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WORKMEN'S INSURANCE AND COMPENSATION SERIES: NO. 10

PROCEEDINGS OF THE CONFER-  
ENCE ON SOCIAL INSURANCE

CALLED BY THE

INTERNATIONAL ASSOCIATION OF  
INDUSTRIAL ACCIDENT BOARDS  
AND COMMISSIONS. WASHING-  
TON, D. C., DECEMBER 5 TO 9, 1916



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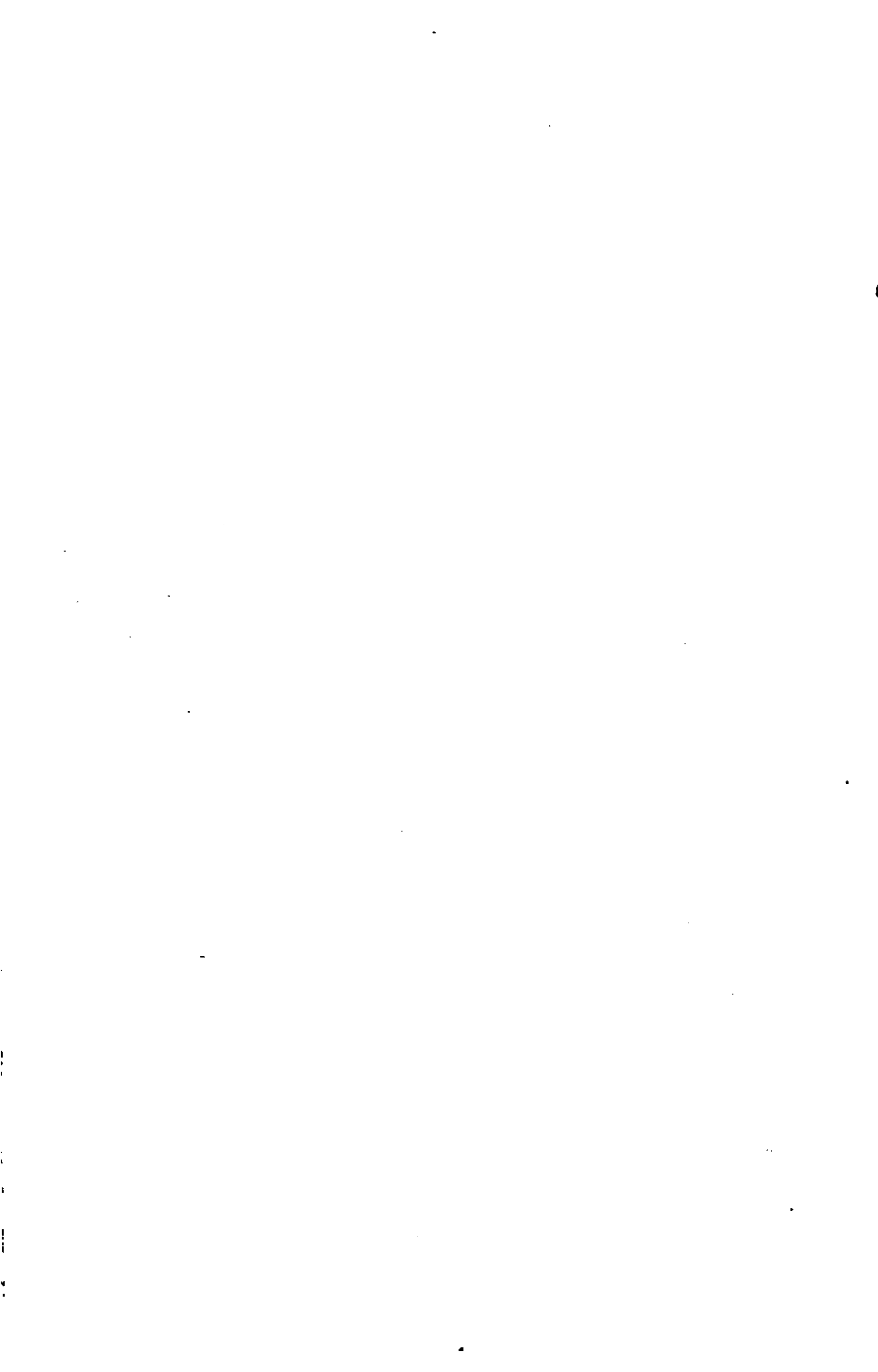
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# BULLETIN OF THE U. S. BUREAU OF LABOR STATISTICS.

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JUNE, 1917

## PROCEEDINGS OF THE CONFERENCE ON SOCIAL INSURANCE, WASHINGTON, D. C., DECEMBER 5 TO 9, 1916.

### INTRODUCTION.

The following resolution was adopted among others by the International Association of Industrial Accident Boards and Commissions at its third annual meeting, held at Columbus, Ohio, April 25 to 28, 1916:

*Resolved,* That a special conference on social insurance under the auspices of the industrial accident boards and commissions be called to meet at Washington, D. C., in September or October of this year to hear the proponents and opponents of various plans of social insurance, and this in order that the association constantly may be apprised of the relation of such proposed legislation to workmen's compensation; that invitations be issued freely to all interested parties to participate, and that the program for such meeting be arranged by a committee to be appointed by the chairman to be elected for the ensuing year.

In compliance with this resolution a committee on social insurance was appointed, consisting of Royal Meeker, United States Commissioner of Labor Statistics, chairman; Dudley M. Holman, president of the International Association of Industrial Accident Boards and Commissions; F. M. Wilcox, member of the Industrial Commission of Wisconsin; J. B. Vaughn, chairman of the Industrial Board of Illinois; and Wallace D. Yaple, chairman of the Ohio Industrial Commission.

Two meetings of the committee and such advisors as I could bring together were convened in the offices of the New York State Industrial Commission in New York City to consider the scope and general aspects of the conference program. The first meeting was attended by Dudley M. Holman, president of the International Association of Industrial Accident Boards and Commissions; John B.

Andrews, secretary of the American Association for Labor Legislation; William C. Archer, deputy commissioner, New York Bureau of Workmen's Compensation; F. Spencer Baldwin, manager, New York State Insurance Fund; W. S. Barnaby, editor, *The Spectator*, New York; Frederick L. Hoffman, statistician, Prudential Insurance Co. of America; and William H. Tolman. The second meeting was attended by Dudley L. Holman, William C. Archer, F. Spencer Baldwin, Lee K. Frankel, third vice president of the Metropolitan Life Insurance Co.; William J. Graham, superintendent of group insurance, Equitable Life Assurance Society; Frederick L. Hoffman; Florence Kelley, general secretary, National Consumers' League; Bruno Lasker, assistant secretary, New York Mayor's Committee on Unemployment; William H. Tolman; Mary Van Kleeck, director, division of industrial studies, Russell Sage Foundation; and Albert W. Whitney, general manager, National Workmen's Compensation Service Bureau.

It was found impossible to complete a program and secure speakers within the time limits originally set, so the date was changed to December 5 to 9, inclusive. It was agreed that the conference should be held before the assembling of the State legislatures, so as to give the legislators the benefit of the ideas presented in the principal papers and brought out in the discussions.

The purpose of the conference was clearly set forth in the preliminary announcement as follows:

It is not the purpose of this conference to adopt resolutions committing the conference to particular policies or methods. The rules governing international congresses heretofore held under the auspices of the International Permanent Committee on Social Insurance did not under any circumstances permit the presentation of resolutions committing such congresses to the advocacy of particular policies and methods for attaining desired ends. This rule should be stringently followed in this conference. Much time and consideration are needed to work out the best policies and methods. What is best for one State or section may not be the best for another State or section. It will be a sufficient accomplishment if the problems considered can be clearly defined and definitely stated for the information of legislators and administrators. If this desirable object is to be accomplished the conference must avoid all resolutions prescribing particular ways and means of securing adequate protection to workers against the hazards of accident, sickness, invalidity, old age, and unemployment.

The conference was even more successful than any of those interested dared to hope. Nearly everyone who had accepted a place on the program was present or sent a substitute. The discussion from the floor was unusually valuable and showed the keen interest of the auditors.

This bulletin includes the formal papers submitted to the conference and the stenographic reports of the discussions. Most of

the leading papers were presented to the conference by the writers only in summary because of the time limit.

I believe that this collection of evidence, testimony, and opinions by the prominent exponents of all shades of opinion will serve a most useful purpose in presenting the problems of social insurance and in clarifying the issues which our legislators, administrators, and judges must face.

ROYAL MEEKER,  
*Commissioner of Labor Statistics.*

**TUESDAY, DECEMBER 5—MORNING SESSION.**

**CHAIRMAN, DUDLEY M. HOLMAN, PRESIDENT, I. A. I. A. B. C.**

## **WORKMEN'S COMPENSATION.**

### **I. MERITS AND DEMERITS OF DIFFERENT FORMS OF ADMINISTRATION.**

The **CHAIRMAN**. I am glad to welcome you to this conference, for out of it I feel sure much good will flow. It will have far-reaching effect. At the outset I think I may be pardoned if I say that the program which has been prepared is a most ambitious one, and has brought to Washington thoughtful men and women who are deeply interested in this work, who will discuss from every angle each phase of social legislation.

I can not give too much credit to Dr. Meeker, chairman of our committee on social insurance, who has worked indefatigably to arrange a program that will be of much assistance to those who in the future will deal with this problem in a legislative way. The conference is by no means confined to the industrial accident boards and commissions, and is thrown open to organizations, insurance companies, and individuals who are interested in solving these problems.

Lloyd George answers the question, "What is the really great root trouble of our present social system?" by saying that it is the great precariousness, not of life, but of living. There are four conditions which confront every one who has to work for a livelihood—injury or death from accident; sickness, due either to employment or the conditions under which he labors or over which he has no control; lack of employment through no fault of the worker; and the infirmities of advancing years, which render his labor no longer profitable to the employer. In most of our States we have partly, at least, solved the problem so far as personal injuries received while at work are concerned, and under the theory of workmen's compensation the States and Provinces in our association have so legislated that the burden is distributed on the industry and no longer falls wholly upon the individual and his family. These compensation



acts are not perfect by any means, but they are steps, and big ones, in the right direction.

But we have accomplished by legislative enactment nothing so far as concerns sickness insurance, unemployment insurance, and old-age pensions for workers in industry, and yet the problem for the worker and his family is just the same under each set of conditions. A workman breaks down in his prime and permanently loses his power of earning a livelihood. He has contributed his all—his labor—to the common good. He has given all that he has and has aided in the development of the resources and the might of the Nation. Why should he be left unprovided for, and his family come to want, and perhaps actually starve?

A man is thrown out of employment through no fault of his own. He and his family have the same problems of living that they had before. The sufferings of the unemployed workmen are no less severe when the pay envelope stops coming because some one has blundered financially, and the worker's wife and little children are just as hungry as though the wage earner had met with an accident.

And when the infirmities of advancing years manifest themselves, and the man or woman looks forward every week to the notice in the envelope that they are no longer productive enough to be kept at work—the awful fear that grips their heart hastens, rather than retards, the dreaded notice. What lies before them in America to-day?

Charity or the poorhouse. It is true by their labor they have added millions to the wealth of the Nation. It is true that they have given all their strength, that they have worked on and on under conditions that have hastened this day of enforced idleness. How shall we deal with them?

Someone has divided a nation roughly into two classes. The first class know they will go through the year without privation or suffering. The second class know that from the moment they are deprived of employment by bad trade, by sickness, or by old age, the security of bread disappears.

You men and women have come here out of your desire to aid in the solution of those problems. It is a disgrace to the wealthiest Nation on the face of the earth, a Nation whose resources are well-nigh inexhaustible and which is adding to the wealth by billions of dollars annually, that it should be the last of the big civilized nations of the globe to legislate so that we can drive hunger from the homes of those who toil and banish forever the fear of the poorhouse from their minds.

Much of this sickness is preventable, as large a percentage as the percentage of preventable accidents, which, I believe, from personal investigations covering a period of years, and a study of over 375,000

accidents, can be placed at 50 per cent. It is a tremendous burden which industry is carrying—industry, plus the workers in industry. To have it continue longer is a crime and an insult to our intelligence as a humane thinking people.

With our great leaders in industry joining hands with us in remedying these conditions, we shall bring about an industrial efficiency such as America has never seen, but which the newer conditions arising as the result of the great war will make necessary if we are to hold our own not only in the markets of the world but in our own markets. As a Nation we must have men and women working under safe and healthful conditions; the most prolific causes of sickness in industry to-day are long hours of labor, amid unsafe surroundings, in poorly ventilated, poorly lighted factories and workshops, with bad sanitary conditions preying upon the health and sapping the vitality of the worker. These latter conditions we can remedy very easily. It is merely a matter of education, but it is the employer who must be educated first, then the worker.

It is with these purposes in mind that this conference has been called, and it is a pleasure to see that the response has been so prompt and that so many of you have come here from the distant parts of this country and Canada to do your share and contribute your part to the common fund.

What we say and do here will be a powerful factor in forcing home upon the communities in which we live that we can no longer tolerate conditions that to-day put the paralyzing fear of coming want into the hearts of those who toil.

The means, the methods, this conference does not undertake to suggest. We want the best thought, the best and most reliable information we can get together, and then it will be up to the legislative bodies to utilize such information as we are able to furnish them and enact such remedial legislation as in their wisdom seems best adapted to the needs of their particular communities.

I have a few announcements to make here, and I wish you would pay strict attention to them, because the program is a long one, and we must live up pretty rigidly to these requirements.

Those who deliver principal papers are limited to not more than 20 minutes. Those whose names appear on the program for discussion are limited to not more than 10 minutes. Those who participate in the open discussion will be limited to not more than 5 minutes. A single rap on the table by the chairman will notify a speaker that he has but 2 more minutes before his time expires. Two raps will indicate that a speaker's time has expired.

As stated on the program, those who wish to participate in open discussion must send their names and connections to the chairman

of the session during the meeting. All speakers should come to the front, in order that they may be distinctly heard by the conference reporters.

Mr. J. D. Beck, chairman of the Industrial Commission of Wisconsin was not able to get here, and I have the pleasure of introducing Mr. F. M. Wilcox, of the commission.

[The subject of the paper read by Mr. Wilcox at this time was "The industrial commission system." Owing to delay in receiving a copy of this paper it was not possible to include it in the original manuscript sent to the printer. It is therefore printed as Appendix A.]

## THE INDUSTRIAL ACCIDENT BOARD SYSTEM.

BY FRANK J. DONAHUE, CHAIRMAN, MASSACHUSETTS INDUSTRIAL ACCIDENT BOARD.

As the program notes, representatives of five different workmen's compensation boards are assigned to speak here to-day on the "Merits and demerits of different forms of administration." I am concerned not so much with the form of administration as with the result. "What's one man's meat may be another's man's poison," and what we consider a very excellent system in Massachusetts might work out very poorly in Pennsylvania. Mr. Bradbury, in his excellent work on workman's compensation, says that the administration and procedure under no two of the compensation acts in force in the United States are exactly alike. So far as administration goes there is no reason why this should not be so. Geographical considerations and railroad facilities must inevitably be important factors in determining upon the form of administration of the act in any State whether a disputed case shall be heard by the full board or commission, by a single member, by a committee of arbitration headed by a board member, by a committee of arbitration on which no member of the board shall necessarily sit, or by a referee or master appointed by the board or commission; the findings of fact and rulings of law to be reported to the full board, where it does not itself hear the case.

Massachusetts, in the enactment of her workmen's compensation act five years ago, provided for what is now called the industrial accident board form of administration, and in our Commonwealth that form of administration has proven eminently satisfactory. Neither the employees nor the insurers have ever suggested a change. We have a board of five members, and the tenure of office is five years. In every disputed case the employee and the insurer come in direct contact with a member of the board; at first, if it appears that any good may result therefrom, in conference; then, if the conference fails of results, the parties meet in formal hearing, a member of the board heading a committee of arbitration, on which his associates are a representative of the employee and a representative of the insurer. This committee on arbitration hears the witnesses and

files a report of the evidence, together with its findings of fact and rulings of law, with the industrial accident board.

The industrial accident board, as a board, sits in two capacities: First, as an appellate board on appeals from decisions of committees of arbitration, which appeals must be filed within seven days of the date of the filing of the committee's report; secondly, the board sits in review of weekly payments, where it is claimed that incapacity has partially or wholly ceased, and the question is as to the discontinuance of compensation. These are cases which have previously been decided by a committee of arbitration, and where compensation has been paid under the award, or where compensation has been paid by agreement. Such cases as these, where the question is merely whether compensation shall continue, might well be heard by a single member of the board, rather than occupy the time of the full board.

An appeal can not be taken to the supreme judicial court from a decision of an arbitration committee. The appeal from the committee's decision must be to the board. Any party in interest aggrieved at a decision of the board may appeal therefrom to the supreme judicial court, after first presenting the papers in the case to the superior court and obtaining a decree based on the board's finding. Decisions of the board on questions of fact are final.

I have outlined to you, in brief, the details of the administration of the workman's compensation act in Massachusetts. These details may be familiar to you all but I have learned that it is never safe to assume anything in discussing workmen's compensation acts. Most of the lawyers of our own Commonwealth are unfamiliar with the method of administration and procedure laid down by the legislature. As for myself I do not claim a full acquaintance with the acts of other States and it would be presumptuous on my part to discuss what may appear to be demerits in their administration and procedure.

I assume that what we are most interested in is not the details of administration but whether the acts should be administered by a board or commission sitting for the whole State, by a single commissioner acting likewise with referees or masters under him, by district commissioners, or by some other of the various forms of administration; and whether the board, commission, or commissioner administering the workmen's compensation act should have any other duties, such as the enforcement of the multifarious labor laws.

