Another Berlin free night shelter for men, under private management, housed 700 a night, and one for women 150. These two, says Dawson, "entertain more than 300,000 persons during the year, making a total of over 800,000 persons housed and fed by public and private shelters together. These figures do not include the persons cared for in the municipal shelter for homeless families, in which there are 244 beds for men and boys and 240 for women and girls, nor the poor people sent to the workhouses, the labor colonies, the hospitals, and the convalescent homes.

The New York Municipal lodging house, caring for a population two and a half times that of Berlin, had in the year 1913 a total of 172,496 lodgers, of whom 76,392 were foreign born. The Berlin proportion would have given New York shelters more than ten times this total. In 1920, the New York Municipal lodging house, the Bowery Mission, and other shelters are closed for lack of tenants.

From what used to be reported from time to time in praise of the German public employment bureaus, it might be inferred that the registry and job-finding for wage-workers seeking employment in that country were wholly a government undertaking without need of supplementary private effort. On the contrary, W. H. Dawson, in "Industrial Germany" (1912), says: "At the present time 250 employers' associations in various trades and parts of the country have their own labor registries, the majority of which serve for large industrial towns and their

suburbs." "In several localized industries the employers refuse on any condition to engage work-people except through their recognized registry." The object is "to find workmen for the precise work that waits to be done." "The importance of the employers' registries will be seen from the fact that in 1911 they filled 1,147,000 vacancies, a number equal to that filled by all the public general registries in Germany." The number of private employment agencies of the ordinary type is estimated at between 5,000 and 6,000. Dr. W. D. P. Bliss, in his report on unemployment (U. S. Bureau of Labor Statistics Bulletin, No. 76), gives, in addition to the government and private bureaus, the guild bureaus as numbering 2,400; the trade union, 1,000; besides "*paritatische*," commercial, employers', and agricultural chamber bureaus. Herr Delbrück, in June, 1914, opposing unemployment insurance in the Reichstag, gave as one of his reasons: "Germany does not possess a very highly developed and co-ordinated network of employment offices."

W. H. Dawson thus describes the strike and lockout situation:

"In the three years 1909-11, there were 1,462 lockouts as compared with 6,216 strikes, and while the strikers numbered 469,414, the work-people locked out numbered 375,407. . . . In 1911 alone the strikes numbered 2,566 (1,898 individual and 668 group strikes) and the lockouts 1,115; but, while the strikes affected 8,276 undertakings the lockouts affected 10,834; and, while the number of work-people who struck work or became unemployed owing to strikes was 167,900, the number unemployed owing to lockouts was 222,800. . . . In 1911 there were fifty lockouts for every one which occurred in 1899."

Of "home" or "house" industries—those in which the wage-worker performs factory labor in his dwelling or tenement—Dawson says they "still provide employment for little less than 500,000 persons," out of a total of 11,256,000 in Germany's industrial occupations, including

the mining and building trades. Berlin had "greatly exceeding" 100,000 home-workers, of whom there were in the clothing trades at least 50,000, not working for manufacturers but for about 4,000 middlemen ("sweaters"). In 1907 the number of males in the home industries in Germany was 154,988, and of females 327,448. The clothing, toy, textile, and cigarmaking industries employ the majority of home-workers. As for wages: "A labor deputy in the Reichstag stated in the course of debate, in March, 1908, that the average wages of whole families working at home in cigar-making did not exceed 10 shillings (\$2.44) a week all the year round, and that for those earnings excessive hours had to be worked." "As the result of his investigation Herr Paul Gohre came to the conclusion that the weavers of the Ore Mountain districts earn on an average from 6 to 9 shillings (\$1.46 to \$2.20) per family for a long week of work, and in better times from 10 to 12 shillings" (\$2.44 to \$2.93).

As to housing, W. H. Dawson says (p. 88): "How serious the question [of housing] is in the metropolis is proved by the terrible over-crowding of the workers and the poor, the exorbitancy of the rents they pay, and the awful insufficiency of the accommodation with which they must perforce be satisfied. Grouping the larger towns of Germany together, it has been estimated that 80 per cent of the resident work-people live in houses inadequate either in size or arrangement—or both (which is generally the case)—to the maintenance of a respectable moral family life, though on the average the rent paid is fully a quarter of their earnings. In the smaller towns matters are only slightly better, for while the rents paid are not so high there the accommodation is very inferior. Dwellings of one bedroom and a kitchen are very common, and three rooms represent a relatively satisfactory state of things."

The mortality rates per 1,000 inhabitants for Berlin, London and New York (the so-called crude mortality

rates exclusive of still-births), as shown in the following tabular statement, give Berlin its true statistical place in this respect quite different from what it has enjoyed in popular estimation.

| <i>Year</i> | <i>Berlin</i> <sup>1</sup> | <i>London</i> <sup>2</sup> | <i>New York</i> <sup>3</sup> |
|-------------|----------------------------|----------------------------|------------------------------|
| 1903.....   | 16.58                      | 15.3                       | 18.0                         |
| 1904.....   | 17.04                      | 16.4                       | 20.1                         |
| 1905.....   | 17.13                      | 15.5                       | 18.4                         |
| 1906.....   | 15.88                      | 15.6                       | 18.6                         |
| 1907.....   | 15.63                      | 15.2                       | 18.3                         |
| 1908.....   | 15.73                      | 14.6                       | 16.3                         |
| 1909.....   | 15.53                      | 14.9                       | 16.0                         |
| 1910.....   | 14.64                      | 13.7                       | 16.0                         |
| 1911.....   | 15.59                      | 15.0                       | 15.2                         |
| 1912.....   | 15.20                      | 13.6                       | 14.5                         |
| 1913.....   | 14.10                      | ...                        | 14.3                         |

The reader will observe that the London death-rate was uniformly lower than that of Berlin, while in the last three years quoted New York's figures were lower than Berlin's. Further, whereas the Berlin death rate is for a population almost exclusively native and for generations subject to the good intentions of the German health laws, the New York death-rate is for a population largely composed of immigrants.

Thorstein Veblen, in "Imperial Germany," 1913 (p. 210), thus gave Germany its civic place in the world:

"Experience would appear to teach, somewhat unequivocally, that German rule is a good deal of a material burden, and that, merely as a question of private economy, a man will commonly be more at ease under almost any other government establishment within the civilized world. Taxation is relatively heavy, not to say exorbitant, under the empire, and the degree of interference with private affairs commonly exercised by the state exceeds what prevails elsewhere and is indeed endurable only by long and thorough habituation."

<sup>1</sup> "Statistisches Jahrbuch der Stadt Berlin," vol. 32, Berlin, 1913, pp. 126, 11, and "Statistisches Jahrbuch für das Deutsche Reich," Berlin, 1914, p. 20.

<sup>2</sup> For 1903-1910: London County Council, London Statistics, vol. 22, 1911-1912, p. 65. For 1911 and 1912: U. S. Bureau of the Census Mortality Statistics, 14th "Annual Report," 1913, p. 19.

<sup>3</sup> U. S. Bureau of the Census, Mortality Statistics, 7th "Annual Report," 1906, p. 25; 11th "Annual Report," 1910, p. 15; and 14th "Annual Report," 1913, p. 16.

**BRITISH, GERMAN AND AMERICAN WAGES COMPARED.**

General comparisons of wages and hours of labor in Berlin, London and New York can be indicated by the figures for typical occupations. The following table (from data of the Department of Labor) shows the union scale of wages in the occupations named as reported for the three cities at the periods indicated. The figures are for dates not far apart before the war and for those occupations for which some comparable data can be obtained. As these are union scales, they are of course minimum rates, to which the actual rates in Berlin and London approximate more closely than would be the case in New York; that is, the actual current rates of wages in Berlin and London as fixed by collective agreements are practically the actual rates of wages received in those cities.

*Union Scale of Wages in Certain Occupations as Reported for New York, Berlin and London at Indicated Periods.*  
 (Figures in parentheses are weekly rates or hours; otherwise, the wages are per hour and the hours are per day.)

|  | New York <sup>1</sup><br>(May 1, 1914) |         | Berlin <sup>2</sup><br>(Dec. 31, 1912) |         | London <sup>3</sup><br>(Oct. 1, 1913) |                   |
|--|--|---------|--|---------|---------------------------------------|-------------------|
|  | Wages                                  | Hours   | Wages                                  | Hours   | Wages                                 | Hours<br>(Summer) |
| <b>Bakery trades:</b>                          |  |         |  |         |                                       |                   |
| Bakers .....                                   |  |         | (\$6.19)                               | 8 to 12 |                                       |                   |
| Bakers, first hands.....                       | (\$19.00)                              | 9 (54)  | .....                                  | .....   | (\$9.25-10.22)                        | (54)              |
| Bakers, machine .....                          | (\$20.00)                              | 9 (54)  | .....                                  | .....   | (\$11.68)                             | (54)              |
| <b>Breweries:</b>                              |  |         |  |         |                                       |                   |
| Brewers (brewhouse men, etc.)....              | (\$20.00)                              | 8 (48)  | (\$7.14)                               | 8 to 12 | .....                                 | .....             |
| <b>Building trades:</b>                        |  |         |  |         |                                       |                   |
| Bricklayers .....                              | \$0.750 (\$33.00)                      | 8 (44)  | \$0.190                                | 8-10    | \$0.223                               | (50)              |
| Carpenters .....                               | *\$0.625 (\$27.50)                     | 8 (44)  | \$0.190                                | 8-10    | \$0.233                               | (50)              |
| Painters .....                                 | \$0.500 (\$22.00)                      | 8 (44)  | \$0.167                                | 8-10    | \$0.183-0.203                         | (50)              |
| Plasterers .....                               | \$0.688 (\$30.25)                      | 8 (44)  | \$0.224                                | 8-10    | \$0.233                               | (50)              |
| Plasterers' laborers.....                      | \$0.406 (\$17.88)                      | 8 (44)  | .....                                  | .....   | \$0.152                               | (50)              |
| Plumbers .....                                 | *\$0.688 (\$30.25)                     | 8 (44)  | .....                                  | .....   | \$0.233                               | (50)              |
| Stonemasons .....                              | *\$0.600 (\$26.40)                     | 8 (44)  | \$0.202                                | 8-10    | \$0.233                               | (50)              |
| <b>Granite and stone trades:</b>               |  |         |  |         |                                       |                   |
| Stone cutters .....                            | \$0.688 (\$30.25)                      | 8 (44)  | \$0.190                                | 8-10    | .....                                 | .....             |
| <b>Metal trades:</b>                           |  |         |  |         |                                       |                   |
| Blacksmiths .....                              | \$0.444 (\$24.00)                      | 9 (53)  | \$0.119                                | 8-9     | (\$9.73-9.85)                         | (48 & 54)         |
| Molders, iron.....                             | \$0.417 (\$22.50)                      | 9 (54)  | \$0.155                                | 8-9     | (\$10.46)                             | (53 & 54)         |
| <b>Printing and publishing (book and job):</b> |  |         |  |         |                                       |                   |
| Compositors, hand.....                         | \$0.500 (\$24.00)                      | 8 (48)  | \$0.167                                | 8-9¼    | (\$9.49)                              | (50)              |
| Linotype operators.....                        | \$0.542 (\$26.00)                      | 8 (48)  | *.....                                 | .....   | (\$10.95)                             | (50)              |
| <b>Printing and publishing (newspaper):</b>    |  |         |  |         |                                       |                   |
| Compositors, day work.....                     | \$0.667 (\$30.00)                      | 7½ (45) | *.....                                 | .....   | (\$14.60)                             | (48)              |
| Compositors, night work.....                   | \$0.733 (\$33.00)                      | 7½ (45) | *.....                                 | .....   | (\$15.33)                             | (42)              |

<sup>1</sup>"Union Scale of Wages and Hours of Labor," May 1, 1914 ("U. S. Bureau of Labor Statistics Bulletin No. 171").

<sup>2</sup>"Die Tarifverträge im Deutschen Reiche am Ende des Jahres 1912." Berlin, 1913, pp. 62 and 270.

<sup>3</sup>Board of Trade: "Standard Time Rates of Wages in the United Kingdom on October 1, 1913." London, 1913.

<sup>4</sup>Outside, Manhattan, highest paid.

<sup>5</sup>Manhattan, Bronx and Brooklyn.

<sup>6</sup>Manhattan and Bronx.

<sup>7</sup>Work 53, pay for 54.

<sup>8</sup>"Bulletin of the Bureau of Labor" (U. S.), No. 93, March, 1911, gives as the "predominant range" of weekly wages for hand compositors (job work) in "the principal industrial towns" of Germany, exclusive of Berlin, as \$6.02 to \$6.31, for 54 hours.



The following table gives the actual earnings and weekly hours of labor in the occupations named in Berlin, London and New York. These statistics have been compiled from the various studies already mentioned on the cost of living and rates of wages undertaken by the British Board of Trade at various times prior to 1912.\* The data should be comparable as they were collected by a single agency with the common purpose of comparison as to wages, prices, hours, rents, etc., prevailing in the different cities. In this connection reference is made to Bulletin No. 93 of the U. S. Bureau of Labor, which presents a summary of these investigations of the Board of Trade and gives comparable data for the three countries as a whole, but not for separate cities.

\* "Report of an Inquiry by the Board of Trade into Working-Class Rents and Retail Prices, together with the Rates of Wages in certain Occupations in the Principal Industrial Towns of the German Empire. With an Introductory Memorandum and a Comparison of the Conditions in Germany and the United Kingdom. London, 1908, cxi, 548 pp. (Cost of Living in German Towns.)"

"Report of an Inquiry by the Board of Trade into Working-Class Rents, Housing and Retail Prices, together with the Rates of Wages in Certain Occupations in the Principal Industrial Towns of the United States of America. With an Introductory Memorandum and a Comparison of Conditions in the United States and the United Kingdom. London, 1911, xcii, 533 pp. (Cost of Living in American Towns.)"

"Report of an Inquiry by the Board of Trade into Working-Class Rents and Retail Prices, together with the Rates of Wages in Certain Occupations in Industrial Towns of the United Kingdom in 1912. London, 1913, cxviii, pp. 396. (Cost of Living of the Working Classes.)"

**Predominant Weekly Wages and Hours of Labor of Adult Males in Certain Principal Occupations in New York, Berlin and London at Specified Dates.**

|   | New York<br>(Feb., 1909) |       | Berlin<br>(Oct., 1905) |       | London<br>Wages |              |
|---|--------------------------|-------|------------------------|-------|-----------------|--------------|
|   | Wages                    | Hours | Wages                  | Hours | (Oct., 1905)    | (Oct., 1912) |
| <b>Building trades:</b>                         |                          |       |                        |       |                 |              |
| Bricklayers .....                               | \$31.23                  | 44    | \$9.51                 | 53½   | \$10.65         | \$10.65      |
| Stonecutters .....                              | 22.30-27.88              | 44    | 8.68                   | 47½   |                 |              |
| Carpenters .....                                | 25.10-27.88              | 44    | 9.51                   | 53½   | 10.65           | 11.15        |
| Plasterers .....                                | 30.68                    | 44    | 10.22                  | 50    | 11.15           | 11.15        |
| Plumbers .....                                  | 27.85                    | 44    |                        |       | 11.15           | 11.15        |
| Painters .....                                  | 19.53                    | 44    | 6.51-7.16              | 53½   | 8.69-9.13       | 8.69-9.20    |
| Hod carriers and bricklayers'<br>laborers ..... | 16.73                    | 44    | 8.86                   | 53½   |                 |              |
| Plasterers' laborers .....                      | 18.13                    | 44    | 6.25                   | 53½   | 7.10            | 7.10         |
|   |                          |       | 6.89                   | 53½   | 7.10            | 7.10         |
| <b>Foundries and machine shops:</b>             |                          |       |                        |       |                 |              |
| Ironmoulders .....                              | 19.77                    | 54    | 8.27-9.45              | 57-60 | 9.49-9.73       | 9.98-10.22   |
| Blacksmiths .....                               | 21.90-27.37              | 54    | 7.30-7.58              | 57-60 |                 |              |
| Patternmakers .....                             | 21.90-27.37              | 54    | 8.76-9.00              | 57-60 | 10.22-10.71     | 10.46-10.95  |
| Laborers .....                                  | 8.21                     | 54    | 4.87-5.74              | 57-60 | 5.35-5.84       | 5.84-6.34    |
| <b>Piano making:</b>                            |                          |       |                        |       |                 |              |
| Bellymen .....                                  | 18.25-22.30              | 54    | 8.03-9.73              | 54    |                 |              |
| Action regulators .....                         | 18.25-20.28              | 54    | 8.55-9.73              | 54    |                 |              |
| Polishers .....                                 | 18.25-19.77              | 54    | 9.73                   | 54    |                 |              |
| Varnishers .....                                | 15.21-18.25              | 54    | 9.73                   | 54    |                 |              |
| <b>Printing and bookbinding trades:</b>         |                          |       |                        |       |                 |              |
| Bookbinders .....                               | 18.25-21.29              | 48    | 5.84                   | 54    |                 |              |
| <b>Municipal service:</b>                       |                          |       |                        |       |                 |              |
| Road menders .....                              | 12.17                    | 48    |                        |       |                 |              |
| Road sweepers .....                             | 15.21                    | 48    | 5.11-5.84              | 60    |                 |              |
| Laborers (water works) .....                    | 12.17                    | 48    | 5.25-5.84              | 60    |                 |              |
| Gas stokers .....                               | 19.59-21.29              | 77    | 8.84                   | 65    |                 |              |
| Laborers (gas works) .....                      | 12.77-14.48              | 77    | 6.12                   | 60    |                 |              |
| Electric wiremen .....                          | 15.21                    | 54    | 6.43-7.22              | 66    |                 |              |
| <b>Electric railways (companies):</b>           |                          |       |                        |       |                 |              |
| Motormen—First year .....                       | 15.21-18.25              | 60    |                        |       |                 |              |
| After first year .....                          | 18.25-21.29              | 60    | 6.08-8.03              | 54    |                 |              |
| Conductors—First year .....                     | 12.17-12.77              | 60    |                        |       |                 |              |
| Second year .....                               | 12.17-13.73              | 60    |                        |       |                 |              |
| Third year .....                                | 12.77-14.60              | 60    | 5.35-7.30              | 60    |                 |              |
| After third year .....                          | 13.38-15.25              | 60    |                        |       |                 |              |

<sup>1</sup>Calculated on the basis of the known prevailing hours of labor of 50 a week.

<sup>2</sup>Private companies.

<sup>3</sup>The British "Municipal Year Book" for 1914 gives for London: Motormen, first six months 12 cents an hour; maximum, third year 15 1/2.

The two foregoing tables show that before the war money wages in the United States were double or treble, or in cases even approaching quadruple, the money wages of Germany.