This subject has recently agitated the State of Massachusetts. Our thorough-going, progressive governor, Hon. Samuel W. McCall, fresh from 20 years of service in Congress, was appalled when, upon beginning work upon his inaugural address following his election in 1914, he found that there are approximately 105 boards and commissions administering the laws of Massachusetts. He made various

recommendations to the legislature upon the subject and among these was the following statement:

I suggest that you consider whether the boards of labor and industry, minimum wage, and industrial accidents should not be consolidated into one strong board and whether this consolidation would not result in the saving of expense and in a more comprehensive and just treatment of the interests involved.

A special committee of the legislature was appointed to consider the subject of consolidation of the various boards. This committee dealt with the governor's remarks in regard to the industrial accident board, board of labor and industries, and the minimum-wage commission in the manner that he intended—as a suggestion and not as a recommendation—and upon the completion of the hearings came to the conclusion that it was unwise to interfere with these boards as they were then conducted. Later in the session, as the result of an agitation over insurance rating, the subject of the prevention of accidents by the enforcement of safety rules which had hitherto been jointly administered by the industrial accident board and the board of labor and industry was transferred to the latter board, much to the gratification of the industrial accident board. Every labor organization in Massachusetts was represented in opposition to a consolidation of the industrial accident board with any other board or boards. The Massachusetts Industrial Accident Board to-day exercises almost purely judicial functions. In actuality it is a court of industrial claims.

Speaking upon the subject of consolidation before the special legislative commission, Mr. Frank F. Dresser of Worcester, author of "Dresser on Employer's Liability," said: "The amount of work which the industrial accident board is doing in its judicial state is increasing very much and I suppose that to do it properly and promptly, which is one of the essentials in workmen's compensation, would take all of the time of the five men who now compose the board. What I would like to see would be all these questions of safety, industrial statistics, wages and what not taken charge of by a bureau effected for that purpose, and make the industrial accident board an industrial court in its true meaning. I do not think it should be in any sense subject to any political influence or any question of expediency. If we are to levy, in this State, on the community the four or five million dollars which are now collected for compensation insurance, and seven and one-half million dollars which sickness insurance would involve, and I do not know how much an employment bill would involve, all to be distributed to the community, we ought to be sure that the distributions are guided by certain principles which only a court can lay down and not be subject to expediency, charitable inclination, or political influence. We can not get as a general thing the same type of man to be both an

efficient judge and an efficient administrator. Taking the industrial accident board as a striking example, it should be treated as a court. That would mean the appointment of its judges for life, which I think ought to be so. It is just as much a court in dealing with these things as any tribunal in the Commonwealth."

The annual number of accidents reported to our board has increased from about 95,000 in the first year of the act, ending June 30, 1913, to about 140,000 in the year ending June 30, 1915. At present reports of accidents are being received at the rate of approximately 180,000 per year. Approximately 20 per cent of the cases require the payment of compensation. The number of cases in which the insurer and the employee appealed to the board and arbitration hearings were requested has increased from 584 in the first year to 1,600 in the 12 months ending November 30, 1916. Cases heard by the board on appeals from decisions of committees of arbitration has increased from 56 during the first year of the act to 172 in the year ending November 30, 1916. The number of cases of weekly payments reviewed by the board were only 6 during the first year of the act and during the year just ended were 34. During the past year the board, sitting as a board, heard 896 special board cases as against 170 during the first year of the act. These special board cases are cases where the question is the fixing of a lump sum, or of approving attorneys' or physicians' bills, or fixing the probable future earnings of a young and inexperienced workman as a basis of compensation, and a large number of other matters over which the board has jurisdiction. Other than these there were 842 board matters before the board during the past year.

The State board of labor and industries, which it was suggested by some be combined with the industrial accident board, has charge of the enforcement of all the labor laws of the Commonwealth, laws affecting the health of employees, the hours of labor of women and minors, seats for employees in certain occupations, the overtime law, and scores of other social-welfare acts which have been enacted by our own and other States in recent years. This board during the year 1915 made 41,843 inspections of factories and workshops and 10,579 reinspections of the same factories and workshops. It prosecuted in the courts 340 violations of the law.

Combining the work of these two boards would, in my opinion, result in the nonenforcement of a large number of labor laws and would cause great delay in the payment of compensation to injured employees, with the resultant hardship to them and their families.

My convictions as to the functions of a board having in charge the administration of a workman's compensation act are emphatic. I do not believe that such a body should be other than a judicial one sitting as a court of industrial claims. Workmen's compensation in

this country is only in its infancy, and the attitude of the great masses of the common people toward workmen's compensation is going to depend largely on the methods of administration and procedure employed. This is an age of specialization, and I should consider it absurd to put in the hands of one board the administration of all the laws of the State which affect labor. In my mind it would be impossible to find three, five, or seven men each endowed with the necessary attributes for the performance of these multifarious duties. The popular feeling against the courts, which reached its height a few years ago, was the result not only of unjust laws but of delays in their administration, and these were almost wholly laws covering personal-injury cases. The better feeling toward the courts to-day is the result, I believe, of the enactment of workmen's compensation acts taking the cases of personal injuries in industry out of the courts and placing them in the hands of administrative tribunals. Chief Justice Winslow, of the Supreme Court of Wisconsin, has called the taking of these questions out of the hands of the courts and placing them in the hands of the administrative tribunals "a legislative indictment of the courts," and has said: "For myself, I believe there is a very substantial basis for the dissatisfaction felt by the practical layman with the methods used by trial courts generally in the trial of jury cases."

Do we want the same dissatisfaction to come to pass with respect to the tribunals which are administering the workmen's compensation acts? In my opinion such dissatisfaction will arise if the members having in charge their administration are overloaded with other duties to such an extent as to prohibit the proper and prompt enforcement of the workmen's compensation acts.

Elihu Root, speaking before the American Bar Association in October, 1914, said: "American procedure ought to follow as closely as possible the methods of thought and action of American farmers, business men, and workmen. The law is made not for lawyers but for their clients, and it ought to be administered so far as possible along the lines of laymen's understanding and mental processes. The best practice comes the nearest to what happens when two men agree to take a neighbor's decision in a dispute, and go to him and tell their stories and accept his judgment." This is the kind of procedure it was intended should be given by workmen's compensation acts, and if we are to enjoy it we must allow the men who administer these acts and who are drawn from the business men and farmers and the practical laymen of all classes, as well as from the profession of law, to devote their entire time to the administration and interpretation of the greatest humanitarian legislation ever enacted upon this continent.



Men who have given careful thought to the subject are almost unanimous in their agreement that we get no better law from the appellate courts than is contained in the briefs of counsel. Prof. John H. Wigmore, in a recent article in the *Illinois Law Review*, gave several reasons for this unhappy result; among others, and the one which I deem most important, is the overburdening labor which cramps the courts. The Supreme Judicial Court of the Commonwealth of Massachusetts, composed of seven members, in recent years has averaged, per year, 70 opinions for each justice. It would be idle to contend that all these opinions, or even a majority of them, represented the law of the court, and yet when we go to the highest judicial tribunal in the State we expect, as Prof. Wigmore says, "that all the law of every opinion should be intelligently affirmed as law by every member of the court."

We have encountered this danger where the appellate courts have passed upon decisions of workmen's compensation boards. Adopted as our acts are from the English act, English decisions upon the interpretation of the act are entitled to great weight, but we find that instead of carefully weighing them and giving them that weight which is their due, our courts are swallowing the English decisions, "bait, line, and sinker." It has been said that Meesson's and Wellsbys's reports, which contain the famous decision in *Priestby v. Fowler*, said to be the foundation for the fellow-servant rule, have produced more bad law than can be found in many times the same number of volumes elsewhere. But for irreconcilable decisions commend me to the 18 volumes of English compensation cases from 1897 down to date. Yet these cases are taken as controlling precedents by many of our American courts in passing upon workmen's compensation cases.

If we are to get a proper interpretation of our acts from the courts, all the law and reasoning upon the subject should be contained in the decision of the administrative board. The Supreme Judicial Court of Massachusetts has said that the act does not contemplate the employment of attorneys, and, in fact, in a very large number of cases which come to our board the claimant is without help of counsel. Therefore the decision, if it involves a question of law, must be not only a ruling upon the law but a brief for the claimant before the court.

## THE DISTRICT SYSTEM.

BY GEORGE B. CHANDLER, MEMBER, WORKMEN'S COMPENSATION COMMISSION OF CONNECTICUT.

The district system of administering workmen's compensation acts hardly has wide enough currency in this country to erect it into a class. It appears in its pure form solely, so far as I know, in the State of Connecticut, although the State of Pennsylvania has a mixed plan in which the district system is to some extent applied. It may be roughly defined as a method of administering workmen's compensation acts in which original jurisdiction is confined to an individual official having charge of a fixed geographical area, appealing directly from his decision to the courts. In the State of Connecticut these officials are called "commissioners," and their districts are coterminous with the congressional districts of the State. In Pennsylvania original jurisdiction resides in a "referee" sitting in what is known as a "compensation district." The Pennsylvania act provides for the establishment of not to exceed 10 such districts, but I am advised that the maximum number have not yet been set off.

In measuring the efficiency of a system of administration it is first necessary to determine what are requisites of good administration, there being, of course, certain prerequisites which it were superlative to catalogue, such as honesty, a fair measure of intelligence, and good common sense.

On the whole I would say that the first essential is promptness. I observed a provision in the statute of a certain State to the effect that voluntary agreements which have been executed between the parties become valid unless disapproved within 30 days. In my opinion, not more than 30 days should on the average be consumed in the execution of the agreement and the approval thereof taken together. Workmen unfortunately usually live from hand to mouth. Even where the yearly income is above the somewhat uncertain line of subsistence, the old-fashioned notions of thrift preached by Benjamin Franklin and formerly widely practiced in this country are no longer in effect. During the waiting period the injured workman draws neither wages nor compensation. In the meantime the family expenses are usually increased. Even with the compensation paid, the income is cut down. Moreover, the evidence often gets

cold, bad feeling is engendered between the parties, and there may be a tendency to malingering while waiting for the payments to begin. Moral delinquency, borrowing, the social evil, and other forms of vice all are liable to result from unreasonable delay. Every consideration, social, domestic, and legal, demands prompt placing of funds in the hands of the employee.

A second requisite of efficient administration is informality of procedure and the personal touch—something, indeed, akin to paternalism. Usually the claimant, and not infrequently the respondent, appears without a lawyer. The commissioner must be much freer in giving advice prior to a hearing than a court can properly be. Every administering officer is deluged with applications for commutation of the weekly payments into a lump sum, where the act provides for this procedure, and personal knowledge of the facts, or ability to acquire such knowledge, is necessary in order to avoid abuse. The administering officer is also frequently called upon to exercise his personal influence, or the intervention of local authorities, to keep compensation away from drunken husbands; minors need to be protected oftentimes from the misapplication by avaricious or vicious parents of the compensation due to them. Much information indispensable to a humane and intimate administration of the act may be acquired by conference over the telephone with doctors, employers, and other persons. Malingerers require constant watching, both for their own good and for the good of industry and society. Applications are continually being made by widows and others for partial advances to provide for immediate needs, and it is of the utmost importance that the commissioner investigate these applications with care to prevent the misuse or dissipation of the funds.

A third essential of good administration is cheapness and convenience of access. Not only are employees usually persons of small means but they seldom are able to express themselves clearly in letters, although often able to do so with intelligence orally. In States where settlement by voluntary agreement is permitted by the statute, they often and properly desire the advice of the commissioner before signing such an agreement. The administration should be so near the people that either by personal interview or by telephone call such simple matters as may be properly discussed between the parties and the commissioner can be taken up.

To the foregoing I would add a fourth requisite, that of simplicity of procedure and absence of red tape. I believe in a simple filing system affording quick reference, such as may be used if necessary while the party at the other end of the line is "holding the wire." Such a system is more easily applied where the administering department covers a small area and is close to the field.

It is so self-evident as to require no demonstration that each of the foregoing conditions of good administration may be better satisfied under the district system than any other plan, provided that the circumstances of population, topography, and transportation justify it, else why has the experience of the race led to the universal establishment of local justice courts? The final test, however, of any system is experience. It matters little how finely spun are our theories; if in practice they break down, they must be discarded.

Permit me to quote from the last annual report of the Board of Compensation Commissioners, of which I am a member:

The district system of administration has proved its worth in many other ways. Allusion has already been made to the manner of investigation in the case of application for commutation into a lump sum. It has obviated the necessity of employing a corps of investigators and subofficials. It is especially valuable in granting certificates of financial ability to employers desiring to carry their own risk, which is hereinafter referred to. Personal character is recognized by the great commercial agencies as a prime consideration in extending credit. Each commissioner has knowledge by common repute, and in a great number of cases by personal acquaintance, of the character, business standing, and social and business ideals of the heads of the industrial institutions that apply for certificates. He has means of keeping close watch upon their financial standing. He enjoys a personal acquaintance with the responsible adjusters of the various companies and with the representatives of local trade-unions who sometimes represent the interests of employees at hearings. Not infrequently he knows personally the circumstances and character of the injured employee himself. In other words, he can take notice of many facts essential to the administration of justice, incapable of being reproduced with fidelity in a transcript of evidence.

In the exercise of his power to limit the fees of physicians to those prevailing in the community for persons of like standard of living, in his judgment of the value of testimony of medical experts in accordance with their recognized standing in their profession, and in his occasional designation of experts to act as his adviser by stipulation of the parties, the knowledge acquired by the commissioner through local residence and acquaintance is invaluable. It is doubtful if any feature of the act contributes more to the ends of justice than the commissioner's personal knowledge of the individuals of the medical profession.

When Gov. Baldwin, in whose administration the act was passed and by whom the original board of commissioners was appointed, characterized the office of compensation commissioner as a tribunal to which "the immigrant widow with a shawl over her head" might repair for counsel and advice, he reduced to a figure of speech the essential spirit of the act. This was later translated into the terms of a court ruling by Justice Wheeler, in the Hotel Bond's appeal, when the court defined the compensation commissioner as "the adviser of all and the umpire between the disputants."

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One of the evils which it was the purpose of this act to correct was the unavoidable delay in securing judgment through the courts. It is not necessary to rehearse the familiar fact that trials were tedious and expensive and hedged about by rules of procedure; appeals were taken to the higher courts,

and if in the end injured employees secured a substantial sum in the way of damages it was largely eaten up by costs and attorneys' fees. In the meantime the employer had been compelled to spend an amount approximating that now paid out under the workmen's compensation act.

It will be a matter of public interest to know to what extent these evils have been remedied. As has hereinbefore appeared, there have been 10,492 cases settled by voluntary agreement and 533 cases determined by formal hearing and award. \* \* \* Cases settled by voluntary agreement average to be approved by the commissioner and transmitted to the clerk of the superior court 43 days after the injury is sustained. When, however, we deduct the waiting period, together with the week allowable for the maturity of the first payment, this delay is cut down to 25 days. This average is, of course, rendered less favorable by certain cases which for necessary and proper reasons, elsewhere referred to in this report, are delayed.

The foregoing averages, however, fail to show the real facts as to settlements. In our discussion of the topic "Advance payments to needy employees" we refer to the manner in which payments are made to an injured employee prior to the filing of the voluntary agreement. \* \* \* Computation based upon a sufficient number of typical cases thus reported to provide a fair average show that payments are actually made by the employer, or his insurer, to the employee 30 days after the injury was sustained or incapacity began. Deducting therefrom the waiting period and the one week allowed thereafter for the maturity of the first payment, we find that the actual delay in placing funds in the hands of the injured employee is cut down to 12 days.

While this may not be ideal, it being the purpose of the legislature to provide a plan whereby compensation will be paid as promptly and regularly as wages, we believe that under no compensation act in any American State are payments made more promptly. This is, of course, due primarily to the system of administration by small districts placed under the jurisdiction of a single commissioner. Constant efforts are being made by each commissioner to reduce this average. We believe that as time goes on it will be so reduced, because as employers become more familiar with the act and its terms they will report injuries to insurance companies more promptly. It is our belief that in the plants of large employers carrying their own risk compensation is in most cases paid as promptly after the termination of the waiting period as wages are paid. It will be observed that even under the present practice payments reach the employee in one month's time after they cease to draw wages—in other words, as promptly as wages reach those employees who are paid by the month.

I doubt not that throughout my address there has existed in the minds of a considerable portion of my hearers a query as to how certain administrative functions applying to the State as a whole are provided for under the district system. In Connecticut functions which in various other States are delegated to the compensation commission or the industrial accident board are performed by the commissioner of labor and factory inspection, by the State board of education, and by other departments. In other words, the Connecticut commissioners have very little to do with the compilation of statistics, the inspection of factories, or the enforcement of labor laws. There are, however, certain common duties which the several commissioners have to perform, and the legislature constituted the

several commissioners, when acting together for the performance of such duties, a central body styled the board of compensation commissioners. In this capacity the necessary forms are prepared, the necessary bulletins are issued, reports are compiled, matters of procedure are discussed, and in some instances questions of law and fact pertaining to particular claims of a doubtful character are taken up. The board meets on the call of the chairman. At certain seasons of the year meetings may be held several times a month, while at other seasons several weeks may elapse without a meeting being called. No difficulties have arisen through lack of uniformity of procedure in the several districts, nor has there been any serious conflict between the commissioners in their construction of the act. There have been, of course, some disagreements as to the meaning of the law, but these are probably no more important or frequent than those of the judges of the lower courts prior to the final adjudication of a legal principle by the court of last resort.