If any American reader who has entertained delusions as to Germany's socio-economic advantages over Great Britain, or who has been captivated by the soap-box arguments that the workingman is better off in Germany than in the United States, can, after, weighing the preceding statements of fact, find consolation in the usual assertions of his favorite emotional statisticians relative to the tremendously greater cost of living in America, his confidence in improbabilities is unshakable. He will believe that the exportations of staple farm products from this country to Europe are due to such an absurd commercial proceeding as "dumping" on the old world a surplus at a lower price than can be obtained here near the farms on which the products are grown; or that the beef at thirty-five cents a pound in Berlin was cheaper than beef at twenty-five cents in New York; or that wheat flour; when quoted per barrel in New York at \$6.50, was really dearer than black bread flour at a higher price in Berlin!

In 1914, before the war, George A. Isaacs, General Secretary, the National Society of Operative Printers and Assistants of Great Britain, visited the United States as a delegate to the twenty-sixth Annual Convention of the International Printing Pressmen and Assistants' Union of North America. On his return he published a report of 126 pages, in which he went more deeply and intimately into the practical affairs of the wage-worker's life in America than has been usual with European investigators in this country. Among other passages in his report was a table giving comparative prices in London and New York of the commodities consumed by working class families. The following is from his summary:

"The American workman has a great advantage over the London workman when considering the purchasing power of his wages. It is also beyond question that the standard of living for an American workman is much higher than that of the English worker. For

example, good fruit, and plenty of it, is a common article of diet upon an American workman's breakfast table, and at all times. To the average English workman fruit is in the nature of a luxury reserved for his midday meal, or taken home on a Saturday afternoon for the enjoyment of the wife and kiddies. Meat is eaten at practically every meal; and I am satisfied after inquiry that the food generally is as good as English food. Three meals a day is the rule in America—breakfast, dinner and supper (afternoon tea being quite unknown). There is a greater range of commodities to choose from and a far greater quantity is usually consumed by the American than by the Englishman. Taking all these things into consideration, it can easily be understood that, after meeting the necessary expenses for rent, clothing, and food, there is a far greater surplus in the hands of an American workman than there is at the disposal of his English confrère of the same grade. It will be noticed that luxuries on 'the other side' are often cheaper, as will be seen by reckoning the price of tobacco, whilst my reference elsewhere in this report to the cost of amusements at Coney Island shows that amusements and pastimes are also cheaper. . . . The 'real' wage of a workman is not the actual number of pieces of money earned, but the amount of goods to be obtained in exchange for it. . . . Apply this definition to the remuneration of printers' assistants in New York and London, and it will at once be apparent that the 'real' wage of the American is far in advance of that of the Englishman. In addition to this, the American has a higher standard of life, additional comforts, and more amusements than we have, thus, in my opinion, making life in America far more enjoyable in all respects than it is in London."

The disparity of wage-levels in Great Britain and the United States continues today with little modification. Rates of wages in England mentioned in a trade union publication February 6, 1920, ran as follows: The hat, cap and millinery trade board issued a notice of proposal to fix minimum rates for male workers of 22 years of age and over at 28 cents per hour, and for female workers other than learners at 17 cents per hour; piece-work basis time rates, 31 cents per hour for male workers and 19 cents per hour for females. In the cocoa, chocolate and confectionery trades, the employers and the national union of clerks, after arbitration, recommended rates varying from \$6.10 per week at 16 years of age to \$21.87 at 27. In the retail custom tailoring trade board there was a proposal to fix minimum rates for male workers other than apprentices and learners at 34, 36, 38, and 42 cents per hour, according to term of service and grade of garments. The piece work basis time rates in all cases were to be three cents per hour higher. The official "Labor Gazette," February, 1920, contains tables giving

principal changes in wages taking effect in January. These show that none of the skilled workers in the building trades (bricklayers, masons, carpenters, roofers, plasterers, painters) are paid more than 50 cents an hour; in the smaller population centres the average runs below 35 cents. In London, furniture movers receive from \$14.58 a week for porters, to \$18.24 for steam wagon drivers. Book and job compositors, electrotypers and stereotypers receive \$20 a week; daily and Sunday newspapers, electrotypers and stereotypers, \$25.75. New York wages in the occupations mentioned run today at least 50 per cent above the figures for England. In cases they are double.

It is to be remembered that in the countries of Europe wages stood highest in England and Germany. Belgium affords an example of the low-wage countries of northern Europe. In "La Belgique Moderne" (1910), Henri Charriaux says that in the iron and steel works of that country the 134,000 wage-workers averaged 75 cents a day in 1908 and 80 cents in 1907. On the state railways, station men and train men averaged from 50 to 60 cents for a day of 12 hours. Locomotive firemen earned less than 80 cents a day, the engineers not quite \$1.10. Among the "frock coat proletariat" employees in some of the commercial houses were paid \$5 a month the first year, \$10 a second and \$15 the third year, and in the years following, \$20. In banks, clerks who were fathers of families were paid not more than \$30 a month, and cashiers and bookkeepers drew \$40. In the south of France, late in 1916, responsible bank employees were paid as little as \$40 to \$50 a month.

In Europe living is cheaper than in America for two social strata, the workers in extreme poverty and the people of wealth. This paradoxical assertion has its explanations in broad social facts. The wealthy get cheap their domestic service and certain luxuries produced by the low-paid artisan class. The numerous very poor live

cheap at a standard of self-denial prescribed by their usual deprivation of means. They do without dear things which the American wage-worker regards as necessities; they use or consume cheap things the American declines to buy. Every expenditure considered—food, clothing, lodging, schooling, recreation, amusements, dentistry, medical attendance—it would have been just as hard for an American to live in Germany on the wages prevailing in Germany before the war as it would have been for him to live on the same wages in America. It was not so hard for the Germans habituated to impoverishment, one particular reason being that whereas in America high wages encourage the production of high-grade commodities, in Germany low wages lead to the production of certain low-grade commodities. Among Americans there is little demand for wooden shoes, five-dollar suits of clothes, one or two room tenements, black bread or fourth class passenger cars.

The facts just presented describe national conditions. They forcibly depict the depths of the poverty in Germany which gave birth to government insurance of the working classes. They explain in part why Great Britain, whose net emigration of workers averaged nearly a quarter of a million a year for the last decade previous to the war, followed Germany's lead in social insurance. They help explain differences between the labor movements of the old world and the new. They also plainly indicate reasons why so many American workingmen prefer to depend on themselves to make their way in the world, supplementing their individual efforts with the strength of their trade organization.

J. W. SULLIVAN.

## A STUDY OF UNEMPLOYMENT INSURANCE WITH PARTICULAR REFERENCE TO BRITISH EXPERIENCE.

Unemployment insurance holds a place as a branch of social insurance, but is as yet rather in the background. It is far from unfamiliar in America, many of our labor unions paying substantial "out-of-work benefits." But generally such benefits are paid during strikes as well as during involuntary unemployment, and therefore are popularly regarded as one of labor's combative weapons rather than as social insurance.

Compulsory unemployment insurance is to be found only in Great Britain, and there only in a restricted and distinctly experimental form.\*

Under the British unemployment insurance law, which took effect July 15, 1912, all manual workers (in 1914 about 2,300,000) in seven specified industries (building, construction of works, ship-building, mechanical engineering, iron founding, construction of vehicles and sawmilling—besides some temporary additions during the war) are compelled to insure, one-third at the expense of the state, with the balance of the charge divided equally between employers and employees. The usual joint contribution of the latter is, or was, 5 cents (2½d.) each per week. The usual benefit is \$2.68 (11s.), recently raised from \$1.70 (7s.), per week, exclusive of the first week of unemployment, and is limited to fifteen weeks in any one year and to one week's benefit for every five week's contributions.

To be entitled to benefits a workman must prove that not less than ten full contributions have been paid by him, that he has duly applied for benefit and—with some qualifications—registered daily at a labor exchange; that he has been unemployed continuously from the date of such

\*But see footnote as to Italy, *supra*, p. 39.

application; that he is capable of work but unable to obtain suitable employment; that he is not drawing sick or disablement benefits; and that he has not exhausted his right. But where a workman loses employment through misconduct, or voluntarily leaves his employment without just cause, he is disqualified for a period of six weeks. And no benefit is payable to a workman who has lost employment by reason of a stoppage of work due to a trade dispute at the premises at which he was employed; but where separate branches of work, that are commonly carried on as separate businesses in separate premises, are carried on as separate departments on the same premises, each of such departments is to be deemed separate premises. And an unemployed workman may decline an offer of employment in a situation vacant in consequence of a stoppage of work due to a trade dispute; or—in the district where he was last ordinarily employed—at a rate of wages lower or on conditions less favorable than those he habitually obtained or would have obtained had he continued to be employed in that district, or—in any other district—at a rate of wages lower or on conditions less favorable than those generally observed in such district by agreement between employers' and workmen's associations, or, if there be no such agreement, then those generally recognized in the district by good employers.

Under a special provision of the act (§106) approved associations of wage-workers (invariably trade unions), which pay out-of-work benefits, may be reimbursed by the government in an amount not to exceed one-sixth of such benefits paid. This resembles the "Ghent system" of voluntary insurance, discussed later. In 1914 the number of such "approved associations" was 344, being principally the local unions of some few international trade unions. The number of persons then insured in such associations was 660,000. But recently, according to reports, this form of the unemployment insurance has been suspended.



The technical merits of this act and some features of its administration are impressive—in marked contrast to the British health insurance. But some of its most essential practices, hereinafter referred to, are offensive to labor. And its adoption was due to the same political influences as the health insurance, the majority of technical experts favoring a voluntary system (cf. Lasker, "Economic World," January 6, 1917).

It is not possible in brief space to enter into the details of this social experiment, and therefore only a few important points will be noted.

(1) Under this British law the unemployment benefit is a "flat rate" payment of 11s. (until recently 7s.) per week, which is less than one-third of the average rate of wages in the trades covered, whereas in America it has been proposed that we should insure two-thirds of wages without limit. The difference in effect, in the way of promoting idleness, between insuring a bare minimum of existence and insuring two-thirds of usual wages or average earnings would undoubtedly be very great. That difference should not be disregarded in judging the practicability and expediency of proposals to insure the higher rate of benefits.

(2) The trades covered by the British law include none that are especially subject to unemployment, but are all of a medium grade in that respect. Such occupations as common day-laborers, longshoremen, miners, textile mill operatives, garment workers and shophands are not covered. A bill is now pending to extend the law to cover nearly all trades and occupations including those in which employment is most irregular or uncertain and unemployment most serious; but farm labor is covered neither in the present law nor in the proposed extension. This omission lays the scheme open to criticism for misdirection of effort, since in Great Britain, as in America, agriculture stands in greater need of labor than any other

industry and consequently there is greater need to assist agricultural labor than any other.

A serious difficulty in the way of the proposed extension of the scope of the law deserves to be noted in this connection. At present the rate of contributions is equal for all, regardless of differences in risks. This feature has excited no material dissatisfaction, because the risks of unemployment are about equal in all the trades now covered. But when it comes to applying the law also to the more regular employments, on the one hand, and the the more irregular employments, on the other hand, adherence to that convenient rule of equality must cause great dissatisfaction in the more regular employments, which would be overtaxed to help the workmen in other trades, whereas a departure from the rule of equality in contributions in the direction of differentiating them in proportion to risks would complicate administration exceedingly; (cf. "Unemployment Insurance," by Sir Cyril Jackson, "Fortnightly Review," February and March, 1920).

(3) The compulsory insuring of 2,300,000 persons under the British act has not meant an increase of that many in the number of persons insured against unemployment. Voluntary insurance of out-of-work benefits was already quite prevalent in the trades covered by this law before it took effect, according to official estimates about 500,000 persons employed in such trades being already well insured.

(4) The basic machinery for the administration of the unemployment insurance in Great Britain is a system of labor exchanges (government employment offices) completely covering the country. It is contended, on the one hand, that not only are such exchanges very useful in themselves in reducing unemployment, but also that their efficiency has been greatly improved by co-ordination with the unemployment insurance (Lasker, "Economic World," Jan. 13, 1917). On the other hand, however, it

is certain that the insurance would be impracticable without the labor exchanges, and that the two together entail an immense increase in bureaucracy. In Great Britain they provide places for about 4,000 public office-holders, and, on the same scale, would call for 10,000 in the United States or 1,000 in New York State alone. And the Labor Exchanges are quite commonly criticized in England for being efficient only in providing jobs for their own functionaries, the work they claim the credit for being performed largely or principally by trade union and employers' employment agencies.

(5) One of the purposes of the British unemployment insurance is to reduce unemployment by bringing about a greater regularization of employment. For that purpose the law penalizes brief casual employments by relatively higher contributions (Eighth Schedule); allows rebates on their contributions to those employers whose work is most regular (§94), provides for a return of contributions with interest, in old age, to those employees who have little recourse to the benefits (§95), and permits of refunds to those employers who work "short time" in slack seasons instead of shutting down (§96). (As to these provisions see Lasker, "Economic World," January 13, 20, 1917.) The administrative authorities are striving in every way to make the law effective for regularizing employment; but there are many difficulties in the way, and as yet entirely too little has been accomplished to merit more than respectful notice.

(6) On the financial side the income has largely exceeded the outgo, leaving a tremendous surplus for periods of depression. But unemployment has been abnormally low in all the trades covered ever since the law took effect, except for a very short period just after the outbreak of the war, and therefore the experiment cannot yet be deemed to have passed its financial test. And the contributing workers are discontented both with the high expenses of administration and with the size of the

reserve, which latter they regard as an unnecessarily large accumulation of their money for ulterior and undefined purposes. The unemployment fund account for the fiscal year 1917-18, issued March, 1920, shows receipts and expenses as follows:

|                                   |                   |
|-----------------------------------|-------------------|
| <i>Receipts:</i>                  |                   |
| From employers and workmen.....   | £3,277,123        |
| From the Government.....          | 1,007,541         |
| From interest on investments..... | 499,563           |
| From other sources.....           | 9,846             |
| Total .....                       | <u>£4,794,073</u> |

Out of these large receipts, £117,034 were refunded to employers under special provisions of the law, above referred to, £436,151 were paid for salaries and other expenses, and only £86,159 were paid in out of work benefits, the huge balance going to swell the surplus. In other words, out of over \$20,000,000 taken from employers, workers and taxpayers, the unemployed got only \$430,000, whereas the office holders and their expenses took over five times as much or about \$2,180,000. In 1916-17 the results were similar—benefits paid amounted to only £34,312, as against £329,466 paid for administration. And with all this expense and machinery for unemployment insurance, it was found necessary, after the armistice, to supplement it by a system of free “doles” to the demobilized civil and military service wage-workers and other out-of-works, at further expense to the taxpayers.

(7) One of the worst phases of unemployment does not arise out of the irregularity of work prevailing in certain trades, insured against by this act, but is the risk to which every wage-worker is subject that the particular industry in which he is employed may shut down or reduce its forces throughout a lengthy period of depression; that the trade process in which he is trained may be discarded; that the special position to which he has become fitted by experience may be lost, etc., such misfortunes entailing long unemployment and possibly migration, change of trade, new apprenticeship, etc. This risk

the British law does not cover, since it seldom provides travel money and limits benefits to fifteen weeks in any one year, no matter how long and uninterruptedly the insured person may have contributed. Some such limitation upon the duration of the benefits is necessitated by the nature of the insurance provided. For this law does not insure merely against unemployment but also against forced change of occupation or grade and against reduction of wages, the insured person being entitled to draw the benefits while refusing all offers of work either at reduced wages, or under inferior working conditions or in other than his last regular occupation. Such an insurance against any undesired change or retrogression from the *status quo* as to work, wages or working conditions is of course very valuable to the class who possess it, because it maintains the labor standards by preventing underbidding by the inferior workmen who are the first to be discharged in slack seasons; but the duration of the benefits must be short or the insurance would seriously subsidize idleness. Consequently, it seems, not only does this law not cover the particular phase of unemployment just described but also that the insurance provided is upon terms and conditions not suitable to be extended to cover it.

(8) The British experience shows that unemployment does not occur at all evenly and by chance among the insured wage-workers generally, but that it is to a high degree concentrated and recurrent among a small proportion at the foot of the scale in efficiency and industriousness (cf. "First Report of the Proceedings of the Board of Trade under Part II of the National Insurance Act, 1911," Cd. 6965, pp. 26-27). Consequently one effect or tendency of the insurance is to encourage the misfits to hang on as "casuals" in the insured trades. And, those trades being all manufacturing trades, an effect of the state's contribution to the insurance is to subsidize the

drift of the population toward factory work and into manufacturing centers.

This phase of the problem is recognized by European students of unemployment insurance to be a serious one. As late as 1914, Herr Delbrück, explaining in the Reichstag the German Government's objection to undertaking unemployment insurance, said:

"Exactly how is it to be determined whether or not a person is involuntarily out of work? For what is a person to be considered fit? Is it to be required of an upholsterer, for example, that he must at need accept employment as a ditch digger? And the proportions of unemployment are extremely variable. Agriculture lacks hands, whereas the industries have too many."

(9) The practices essential or deemed essential to this form of insurance are in many ways offensive to self-respecting workmen and subversive of the independence of labor. To qualify for unemployment insurance the British wage-worker must carry an unemployment card. While drawing benefit he must sign an out-of-work registry book (with some few exceptions) daily at a government labor exchange. If after signing, he obtains work on any day up to midnight, he must immediately report the fact. A clerk of the labor exchange keeps the out-of-work registry book, entering in it the total number of days of a workman's non-employment, his days on benefit, the number of days he signs, the number he fails to sign, the day when his benefit is exhausted, and the fact whether his loss of work is due to a trade dispute, sickness or other cause. There are also compiled and kept in the labor exchanges records of all applicants for unemployment benefits. There is a code for registration, a "pedigree," comprising the following points: The "looks" of the applicant; his clothes; cleanliness; height; strength; sight; speech; hearing. The applicant must give to the labor exchange official the name and address of his last employer, to whom the exchange mails a notice, giving such last employer opportunity, first, to disclose whether the applicant is out of work through any cause disqualifying for benefit, and, second, to make any com-

munication he desires about the workman either to the exchange or to the next employer. On being engaged the worker deposits his unemployment insurance card with his employer. The latter holds it throughout the employment. The insurance dues are deducted from the worker's wages on pay day. The insurance accounts with the government are kept in the employer's books. Union men who have been on strike or locked out can be identified by their insurance cards. All the insured and much of their life history, together with crude estimates of their character formed by government underlings, are listed and recorded for such uses and purposes as the public officials may choose.

Disputes over qualifications for unemployment benefits are numerous, to decide which gives employment to a number of public officials, whose decisions of fine points already fill three or four large volumes of official reports.