There is no doubt about the marked success of the district system in a populous territory like Connecticut. Take, for example, the district under my jurisdiction, known as the first congressional district, in which the city of Hartford is located. It so happens that this district is identical in area with Hartford County, which may be roughly described as a very irregular parallelogram about 25 miles square, and containing a population of nearly 300,000. In this district are situated seven industrial centers. The industrial compactness of the district may be shown by the fact that the trolley fare from the remotest center to my office is 28 cents, and the highest telephone charge is 25 cents. By far the greater part of the industrial population, however, is within a 10-cent telephone call, and a 10 or 15 cent trolley fare. The district is gridironed by macadam and concrete roads, and by trolley and railroad lines. The commissioner enjoys the personal acquaintance of a considerable percentage of the manufacturers and labor officials of the district. He also possesses considerable knowledge of the character and skill of the surgeons of the district. He has means of acquiring, without expense, knowledge of the character and mode of life of workmen, or their dependents. In numerous ways this close connection of the commissioner with the field to be administered and the intimate relationship resulting therefrom are invaluable for the effective administration of the act. The third Connecticut district is even more congested than the first, and the fourth is similar to the third. The fifth district, however, is very much larger in area, while the second covers geographically more than half the State of Connecticut. So far as we have been able to observe there is little difference in the efficiency of the district system as between the populous and the more sparsely settled areas, but to what extent a similar system might be applied,

for instance in the State of Texas, or, to use an extreme case, the State of Nevada, whose population is only 81,875, but whose area is 150 times that of Hartford County, is a serious question.

We usually defend and advocate the method or system with which we are most familiar. It is quite natural that as an administrator of the district system I should appear as its defender. It may, however, lend some weight to my conclusions if I add that at the time I was appointed I looked with disfavor on the plan which had been inaugurated by the legislature. I was somewhat under the spell of that bureaucratic efficiency which is usually attributed to a central State board. My conclusions with respect to the district system have been forced upon me by the frictionless and, as I believe, generally equitable and humane results which have been attained under this system in the State of Connecticut. Through no particular virtue of the persons intrusted with its administration, the administrative features of the act gave immediate and universal satisfaction. So far as I know no manufacturer, trade-unionist, sociologist, or other person of standing has criticized the administration of the act. The board was promptly placed upon a bipartisan and non-political basis by Gov. Baldwin, and this basis has been retained by his successor in office, Gov. Holcomb. Any official of average intelligence and common honesty can do good work under almost any system if he is let alone, but no official, under however perfect a system, can render good service if he is constantly nagged and beset by politicians and other persons with axes to grind. In attempting to determine the best method of administration we must do as wise men of all times have done in all other human affairs—worship no preconceived system, plan, theory, or device, but simply apply to each set of conditions as it arises that measure of practical wisdom and sound common sense with which nature has endowed us. The Connecticut commissioners come to this conference to learn, not to instruct. They are the propagandists of no pet method or project. Frederick the Great used to say that when he wanted to punish a province he let it be governed by its philosophers.

## THE PENNSYLVANIA SYSTEM.

BY HARRY A. MACKEY, CHAIRMAN, WORKMEN'S COMPENSATION BOARD OF PENNSYLVANIA.

I take it that when this subject was assigned to me it was intended that I should explain the system of administration of the Workmen's Compensation Bureau of Pennsylvania and elaborate only upon those features that perhaps are unique and stand out in contradistinction to the methods adopted by other States. In other words, in a conference such as this it is not necessary in a paper on any phase of workmen's compensation to defend its principles nor to justify its existence either by argument or statistics. Our presence here emphasizes our convictions and thoroughly establishes the fact that we are anxious to compare our methods and results in order to equip ourselves better for this great humanitarian work.

Let me call your attention to the tremendous problems with which we in Pennsylvania have to contend. We have 8,000,000 people in Pennsylvania; we have 200,000 employers and 2,000,000 industrial workers. We take 593 different kinds of mineral deposits out of the earth. We manufacture in Philadelphia more of some particular things—from saws and carpets to locomotives—than any city in the world. Then, of course, we have the great steel and iron mills in Pittsburgh, and anthracite coal in eastern Pennsylvania and bituminous in western Pennsylvania.

The output of Pennsylvania for the year 1915—just the output in minerals—amounted to \$1,044,089,000. This will show the hugeness of the Pennsylvania problem. We also have the oil districts of the northwest.

Ten months of compensation in Pennsylvania are responsible for rather interesting data.

The number of compensation cases from January 1, 1916, until November 1, 1916, was 65,820.

Of this number 2,113 were fatal cases. In 41,000 of the above number compensation agreements have been approved.

Information pertaining to the month of October:

Fatality compensation due according to agreements approved.....	\$618, 872. 50
Fatality compensation paid during the month.....	25, 671. 52
Disability compensation paid during the month.....	176, 357. 11



Of the 2,113 fatal compensation cases, 896 compensation agreements have been approved by the board.

The amount required to pay the dependents of the 896 men is .....	\$2, 263, 603. 24
Total amount of fatal compensation paid to date is	95, 133. 88
Disability compensation paid to date.....	896, 569. 99

There have been 1,388 claim petitions filed. In about one-fourth of this number compensation agreements have been entered into prior to the hearings before the referees.

We find in the bituminous-coal region, which includes Washington, Allegheny, Fayette, and Greene counties, there were 4,429 compensation cases. Of this number 139 were fatal cases.

In the anthracite-coal region we find there were 6,958 compensation cases. Of this number 333 were fatal cases.

We also find that the majority of men killed are Americans, and that it requires between \$2,500 and \$2,600 to pay the dependents in the fatal cases.

The Pennsylvania Legislature of 1915 promulgated our workmen's compensation legislation in six acts, as follows:

1. An act creating bureau to enforce workmen's compensation act.
2. An act creating State insurance fund.
3. An act regulating policies of insurance against liability arising under Article III of the workmen's compensation act.
4. An act authorizing the creation of mutual liability insurance associations.
5. An act exempting farm and domestic employees from the workmen's compensation act.
6. Joint resolution amending the constitution of Pennsylvania.

#### SYNOPSIS OF THE ACT.<sup>1</sup>

*All accidents.*—In Pennsylvania in "course of employment" causing disability for more than 14 days—or death in 300 weeks (except when intentionally self-inflicted or caused by a third person for personal reasons). [Commenting on this subject, Mr. Mackey added, "It might be of interest to you gentlemen to know that in our State we have eliminated the necessity of inquiring as to whether the accident 'arose out of the employment,' as we grant compensation for all accidents occurring 'during the course of employment.'"]

*Employees excepted.*—Domestic servants, agricultural workers, home workers, and casual workers not employed in employer's regular business.

*Compulsory.*—On State, county, city, borough, township, school, "or any other governmental authority created by the laws of this Commonwealth."

*Optional.*—With all other employers and all employees.

*No compensation* allowed for first 14 days, but employer must furnish reasonable medical services during this time not to exceed \$25 unless a major surgical operation is necessary, when \$75 is the maximum.

*Nonfatal injuries.*—Rate is 50 per cent average weekly wages—time to run varies with disability—total amount not to exceed \$4,000.

<sup>1</sup> Prepared by Commissioner James W. Leech.

Compensation not to be over \$10 nor less than \$5 per week, unless wages are less than \$5 per week, when full wages are to be paid.

- (a) Total disability: Fifty per cent wages to end of total disability, not to exceed 500 weeks, nor \$4,000.
- (b) Partial disability: Fifty per cent loss in earning power (difference between wages before and after accident) to end of partial disability, not to exceed 300 weeks.
- (c) Permanent injuries: Fifty per cent wages for 175 weeks for loss of hand; 215 weeks for loss of arm or leg; 150 weeks for loss of foot; 125 weeks for loss of eye.

NOTE.—Loss of any two such members, not constituting total disability, the sum of periods for each; loss of both eyes, hands, arms, feet, or legs equals total disability.

*Fatal injuries.*—Rate varies with number of dependents.

Wages (for computation purposes) not over \$20 nor under \$10 per week. Compensation therefore can not be over \$12 nor under \$1.50 per week; time to run 300 weeks.

Compensation not paid to widow unless living with, or actually depending upon, her deceased husband at time of his death.

Compensation not paid to widower unless incapable of self-support and dependent upon his wife for support at time of her death.

Reasonable expenses of last sickness and burial not to exceed \$100 must be paid to dependent, if any; if not, then to personal representative.

- (a) If there be neither widow nor dependent widower, and—
  - 1 or 2 children survive, 25 per cent wages to children until 16 years of age.
  - 3 children survive, 35 per cent wages to children until 16 years of age.
  - 4 children survive, 45 per cent wages to children until 16 years of age.
  - 5 children survive, 55 per cent wages to children until 16 years of age.
  - 6 or more children survive, 60 per cent wages to children until 16 years of age.
- (b) If a widow or widower survive and—
  - 0 children, 40 per cent wages to widow or widower for 300 weeks.
  - 1 child, 45 per cent wages to widow or widower for 300 weeks.
  - 2 children, 50 per cent wages to widow or widower for 300 weeks.
  - 3 children, 55 per cent wages to widow or widower for 300 weeks.
  - 4 or more children, 60 per cent wages to widow or widower for 300 weeks.
- (c) If there be neither widow, widower, nor children, and parents survive, 20 per cent wages to parents or survivor for 300 weeks if dependent to any extent upon deceased employee.
- (d) If there be neither widow, widower, children, nor dependent parent, and brothers and sisters, actually dependent, survive—
  - 1 brother or sister, 15 per cent wages to brother or sister for 300 weeks.
  - 2 brothers or sisters, 20 per cent wages to them for 300 weeks.
  - 3 or more brothers or sisters, 25 per cent wages to them for 300 weeks.
- (e) Nonresidents of United States: Widows and children receive two-thirds of amounts provided for residents. Widowers, parents, brothers, and sisters not entitled to compensation.

Compensation must be paid to all children until they reach the age of 16.

If this requires more than 300 weeks, then the compensation for time in excess of 300 weeks shall be as follows:

- 1 child, 15 per cent wages until 16 years of age.
- 2 children, 25 per cent wages until 16 years of age.
- 3 children, 35 per cent wages until 16 years of age.
- 4 children, 45 per cent wages until 16 years of age.
- 5 or more children, 50 per cent wages until 16 years of age.

*Insurance.*—Every employer electing to come under Article III must insure to cover his liability to his employees and may do so in—

1. The State insurance fund,
2. A stock company,
3. A mutual company, or
4. Carry his own insurance, if permitted by the board.

*Note.*—If, after 30 days' notice, he should fail to insure, an insured employee, his dependents or his personal representative, if injury is fatal, may elect to sue at law for damages under Article II, or demand compensation under Article III of the act.

#### THE PENNSYLVANIA ACT ELECTIVE.

Our main act and its auxiliary establish a scheme of compensation which is an elective one. This election, however, is denied to all governmental agencies. This law is administered by a quasi-judicial board composed of three commissioners, who perform the various functions of administration, from granting exemption from the necessity of insuring to those who have proved their financial ability to carry their own risks, to approving compensation agreements, granting commutation in present value of continuing payments, granting hearings de novo and conducting the same, and either reversing or sustaining the decisions of the referees.

Pennsylvania has the referee system. The State was divided by the board, under direction of the act of assembly, into eight compensation districts, equalizing as far as possible population and hazardous employments. Ten referees were assigned to these eight districts. The most striking feature of the Pennsylvania system is its simplicity. The act was made elective because Article III, section 21, of the State constitution prevented the passage of a compulsory law. Our electors at a recent election adopted an amendment to the constitution, so that hereafter compulsory legislation will be possible if the legislature deems it wise.

#### THE PENNSYLVANIA LAW CONSTITUTIONAL.

Our supreme court, in *Anderson v. Carnegie Steel Co.*, sustained the constitutionality of the law upon this elective feature. Chief Justice Brown said:

It is first contended that section 201, Article II, of the act of 1915 is unconstitutional, because (1) it is violative of Article I, section 9, of our constitution, which provides that one can not be deprived of his property "unless by the judgment of his peers or the law of the land, and (2) because it is in con-

travention of the fourteenth amendment of the Constitution of the United States, which declares that no one shall be deprived of his property "without due process of law." Section 201 is as follows: "In any action brought to recover damages for personal injury to an employee in the course of his employment, or for death resulting from such injury, it shall not be a defense: (a) That the injury was caused in whole or in part by the negligence of a fellow employee; or (b) that the employee had assumed the risk of the injury; or (c) that the injury was caused in any degree by negligence of such employee, unless it be established that the injury was caused by such employee's intoxication or by his reckless indifference to danger. The burden of proving such intoxication or reckless indifference to danger shall be upon the defendant, and the question shall be one of fact to be determined by the jury." It is urged that the taking away of these defenses is deprivation of property without due process of law. Section 201 applies only to actions at law for damages resulting from the negligence of employers, and by it they may no longer set up certain defenses available under the common law; but no one has property in any rule of that law. Rights of property may be acquired under it, and when so acquired, the owner of them is not to be deprived of them "unless by the judgment of his peers or the law of the land"; but, while rights of property created by the unwritten law can not be taken away without due process of law, the common law itself may be changed by statute, and, from the time it is so changed, it operates in the future only as changed. The written and unwritten law are both rules of civil conduct proceeding from the supreme power of the State. "That one is unwritten and the other written can make no difference in their validity or effect. The common law did not become a part of the laws of the States of its own vigor. It has been adopted by constitutional provision, by statute or decision and, we may say in passing, is not the same in all particulars in all the States. But however adopted, it expresses the policy of the State for the time being only and is subject to change by the power that adopted it." (*Western Union Telegraph Co. v. Commercial Milling Co.*, 218 U. S. 406.) In *Mondou v. N. Y., N. H. & H. R. R. Co.*, 223 U. S. 1, it was held that an act of Congress abolishing the defenses of assumption of risk and the fellow-servant rule, and providing that contributory negligence shall merely mitigate damages, did not violate the "due process of law" clause of that Constitution, and, in so holding, it was said: "A person has no property, no vested interest, in any rule of the common law. That is only one of the forms of municipal law, and is no more sacred than any other. Rights of property which have been created by the common law can not be taken away without due process; but the law itself, as a rule of conduct, may be changed at the will \* \* \* of the legislature, unless prevented by constitutional limitations. Indeed the great office of statutes is to remedy defects in the common law as they are developed, and to adapt it to the changes of time and circumstances." Other cases to the same effect are: *Young v. Duncan*, 218 Mass 346; *Borgnis v. Fulk Co.*, 147 Wis. 327; *Section v. Newark District Telephone Co.*, 84 N. J. L. 85; *State v. Creamer*, 85 Ohio St. 349. The first contention of the appellant is groundless.

It is next contended that section 204 of Article II of the act of 1915 is unconstitutional, because it is an unreasonable interference with the right of an individual to make his own contract and is as follows: "No agreement, composition, or release of damages made before the happening of any accident, except the agreement defined in Article III of this act, shall be valid or shall bar a claim for damages for the injury resulting therefrom; and any such agreement, other than that defined in Article III herein, is declared to be

against the public policy of this Commonwealth. The receipts of benefits from any association, society, or fund shall not bar the recovery of damages by action at law, nor the recovery of compensation under Article III hereof; and any release executed in consideration of such benefits shall be void." At the time the act of 1915 was passed the settled law of this State was that a contract limiting or releasing damages for future negligence was against public policy. (Pennsylvania Railroad v. Butler, 57 Pa. 335; Grogan & Mertz v. Adams Express Co., 114 Pa. 523; Pennsylvania Railroad v. Ralordon, 119 Pa. 577.) The foregoing section is but a statutory extension of the same principle.

It is further urged that sections 301, 302, and 303 of Article III of the act of 1915 are unconstitutional, because they are violative of Article I, section 6, of our constitution, which declares that "trial by jury shall be as heretofore, and the right thereof inviolate." If the foregoing sections are to be binding on an employer or employee in any case, they will be so only after both have agreed they shall be so bound. It is clearly pointed out in section 302 to each of the contracting parties how either of them may, in a very simple way, prevent the operation of Article III. Neither of them is deprived of a trial by jury except by his own consent, conclusively presumed to have been given unless withheld in the manner prescribed by the act. Either party, employer or employee, by his statement in writing to the other that the provisions of Article III of the act "are not intended to apply," may prevent their application. Nothing is to be found in the said three sections depriving employer or employees of the constitutional right of a trial by jury. They merely permit a waiver of the same, if both so agree, and neither the Federal nor State constitution precludes such waiver. (Krug v. Lycoming Fire Insurance Co., 77 Pa. 15.)

Finally, it is contended that Article III of the act of 1915 is unconstitutional, because it is violative of section 21 of Article III of our constitution, which provides: "No act of the general assembly shall limit the amount to be recovered for injuries resulting in death, or for injuries to persons or property; and in case of death from such injuries, the right of action shall survive, and the general assembly shall prescribe for whose benefit such actions shall be prosecuted." It need only be said of this contention that the amount to be recovered for injuries to an employee is limited only when the parties to the contract of employment so agree.

#### THE INQUIRY OF THE EMPLOYER.

The employer of Pennsylvania faces then a constitutional compensation law, and is compelled to ask himself certain questions. The legislation being entirely new to our 200,000 employers and 2,000,000 industrial workers, their inquiries necessarily have been quite primitive and elementary. It can be imagined that every employer has asked himself the question, "Am I under the terms of this legislation?" The answer came to him: "Yes, if you employ 1 man or 100,000." Then naturally he would seek information leading to the determination of the question of accepting or rejecting the terms of the law. It is suggested that a wise employer will very readily conclude to accept the act, and to adopt compensation, for the reason that if he rejects he places himself under section 201, which provides that in any action brought to recover damages for personal

injuries to an employee in the course of his employment or for death resulting from such injuries it shall not be a defense—

(a) That the injury was caused in whole or in part by the negligence of a fellow employee,

(b) That the employee had assumed the risk of the injury, or

(c) That the injury was caused in any degree by the negligence of such employee unless it be established that the injury was caused by such employee's intoxication or by his reckless indifference to danger.

#### BURDEN OF PROOF IN CASE OF REJECTION.

The burden of proving the allegations of intoxication or reckless indifference to danger is placed by our law upon the employer, both defenses being questions of fact to be passed upon by a jury. It is interesting to note that only a few of our employers rejected the act, and in every case their business is of such nature that liability for negligence is of the most remote possibility. In order that an employer should reject the act it was necessary for him to serve a written notice of such rejection upon each of his employees in the language understood by the employee and to file with the board an affidavit setting forth the names of such employees so served, with the time and place of such service. Our experience has thoroughly justified the provision of the act requiring a definite and initiatory step on the part of the employer in order to reject. We submit that the results are more satisfactory than a system which presumes rejection and provides for a written acceptance of the law on the part of the employer. Under the scheme of administration contemplated in our act the board and all our executive agencies are called the bureau. This term is inclusive of the members of the board, the referees, statisticians, financial experts, inspectors, and all the clerical force necessary to insure the enforcement of the law. Under the accident reporting law of 1913, the employer is compelled to forward within 48 hours a report of any accident in his establishment to the department of labor and industry. It will be noticed that our workmen's compensation bureau is a division of the department of labor and industry.