(10) The excessive red-tape and vexations uselessly imposed for the mere sake of bureaucratic uniformity entailed by this plan, are also to be considered. Solicitors, stockbrokers, bank clerks, civil servants and others, who volunteered for Sunday work at Woolwich and other arsenals during the war, were obliged to take out unemployment insurance cards, though obviously they would never draw benefits. The Belgian refugees were obliged to do the same. And so also were a band of Canadian engineers who went to England to work on a six months' munition contract, although work and wages for the six months were guaranteed by the government.

From the foregoing points a fair idea of this British social experiment may be gathered. It is still an experiment, in a very early stage of experimentation, and restricted for trial to a limited field wherein conditions are most favorable. And yet this experiment is the only precedent for compulsory unemployment insurance, even the German government, with its strong predilections for paternalism, having positively declined to venture into this dangerous and uncertain field.

Besides *compulsory* unemployment insurance there are in operation in Europe various plans of *voluntary* unemployment insurance, principally in trade union funds, subsidized by the state, departments or municipalities. This is known as the "Ghent plan". It prevails in Denmark and Norway, and various districts or towns in France, Belgium, Switzerland and Germany, and has recently been adopted in Holland. For an account of the Ghent and other early plans of unemployment insurance see I. G. Gibbon, "Unemployment Insurance," (King, London, 1911); Schloss, "Insurance against Unemployment," (London, 1911); Cyril Jackson, "Unemployment and Trade Unions," (London); Paul Dupont, "*L'Assurance Contre le Chômage*," (Girard & Brière, Paris, 1908) and "24th Annual Report of the Commissioner of Labor, 1909." This system is criticised on the ground that it helps more particularly those among the working people who are best able to help themselves, leaving unassisted those very classes who suffer most from unemployment. But, as has already been shown, compulsory unemployment insurance is open to this very same objection—though to a less extent—first, because the less regularly employed among the insured are often "out of benefit", and, second, because, up to date at least, it has not been shown to be practicable to apply it to those trades and occupations in which unemployment is most prevalent, and in which, consequently, relief is most needed.

After a thorough study of the subject of unemployment insurance, Gibbon, in his standard treatise on the subject, cited above, comes to the following conclusions:

"The state and local authorities should encourage insurance against unemployment; insurance could thus be much extended.

"Insurance is best effected through voluntary associations (in practice generally trade unions) which are managed by the insured themselves; and insurance in this form should be fostered as much as possible.

"Side by side with insurance effected through such associations, the state should provide means of insurance for those not otherwise insured.

"Insured persons should be given preference at labor exchanges, if as qualified as other applicants, in the giving of public, and, in so far as employers acquiesce, of private employment.



"It is not expedient, on the whole, that insurance should be made compulsory.

"Nor does it seem advisable, at least when the insurance is voluntary, that compulsory contributions should be required from employers."

Among all the branches of social insurance, the voluntary system against unemployment embodies the most immediate promise to trade unionists. It certainly touches intimately the wage-worker's pressing interests. This, in various ways. The trade unions already operate an unemployment relief system through their own established administration; they have no connection with state, municipal or other political authority; they avoid all taint of bureaucracy, since they ask for no new office holders; they permit no new form of interference with the individual workmen by employer or inspector; they incur no actuarial difficulties; they adopt methods suitable to their trade customs, each organization profiting by its special experience; they naturally differentiate between the needs of seasonal and all-the-year-round trades. Trade unions can devise facilities for transferring the surplus of their membership in one city to another needing them and even to other occupations, and when necessary can employ effective means for restricting the number entering their ranks. Their committee-men detect the "work shy" and know who are the steady failures and why. The general membership is set to thinking on the individual as well as the social factors in unemployment when they find that 12 per cent of the union is drawing 35 per cent of the out-of-work benefits, as has been the case in a London trade union. In these facts are indicated numerous points of superiority in a trade union administration of unemployment benefits over that of a government bureau.

A test of the attitude of the public toward a form of social insurance possessing such merits, untainted by politics or perversions—such as social workers' job seeking—could be had by advancing voluntary unemployment insurance to a prominent place in the social insurance pro-

gram in America. A more intensive study of the workings and detailed methods of this plan of insurance in Europe would then be in order.

The trade union argument for this proposition is plain. A union regularly assists its out-of-works, usually giving each a certain amount weekly. It then turns to the community and, tendering as an exhibit its out-of-work daily registry and its weekly pay book, both duly signed by the unemployed members, it makes a requisition on the community treasury for reimbursement to the union funds of a fixed proportion of the moneys so expended—strike benefits of course excluded. In Ghent, Belgium, for example, in 1909, the number of unions having this arrangement with the city was 43, with a membership of 18,500; the number of the unemployed who drew benefits was 9,271; they drew for 81,265 days; the union benefits summed up \$17,000; the city's subsidy to the unions was \$8,000. Ghent's allowance to a "voluntary association" having unemployment benefits is 50 per cent of the amount paid. The London Compositors' Association, with 12,000 members, paid its out-of-works in 1914 \$120,000. It drew, as a voluntary association, under the unemployment insurance act, \$20,000, the subsidy in England then being in the proportion of one dollar from the state to every six dollars given by the union.

The trade unions see a step toward justice in this act of the community in returning to a voluntary association a part of the latter's outlay for the support of persons in need. For decades our American unions have been directing the attention of the general public to the fact that the labor organizations, through their benefits, were bearing a considerable part of a burden that otherwise would fall on the community as a whole. The European trade unions have secured a tangible acknowledgment for this service. In paying out their own funds to the unemployed, unions relieve a community from what the more radical believe should be a charge upon society alone. Unemployment, as a constant factor, is in part a fault of the

general social organization. A trade union, it is argued, in protecting its members from the results of this fault, is performing a duty of society. Not only is it relieving poverty, but it is reducing temptation to crime, rendering good habits possible, preserving the health of the workers, and by these means promoting the general welfare.

Professor L. T. Hobhouse, in his preface to Gibbon's "Unemployment Insurance," gave this as his opinion: "The most important result which emerges from Mr. Gibbon's investigation is the contrast between the success of the Ghent system of insurance and the difficulties and failures that have beset other experiences. One of the great merits of this system is that it dispenses with compulsion."

In the Meyer London Bill introduced in Congress in 1916, for the appointment of a Federal Commission to investigate the subject of social insurance, the program indicated was for the United States to insure all wage-workers a high percentage of their usual wages or earnings whenever and so long as out of work, regardless of cause. This measure recalls Louis Blanc's employment insurance fiasco in Paris following the Revolution of 1848. It goes far beyond strict unemployment insurance, and proposes to provide the cash benefits of sickness, maternity, invalidity, old age and unemployment insurance—in other words, to cover the whole field of social insurance with the exception of survivors' (life) insurance. That would be a choking mouthful to take at one bite, in view of the fact that foreign experience shows that social insurance is something that must be developed gradually and that each line of social insurance calls for its own delicately adjusted special methods and means. To rely upon a single system of bureaucratic insurance as a remedy for all the different kinds of misfortune above enumerated and for all the different classes of the wage-workers would be as impracticable as to trust to one patent medicine as a cure for all diseases. The author of the

London Bill, however, cannot be suspected of being as foolish as that. He was looking to complete socialism as the remedy, and his bill was designed merely as a step toward that goal. Social insurance consistent with the present political and economic organization of society must be developed along other lines.\*

P. TECUMSEH SHERMAN.

\* Subsequent to the date of this report, the British scheme of unemployment insurance has been revised and extended by the Unemployment Insurance Act of August 9, 1920. For a summary of the provisions of that act and of the principal objections of organized labor thereto, see "Monthly Labor Review," September, 1920, pp. 165-169.

## THE PROPOSED SWEDISH SICKNESS INSURANCE SYSTEM.

The Swedish Government has lately made public the reports of a Committee appointed to inquire into the advisability of adopting a system of compulsory insurance for the Kingdom of Sweden more or less after the German method. Besides submitting a draft of a law the Committee has also issued a fairly detailed summary of the underlying considerations in the introductory portion of which emphasis is laid upon the fact that social insurance in the strict sense of the term must include all classes of the population and not the manual labor element alone. The report, for illustration, emphasizes the viewpoint that "besides the wage-earners, there are a number of other occupations whose weak and unprotected social position requires in a high degree the protection and support which society alone can provide." The reference, of course, is largely to the small trade class, or those who carry on a small business at their own risk and in their own way, but who yet are constantly near to the poverty line or the risk of social dependence and the poor house.\*

After pointing out that sickness insurance in particular has heretofore in Sweden been entirely on a voluntary basis, the results are considered inadequate and it is therefore proposed to establish a compulsory system. The two methods having been contrasted the preference is given to the compulsory system as accomplishing more lasting and more important results within a shorter period of time. The argument is sustained by an appeal to the fact that many are now seeking protection by

\* The proposed Swedish legislation excludes persons with an annual income greater than 5,400 kroner, persons holding property of more than 15,000 kroner value, ministers of the State church, school teachers, civil service employees, and members of the army and navy personnel. Most of such Government employees are provided for through special pension legislation.

means of voluntary insurance, but that such insurance does not extend to the whole population. The arguments advanced cannot be considered convincing, and obviously no effort was made to subject the German experience to really critical consideration, for while it is implied at least that far-reaching benefits would result to the poor, all the German and British evidence is opposed to the theory that the poorest poor can be effectively reached by any system of compulsory insurance, however liberally framed, as a substitute for a poor law.