#### SYSTEM OF REPORTING AND RECORDING.

In passing—statistics are tiresome, but sometimes interesting—I note that one of the speakers spoke of the number of inspections. Our department of labor and industry during the year 1915 made 200,000 personal inspections of machinery in the plants of Pennsylvania. All the various divisions of this great department are interwoven and interlaced so that each ministers to and aids the others, and all make for the fullest accomplishment of this great work. An outline of the work of the bureau is as follows:

When an accident report is received, two index cards are immediately made out, one in the name of the employer and the other in the name of the employee. They are of different colors and are filed under the captions of employer and employee. The accident report is given a serial number and is also filed. If the report indicates that the injury is one that will necessitate the payment of compensation, the report is sent to the workmen's compensation bureau or is filed under the name of the injured employee. If it is one in which compensation will not be paid, it is kept on the files until the supplemental report is received. If the supplemental report shows clearly that it is not a compensation case, the report is then coded and the material it contains taken off on cards which are run through the Hollerith machine and tabulated. If it is a compensation case, the report is held in the files for a reasonable length of time, and if an agreement comes in, then that agreement is attached to the report as well as all reports and any other correspondence in that particular case. When it becomes a closed case the report is returned to the bureau of statistics and information, where it is coded and the information tabulated. If an agreement is not received in a reasonable time, and the report indicates that it is a compensation case, the employer is then asked why he has not entered into an agreement with his injured employee, and if an accident report has been supplemented by an agreement for compensation and no receipts for the payment of the same are on file, then the employer is likewise interrogated as to why they are not there and if compensation has been paid.

#### THE WORK OF THE REFEREES.

On the other hand, if an accident occurs and the employer and employee are not able to agree as to the extent of injury and as to the amount of compensation as provided for by our law, then the injured employee executes a claim petition and sends it to the bureau at Harrisburg. In the preparation of this petition he is privileged to visit a compensation referee, who will furnish him with the required forms, assist him in its preparation, take his affidavit, and forward the same to the bureau. Immediately upon its receipt it is filed and docketed and is forwarded to the referee most conveniently located to the scene of the accident. A copy of the petition is served upon the defendant and the insurance carrier is notified. May I say right there that we have found it is a most important thing to do. We treat the insurance carrier as having equal rights with the defendant. We have had many cases that did not progress successfully because the real defendant had carried his notice around in his pocket and had not let his insurance carrier into his confidence, and therefore we have treated the two alike as far as notices are concerned. Within 7 days after such notice and service of a certified

copy of the petition upon the defendant he shall fix a time and place for hearing, which hearing shall be not less than 12 nor more than 21 days after the notice of the filing of the petition shall have been mailed or delivered to all adverse parties thereto. In the meantime the defendant, either himself or through his insurance carrier, must file his answer within 7 days after the claim petition has been served upon him. Our referees are the most important functionaries in the administration of our law. They come in first contact with the people. Very frequently they are able to effect an agreement between the parties after a claim petition has been forwarded to them. They are frequently able to point out to the parties that they are differing over very immaterial matters or that one or the other is misunderstanding the plain provisions of the law. If, however, there can be no such amicable arrangement, then the case goes to a hearing and the referee must file within 7 days thereafter his findings of fact and conclusions of law, together with his allowance or disallowance of an award. Either party who is aggrieved at the findings of the referee can appeal to our board within 10 days after notice has been served upon him of the referee's findings. The board at its next meeting will place the case upon its calendar and will dispose of the same either with or without argument or upon written briefs alone, when the parties can appear with or without counsel.

From the decisions of the board there can be appeals to the common pleas courts, but in such cases the findings of fact of the referees, when affirmed by the board, are conclusive, so that matters of law alone are subjects of argument. In the determination of over 60,000 cases in 10 months, including the approval of agreements, and in the sustaining or disallowing the awards of the referees there have been but 11 appeals to the common pleas courts. These appeals are made to the courts of the county of the claimants unless the parties by mutual agreement then shall choose another forum. The board meets in Harrisburg, Philadelphia, Pittsburgh, Scranton, or other centers convenient to the dispatch of accumulated business.

We have then before us a calendar prepared by our secretary presenting the following order:

1. *Exemptions.*—We have each week petitions from employers asking to be relieved of the necessity of insuring. When these petitions are filed with the bureau they are referred to our financial experts. The statements contained in the petitions and the financial standing of the petitioners are thoroughly investigated. The reports are before us when we act upon the petitions.

2. *Compensation agreements.*—Under our act of assembly no agreement entered into between an employer and employee is of any binding effect until approved by our board. This guarantees to the employer that there is no possibility of any one imposing upon him.



If any agreement is not within the terms of our act, it is returned to the parties for correction, and, of course, it is not approved by our board until it is drawn within the language and terms of our law. It might be interesting to note that we have already approved of approximately 40,000 such agreements voluntarily entered into by employer and employee, showing that the terms of the act are plain and understood by all classes of our citizenship.

3. *Certificates of payment of compensation.*—These must be approved by our board before they are binding receipts.

4. *Appeals from the decisions of referees.*

5. *Petitions for determination of compensation because of the altered status of the parties.*

6. *Determination of compensation on agreed facts.*—Where the parties agree on the facts, but differ in their conclusions therefrom.

7. *Petitions for commutation.*—These have become numerous and of importance. When one of these matters came before our board recently, we outlined our policy as follows:

In this case the widow has formed the opinion that although by this agreement she has been secured in substantial semimonthly payments until her youngest child shall have reached the age of 16, to wit: December 26, 1931, that she prefers to have the future payments commuted to present value and venture the whole sum in some uncertain undertaking.

It seems to the board that it will be well to protect her as against herself by refusing her petition. These petitions for commutation come before us under section 424 of the workmen's compensation act. It will only be in rare cases that we can wisely exercise this discretion by granting such petitions. It is a great temptation to a widow or any beneficiary under this law to ask that the compensation payments be commuted to present value and paid in a lump sum. We think, however, in a great majority of these cases these petitions are ill advised, and a real wrong would be done to the petitioners if we granted their prayers.

The act has wisely provided for the payments of compensation to be made at such times as the injured or the deceased would have received his pay; thereby providing a certain modest, but sufficient, sum at stated intervals, so as to relieve the dependent of real want.

In the majority of these cases the dependents have been unaccustomed to the use of money in bulk, and the sudden acquisition of a considerable sum might readily lead to its unwise expenditure or to its unfortunate investment. The widow might terminate her dependency by remarrying and then the money would probably be spent without regard to the rights or the best interests of the children.

As a general rule, we are opposed to granting such petitions to alien citizens who are desirous of taking the money to foreign countries. Awards have been made on the basis of their residence here. This same amount of money in a foreign country would be worth more than it is here, hence the difference in the act in the amount to be awarded to alien dependents; not that our legislature intended to discriminate against this latter class, but it attempted to equalize money values between foreign countries and ours.

We desire by this opinion to apprise the public that it will only be in the exceptionally meritorious case that we will grant commutation.

8. *Petitions for hearings de novo—Uniform rules governing appeals.*—The practice throughout the State in the appeals to the common pleas courts was rendered uniform by the board drafting rules governing the same and submitting them to the board of judges of Philadelphia County, asking that this board lead the way and establish a precedent by adopting them.

Our Philadelphia judges immediately complied with the suggestion. Their example has been followed by practically all the common pleas judges of Pennsylvania. These rules provide *inter alia* that the referee shall cause his official stenographer to transcribe the testimony in full, certify to its correctness, and attach the same to his report, which shall be in the following order:

1. Title of case and number of claim petition.
2. Date and place of hearing.
3. Names and addresses of parties, insurance carrier, counsel, and witnesses.
4. A brief statement of material testimony.
5. Findings of fact.
6. Conclusion of law.
7. Award, citing section and clause of the act upon which the award is based, or giving in full reasons for disallowing compensation.
8. Distribution of costs.

To this whole record is attached the certificate of the referee that it is the full and correct record of the case. Then in response to a certiorari sur appeal issued by the prothonotary of the court where the appeal has been lodged, this whole record is returned, and to it is added the certificate of the chairman of the board as to the correctness of the proceedings thus sent back for review. And, further, upon the first page of this return are the docket entries of the case detailing every stage in the proceedings from the time of the filing of the claim petition with the bureau until its return to the court for review under the certificate of the chairman. At the same time the appellant files his specification of errors with his appeal and furnishes the board with a copy of the same. Thus we give the court the benefit of our entire procedure set forth in an intelligible and orderly manner. This record remains with the court to which it has thus been sent until it has been finally disposed of or in turn forwarded by the prothonotary of that court to the supreme or superior courts for final review, when the prothonotary of that court of last resort will then return it to the bureau at Harrisburg, where it finds its original number and then becomes a permanent record. The main office of the bureau is at the State capitol. The largest business offices in connection with the work of administering the compensation law are in Philadelphia and Pittsburgh, where there are

two referees in each office constantly engaged in hearing or adjusting cases.

#### REFEREES HOLD THEIR HEARINGS AT CONVENIENT PLACES.

It might be interesting to note that while our 10 referees each have an office, very few of their hearings are held in them. For instance, our two referees in Philadelphia hear the cases of district No. 1, which includes the counties of Philadelphia, Chester, Delaware, Montgomery, and Bucks. They fix their hearings at the nearest possible point to the place of the accident or near the residence of the injured man, so that the affairs of no business are interfered with by the withdrawal, under subpoena, of a large number of its employees summoned to meet at a referee's hearing at some distant point.

Our referees will go to the plant and conduct their hearings in the office of the management or in the town adjacent thereto. Much of their work is done at night. This rule prevails with all our 10 referees scattered all over the State. Our Philadelphia and Pittsburgh referees each have two stenographers, so that when one is taking testimony at a hearing the other can be transcribing his notes of another case previously heard. This method has caused a great cry of relief to go up all over the State, for we have substituted for long-delayed litigation, uncertainty of results, and serious consequences due to such delay sure and certain relief, expeditiously administered without cost to litigants, and avoiding the annoyance of technicalities.

The board early promulgated certain rulings explanatory of some parts of the act of doubtful interpretation and provided over 50 printed forms, anticipating every contingency that might arise in the administration of the act. Under the terms of our law the employer furnishes medical service for the first 14 days after disability. The employer has the right to select the physician. I presume that our experience has been quite common in other States, that this provision has been misunderstood and has led to considerable criticism at the hands of the medical profession.

#### THE PHYSICIAN AND COMPENSATION.

We have been engaged in meeting our medical brethren in their various organized bodies and have sought to establish the wisdom of this provision by speech and pamphlet. The result has been so satisfactory that I was justified in a paper read before the Philadelphia County Medical Society in saying:

At every appearance before a medical society I have urged patience, careful observation, and thoughtful study of the effect of this law upon the profession. Physicians individually and medical societies have exercised the greatest degree of moderation in considering this subject. I believe that when we shall have

enjoyed a full year's operation of this law and are ready to appear before the next legislature to recommend any amendments that our experience shall then have justified that we will not have as many suggestions from the medical profession, as it first seemed that we would. I believe that physicians will realize the multiplied opportunities this law presents for their activities and appreciate the fact that it does not fix their fees nor trespass upon the ethics of their great profession. It will only be, however, through the mature deliberation of societies such as this that the final judgment of the profession shall have been voiced.

Our board will then feel especially commissioned to place before the next legislature your recommendations which we know will represent the patriotic judgment of members of a great humanitarian profession imbued with the highest sense of civic and professional obligations.

### INSURANCE.

The question of insurance has been a very important one to our employers. Pennsylvania presents three opportunities in this respect. An employer may insure in a stock company, licensed to do business in Pennsylvania by our insurance department, or he may secure his personal immunity through a mutual company whose formation has been authorized by our legislature, or he may insure in the State fund, whose existence was provided for by the same legislature that created workmen's compensation. This latter fund is administered by a separate commission composed of the State treasurer, the commissioner of labor and industry, and the insurance commissioner.

The workmen's compensation board, whose duties are at least quasi judicial, has held itself aloof from any insurance discussion. In order clearly to place ourselves upon record and to answer the suggestion that we were engaged in promoting the State fund to the end that the next legislature should make insurance therein compulsory to the exclusion of all other forms of insurance, we have just issued the following:

In order to correct a rumor that if not contradicted might bring about a great misunderstanding, we desire to say that the workmen's compensation board, as far as the question of insurance is concerned, is entirely neutral and officially has no preference, nor have we a right to make any favorable suggestions in favor of one company or system of insurance over another.

All that our board is interested in is that the insurance companies doing business in Pennsylvania shall be perfectly solvent, so that a policyholder may have the security for which he pays. The only matter of vital interest to us is that the insurance carrier be financially strong and that the rating board fix the rates so that these carriers can prosper, for we can not expect an insurance company to carry hazardous risks without a fair profit.

Many of our employers naturally are looking for a cheap rate, but the thing to do is to inquire whether the rate is an adequate one, because if it is not no insurance carrier can survive. There ought to be plenty of competition. This law has created probably \$30,000,000 worth of new insurance business in our State. No one should desire that the State fund monopolize this business any more than any other company. There should be a fair field with no favors.

All the various schemes of insurance that have been doing business in Pennsylvania having been approved by the State department at Harrisburg have their particular advantages.

Therefore any statement that our board is using its official influence to favor the State fund as against the old-line stock companies, or that we are addressing ourselves to the question of insurance at all, is entirely erroneous; as a matter of fact, we are opposed to creating a State monopoly. We are very carefully watching how each company meets its obligations and the promptness with which our awards are paid and the spirit displayed by the various carriers toward the employees. We are interested in security and prompt payment only. As a board, we do not care what carriers come up to these conditions and all will receive our support and will be treated exactly the same in the determination of their cases.

#### CONCLUSION.

We have endeavored in every possible way in our short existence to create a system whereby substantial relief can be immediately brought to the home of the injured at a time when it is most needed. We have endeavored to create a method of compensation whereby no employer can impose upon his employee, and at the same time we have been just as zealous to protect the employer as to furnish relief to the employee.

While our act provides that neither the board nor the referees shall be bound by the technical rules of evidence, we have not construed this clause to justify the finding of verdicts upon purely hearsay evidence. In investigation our board and our referees admit such testimony, but before one man's property can be taken for another a verdict must rest upon substantive and substantial evidence, otherwise this great humanitarian enactment will become an unthinkable propaganda that can not survive in an intelligent community.

We early impressed upon our referees that the success of the venture in Pennsylvania depended upon the common sense and the good judgment displayed by them. We adjured them to hold the scales of justice so delicately balanced that they would dip one way or the other because of evidence only and that their investigations should be for the ascertainment of the truth alone. We pointed out to them that, while this was a great humanitarian law, nevertheless it must be administered by the dictates of the brain rather than by the emotions of the heart. In judgment over their work has sat our board of three lawyers, who might be called common-law lawyers believing in the science of the law and thoroughly convinced that ultimate justice can be based only upon sound evidence.

Our Pennsylvania system has received in the short space of 10 months from our 200,000 employers many encomiums. The men who go down into the mines and those who work in the mills and in the factories, the women of the shops and those who are anywhere engaged in the activities of Pennsylvania's industry have heralded

compensation as the greatest of all conceptions for the benefit of mankind.

The CHAIRMAN. There is an imaginary and invisible line running across our northern border for nearly 3,000 miles, separating the Dominion of Canada from the United States. In this work of compensation, however, there is no line, imaginary or otherwise, that separates the men who are engaged in this work, whether they work on the one side or the other of that imaginary line. It gives me great pleasure to welcome here—to introduce to you—Mr. George A. Kingston, of the Workmen's Compensation Board of Ontario.

[Mr. Kingston then read his paper. When the 20-minute limit was almost up, a gentleman said, "This is such an interesting paper that I move he be allowed to go on. It is not often that we get a man from Canada to the United States." Motion carried, and Mr. Kingston proceeded to finish his paper.]

## THE MERITS AND DEMERITS OF THE ONTARIO SYSTEM OF WORKMEN'S COMPENSATION.

BY GEORGE A. KINGSTON, COMMISSIONER, WORKMEN'S COMPENSATION BOARD OF ONTARIO.

I approach the subject matter of this paper with rather conflicting emotions. It is easy enough for any of us to discuss the merits of our respective compensation laws, but when we come to speak of their demerits we are naturally a bit embarrassed. We all, however, if we are honest with ourselves, should recognize our weaknesses. It is the wise man who first learns his own weak spots, and the wise Nation, State, or Province also that is quick to recognize where its laws should be strengthened or where the national administrative machinery should be repaired or improved.

However, it is possibly but human nature to try to avoid discussing our weaknesses on the housetops, so if this paper deals largely with what may be considered the merits of our law, do not think that I can not see room for improvement in a number of features of our system of compensation in Ontario. After all it depends so much on the point of view, whether what one considers a meritorious feature of any law has real merit or not, or, shall I put it, upon the environment in which one has become involved in his experience with the subject.

In our administration of the law in Ontario I have grown up in an atmosphere which is strong on what has come to be known as the State insurance system, with all that is comprehended in the two familiar words associated therewith, viz, exclusive and compulsory.

I am quite sure, however, there will be many present at this conference who just as firmly believe that such a system is not well adapted to their particular State. With such I have no quarrel. Doubtless they have many arguments which they consider good and sufficient to support their point of view. The purpose of this paper, however, is simply to mention a few of the features of our law—first, those for which we claim some merit and, second, the points in respect to which I consider there might be improvement.

I conceive it to be our uniform desire at this conference, in so far as it deals with the question of workmen's compensation, to get words of wisdom from men who are familiar with one or other form of administration, so that we may see how this or that system is working out in its practical application to the industrial life of the State or Province in which the law is being administered.

## STATE INSURANCE SYSTEM.

It will be readily understood from what I have stated above that the law in Ontario is an exclusive, compulsory system. At the end of this December the law will have been in force two years. The liability companies doing business in the Province arranged with the coming into force of the law on January 1, 1915, to cancel all existing policies pro rata. On that date the field was at once cleared of everything in the shape of competition. A table of rates had previously been adopted by the compensation board for each industry in the Province, an estimate of each employer's pay roll for the ensuing year called for, and a few days prior to the new law coming into force the board levied the first year's assessment on the employers of the Province, giving to each employer the option of paying it in two installments, if he so desired, interest being charged on the deferred portion. It is interesting to note that about three-fourths of the employers so assessed paid the full amount of the first year's assessment in one payment at the outset, notwithstanding the fact that the war had only recently started and business in many lines was very seriously dislocated. This, of course, was only a provisional assessment. At the end of that year the board called upon each employer for a sworn statement showing the actual wages expended in 1915, together with an estimate for 1916; and in sending out the new assessment early in 1916 there was embodied in it an adjustment for 1915—that is to say, the employer whose original provisional assessment was too high because of lower wage expenditure than the amount estimated was given a proper credit, and, on the other hand, the one who had underestimated his wage expenditure was charged a pro rata excess.

This all worked out without any difficulty once the method of working out the details was clearly established.

This adjustment was for the most part based on wages only, but in quite a number of industries it was decided that there should be an adjustment on rate also—for example, in the printing business the original rate established was 50 cents. The experience in this class for the year was so uniformly good and we had such a substantial surplus at the class credit at the end of the year that it was considered the rate should have been 25 cents from the first, and adjustment was accordingly made on this basis. The rates were carefully revised early in 1916, and generally speaking the new rates showed quite a substantial reduction from those for 1915. In this connection I may say that the board has but one desire, viz, to get the rates to the point where they will meet the actual cost of compensation plus the small loading required for expenses of administration. This, of course, is the rock upon which we split with the insurance companies.



Our expense ratio in Ontario was about 5 per cent for 1915—that is, 5 per cent of our gross assessment. As this gross assessment was somewhat in excess of our compensation cost, if the latter figure were taken as the basis, the percentage of course would be a little higher, but certainly our expenses would not be more than 7 or 8 per cent of our compensation cost. No insurance company can run its business on any such expense ratio, and when they argue that they are willing to carry the risk at less than our rates, one of two things must be apparent—either their rates are too low or ours are too high. If the insurance company rates are too low, they must eventually either go out of business or raise their rates to a point which will overtake their losses, for I know of no insurance company philanthropic enough to continue running its business very long, at the expense of its shareholders, for the good of the public.

If, however, our rates are too high, and I imagine possibly they are in a few of the classes, then any surplus which has been accumulated by reason of such excessive rates belongs pro rata to the subscribers to the fund in the respective classes. These are our shareholders, and if our rates are excessive, we will, with the accumulated surplus, be able to pay dividends to our employers in the form of a reduced rate for next year.

Our aim, as I say, is to operate at actual cost, and we can have no interest in collecting more from employers than is actually required for this purpose.

I know, of course, the time-worn argument that no Government commission can operate a system of State insurance as economically as a privately managed corporation. Norway, I think, was the first country to prove the fallacy of that argument, and the Ohio experience, if I correctly understand the situation, is a disappointment to those who are opposed to the State insurance method of compensation. It is also very freely asserted by certain writers that it is impossible to hope for anything in the shape of honesty or efficiency from a board appointed from political considerations. While I can not pretend to understand accurately the conditions in your country, I do know that in Ontario the State insurance plan has been a success. There has never been a suggestion from the time the board was organized up to the present that any judgment or action of the board has been dictated by political influence, nor, so far as I know, has any member of any political party sought to influence unduly the judgment of the board in any cause or matter.

#### COMMISSIONERS' TENURE OF OFFICE.

Perhaps it is because of the fact that the work of the board in Ontario is so far removed from politics that we can speak as we do

about political interference in our work, or rather the absence of it. The board was, of course, appointed by the Government in power at the time the act was passed. In most of the States, I understand, such appointments are made by the governor of the State personally. With us the governor is merely the representative of the Crown and acts in such matters only on the advice of his responsible ministers; so we say the appointments are made by the lieutenant governor in council, which means that the council of ministers (otherwise known as the cabinet) had all to do with the selection and appointment of the members of the board, the lieutenant governor simply giving his formal assent to the order in council.

This question of "responsible government," to which I have alluded above, might be the subject matter itself of a paper well worth studying. Books have been written on it, and early in the last century much bitterness was engendered and some blood was shed in the struggle which secured for Canada this form of government. However, it is not the purpose of this paper to go into that subject.

You may ask, "Had politics anything to do with the appointments of the members of your board?" Possibly so. Governments with us are probably no less partisan in their appointments to office than in most countries where party government prevails, and it is doubtless true that in looking for men to fill the places on the board the Government did not seek them from amongst political opponents. Here comes the difference, however, between what I am given to understand is the system in most of the States and that prevailing in Canada in regard to appointments to public office. The moment such an appointment in Ontario is made and accepted, from that moment, and during the whole tenure of office, the appointee must keep himself absolutely free from political activity of any and every description. The right to vote is, of course, not denied him, but further than that he should not go.

There is no express limitation to the tenure of office of a member of our compensation board, except the age limit of 75 years. The act, however, does expressly provide that each commissioner shall hold office during good behavior, but may be removed at any time for cause.

You ask, "What happens to Government officials generally in Ontario or in Canada when there is a change of Government?" The answer simply is, our civil service is not disturbed by political changes. Misconduct in office or offensive partisanship on the part of public officials would, however, be considered good cause for dismissal from the service.

The compensation board in Ontario is given absolute authority to make its own appointments without reference to the Government,

except as to approval of salary, and, organized as we are in the manner I have briefly outlined, it is not difficult to keep the administration of the law free from political influence.

I can not think that it would make for efficiency in administration if members of a board administering such a law as this should have occasion to feel concerned over their own position in event of a change of government. They should not be put in a position where their official duties come into conflict with their personal interests, and that is almost certain to be the case if they are dependent for the continuance of their position on the continuance in power of the political party to whom they may happen to owe their appointment.

Another point in connection with the tenure of office of members of compensation boards is perhaps worthy of special observation. The work is not of an easy nature. Men usually are selected because of special qualifications for the office; they are in most cases taken from occupations or professions in which they have had perhaps, almost, if not quite, as good an income as the emolument of the new office gives them. In accepting the responsibility of office a commissioner must almost of necessity "blow up the bridges behind him," and if at the end of a period of 4, 5, 6, or 10 years he is required to retire from the position, it is not an easy matter socially to reestablish himself in the activities in which he formerly was engaged. No one looks forward with complacency to the prospect of having to begin life over again from the business point of view after he has got into or past the forties. I should add that in Ontario, as in all the other Provinces in Canada where compensation laws have been passed, a commissioner is prohibited from engaging in any other business and must not even allow himself to be interested as a shareholder in any industry to which the act applies.

So much for the commissioners' point of view. But there is, in my opinion, another viewpoint of equal, if not of greater, importance—that is, the interest of the State, and this is always of greater importance than the interest of the individual. Let us assume we have a board in a certain State which has brought the administration of the law in its jurisdiction up to a high degree of efficiency, reflecting credit not only on itself as a body, but also on the government of the State it represents. It comes to the end of its term of office, and by reason of a change of government it is proposed to displace it by a new board. Is not the State the real loser? Can you imagine any well-managed business institution displacing a highly trained expert and replacing him by some one with no special training other than that he happens to be brother-in-law or cousin to the president of the company? Places may be found or made for the brother-in-law or favored cousin, but the man who has acquired

the expert knowledge is an asset the company usually does not like to lose. If the various compensation boards are going to be subjected to changes in personnel with every change of government, we can scarcely hope to attract the best men for these very important offices, nor may we expect to see that progressive spirit adopted which is always seeking for more perfect methods and higher ideals in administration. These laws should, in my opinion, be administered by men who are experts, and their appointments to office, if we are to have in mind the best interests of the industrial community to which the law is so closely related, should be for life, terminable only by reason of misconduct or unfitness for the work.

#### THE TWO-SCHEDULE SYSTEM.

I possibly should have stated earlier that the compulsory national system does not apply with us to all industries. The railways, steamship lines, telegraph, telephone, and express companies comprise a separate grouping known as Schedule II.

To these the individual-liability system applies, and while the law gives the board authority to compel these companies to carry liability insurance, they are for the most part corporations of sufficient strength financially to warrant the board allowing them to carry their own risk. In order, however, to provide greater security for Schedule II pensions, the board, in all Schedule II death and serious permanent disability cases, requires the employer to deposit a certain sum with the board under the provisions of section 28 of the act. In permanent disability cases this sum is three-fourths of the amount which would be required to purchase from an insurance company a life pension payable to the injured workman, and in death cases it is the sum which, according to the widow's death and remarriage table hereafter referred to, represents the present worth of the pension.

Should the pensioner die in the early years of the pension period, the board usually repays the unexpended balance of such deposit to the employer, but should the pensioner live long enough to exhaust the deposit, plus accumulated interest earnings, the board will go back to the employer for the required balance.

It might possibly happen, of course, that the particular employer would be nonexistent at that time—though the chances of this are very slight, as they are for the most part large corporations—but where the danger of this contingency can be reasonably anticipated, the board has the power to retain the deposits made in respect to those cases where the pensioner has died during the early years of the pension period.

The act in respect to Schedule II is administered and Schedule II awards are arrived at by exactly the same method as is the case with relation to Schedule I. The employer is not permitted to settle with his injured workmen except in those minor cases where the injury causes disability for less than four weeks, and even then the settlement must be on the basis prescribed in the act, viz, 55 per cent of wages.

When an award is made, the employer is not ordered to pay the money to the workman, but rather to the board. The board then passes it on to the workman, the idea being to avoid putting the workman in the position—frequently embarrassing—of having to deal directly with the employer in a matter involving some risk of friction.

#### RESERVES.

Under the Ontario system—that is, referring to Schedule I cases—provision is made out of each year's assessment to take care not only of the actual requirement of that particular year in accident cost, but also the payments required to be made in future years in respect to that year's accidents. Much has been said and written about other methods of financing future payments. The board in Ontario came to the conclusion, however, that the system of making each year as nearly as possible bear its own losses was the soundest method.

All our reserves are calculated on a 5 per cent interest earning basis.

#### PENSIONS.

Accidents which result in death or permanent disability are compensable under our act by pensions to dependents or the surviving workman, as the case may be.

Pensions may be terminated in any one of four ways—death, remarriage, attainment of age 16, or expiration of the fixed period for which a limited pension is to run.

The persons to whom pensions may be payable, together with the limitations, are as follows:

(a) If the accident results in death and the workman leaves a widow but no children, the widow is entitled during life or widowhood to the payment of \$20 a month.

(b) If he leaves a widow and children, the payment to the widow is \$20 a month plus \$5 a month for each child under 16 years of age, but not exceeding \$40 in all.

(c) If an invalid husband survives, he receives the same compensation as a widow.

(d) If the workman leaves children only, the payment is \$10 a month for each child under 16, but not exceeding \$40 in all.

(e) Where the dependents are persons other than those above mentioned, they are entitled to a sum reasonable and proportionate to the pecuniary loss to them occasioned by the workman's death, but not exceeding to the parent or parents \$20 a month, or, in the whole, \$30 a month for life.

All the above is governed, however, by the provision that in no case is the compensation to exceed 55 per cent of the workman's earnings in the employment in which he was injured.

Where a widow marries again the pension ceases, but she is entitled within a month after her marriage to a lump sum equal to two years' payments.

When an accident results in total or partial permanent disability, the workman in Ontario is entitled to a pension of 55 per cent of the impairment of earning capacity, having regard to his wages in the employment in which he was injured, provided that if the partial impairment be less than 10 per cent of his total earning capacity compensation is ordinarily made in the form of a lump sum in lieu of a pension.

#### PENSIONS TO WIDOWS.

In the computation of the values of pensions to widows, the board adopted the following combined mortality and remarriage table. In constructing this table the following standard tables were adopted:

##### MORTALITY.

The widow's life table, pages 68 and 69, supplement to the Seventy-fifth Annual Report of the Registrar General of Births, Deaths, and Marriages in England and Wales.

##### REMARRIAGE.

The Dutch State insurance fund (*Rejksverzekeringsbank*) remarriage table, modified by the arbitrary assumption that the remarriage element disappears after age 55. This Dutch table, as doubtless most of you know, is based upon 10 years' compensation experience.

PRESENT VALUE OF A PENSION TO A WIDOW OF \$20 A MONTH TO DEATH OR REMARRIAGE, WITH TWO YEARS' COMPENSATION ON REMARRIAGE.

Age (years).	Expectancy (years).	Evaluation of \$20 per month.	Age (years).	Expectancy (years).	Evaluation of \$20 per month.
20	15.00	\$2,551.90	46	23.75	\$3,373.45
21	15.06	2,528.24	47	23.24	3,324.52
22	16.35	2,702.08	48	22.69	3,281.44
23	17.03	2,778.95	49	22.10	3,244.21
24	17.82	2,855.57	50	21.47	3,191.66
25	18.69	2,931.26	51	20.81	3,135.14
26	19.40	3,008.31	52	20.14	3,076.27
27	20.19	3,080.68	53	19.46	3,013.87
28	20.96	3,147.75	54	18.77	2,948.87
29	21.69	3,210.15	55	18.07	2,880.47
30	22.38	3,268.63	56	17.41	2,813.69
31	23.03	3,318.54	57	16.78	2,748.46
32	23.63	3,364.27	58	16.13	2,684.07
33	24.17	3,404.82	59	15.52	2,540.07
34	24.65	3,439.67	60	14.90	2,469.12
35	25.06	3,469.23	61	14.30	2,397.68
36	25.38	3,491.35	62	13.71	2,324.36
37	25.60	3,506.56	63	13.12	2,249.49
38	25.72	3,514.86	64	12.54	2,173.60
39	25.72	3,514.86	65	11.96	2,096.94
40	25.66	3,510.71	66	11.40	2,019.18
41	25.53	3,501.72	67	10.84	1,943.00
42	25.32	3,487.90	68	10.31	1,866.74
43	25.03	3,467.15	69	9.79	1,792.78
44	24.66	3,440.40	70	9.30	1,690.56
45	24.23	3,409.18			

The pension is calculated on the nearest age (in years) of the widow at the date of death of the workman.

PENSIONS TO CHILDREN.

For the computation of values of pensions to children the experience necessary was a table showing the mortality rate, and the table used by the Canadian insurance companies has been adopted as the standard.

PRESENT VALUE OF A PENSION TO A CHILD OF \$5 PER MONTH TO DEATH OR AGE OF 16.

Age (years).	Expectancy (years).	Present value of \$5 per month.	Age (years).	Expectancy (years).	Present value of \$5 per month.
0	12.85	\$572.48	9	6.89	\$350.84
1	13.48	592.27	10	5.92	308.30
2	12.97	578.39	11	4.95	263.70
3	12.26	553.25	12	3.97	216.40
4	11.45	525.95	13	2.98	166.32
5	10.60	496.17	14	1.99	113.73
6	9.70	463.29	15	.99	67.96
7	8.79	428.56	16		
8	7.85	391.02			

PENSIONS TO WORKMEN OR INVALID HUSBANDS.

Computations in respect of life pensions for permanent disability to workmen under Schedule I, or life pensions to dependent invalid husbands, are based on the American experience table of mortality to

age 56. Beginning with age 56, a modification of the healthy-male table is used on the assumption that industrial life is not coterminous, but somewhat less than actual life; and in the case of permanent injury, social rehabilitation is not so easily attained at an advanced age as it is at a younger age.

The following table shows expectancies and the values of \$1 per month at various ages:

WORKMAN'S EXPECTANCY AND VALUE OF \$1 PER MONTH AT VARIOUS AGES.

Age.	Expectancy.	Value of \$1 per month.	Age.	Expectancy.	Value of \$1 per month.
15.....	45.50	\$219.14	43.....	26.00	\$176.71
16.....	44.85	218.29	44.....	25.27	174.19
17.....	44.19	217.39	45.....	24.54	171.58
18.....	43.53	216.45	46.....	23.81	168.99
19.....	42.87	215.49	47.....	23.08	166.12
20.....	42.20	214.48	48.....	22.36	164.25
21.....	41.53	213.44	49.....	21.63	160.26
22.....	40.85	212.35	50.....	20.91	157.21
23.....	40.17	211.22	51.....	20.20	154.08
24.....	39.49	210.04	52.....	19.49	150.83
25.....	38.81	208.84	53.....	18.79	147.54
26.....	38.12	207.67	54.....	18.08	144.14
27.....	37.43	206.26	55.....	17.40	138.79
28.....	36.73	204.88	56.....	17.04	138.79
29.....	36.03	203.47	57.....	16.69	136.43
30.....	35.33	201.99	58.....	16.33	135.25
31.....	34.63	200.46	59.....	16.36	133.28
32.....	33.92	198.87	60.....	15.69	131.48
33.....	33.21	197.21	61.....	15.38	129.69
34.....	32.50	195.49	62.....	15.09	128.10
35.....	31.78	193.69	63.....	14.81	126.47
36.....	31.07	191.86	64.....	14.54	124.88
37.....	30.35	189.92	65.....	14.28	123.34
38.....	29.62	187.99	66.....	14.04	121.82
39.....	28.90	185.83	67.....	13.82	120.56
40.....	28.18	183.68	68.....	13.61	119.26
41.....	27.45	181.41	69.....	13.43	118.14
42.....	26.72	179.08	70.....	13.25	117.08

#### CLASSIFICATION OF INDUSTRIES.

As in practically every jurisdiction where State insurance prevails, the industries in Ontario are divided into groups or classes. We have in Ontario 33 classes altogether.