The case of Denmark is advanced as perhaps the most conclusive evidence in favor of the voluntary system, since in that country voluntary methods have probably assumed larger proportions than anywhere else. But it is said that social and economic conditions in Denmark as well as geographical and other considerations go far to provide an environment more suitable to the voluntary system, which would not, it is said, apply with equal force to Sweden. Arguments are advanced in this connection that the strong individualistic character of the Danes is itself a strong element of opposition to methods of compulsion and coercion, even though such methods may possibly result in economic advantage. The Dane, in brief, is said to prefer private co-operation to State regulation, and attention is directed to the astonishing development of practical co-operation in Denmark, either on a purely individualistic basis or as subsidized by the Government.

Regardless of all the favorable conditions referred to, even Denmark has not attained to a condition where it can be said that sickness insurance has become universal. The number of insured male wage-earners amounted in 1915 to 170,000 or a little over 50% of the total wage-earning population. By 1917 this number, it is said, had increased to nearly one million, but even this was still but two-thirds of the total population actually more or less in need of such insurance. The two figures are not contradictory, in that the former refers only to wage-

earners and the latter to the population at large, including women and children and other dependents of wage-earners' families.

It is pointed out in this connection that while Denmark in 1917 had about one million insured persons, the corresponding number for Sweden was only about 600,000, although the population was nearly twice that of the Danish Kingdom. This, it is argued, "is one of the reasons why a compulsory system would seem necessary."

The Committee reviews in detail the present systems in force in various countries, and while the review is apparently exact as regards specific provisions of law, it fails to give a really thorough and comprehensive view of the actual administration, which is much more important than statutory requirements alone. It is precisely on this ground that all American observations concerning the British system fall short and are indicative of an almost complete ignorance of actual administrative procedure. Yet upon the basis of such fragmentary and superficially considered evidence the Committee reaches the important conclusion that compulsory insurance is the only method of solving the whole problem. In this respect the Committee fails to direct attention to the important fact that no social insurance system anywhere solves the problem for the entire population more or less in need of such protection.

Following a consideration of general principles the Committee presents a plan of its own, briefly outlined as follows:

1. Compulsory sickness insurance must include the larger part of the population and not be limited to a special class, such as wage-earners or laborers. The term "the larger part of the population," however, is probably meant to be restricted, as in England, to those who receive incomes below a certain figure, or who otherwise are identified as persons whose economic condition falls below the higher standard of a well-to-do and prosperous

element. All such persons as are included must be 16 years of age or over, and the protection is to extend to members of the families of the insured, and not, as in England, to be limited only to the wage-earner himself.

2. The entire cost of the insurance, unless otherwise provided for, is to be paid for by the insured, plus a grant from the State. Employers are to pay contributions only in the case of occupations involving some extra hazard above the normal, or occupations clearly identified as being health injurious. How this identification is to be brought about is not clearly intimated. It may be referred to as one more evidence of the theoretical rather than practical consideration of the whole question.

3. For health insurance purposes the country is to be divided into various districts, each of which is to have its own Sickness Fund. These Funds are to be governed in a very democratic manner, on the principle of "Home Rule"; but they are subject to supervision and control by a Sickness Insurance Board, which is to be the governing authority in local matters, it being the intention to have the entire subject brought within the control of a General Insurance Department for the entire Kingdom.

4. The benefits are to be cash payments during sickness and medical attendance, including medicines, for every member of the family. Children receive only medical attendance and medicines, but of course no cash allowances. There is to be maternity benefit, including medical attendance, cash payments and a provision for nursing, or a money payment in lieu thereof. No provision is made for funeral benefits, as is the case under the English law.

The Committee is of the opinion that the family of the insured worker is so closely related to his physical and social well-being as a worker that it is best to include *all* dependents within the provisions of the scheme. By thus going outside of the narrow circle of wage-earners' protection in its restricted sense (limited to wage-earners with incomes of less than 5,400 Kr. per annum) it has



been considered expedient to let the insured (with the help of the State) bear the whole burden of the insurance without the usual assistance of the employer; for it was feared that if this course were not adopted employers might discriminate against employees with large families liable to impose a heavier charge upon the Funds.

The population which will benefit by this insurance includes, besides general wage-earners, small artisans and small industrial owners, also small merchants and traders, farmers, clerks, etc. According to the Swedish statistics for 1915, there were in Sweden 72,000 independent artisans managing their own small business affairs or trades, and who employ about 50,000 wage-earners, i. e., 50,000 casual wage-earners more or less subject to irregularity of employment. The report points out that a considerable number of cases exist of independent workers who are not much better placed than the ordinary wage-earners in receipt of normal but continuous wages. This conclusion seems to be sustained by the income tax returns, which are considered reliable. In the case of owners of small industries and tradesmen of the poorer class, the 1915 census indicates that there are about 40,000 of these, with a total taxable income of 137 million Kroner, or an average income of about 3,500 Kroner. Economic conditions in this group are therefore clearly not much better, if as good, as those observed among normal wage-earners.

The report considers briefly the farming population, it being stated that there are about 360,000 persons employed in farming, and of these 176,000 are owners of small farms, probably from 7 to 15 acres. In addition, it is said that there are about 30,000 small landholders, such as foresters, truck gardeners, etc., so that there are estimated to be about 200,000 in this group in need of social insurance protection along the lines proposed by the Committee.

For the purpose of illustrating the probable total number of persons likely to be benefited by the proposed law

by 1922, when the insurance is proposed to go into effect, the Committee presents a statistical statement or hypothetical distribution of various occupations, ages 16 and over, as follows:

*Hypothetical Distribution of Various Occupations Coming Under Swedish Act in the Year 1922.*

| <i>Occupation</i>                                     | <i>Ages 16 and Over</i> |                  |
|---|-------------------------|------------------|
|   | <i>Males</i>            | <i>Females</i>   |
| Laborers and sailors.....                             | 650,000                 | 150,000          |
| Servants .....  | 100,000                 | 150,000          |
| Foremen and general service.....                      | 100,000                 | 50,000           |
| <b>Total wage-earners .....</b>                       | <b>850,000</b>          | <b>350,000</b>   |
| Independent artisans, tradesmen and farm-owners ..... | 400,000                 | 100,000          |
| Wives without occupation.....                         | .....                   | 700,000          |
| Other members of family.....                          | 200,000                 | 400,000          |
| <b>Total non-wage-earners .....</b>                   | <b>600,000</b>          | <b>1,200,000</b> |
| <b>Sub-total .....</b>                                | <b>1,450,000</b>        | <b>1,550,000</b> |
| Children below 16 years.....                          | 900,000                 | 900,000          |
| <b>Grand total .....</b>                              | <b>2,350,000</b>        | <b>2,450,000</b> |

This table indicates a total of nearly 5 million individuals likely to be provided for under the proposed insurance law. In proportion to the total estimated population of Sweden for 1922, this is equivalent to 80%. If these percentages are applied to the estimated population of the United States for 1920, of 110,000,000 the number which would require to be provided for under a similar health insurance system would be 88,000,000 of the total population or about 58,000,000 of the population 16 years of age and over.

In the opinion of the Committee it is considered advisable that there should be established general Sickness Funds in the various localities instead of special Trades Funds or Funds of Approved Societies with their membership possibly drawn from all parts of the country. The proposal apparently clearly intends that the local experience should indicate local health conditions or variations therefrom, which is practically out of the question for approved societies with their membership not co-extensive with the area considered. Sickness Funds

are proposed to contain 500 members, except in sparsely settled communities, which are to be otherwise provided for. It is apparent that the membership is to be non-selective or in other words, universal, as regards persons otherwise eligible under the proposed system. It must be kept in mind that the proposed Swedish plan includes others besides wage-earners, in the restricted sense of the term, and therefore that the element of locality is obviously more important. How far the system differs from the German Communal Sickness Insurance Funds is not clearly indicated.

Each individual Fund is to have a Board of Directors of 5 members, which, according to the Norwegian experience, seems fully sufficient for the management of administrative details. In this respect, however, as in many others, it is clear that the Committee does not represent actual experience, but rather theoretical considerations arrived at only from careful consideration of official reports.

Nor is it clear how far the actual sickness administration will differ in actual practice from the corresponding systems of Germany, Austria, etc. The Danish voluntary system, for illustration, which is, apparently, most liberal in this respect, excludes only a few well-defined types of illness from compensation otherwise than cases included under the workmen's compensation law. The Committee is strongly of the opinion that it is better to lean towards a liberal interpretation of the Danish law than to adopt severe restrictions subject to extended inquiries, as is the case in Germany.

Owing to the fact that there is apparently a scarcity of physicians in Sweden, as compared with England, Germany and Denmark (for Sweden has only about 1,600 physicians, of whom, perhaps, but 1,200 would be available for compulsory insurance), it is a foregone conclusion that under the Swedish system physicians would practically be employed for the whole of their available

time, with little opportunity for private practice. It is difficult to understand, under the circumstances, why a Public Medical Service was not adopted in place of the proposed complex and involved form of State Medical Administration. The Committee realizes that the right to free medicines and drugs may, in many cases, lead to serious abuses, but is nevertheless of the opinion that such medicines or drugs should be included in the system without additional expense to the insured. The Committee is also of the opinion that the freedom of choice of physicians should not be abridged; but it is opposed to rigid rules governing the relation of the Fund to the physicians in a manner closely bordering on a system of Public Medicine. The real viewpoint is obscured by an apparent indifference to the actual experience which has been had in England and which proves conclusively that the population, on the whole, makes practically no use of the freedom of choice in the selection of physicians, but is just as well satisfied with one good physician as with another.

Sickness insurance benefits are payable only to persons 16 years of age and over. The sick pay is to be represented by two-thirds of the daily wages, upon an annual basis of 360 days, including wages earned on Sundays, holidays or overtime. Sickness pay will probably be payable after the English method in the form of a reduced amount after a specified period, but the reports are not quite clear on this point, which is probably subject to further consideration. Maternity insurance covers the entire needs of pregnancy and special emphasis is placed upon the urgency of proper nursing and attendance, although married women depending upon their husbands for support are not to receive money for nursing service.

As regards the cost of the proposed medical service and provision for free medicines, the report contains some interesting information. The report quotes the ex-

perience of the Christiania sickness Fund of Norway for 1915, according to which the average expense per member per annum for medical service and medicines was 8.60 Kr. Of this amount it is estimated that 0.56 Kr. represent the cost of an adequate dental service. As said before, the proposed medical benefit is to be inclusive of all the medical needs of the insured, and not limited to services under a system of superficial general practice as is the case in England. The average sickness expense for Norway for the year 1917 is said to have been nearly 10 Kr., but it is not quite clear what medical benefits are included or excluded under the Norway plan. In Denmark under the voluntary system the expense during 1917 was on an average per member per annum 5.56 Kr., or, including hospital and sanatorium expenses, 7.28 Kr. Or, considering Copenhagen alone, the expense was 7.21 Kr., indicating that a normal experience is now fairly well established. It may be recalled in this connection, that the English cost of medical attendance at the present time is about 7s. 6d., exclusive of elements not readily calculated. The proposed method of remuneration in the future under the English system will be 11s.; but it is safe to say that if all the elements which might properly be included were taken into account the total cost would be nearer 15s. per member per annum than the amount stated.

There is, however, no comparison possible between the English system and the proposed Swedish system, since the latter includes many elements and items not accounted for in the English figures. The Swedish system proposes to go very much further, or in other words to conform more closely to the present German method which in every respect is more liberal as well as more effective. The Committee, however, is of the opinion that a conservative estimate of the probable cost of medical benefit for Sweden would be 8 Kr. per member per annum. This amount, however, will in actual experience probably be found quite insufficient.

On the subject of drugs and medicines it is stated that according to German experience this item represented about 4 Kr. per member per annum. In Denmark in 1917 the cost was only 2.30 Kr. per member per annum, which would indicate that under the voluntary system the actual cost is decidedly less. In Denmark, however, the Funds meet only three-fourths of the drug expenses, the remainder being paid for directly by the insured. This gives an element of control and self-interest which is obviously of much importance. The total cost of the medical benefit under the Danish system is placed at 3.50 Kr. per member per annum, but owing to the increased cost of drug prices the Committee is of the opinion that it is not advisable to place the cost of drugs at less than 5.00 Kr. per member per annum.

On the foregoing basis, however, the Committee estimates that the total cost for medical service and medicines, the term being construed under a more liberal sense than under the English law, will amount to about 39,000,000 Kr. per annum for 3,000,000 insured persons. This estimate, however, is merely conjecture. All experience has shown that when the Government adopts the per capita payment principle, the service is reduced accordingly, if necessary. It is frankly conceded in the negotiations for increased medical remuneration in England that the Government can obtain the kind of medical service it is willing to pay for. But this applies much more in the case of drugs and appliances, which in practice in England as well as in Germany are reduced to the most economical basis and the practical elimination of all expensive drugs, although of superior curative value.

Equally unsatisfactory are the fundamental estimates as to the cost of sickness benefit or cash payments to the insured. The Committee assumes an average duration of sickness for male members at 9 days per annum (or the days for which benefits are paid, including Sundays and holidays); for female members the average assumed

duration of sickness is 9.7 days. Evidently the Committee has relied upon the data of the so-called German experience. All such estimates are pure guesswork, for true experience depends entirely upon the definitions adopted. If sickness is construed in a restricted sense and supplemented by a thoroughly well-organized system of supervision and control, including sick visitors, medical referees, etc., the average duration of sickness will be much reduced. It also depends largely upon the question of the initial waiting period. If sickness benefits are paid from the first day of illness there will be less liability to prolong unimportant ailments to six or seven days to secure cash benefits. When the waiting period is seven days, many, during periods of scarcity of employment or low wages, will deliberately prolong minor ailments into sickness of extended duration. Regardless of the enormous experience with Germany, the material has never been reduced to workable proportions, and practically all that is published and said on the subject is perilously near to pure guesswork.

The foregoing observations must not be construed as an argument against the use of sickness data properly defined and strictly comparable. There is unquestionably a law of sickness as there is a law of mortality, but the latter as well as the former, is subject to important variations, due to the fact generally overlooked, that methods of prevention may materially affect the experience.

The average amount of sickness pay or benefit is placed at 2.25 Kr. per day, including Sundays and holidays. This amount, considering prevailing wages in Sweden, is probably as insufficient as is the 10s. a week paid in England. On the other hand, the Swedish law includes in the above estimate about 700,000 housewives with no outside employment and whose annual remuneration for work performed in the home is put at the sum of 270 Kroner per annum, or 0.75 Kroner per day, of which

only two-thirds is paid in sickness benefits. In Great Britain normal wages are now rarely less than £3 a week in satisfactory employments, and often much more. Therefore to offer 10s. a week in illness, when the wages amount to 60s., and possibly much more, is obviously to deter applicants from seeking relief in the initial stages of disease. If this conclusion is applied to Sweden, it may be assumed that there will be an insistent demand for an increase in the rate of allowances, just as this has been the case in England, where under the new law the rates will be raised from 10s. to 15s. If, however, the average rate of 2.25 Kr. per day is applied to the insurable population above 16 years of age, the total amount to be raised by joint contributions for this purpose alone will reach the considerable sum of 61,000,000 Kr., or including the medical service and medicines, 100,000,000 Kr. combined.

The cost of maternity insurance is placed by the Committee at 11,000,000 Kr. per annum, but here again details are wanting as to how this amount has been arrived at. The cost of maternity insurance is naturally affected by the birth-rate, and since there has been a material decline in the birth-rate in most countries, and never as much so as since the outbreak of the war, the experience thus far has generally been more favorable than was expected. On the other hand, the allowances usually granted have been very much increased, and in England the proposal now is to raise the allowance from 30s. in the event of a confinement to 40s.; but the public demand is for a minimum of 60s., with a reasonable certainty that the suggested increase will be forthcoming in due course of time. Including the 11,000,000 Kr. with the amounts previously given, the combined total of the different items thus far given is 111,000,000 Kr.

On the question of management expenses, the Committee secured information from Norway and Denmark representing actual experience. In Norway the expenses



of management in 1915 were placed at 3 Kr. per capita per annum for the cities and 2.25 Kr. for the rural districts. In 1918, however, on account of the influenza epidemic the expense rate increased to 4 Kr. for Christiania. The data are neither satisfactory nor conclusive. Experience in England, which is much more definite, proves that the administration allowances on a per capita basis may be wholly insufficient for some groups and much more than sufficient for others. There is the same adaptation to a definite amount available as is the case in regard to medical benefits. This adaptation may be, and often is, at the sacrifice of efficiency and completeness on the one hand, and the payment of minimum wages to employees on the other. The agitation in England is decidedly for a material increase in administration allowances, and the outlook is encouraging that this demand will be granted. It may be said without fear of contradiction that practically the whole civil service staff employed in the administration of the Act, outside of the higher Government officials in London, is lamentably underpaid.

It may be of interest in this connection to give the experience for Denmark which, once more, under the voluntary system shows more favorable results. In 1917 the average expense per member per annum was 2.07 Kr. for Copenhagen, and for the smaller cities 1.53 Kr., while for rural districts it was only 0.60 Kr. For the whole country the average expense was 1.08 Kr. per member per annum, or only about one-third of the rate for Norway. This comparison of the compulsory and voluntary systems is most illuminating, just as conversely the sickness rate has invariably been less in Denmark under the voluntary system than in Germany under compulsion.

The Committee adopted as a compromise an expense rate of 2.50 Kr. per member per annum. For three million members this would amount to 7½ million Kroner, or about 6 to 7 per cent of the total insurance cost as measured by the amount raised in contributions. The corre-

sponding figures for Germany for 1913 are 6 per cent, and for Norway for 1915 about 11 per cent. Little reliance can be placed upon estimates of this kind. All experience proves conclusively that they are generally exceeded. Government expenses in connection with the administration of matters more within the province of private enterprise are never comparable with the corresponding expense rate, for illustration, of insurance corporations. Much is left out of consideration because of the different organization of the Government, which makes a strict assignment of every item of expense to a particular fund practically impossible. It is thus, for illustration, out of the question to estimate the true cost of post office assistance, which, nevertheless, must assume considerable proportions. Accepting, however, the estimate presented, the following summary of the total cost of the proposed insurance scheme for the year 1922 is as follows:

*Estimated Cost of Compulsory Health Insurance for Sweden.*

|                                   |                        |
|-----------------------------------|------------------------|
| 1. Medical service and drugs..... | 39,000,000 Kr.         |
| 2. Cash benefits .....            | 60,800,000 Kr.         |
| 3. Maternity insurance .....      | 11,000,000 Kr.         |
| 4. Management expenses .....      | 7,500,000 Kr.          |
| <b>Total .....</b>                | <b>118,300,000 Kr.</b> |

As regards the contributions to the Fund on the part of the State, the Committee is of the opinion that the general rule of foreign countries, that two-thirds of the expenses should be paid by the insured, is a satisfactory solution of the difficulty. Since, however, the foreign legislation, chiefly that of Germany, has reference particularly to wage-earners whereas the proposed Swedish legislation affects a larger proportion of the population, it has been deemed advisable to adopt a different system. It has been thought proper to place the State contribution at  $\frac{1}{3}$  of the total expense, while the other  $\frac{2}{3}$ , apart from extra occupational hazards, is to be paid by the insured. In other words, and as previously pointed out, the employer is not to be called upon to meet the cost of the pro-

posed sickness insurance scheme further than in cases of clearly differentiated injurious trades or occupations. On the basis of this theoretical assumption it is assumed that the State contribution will amount to 37,500,000 Kr.