The purpose of this grouping, of course, will be obvious—simply to provide that industries of a like nature shall, as far as possible, be required in a collective sense to bear the losses sustained over the class as a whole. Each class thus forms a sort of mutual insurance society, administered by the board, but the system is made elastic in that the whole accident fund is available, if necessary, for the purpose of providing for the accidents in any one group. In our rating for assessment purposes it does not at all follow that the rates within the class are all the same. On the contrary, we have sought to cure every inequality in hazard within the various classes by appropriate rates for the various industries comprised therein.



I do not think it wise to extend this classification idea—I would rather see certain classes consolidated so that they would be fewer in number than to attempt to make a class for each type of industry. For example, we have four classes in what I may term the wood schedule, viz, the sawmill group, the pulp-mill group, the furniture group, and the planing-mill group. These could, without any risk of injustice to any industry comprising any of these classes, be consolidated into one or possibly two classes.

So in the metal schedule we have five classes apart from mining, which we shortly describe as follows: The rolling-mill group, the foundry group, the heavy machinery group, the lighter machinery group, and the agricultural implement group.

It will easily be seen that there must be considerable overlapping in these divisions of the metal industries, which of course makes the administration of the law from a classification point of view somewhat confusing. My suggestion would be—make the classes as few as possible, conforming with broad general divisions of industry, and depend on curing inequality in hazard by differential rates within the class.

#### MAXIMUM AND MINIMUM AWARDS.

We have no irreducible minimum provision in our law. This, I think, is one point wherein our compensation act might be improved. I notice that in practically all of the American compensation laws there is both a minimum and maximum provision. We have a maximum provision, viz, in figuring out the amount of compensation payable in any case, wages in excess of \$38.46 per week must not be considered—i. e., \$2,000 per annum. It is, of course, only in a very few cases that this maximum provision applies, as the amount is about three times the average wage of our workmen. My suggestion would be to provide a minimum basis and reduce the maximum.

#### WAITING PERIOD.

We have a conditional waiting period of seven days—i. e., to say, should the injury disable for seven days or more, compensation dates from date of injury. If my suggestion as to minimum and maximum scales were adopted, I would be inclined to recommend that this waiting period be made absolute. Our statistics indicate a very much larger proportion of accidents causing disability for one week than for any other period. This leads to the conclusion that in many cases where a workman might go back to work in five or six days, he finds it convenient to be disabled the full week. I understand all jurisdictions with a conditional waiting period are having a somewhat similar experience.

The amount thus paid out in what I may term undeserved compensation is not large in actual money, but these statistics indicate that the conditional waiting period is not serving the purpose for which it was intended.

I would particularly recommend the absolute waiting period of at least a week, if provision is made for medical attention to the injured workmen.

#### MEDICAL ATTENTION.

We do not pay for any medical attention in Ontario, except in a few exceptional cases, for which special provision was made. I have always been of opinion, however, that a compensation law should provide not only for first aid but for full medical attention, and I am given to understand some amendment in this respect is contemplated at the next session of our legislature. I think it will be readily admitted that provision for first aid is more important than compensation, but efficient subsequent medical treatment is in most cases no less important.

It is of the utmost importance from an economic point of view that injured men be restored to industry at the earliest possible date, and if the difference between efficient medical or surgical attention and indifferent attention meant on an average a saving of only two days' disability in each case it is easy to calculate what a difference it would mean to the Nation not only in value of the producing power of this great army of workmen but also in the saving it would represent to the accident fund.

#### METHOD OF FIXING COMPENSATION.

There is a very radical difference between the method adopted in Ontario and that in most jurisdictions in the United States, in the manner of fixing compensation for permanent disability. In most States the only elements to be considered are wages of the workman and his physical or functional impairment. We add to this the very important element of the workman's life expectancy, as well as the elements involving the distinction between major and minor hand or arm. I do not think it should be considered equitable to pay a man at age 70 as much for a lost arm as one at age 25. The latter, according to our workman's expectancy table, has 39 years to live without his arm, whereas the man at 70 has only 13 years to live, and very few, if any, of those 13 years would be working years, because physical life is not coterminous with industrial life, except in a very few cases, after a man has passed 65 years.

To illustrate how this works out with us: Take a man at 25 getting \$15 a week who loses his right arm at the shoulder. Without going

into the figures showing how the award is arrived at, we would pay this workman a pension for life of \$23.24 per month and we would set aside \$4,853.44 to provide for that pension.

Take, then, a similar accident to a man age 65. True, we give him the same pension for life, but we need only set aside \$2,866.42 to provide for the pension in his case.

It is obvious that the practice adopted in many jurisdictions of giving in such case a percentage of wages for 400 weeks—practically 8 years—gives as much to the old man as to the younger, this qualified, of course, by the greater probability of the older man not outliving the 400 weeks.

With reference to the differentiation between major and minor in dealing with hand or finger cases, we have made a difference of about 10 per cent in our table of rates as between these two injuries. For example, where we allow 40 per cent for a right hand we allow only 36 per cent for a left hand.

#### CHILDREN AND DEPENDENTS.

As indicated above, under the heading of pensions, it will be noted that we pay a pension of \$5 per month to each child of a deceased workman (limited to \$20 per month for all children) until they respectively reach 16 years of age.

Provision is not made, however, for adopted children nor for children subnormal who are helpless for many years past 16—perhaps for life—nor for illegitimate children. We are permitted to pay compensation to the dependent parent, sister, or brother of deceased, provided, of course, neither wife nor children survive, and provided also that real dependency is proven. Is there not strong reason for urging that children of the classes named should be dealt with the same as ordinary children? On the other hand, though there may be absolutely dependent sister or parents of deceased surviving, nothing can be allowed to them should the deceased leave a wife or children. It adds something, of course, to the burden imposed by the law to compensate all real dependents under all circumstances, and I am not contending that this was intended or that the law in this respect should be changed. It is difficult, however, to convince the dependent parent in the one case that he or she is less entitled to compensation for the loss sustained than the one who gets compensation because there happened to be neither wife nor children of deceased surviving. I admit, of course, the greater claim on the part of wife and children, but the question will be urged seriously some day that dependency should always be a question of fact and compensation should be awarded only and always where real dependency exists.

**EXCLUSIVE REMEDY.**

In common with many other jurisdictions in this respect the remedy provided by the act in Ontario for an injured workman is the only redress he has. The old common-law right of action against his employer is absolutely done away with. No right to elect whether he will accept the provisions of the new law or abide by the old is allowed to the employer as is the case in many jurisdictions.

If for the moment I may assume the rôle of a critic it does not seem to me logical or sensible to put a law on the statute books and then by a sort of third-degree or coaxing method seek to enforce it—practically saying to employers “We’ll leave you to the tender mercies of a jury without any defense if you don’t accept this new law we offer you.” If the State is not ready for the law it should not be put on the statute books at all, much less in any sort of optional form, but if the legislators, with their ears to the ground in an effort to sense public opinion, come to the conclusion that this sort of law is wanted and is in the public interest, then let it be a law for all alike without any “by your leaves” or “ifs” about it. The principle of “local option” in certain laws may be all right as applied to communities or municipalities, but I know of no authority on political economy who has sought to justify this principle in legislation as applicable to the individual.

**APPEALS.**

This is one feature of our law in respect to which we differ from almost every other jurisdiction where a compensation law is in force. There is no right of appeal from the decision of the board in Ontario except to the board itself for reconsideration. In practice, where reconsideration is asked for, the request is invariably granted, and if there appears any fact which was not before the board in the first instance, we have no hesitation in amending the award if it is considered that the facts so warrant. All this in the most informal manner without intervention of attorney or counsel. In fact, the legislature has practically read the lawyer out of our act in so far as practice before the board is concerned.

It probably would not be in good taste for me to say that absolutely no appeal should be allowed in any case, even where a very important principle of law is involved. That would be tantamount to saying that the board’s decisions are always right. I do say this, however, without hesitation—that it is infinitely better that there should be no right of appeal at all than that such a right be unrestricted. I can recall some, few cases, involving important points of law (but I may say these are very few, comparatively speaking), in which I would have been glad to have had the judg-

ment of the board considered by our court of appeal. An unrestricted right to appeal, however, would in my opinion result in reestablishing the practice of expensive litigation in these accident cases, which it was one of the very purposes of the act to get away from. My thought is that if there are to be appeals at all they should be limited solely to those cases where in the opinion of the board an important question of law is involved, and as to these it should be necessary that a fiat giving leave to appeal should first be obtained.

#### CONCLUSION.

Now, in conclusion, I hope I have not conveyed the impression that I think ours is a perfect compensation law or that it fully meets the requirements of our industrial conditions. At least, most of our compensation laws may be said to be yet in the experimental stage, and it is but fair to our legislature and to the legislatures in other jurisdictions to say that most of the original faults in our law and in yours were due to the novelty of the principles involved—to the want of adequate data upon which to proceed and possibly also to the lack of an intelligent public opinion upon the subject. You in the United States, I know, have constitutions to consider and your laws must be drawn accordingly. In possibly a less technical sense there is also a constitutional limitation to the powers of our provincial legislatures, but within the field of property and civil rights our Provinces are the supreme authority in Canada.

With all the shortcomings, however, of our act it is so far superior and so much better suited to modern conditions than was the old system that no suggestion is made in any quarter of a desire to go back to the old order of things. Compensation according to a predetermined and fixed schedule has come with us, and I am sure it has come to most of the jurisdictions on your side of the line, to stay, and with the improvements we are all endeavoring to work out, both in the form of our legislation as well as in matters of administration, it is but a matter of a short time when we shall, I hope, have compensation laws in all our States and Provinces, to which we may all point with pride—laws which do justice not only to the workingman but to the employer as well. Labor and capital are alike essential to the well-being of every community, and every compensation law must have a fair regard for both.

New times demand new measures and new men.  
 The world advances and in time outgrows  
 The laws that in our fathers' days were best.  
 And doubtless after us some purer scheme  
 Will be shaped out by wiser men than we,  
 Made wiser by the steady growth of truth.

## DISCUSSION.

Miss GERTRUDE BEERs, director welfare department, National Civic Federation. Does the Province of Ontario contribute to the cost of administration of the State fund?

Mr. KINGSTON. Yes; that is part of our system. It does not contribute all of the cost, but it contributes a portion of it.

The CHAIRMAN (F. M. Wilcox, of Wisconsin Industrial Commission, in the chair). The general discussion of the manner of administration was to be led by Mr. Wallace D. Yaple, chairman of the Ohio commission. Mr. Yaple is not present, but Commissioner Duffy, of that commission, is here and will act as substitute.

T. J. DUFFY, member Ohio Industrial Commission. I am laboring under a double handicap. I was not present to hear all of the papers read, and I did not know that I was going to be called on to take Mr. Yaple's place. I am going to take just a few minutes. As I understand, the subject is the administration feature of workmen's compensation laws.

Probably you agree with me that the administration system that might fit the conditions in Ohio may not fit the conditions in other States. I am going to explain briefly the Ohio plan, because I must frankly admit I am not able to criticize the papers read, on account of my absence during the greater portion of the session. Under the Ohio plan we have what may be called a double administrative system; one applying to the cases that come under the State insurance fund and the other to the cases coming under what we call self-insurance.

Under the State insurance system the injured workman is required to fill out what we call the preliminary application within three days after the injury. That is to be followed by what we call the supplementary application, to be filed within two weeks after the date of injury. This supplementary application form is an application signed by the injured employee and verified by the employer as to the facts. That is followed up by the attending physician's report. Now, in that class of cases where there is no dispute between the employer and the employee, and the attending physician has filed his report, our claims department, through its clerical force, practically adjusts all of that class of claims, and that composes more than 90 per cent of the total number.

In that class are included what we call the "medical only"; that is, where the disability has been less than one week and we merely pay the medical expenses. It contains also the cases of temporary total disability, except where there is some disputed point. It contains also the cases of permanent partial disability, except where there is some disputed point between the employer and employee. Therefore you can see that in more than 90 per cent of the total number of cases coming before our commission the personal attention of the members of the commission is not required. Under that plan we preserve that personal touch between the employer and the employee which so many employers seem to think is important in any administrative system under the workmen's compensation law. However, it is understood by the employee that if the employer is unwilling to verify the application of the employee, he may directly apply to the industrial commission. That case is then set for hearing. Employer and employee are notified of the date of hearing. They may submit their respective sides of the question either by communication or by personally appearing before the commission.

Now, in less than 1 per cent of the total number of cases coming before the commission—and I might say that the total number for the year 1916 will be approximately 150,000—in less than 1 per cent of those cases is the personal attention of the commission required. I emphasize that point because our aim has been to have what we call a very simple system of adjustment of claims. The cases that require the personal attention of the commission are those where there is some dispute as to whether or not the injury occurred in the course of employment; as to whether or not the disability claimed by the employee is a result of the injury which he claims to have received, which, in most cases, as you know from your own experience, depends upon the medical testimony involved in his case. There are many other questions that I won't take time to call your attention to at this time, but the point that I am trying to make is this: While under the Ohio plan three members of our commission are responsible for the adjustment of 150,000 claims which we will have in the year 1916, yet less than 1 per cent of those claims will require our personal attention. This, however, is sufficient to keep the members of the commission busy every day in the year.

Now, then, you might wonder whether or not it is giving satisfaction. Of course, we have had about four years now of operation under the optional and under the compulsory workmen's compensation law, and that system has been amended and improved upon from time to time, and through our organization we feel that we have got that system fairly well advanced to the point where we can protect ourselves against any gross mistakes without the members of the commission being required to give personal attention to each and every case, which, you can understand, is an impossibility.

You take a case, for instance, of permanent partial disability; a workman has lost a hand. The employer and the employee agree that it occurred in the course of employment. All that is required is simply to figure out the amount due, according to the schedule, and all that time is saved.

Before finishing I want to call your attention to one defect of our system, or, rather, in our law. I think that is what we are interested in—the things that can be improved upon. Our law provides that a workman may take an appeal from the decision of the commission in cases where compensation is denied. We find that the lawyers are beginning to understand that they can come before the commission, present a case, find out just what evidence is lacking to make a good case, and then take an appeal to the courts and introduce other evidence that was not presented to the commission when that case was being passed upon. We find that very often when the case reaches court it is tried upon a very different statement of facts or line of evidence than that submitted to the commission. We are therefore going to recommend to the next session of the legislature that any appeal taken from the decision of the commission must be taken upon the evidence submitted to the commission, and no further evidence permitted to be submitted in court.

I would most heartily express my approval of that part of the paper of the Canadian delegate where he touches upon the tenure of office. I know from personal experience in Ohio that it is a handicap not only to those who are charged with the duty of enforcing the law but it is a handicap in the development of any system under any workmen's compensation law if the men who are charged with that duty must feel that they have got to keep themselves in good standing with any or all the political parties in order that they may be continued in the work that they are doing. Reference was made to the fact that we had this question in politics in Ohio during the past campaign. That is true. I will say, however, that we have not been handicapped in Ohio so much—in fact, very little—in our plan of administration. The effort made in Ohio was to destroy the law entirely, and, strange to say, the very people who cite politics as being a reason why the State should not have a State insurance fund are the very people who injected politics into the issue, and I refer to the insurance carriers.

I, myself, as a member of the commission, got out into the campaign because I felt that I knew more about the matter, or as much about the matter from the inside, as anyone in the State, and I felt that the duty devolved upon me to let the people of the State know that the workmen's compensation law was in danger in order that the people might be able to pass fair judgment upon the ques-



tion. Just for a minute you can realize from that standpoint that, being compelled to take that active part in politics in order to preserve the workmen's compensation law in our State, I will be handicapped, perhaps, in the future as an administrative official, because I find that employees are just like other classes of people in our State—that they have their political prejudices just as strong as any other people, and therefore they will be inclined to think that it would have been better had I not gotten into politics on this matter. However, I feel that I have no apology to make for that, because it was absolutely necessary for some one to do it in order to preserve the law.

Mr. KINGSTON. About what vote in your State was in favor of the destruction of the law; or was there a substantial vote?

Mr. DUFFY. Well, of course, there is no way of ascertaining that, because it was only one of the many issues involved in the State campaign. However, I think that I am safe in saying that it was the principal question between the two candidates for governor. The governor elect came out squarely in favor of the exclusion of the liability companies, which was the original intention of the law. His opponent dodged the issue, and he was supported by the liability insurance companies. Now, the governor's majority was only 6,600 and some votes out of about 1,150,000.

The CHAIRMAN. 6,600 or 66,000?

Mr. DUFFY. 6,600.

The CHAIRMAN. It will be necessary for us to close this morning's session at not later than 1 o'clock, on the dot. Just an announcement, please: Mr. Meeker has arranged for the taking of a picture of those who are attending this conference—a picture to be taken at the post-office site just across from the hotel, as I understand, immediately upon our adjournment, and it is imperative that each of you go posthaste to that post-office site on the conclusion of the session.

It is understood that the afternoon session begins promptly at 2 o'clock.

Meeting adjourned.

**TUESDAY, DECEMBER 5—AFTERNOON SESSION.**

**CHAIRMAN, F. M. WILCOX, OF THE WISCONSIN INDUSTRIAL COMMISSION.**

## **II. MERITS AND DEMERITS OF DIFFERENT METHODS OF CARRYING WORKMEN'S COMPENSATION INSURANCE.**

### **MERITS AND DEMERITS OF THE DIFFERENT FORMS OF WRITING WORKMEN'S COMPENSATION INSURANCE.**

**BY J. SCOFIELD ROWE, VICE PRESIDENT, AETNA LIFE INSURANCE CO., HARTFORD, CONN.**

My story is much too long to more than touch the high spots in the time allotted. I shall therefore "hit the trail" of my subject at once, omitting even the usual preliminary story.