The distribution of the various cost factors per annum is outlined in the following table in which different incomes are differentiated into five groups:

*Distribution of Cost Factors in the Proposed Swedish Compulsory Health Insurance Scheme.*

|                          |       |       |       |       |        |
|--------------------------|-------|-------|-------|-------|--------|
|                          | Kr.   | Kr.   | Kr.   | Kr.   | Kr.    |
| Yearly income .....      | 270   | 540   | 1,215 | 1,890 | 5,400  |
| Daily sick pay.....      | 0.50  | 1.00  | 2.25  | 3.50  | 10.00  |
| Sick pay for 9 days..... | 4.50  | 9.00  | 20.25 | 31.50 | 90.00  |
| Doctor and medicine..... | 13.00 | 13.00 | 13.00 | 13.00 | 13.00  |
| Management expense.....  | 2.50  | 2.50  | 2.50  | 2.50  | 2.50   |
| Maternity aid.....       | 3.67  | 3.67  | 3.67  | 3.67  | 3.67   |
|                          | <hr/> | <hr/> | <hr/> | <hr/> | <hr/>  |
| Total sum .....          | 23.67 | 28.17 | 39.42 | 50.67 | 109.17 |
| State aid .....          | 12.50 | 12.50 | 12.50 | 12.50 | 12.50  |
| Payment by the insured.. | 11.17 | 15.67 | 26.92 | 38.17 | 96.67  |
| % of annual earnings.... | 4.1   | 2.9   | 2.2   | 2.0   | 1.8    |

This is an interesting table, for it has the merit of a definite outline of the principles upon which the Committee has based its final recommendations. It fails, of course, to emphasize clearly the contributions to be made by the employer in the case of occupations where the sickness rate would exceed the normal. Nor is a method indicated as to how this normal is to be determined. In the British insurance experience it has been found practically impossible to carry into effect Section 63 of the Law of 1911, under which the excess in the local sickness experience was to be paid for in part by the local authorities, assumed to be derelict in the enforcement of sanitary requirements. It is provided that the sickness funds are to determine the extra hazard in individual cases and employers are required to furnish the necessary information as to the nature of the health injurious occupations or conditions. All this, in practice, has been found absolutely unworkable, as best emphasized by Brend in his book on "Health and the State." Certainly thus far no practical results have been achieved, after eight years'

experience in England, with probably much better opportunities for statistical and sanitary research than elsewhere.

The remainder of the report considers the judicial aspects of the proposed organization, questions of arbitration in the case of disputes, etc. Theory in this matter is generally opposed to the facts of experience. It has been clearly shown by the German experience that if the interests of the State, the insured and the employer are to be adequately protected a truly immense separate judicial organization is required. This results in a vast amount of endless litigation and bureaucratic inquiry, with no assurance that the real interests of the insured are materially advanced. The report fails in clearly realizing the many administrative difficulties of a largely artificial state of affairs created by a law not in conformity to a rational social and economic development but enacted in response to visionary theories of social reform. Yet it goes without saying that the Swedish Committee probably represents as high an order of official intelligence as could be brought to bear upon the question under consideration. But so long as the premises as such are false and misleading the results cannot possibly be satisfactory. The vice inherent in all legislation of this kind is ignorance of or indifference to the fact that the real objective of the proposed legislation is an insidious modification of the poor law or the establishment of a system of relief in the disguise of insurance. Until there is a clearer grasp of the fundamental truth that all social insurance, so-called, is *not insurance*, in the strict and accepted sense of the term, no successful solution of the end aimed at is likely to be forthcoming.

FREDERICK L. HOFFMAN.

## APPENDIX A.

### STATEMENT BY THE COMMITTEE ON CONSTRUCTIVE PLAN, SOCIAL INSURANCE DEPARTMENT, THE NATIONAL CIVIC FEDERATION.

#### *To the Legislature of the State of New York:*

The undersigned, the Committee on Constructive Plan of the Social Insurance Department of The National Civic Federation, has given careful consideration to the bills introduced in the New York Legislature in the years 1916-1919, commonly known as the Mills, Nicoll, and Davenport-Donohue bills. Our views upon the arguments advanced by the proponents of this type of legislation have been expressed in a pamphlet recently issued by the Committee entitled "A Refutation of False Statements in Propaganda for Compulsory Health Insurance." For this reason we believe it inadvisable at this time to enter into any further discussion of this phase of our subject.

We desire, however, to call the attention of the Legislature to a lecture\* before The New York Academy of Medicine on October 2, 1919, by Sir Arthur Newsholme, formerly Chief Medical Officer of the Local Government Board for England. Commenting upon the British Health Insurance Act, he says: "The act in its present form is now generally condemned; and it is significant that the need for its radical re-organization appears to be universally accepted. Two medical benefits (medical and sanatorium) and a maternity benefit were conferred under the act; but, as they have been administered, it cannot be affirmed that any marked public benefit has accrued; and it is certain that if the same amount of money had been placed in the hands of the public health authori-

\* Published in "The Survey," January 3, 1920.

ties to provide adequate medical aid to those needing it, of the kind most lacking and which they could least afford to obtain, great benefit to the public health would have been secured.”

Rather than continue the discussion of legislation for compulsory health insurance, we have attempted to evolve a Constructive Plan to be dealt with by the Legislature. It is our unanimous opinion that the immediate problem for consideration is not that of insurance against sickness, but the larger and more important problem of the extent of illness and the methods for its prevention. We have set ourselves to this task and desire to submit the following facts:

At present, there is no exact information as to the extent of illness. It is clear, from studies which have been made, that a considerable proportion of the population does not receive any medical care whatever; that others are unable to obtain adequate medical treatment and that a very large percentage of existing sickness could be eliminated if proper preventive measures were employed. Large sums are being paid annually by the different states for the maintenance of institutions for the treatment of disabilities and their consequences, due largely to neglect. A large number of communities are engaged in no active health work and have grossly insufficient appropriations for health activities.

Statistics of other sickness surveys in the hands of this Committee prove beyond doubt that a large percentage of disabling illness is caused by communicable diseases. There is competent medical authority for the belief that many of the diseases of later life are the sequelæ of infectious diseases contracted in childhood.

The subject of sickness needs to be considered from the following aspects, in the order of their importance, namely:

1. Prevention.
2. Treatment and Care.
3. Replacement of Wage Loss from Sickness.

1. *Prevention.* This is largely a problem of the education of the public concerning the preservation of health and the prevention of disease. The care and treatment of communicable diseases are essentially functions of the public health authorities, since one individual may transmit infection to another and thereby become a menace to the public health. Already police powers are given to Health Officers to remove, even forcibly if necessary in the interest of the public health, and to treat individuals suffering from these diseases. These powers affect all the people alike, regardless of their ability to pay for treatment. The time has come, in our opinion, when the State should display greater activity in the treatment and care of all communicable affections—particularly tuberculosis and venereal diseases—similarly from the standpoint of public health protection, rather than from the standpoint of poor relief. More, also, ought to be done to educate the people relative to public and personal hygiene. Insurance, on the other hand, is not to be considered in connection with this branch of the problem. The prevention of illness is not a function of insurance.

2. *Treatment and Care.* The critical fact, in our opinion, is that a large proportion of the people do not receive adequate medical care and treatment. How to remedy that condition is a problem that should be given exhaustive study, particularly by the medical profession, which profession should be called upon to devise a system whereby proper medical aid may be brought within the reach of every individual in the State. Only by thorough investigation can there be obtained the information necessary to enable the Legislature to take such action upon this subject as will result in the greatest benefit to the public.

3. *Replacement of Wage Loss from Sickness.* This is an economic loss; and, consequently, it is a subject appropriate for insurance. But we are convinced that the information at the disposal of the Legislature and the People is as yet insufficient for the successful solution of

this problem; and that the precipitate adoption by the Legislature of any academic plan of insurance would, among other unfortunate consequences, defer such determination for years. We believe, therefore, that employers and wage workers should be called on to confer and determine how best to meet this loss.

In any event, we are satisfied that sickness prevention, treatment and care constitute by far the most important factors upon which efforts and attention should be concentrated for the time being, and that only after we have learned more about the extent of sickness, its causes, and the means of prevention, will it be appropriate to take up the question of how to relieve its economic consequences.

#### INVESTIGATION COMMISSION.

Therefore, we respectfully recommend that the Legislature consider the appointment of a Special Commission, competent and duly empowered, to make a careful and exhaustive investigation and study of the extent, prevention and treatment of sickness, and that such commission be instructed specifically to study and report upon the following questions:

1. Methods and means for the prevention of disease.
2. Methods and means for the education of the people in the fundamental principles of health.
3. Methods and means for bringing adequate medical care within reach of all.
4. The establishment of diagnostic clinics throughout the State.
5. The establishment of clinics or other facilities throughout the State for the periodic physical examination of persons *applying* therefor.
6. The further development of public health nursing throughout the State.



7. Methods and means for the adequate care of maternity cases.
8. Co-ordination of public and private health-promoting agencies.
9. The determination of the extent of dependency upon public or charitable relief in the State and of the extent to which such dependency is due to illness.

All of which is respectfully submitted.

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New York, January 27, 1920.