In attempting an analysis of the merits and demerits of several methods of doing a certain thing or of attaining a given purpose, we should first consider the needs of the occasion for doing the thing at all: Why do employers need workmen's compensation insurance? Of what benefit is workmen's compensation insurance to employees? How is society generally benefited by insurance?

We find our answer: First, in the theory of insurance, which is founded upon securing the benefit of dividing the cost of each particular casualty among as large a number as possible of the members of society so that it will not fall with crushing effect upon one or a few; second, in the administrative and economic ends sought by workmen's compensation laws, designed as they are to place upon each industry the burden of its accident losses, which should be accomplished with—

Absolute financial certainty; the least possible delay; the least possible waste; avoidance of social friction; and at the lowest cost commensurate with the desired ends.

Any analysis designed to distinguish the merit of a particular scheme for carrying workmen's compensation insurance requires by common agreement a determination of just what different plans or types of insurance carriers are available for the purpose of furnishing this service.

The various plans available may be classified as follows:

1. The private stock insurance company.
2. The private mutual insurance association.

3. An abbreviated form of mutual known as reciprocal.

4. Self-insurance—without the intervention of a third party agency.

5. So-called State funds, operating "public mutuals."

An ideal type or carrier must obviously be one which comes nearest attaining the ends sought, and we shall hope to aid in the solution of this problem by analyzing the qualifications of the plans mentioned above on the basis of security, service, cost, social and economic soundness of conception as applied to American institutions.

Approaching these plans and their qualifications in their inverse order, the so-called State insurance, or governmental operation and conduct of a plan for mutual insurance, confronts us at the outset with a question of primary principle, Is it or is it not within the legitimate functions of the State to engage in any business, and either to solicit or compel public patronage thereof?

Organized government is sustained by society for the purposes of maintaining order and dispensing justice. Any activity which will not stand the test of necessity for the attainment of either of these purposes should be excluded from the category of governmental functions.

It is perhaps unnecessary for me to say that all my references to "government" relate to the form of democracy upon which the fabric of our country's institutions is based.

This is a representative democracy. Those who are chosen to make and execute the laws are presumed at all times to be controlled by the principle that the liberties of one man stop where the rights of another begin. Certain of these rights are guaranteed, including the right of life, liberty, and the pursuit of happiness as asserted in the Declaration of Independence and substantially incorporated in the bills of rights and constitutions of our several Commonwealths.

Recognizing that a large office-holding class would envelop if not wholly destroy the representative character of our Government, the fathers of the Constitution set aside this District of Columbia as the headquarters for the National Government departments. Because of its selection for this purpose they denied to its inhabitants the elective franchise. Any large office-holding class who retained the franchise would develop a self-interest and a proximity to control of the legislative and executive branches of the Government to a point which would vitally menace the Government's broadly representative character. I believe this fact need but be stated to be accepted.

If we admit that the Government has a right to engage in any form of business—either seeking or compelling public patronage—then there would seem to be no logical limit to such activities. On this account I challenge in principle the right of the State to engage in any

branch of the insurance business, and am indebted to the report of our own Federal Workmen's Compensation Commission (S. Doc. 338, Feb. 21, 1912, p. 58) for the following language:

If the Federal Government were to undertake an insurance system \* \* \* it would be necessary to create a governmental agency to supervise such mutual insurance and then to guarantee the solvency of the fund. This would involve ultimately the creation of an extensive bureaucratic establishment of doubtful efficiency requiring great expense under more or less political influence and wholly foreign to our habits of thought, training, and institutions.

If theoretically desirable it is so opposed to all practical considerations that this commission unhesitatingly rejects it.

The successful administration of workmen's compensation insurance and its attendant service involves the employment of a vast number inspectors, underwriters, investigators, adjusters, physicians, surgeons, nurses, and clerical force, all of which was well known to the scholarly commission from whose report I have just quoted.

It is neither a pleasant nor a patriotic duty to dwell upon the lamentable inefficiency which attends nearly every enterprise involving governmental performance of work and service. We all admit there are certain functions peculiar to the Government, which belong to it, notwithstanding such inefficiency, but surely the field of these activities should not be widely extended—in any event positively not encouraged in the absence of extreme necessity.

I have never heard anyone claim that such extreme necessity obtains in the service of furnishing workmen's compensation insurance, but it has been admitted by those in charge of State funds that the average business man with experience, common sense, and business intelligence naturally prefers private enterprise to State management.

I have heard the socialistic reformer loudly proclaim it to be an outrage against society to permit the business of insurance to make a profit out of the misfortunes of the poor.

If it is an offense to society to allow a profit to be made from the business of preventing accidents and misfortune and of administering and guaranteeing the payment of future pensions, why does not our paternalism rightfully extend to the prohibition of profit on medicines, clothing, feeding, and housing of these same people, and why is it that insurance protection is the sole element of service rendered to them from which all profit must be excluded?

The principle involved is of such vital and compelling importance as will no longer admit of mere soft-pedal protestations. The entire State insurance propaganda is un-American, wholly unfitted for American institutions, and utterly fails to square with American ideals.

I have heard it said that this whole propaganda of State insurance finds its origin not in any public need or desire that the State go

into business but in the desire to enlarge the public feeding trough for the benefit of tax-spending politicians.

While sporadic efforts have been made in certain limited sections of our country to operate State funds we can not recognize this as an appropriate governmental function, and except for the fact that we might be charged with evading the issue I should rest my comment on the whole scheme of State insurance by dismissing it from serious comparison with private enterprise.

#### SECURITY.

Viewed from the standpoint of security we find State funds, wholly or partly monopolistic, such as found in Washington and Ohio, must be charged with the following demerits:

(a) No State guaranty of solvency.

(b) No capital.

(c) No surplus, except that set aside from premiums without proper actuarial examination to verify.

(d) No certainty of adequate reserves, a striking example of which is found in the Washington fund, disclosed by a recent examination to be over half a million dollars short in adequate reserves for accrued losses up to January 1 last, which probably means nearer a million dollars short if calculated to date. Does this early and certain evidence of insecurity inspire confidence in the ultimate security of compensation funds collected and disbursed by State officials?

(e) Considered merely as a large group of small mutuals, those industrial classifications with a high loss are insolvent or face prohibitive rates. The small industries of the average State produce a volume insufficient to gain an insurable average.

(f) With the absolute certainty of political exploitation do these so-called State fund schemes look attractive?

State funds of the optional type, such as those provided in California, New York, and Pennsylvania, are better described as competitive "public mutuals" operated by specially appointed State officials, and are subject to substantially all the demerits and weaknesses previously mentioned as to security.

Self-insurers, or rather noninsurers—

(a) Fail to qualify at the outset, as in only a comparatively few instances have they sufficiently dependable financial strength.

(b) By financial inability of 999 out of every 1,000 they must be discarded as a safe and secure method of securing the payment of long-deferred compensation losses.

Private mutuals and reciprocals—

(a) Lack security because operated without invested capital or surplus.

(b) The pledged security of associated members is invariably narrowed by charter or statutory limitation of liability.

(c) The operation of many mutuals is confined to one or only a few classes of business. Likewise the operations of many are confined within one State, resulting in lack of volume sufficient to obtain an insurable average.

(d) Ordinarily a fair volume of business can only be secured by "mutuals" when the sovereign power of the State, applied by and through a political machine, is used—or rather misused—as a business-getting adjunct. While governors of States have acted as State insurance solicitors they were elected for other purposes.

Stock insurance companies—

(a) Have invested capital and surplus—and by the average good company in amount fully in proportion to the business conducted.

(b) The contributed capital and accumulated surplus of stock insurance companies permit a positive fixing of premium cost.

(c) Such capital and surplus serve as a guaranty or offset against the inability always to take advantage of or depend upon the law of average.

(d) Such capital and surplus are a guaranty or offset against ill-judged underwriting and care for the catastrophe hazard.

(e) The supervision and requirement of adequate reserves assures continued solvency, so essential to real protection, especially in workmen's compensation with long-deferred payments.

(f) A stock insurance company is a guarantor of insurance, while members of a mutual are merely guarantors of each other. A State fund, or "public mutual," offers no guaranty beyond that of private mutuals (except where contributors are promised relief from further liability, and that neither properly nor legitimately).

(g) Stock companies have a nation-wide distribution of loss in each industry and have created the machinery to make possible that distribution.

(h) Stock companies have a legal guaranty behind their reserves, by examination and by publicity.

(i) Stock companies are the most likely of all carriers to have the ablest management obtainable, through—

1. The self-interest of stockholders.
2. Supervision by stockholders and directors.
3. State requirements and supervision.
4. Actuarial, not political, examination.
5. Permanency of tenure and by not being subject to political patronage.
6. Being allowed to declare dividends only when earned, and not being compelled to declare dividends for campaign purposes.

## SERVICE.

Coming now to the question of service, which is second only in importance to financial stability, the important elements of service should be segregated into underwriting, inspections, pay-roll audits, investigation and adjustment of claims.

While we are attempting in a measure to deal with them separately, the nature and value of service and the question of comparative cost parallel each other so closely that a proper analysis of one necessarily calls for careful consideration of the other.

No carrier can honestly give something for nothing.

No carrier can afford to render any form of service at less than cost.

No carrier can be criticized for charging what its services are fairly worth.

Carriers that promise equal service at less than cost should be required to make good or shut up shop.

There are items of necessary and specific service that must be in some measure rendered by all carriers. These are now recognized to be investigation and settlement of claims, pay-roll audits, inspections—and by this I do not mean inspections for rating alone, but primarily for the improvement of risks and the prevention of accidents.

Companies long established in the liability and workmen's compensation business have spent enormous sums in endeavoring to lessen the number of industrial accidents through inducing employers to adopt safety devices and urge safe practices.

The truth of the old adage, "an ounce of prevention is worth a pound of cure," is recognized as never before, and privately managed companies through already existing organizations of expert and trained inspectors and safety engineers offer an advantage over other insurance carriers in accident-prevention service.

New and untried companies, mutuals, so-called State funds and reciprocals, captained by inexperience, have neither the knowledge or organization necessary to do such work efficiently.

Prompt and efficient claim service is rightfully demanded by both employer and employee. Injured employees need, and have a right to expect, prompt payment of compensation when due, and quick service in paying benefits can not be rendered unless claims are promptly and thoroughly investigated.

To secure equal and fair distribution of claim benefits, trained men employed by experienced companies handle claims to the best advantage of all parties concerned.

Claim service can be neglected only at the expense of claim cost and at the price of encouragement of fraud and deceit on the part of claimants.

There is always with us the professional claimant, the simulator of injury. Every necessary safeguard should be interposed against the payment of fraudulent claims. The success of one fraud, like a contagious disease, breeds a hundred others. The necessity for efficient investigation of claims can not be overestimated.

There is only one institution that is capable of applying the highest degree of efficiency to the solution of the problems involving abuses of this plan, and that is the one that is acquiring and digesting a national experience based upon a sufficient volume of business to enable it intelligently to determine cause and result, and such an institution is not to be found in either State funds or the smaller mutual institutions.

Stock company insurance is under a competitive and commercial necessity (not felt by any other form of carrier) to effect prompt and liberal adjustment of all bona fide claims, and likewise to guard against unjust and fraudulent claims and at the same time not waste any money for needless claim expense.

Now I hold that to be of equal value the cost of inspection and claim service must be approximately the same to all, and in any case where the cost is materially less the service must be correspondingly deficient.

If there is an exception, it will be in favor of the carrier with a long-established organization perfected by training and experience and equipped to serve its clients promptly and efficiently anywhere and at any and all times.

Such an organization can often give better service at less cost than carriers (whether stock or mutual) operating with a restricted or limited organization.

This is merely the inherent advantage which rightfully belongs to a matured business or organization with long experience acquired through years of honest endeavor in serving the needs of the business community.

There are elements of service rendered by some carriers and not attempted by others. This service is only offered through the "agency system" employed by private stock companies and it depends upon an efficient field organization.

Mutual plans, whether operated by private interests or public officials, decry the agency system of stock companies and favor insurance of the mail-order type, although in practice they all find it necessary to use salaried employees to line up and close their prospects, the cost of which, however, is not generally permitted to be segregated as acquisition expenses.

Now, I maintain that the stock company agency system is worth all it costs to the insuring public and is absolutely indispensable to the solvency of the business through its value in selection, distribu-



tion, and supervision, and in serving as the main lines of transmission through which alone the superior administrative service demanded by an intelligent and discriminating public can be furnished.

No substitute for the agency system has been successful in securing a sufficiently wide distribution of risks to insure continued solvency and to secure to the companies the essential benefits of the law of average.

The underwriting and supervisory service of an agency organization is largely minimized in, or entirely absent from, all forms of mutual insurance, and particularly so in the case of so-called State funds or public mutuals.

This service consists of the proper classification and correct rating of the risk; of bringing an assured to the point of understanding the whole question of insurance; his relation to it; the relation of the employee, and the relation of the carrier to it. This educational service can be performed only by personal contact through qualified agents who, by education, by training, and by experience, are qualified to interpret contracts correctly and to explain the intricacies of insurance.

Comparatively few employers have a comprehensive knowledge or understanding of their obligations under compensation and liability laws.

The great majority of employers will not seek information or advice concerning their direct or contingent liability arising out of accidental injuries to employees.

Knowledge and understanding of his obligations and wise preparedness against casualties must be thrust upon the average employer, and this can not be accomplished effectively, if at all, by edict, manifesto, proclamation, or public pronouncement.

Through natural inclination and training, the average employer awaits the personal solicitation of the agent whose business it is (notwithstanding the barriers of all human obstacles, ignorance, prejudice, scepticism, obstinacy, and all the other infirmities of the human mind) to save the otherwise busy business man from the consequences of blind and heedless indifference to natural or man-made laws.

Frequently the stock company agent is the personal friend of the employer and administrator of the employer's entire insurance affairs, both of personal and of business nature.

A multiplicity of insurance and other interests brings the agent into frequent contact with the policyholder and his plant. Most employers carry many different lines of insurance, and not infrequently the employer places all of his insurance through one agent, who aids and assists him in the multitude of details and arrange-

ments necessary to maintain at all times and under varying conditions exactly the protection and service needed at minimum cost.

Each compensation problem of the employer demands the personal and intelligent attention of a specialist, for there is no standard practice or fixed rule of action for the automatic solution of everyday questions. Most business men are too much engrossed in their ordinary business duties to look into the detailed merits of each proposition involving insurance, and must in wise economy and experience rely upon the agent in whom they place their confidence.

Eliminate that agent for all purposes and the employer would have to deal with a multitude of home offices, State commissioners and bureaus with defaults and other unanticipated liabilities accumulating with every mischance.

Merit or schedule rating has offered the agent additional opportunity for rendering the very highest quality of service to the employers, employees, and the public in conserving human resources and to capital engaged in industry in equalizing the burden of cost in favor of the careful employer.

Skilled agents in competition with each other for business will exert a powerful influence for accident prevention, and their continued activity will be of the greatest social value.

With the business of insuring workmen's compensation being conducted upon a thoroughly efficient and high moral plane, private stock-company service strongly attracts the intelligent, well-informed, capable, honest, and public-spirited agents, who are well worthy of their hire and whose service has a value not to be measured by the yardstick of competitive price.

#### COST.

While the problem of cost is important, it is only relatively so, compared with the greater importance of security and service.

The claim that is advanced by mutual insurance carriers, both private and public, as the one upon which they are entitled to recognition, is cheapness; and while current premium charges will be pointed to as evidence of their cheapness, we challenge any claim that may be made that their value equals the value of the security and service furnished by private stock companies, and we contend against the false economy which seeks to attain mere cheapness at the expense of ultimate security and the most thoroughly complete and efficient service.

Furthermore, workmen's compensation service in America is yet too young to determine the real and relative costs of the different plans or types of carriers and we can not admit, and are certain that the advocates of mutual insurance, either private or public (State

funds) can not prove, that stock insurance companies are unable to write workmen's compensation insurance at fair and equitable rates.

Believing as we do in the superiority of our financial guaranty and in the superiority of our service, we know we are giving value received for every dollar of premium written, and until a sufficient period of time has elapsed to acquire matured experience as to relative rates and cost of administration we can not admit that mutual insurance, either private or public, can even duplicate in America (over a reasonable term of years) stock insurance rates.

Furthermore, the distribution and administration cost of stock insurance is as low, and in fact lower in most instances, than the cost of distribution of any service rendered or any article sold or any commodity used commonly in America; and if this be true, why is it necessary and why is it fair that stock insurance should be singled out as the sole phase of our social activity from which profit, acquisition, and distribution cost must be eliminated?

The element of distribution cost, which is so commonly criticized and the elimination of which is so constantly demanded, is what is commonly known as acquisition cost, limited generally to 10 per cent to agents and brokers and  $7\frac{1}{2}$  per cent overhead expense for general agents and branch offices, making a total of  $17\frac{1}{2}$  per cent. If the trouble is taken to investigate and compare this selling cost with the selling cost of articles in daily use in this country, it will be found exceedingly low, sufficiently low to eliminate all necessity or excuse for the campaign that is being waged against that particular element of cost in the administration of the insurance business.

Home-office expense estimated at approximately 7 per cent brings the total acquisition and general administration cost to  $24\frac{1}{2}$  per cent, with the comparison still correspondingly favorable.

Taxes and license fees cost  $2\frac{1}{2}$  per cent. This load is absurdly excessive and out of all proportion to the cost of supervision and regulation by insurance departments. Nevertheless it is imposed and must be paid by all stock insurance companies. Private mutuals, including reciprocals, receive preferential treatment in some States upon the wholly illogical theory that they are not operated for profit.

On the same theory State funds—i. e., public mutuals—pay no license fees or taxes, although in their case this tax exemption could be more logically defended on the ground that such public mutuals properly belong to a well-known class of tax-exempt institutions, among which we find jails, reformatories, and insane asylums.

The cost of pay-roll audits estimated at 2 per cent, the cost of inspection estimated at 4 per cent, and the cost of claims investigating and adjusting estimated at 7 per cent, making a total of 13 per

cent, can not be said to be excessive, and in any event these elements of expense must be incurred for the benefit of policyholders, whether they be in State, private mutual, or in stock companies.

We maintain that these items of expense can not be further reduced except at the expense of the safety and permanency of the carrier attempting such reduction.

In so far as these figures are estimates they are, should, and will be subject to correction, and if it should develop that any one of these elements of administration expense in connection with audits, inspections, or claims is higher than need be they will be reduced. If, on the other hand, experience shows us that proper results can not be obtained within the percentages estimated, then these items must be increased, and no matter which form of carrier is considered, these elements of service must be faithfully and efficiently provided, and undue effort by any institution to curtail such expenditures must imperil the successful administration of that particular institution.

We find altogether too often actual acquisition cost on the part of mutuals successfully concealed and usually denied. In their plea for membership they invariably claim that the entire acquisition cost is eliminated and they fail to take into account the efforts being made by the salaried employees of such institutions to acquire membership. It matters little in the ultimate result of a business whether the acquisition cost is borne in its entirety by commissions or by salaries. If the effort is made, an element of cost is created and must be paid out of premiums received.

Stock insurance companies have no complaint to offer against private mutuals provided they are required to set aside the same adequate reserves and submit to the same tests of solvency as are applied to stock companies. However, there is just cause to complain of, and the public has reason to demand greater evidence of security from, such carriers as reciprocals and public mutuals or State funds which are allowed to operate without the guaranty of invested capital and without proper supervision or regulation either as to the adequacy of rates or reserves.

*Reciprocal security.*—With a regularly organized company, stock or mutual, a license does not issue if the company is found insolvent, and the insurance commissioner may, if he believes a company's solvency is impaired, dissolve it and revoke its certificate. No such tests apply to interinsurance associations, under the so-called standard law in force in some 15 States, enacted presumably for the purpose of safeguarding the operation of interinsurers, so as to afford consistent protection to policyholders. Really and primarily, it is clearly evident that the single intent of the law is to compel the insurance department to issue to attorneys in fact certificates of authority which would imply to the insuring public that the particular scheme of the

particular interinsurance exchange has the indorsement and recommendation of the insurance department.

There is no standard of solvency provided in these acts. It is assumed that subscribers are all subject to contingent liabilities such as would warrant the indorsement or recommendation of both the nature and extent of the security to policyholders; whereas in fact the contingent liabilities of subscribers are subject to limitation and may be entirely eliminated by agreement between the underwriters. The law makes no requirement of compliance with safe rules and regulations by interinsurers whose methods may fail to afford adequate protection to policyholders.

The requirement that each subscriber shall have a commercial rating of not less than ten times the maximum sum he assumes on a single risk is a deception calculated to mislead the unwary into assuming that it has the effect of a stipulation; that each subscriber shall assume contingent liability equal to ten times the maximum he assumes on a single risk. It does not, as a matter of fact, make any requirement of a contingent liability to any extent whatever. There is no requirement anywhere in the law that a subscriber shall assume any contingent liability, nor is there anything to prevent assuming on each and every single risk a liability greater than his entire loss-paying ability (\$25,000) required by the law. Any implied option of refusal to grant a license to interinsurers whose contingent liabilities may be inconsistently limited or whose methods may not be found satisfactory is taken away in the language wherein it is provided that upon compliance with certain requirements the insurance commissioner "shall issue such certificate of authority."

The requirements provided afford only desirable but limited information to the insurance department, with no effort made to assure sound security to policyholders and without obligation to file any underwriters' agreement if a separate document. The latter, and not the policy, nor necessarily the powers of attorney, may fix the extent of the underwriters' contingent liabilities, which may be inconsistently limited.

The requirements do not include a statement of outstanding liabilities.

Under such a system an exchange may be accumulating liabilities far in excess of its loss-paying abilities and yet be able to make a nominal-time report which will entitle it to a continuance of its license.

If perchance, upon investigation, the insurance commissioner may find the exchange insolvent and a swindle, he can not take charge of its affairs and wind them up. He may not even revoke its certificate; on the contrary, there is nothing to prevent the attorney in fact continuing to trade on the certificate. Further, as the law

exempts the attorney in fact from any obligation to furnish the names and addresses of subscribers, the commissioners may not even warn policyholders of their peril.

**FRAILTIES, FOIBLES, AND FANTASIES OF PUBLIC MUTUAL (STATE FUND) INSURANCE.**

While we believe, as previously stated, that the interference of the State with legitimate private enterprise through the establishment of public mutuals operated by State officials is wholly unwarranted, attempts are being made to operate such public mutuals, and therefore our analysis of the qualifications of various carriers of workmen's compensation insurance would not be complete without more specific consideration of some of the economic and political frailties, foibles, and fantasies of so-called State-fund plans.

*Washington.*—Let us take up first the most notorious example of the monopolistic State insurance fund, as represented by the plan in force in the State of Washington. There we find the term of State insurance misleading, to say the least. Instead of a State-wide insurance organization guaranteed by the State, in which the funds in entirety are to pay the loss of any individual plant in the State, this loss being transferred to all the plants in all the industries of the State, we find the Washington plant constituting nothing more nor less than a large group—47, I believe—of small mutual associations under State control, and with obligation upon each mutual group of accepting every plant in that particular class of industry within the State of Washington, whether the plant is above normal or subnormal with reference to safety conditions.

We find the assureds in each one of those groups utterly and completely helpless with reference to the proper management and selection of risks for the mutual fund into which he is arbitrarily thrown.

The inevitable result of this could be nothing other than insolvency for the group applying to an industry in which is to be found a very limited number of plants in this or any other State. Either insolvency stares such a fund in the face or arbitrary advancements in rates must follow, which, if carried to the logical conclusion, means prohibitive rates, so far as interstate competition with other plants in that industry is concerned.

It goes without saying that any small industry in any one State produces a volume of premiums entirely insufficient to afford an insurable average. That this statement is not a theory, but is actually founded on fact gained from experience as applied to the Washington State plan, is known to everyone familiar with the history of the four years' experience with State-managed insurance in that State.

Really, when this theory is applied to industries having an absurdly small number of plants in any given State, as is true in some

of the mutual groups in the State of Washington, it constitutes in effect a modified form of State-enforced gambling with self-insurance, without the safeguard of proper financial qualifications which is universally acknowledged to be necessary if the theory of self-insurance is to be dealt with for a moment. Moreover, if consistently followed, it may, and no doubt will, force these industries to leave the State and move their plants to States in which a more adequate volume of their type of business is to be found, or where such suicidal requirements are lacking.

This Washington plan (small mutual groups) has no State guaranty behind it, and if insolvency or inability to pay arises in any fund the beneficiaries of that particular fund are the only ones to suffer. In so far as this is true, the reason of economy for the creation of compensation laws is violated.

Not only has it no guaranty backed by the Commonwealth of Washington, but it has no actual cash capital upon which to draw, has no cash surplus, or at this time a mythical surplus at best.

The most damning point, however, of the whole scheme is the lack of certain and adequate loss reserves, and one must bear in mind the fact that compensation losses inevitably carry with them the obligation to meet both present and long-deferred payments. It is at once apparent that lack of certainty as to the reserves with which to meet those payments is sufficient to condemn any insurance plan, in its entirety, violating one of the cardinal principles of insurance.

Moreover, this particular plan presents the absolutely certain possibility of political exploitation, and it affords the most attractive political bait to the self-seeking professional politician. The history of mismanagement in this fund best tells its own story and best determines the attractiveness of the particular plan in question.

Thorough investigation of the experience of this Washington institution is the best evidence of the wisdom of the critics of that fund in the presentation of their arguments against its adoption, and I only regret that space will not permit a complete discussion of the dismal failure of this leading State monopolistic plan.

*Ohio.*—Probably the most discussed plan of State-managed insurance operating in this country is that of Ohio—most discussed both because of its novelty and because of the especially active proselyting done by its advocates. It is interesting to note, however, that despite all this discussion and proselyting the Ohio plan has as yet had no imitators, the several States which have considered its possible adoption for their own use having finally decided against it.

As the administration of the Ohio State fund is subject to no supervision and, undoubtedly for good and sufficient political reasons, no searching inquiry into its operations has ever been made,

definite information regarding it is largely lacking. At the same time, enough is known to indicate clearly that it is not pointing the way to the millennium in workmen's compensation insurance.

Its published financial statements are of themselves sufficient proof. While, in the absence of actuarial examination, there is no way of determining the accuracy of these statements, it is safe to assume that even if they are estimates they are as favorable to the fund as they can be made.

The statement of May, 1916, shows a net surplus (excluding catastrophe and other reserves) of \$41,314, as against a net surplus in November, 1914, of \$133,126.

Among the assets we find \$520,329 described as premiums in course of collection; and while it is entirely in order to include premiums in course of collection (not over three months due) among the good assets, we must not overlook the fact that such nonledger assets are far less dependable than real invested assets.

When a carrier's net surplus, as in the case of the Ohio fund, namely \$41,314, amounts to less than one-twelfth of the assets claimed as premiums in course of collection it is very evident that the margin between solvency and insolvency is so narrow as to be scarcely discernible.

Again, this small net surplus of \$41,314 is obtained only by assigning to the contractors' schedule alone a surplus of \$244,619. As contractors' business is written under a different premium system from other schedules, a maximum advance premium being collected which is subject to possible refund or credit, it would be interesting to know whether all possible refunds or credits have been deducted in order to arrive at the figure claimed to represent the surplus assigned to the contractors' schedule.

It would certainly seem from the above that the fund's statement of May last is not deserving of the same confidence as a statement made in accordance with the rules prevailing among insurance departments, and that, taking it at its face value, it does not show the fund to be in that unquestionably sound financial condition which is vitally essential for carriers undertaking to insure the obligations incurred under a workmen's compensation law.

Consideration of the condition of the 27 schedules of the State fund is also illuminating, as showing the lack of uniform fairness to the different industries of the State. Fourteen of these schedules are admittedly insolvent, the total of the deficits amounting to more than \$377,000 on the face of the statement. Undoubtedly within each of these schedules in which a deficit appears there are classifications showing a surplus, so the total of all deficits must be considerably above the figure named. In the schedules showing a surplus, too,



there are undoubtedly classifications developing a deficit. The only way in which a true statement of the condition of the fund can be obtained would be to strike a balance in each classification. Only in this manner could a true and fair basis for the payment of dividends and the adjustment of rates be determined.

There can be no doubt that the administration of a State fund offers not only opportunity but incentive for unfair discrimination in the matter of rates. Its managers are, whether justly or unjustly, especially apt to be considered open to the influence of politics or of strong business organizations. They are naturally eager for the continuance of the enterprise of which they are in charge, and the line of least resistance is likely to have a special appeal to them.

Laboring as they do under this initial disadvantage, the only way in which they can positively relieve themselves from all possible doubt as to their honesty of both purpose and action is to seek the white light of full publicity for all the features of their work—the financial condition of the fund and its component parts, the complete experience of each schedule and class, the basis for all adjustments of rates, the workings of the claim department, in fact, everything connected with the operation of the fund.

Returning to the matter of rates, it would certainly seem that equity among employers has not been promoted by the operations of the fund. Two instances are especially in point: One is the revision of rates on January 1, last, after the surplus had reached its lowest figure up to date. No explanation of this seems so rational as that, despite the using up of the greater portion of the surplus, such revision was still necessary, in order to offset underestimating of deferred losses and failure to collect premiums sufficient to take care of all payments under claims.

The second instance is found in the fact that the schedules in which employers with strong and influential organizations are listed almost uniformly show a deficit, whereas those schedules including employers without organization show surpluses.

These are not the only instances, however, of apparent unfairness to the employers subscribing to the fund. Another one is the stringent conditions imposed upon an employer desiring to withdraw from the fund, imposed despite the fact that when an employer insures with the fund he is charged what purports to be his insurance premium, which under stock insurance would, of course, end his obligation to his insurer. The system of penalties imposed upon employers for certain losses is still another instance. To use a common but forceful expression, the Ohio employer subscribing to the State fund may think he is insured, but he is very likely to find that he has another think coming. One employer found such thinking to be some-

what costly, as he was under the necessity of paying \$20,000 above his premium rate in order to leave the fund. There is no doubt that penalties and withdrawal conditions have a salutary influence in keeping employers in the fund, but the question of their fairness and of the propriety of their incorporation in a system which purports to furnish insurance is another matter.

Incidentally it is perhaps not inappropriate to call attention to the fact that the unfairness of the Ohio plan is not confined to employers subscribing to the State fund. Each employer carrying his own insurance is penalized for not coming into the fund by the requirement that he pay to the fund 5 per cent of the premium he would pay the fund were he a subscriber. The amount derived by the fund from this source had in May, 1916, reached the very respectable total of \$192,624.

It is also pertinent to this consideration to view the Ohio State fund from the standpoint of service rendered. So far as accident-prevention service is concerned, I think it may safely be said, without fear of successful contradiction, that the service given by the fund does not compare with that rendered by stock companies, by well-managed private mutuals, or by the larger self-insuring employers.

Only a few months ago a member of the industrial commission, at a labor meeting in Mansfield, Ohio, openly charged the governor, of opposite political faith, with having destroyed the efficiency of the safety-inspection department by distributing its positions in reward for partisan service. Among others, he asserted that for factory inspector in one of Ohio's greatest industrial centers the choice fell to a clarinet player, who, however, belonged to the musician's union. On one occasion a public conference was called, under the auspices of the industrial commission, for the advancement of safety provisions. Several expert trained inspectors employed by the insurance companies sought to participate in this good work, but were bluntly told their presence was not desired, showing that even the subject of accident prevention had taken on a political aspect under this kind of government operation.

The commission is fond of citing the support and indorsement of a group of prominent manufacturers. There is reason to believe that the repeated indorsement of certain individuals is more than a coincidence, and perhaps a salacious find will reward an inquiry as to preferential rates enjoyed by some of these stalwart supporters of "insurance at less than cost." No less eagerly do they proclaim the support and indorsement of the State federation of labor, an organization composed of many but consisting of few, and even this handful interested chiefly in claiming tribute in exchange for political support. This does not come from any real benefit derived by the mass of workpeople but rather because the jobs look good

to the hungry, including the ex-clarinet player. It is pertinent to inquire why should the rank and file of workmen prefer State administration of workmen's compensation as against private and experienced management. The State fund machine has "sand in the gear box," and grinds so slowly and with such long delays in giving aid to the injured sufferers that a comparison with those insuring outside the fund is most disappointing to the advocates of State administration.

In that service found in the prompt payment of claims, the fund seems also to be lacking. The court records of Ohio show more than 200 complaints and appeals taken by injured workmen against the awards of the State fund. In one such case recently reopened by the court Judge Grant criticized the action of the commission as a travesty on justice. So far as I am informed, there is no single complaint of like character against any private insurance carrier.

Perhaps the best commentary upon the character of the claim service furnished by the fund is found in the November 24 issue of the Cincinnati Enquirer, a newspaper which can hardly be accused of being inimical to the Ohio plan. It says: "If the State is to have a practical monopoly of the industrial accident insurance business there will be insistence on the part of employers for enlargement of the State industrial commission so that payments of compensation may be made still more promptly. There has been a policy of niggardliness with this most important bureau which can not be tolerated longer, many employers believe. They wish to see the service improved to such an extent that State awards can be made as promptly as those made by employers who carry their own insurance."

Summing up this brief consideration of the operations of the Ohio State fund, they would seem to indicate the fundamental weakness of government operation under our political system, evidenced, so far as can be determined in the light of the facts available, by inequity to employers, by inadequacy of premium rates, by incomplete coverage of the employer's risk under the premium paid, and by inefficiency of the service rendered in connection with the insurance.

*West Virginia.*—West Virginia started with a compensation law that bound the employer hand and foot to monopolistic State-managed insurance, accomplished a high-speed record in bankruptcy, and then as speedily discarded the monopolistic for the competitive plan, employers now being permitted free choice of insurance carrier.

*New York.*—In New York the State fund or public mutual created by the compensation law, while optional in type, was endowed with many special privileges denied other carriers in order to induce patronage unfairly.

These special privileges consisted of—

(a) A subsidy of several hundreds of thousands of dollars from the State treasury to cover administration expenses for the first two and one-half years (since restricted by amendment to two years).

(b) Freedom from the rigid supervision imposed upon private companies.

(c) Solicitors and agents not required to be licensed.

(d) Freedom from the heavy burden of taxes imposed upon private companies.

(e) Authorization to offer employers immunity from future liability to pay compensation regardless of the State fund's ability to pay or the inherent rights of claimants entitled to compensation.

While a 1916 amendment to the New York compensation law has left this immunity special privilege very much in doubt, I understand the managers of the State fund are still advertising same as a competitive advantage over other carriers.

In commenting upon these special privileges, which in effect legalized the gross and unwarranted violation of the antidiscrimination laws of the State of New York, the managers of the State fund frankly admit that otherwise their insurance institution would have been an impotent competitor of other carriers and a negligible factor in the insurance situation.

In defense of these special privileges they claim that otherwise the stock companies would have had undue advantage of the State fund because:

(a) The stock companies had accumulated large surplus and reserve funds.

(b) They were in possession of the field, and had the assistance of an army of insurance brokers and agents throughout the State.

(c) They could write other forms of insurance needed by employers in addition to compensation insurance—public liability, employers' liability, boiler insurance, elevator insurance, fire insurance.

(d) Last and most important of all they had the advantage afforded by the natural preference of most business men for private enterprise as opposed to State management.

The managers of the State fund further asserted that in all these respects the State fund was heavily handicapped at the start and claimed that in order to enable it to make a fair start in the face of these obstacles it was proper and indeed necessary to give the State fund some positive assistance to offset these handicaps, and that the provisions of the law which granted these most unfair and unjust advantages to the State fund were necessary in order to make competition between it and the stock companies really fair and equal.

To the fair-minded, the weakness and falsity of the above defense will be self-evident, and is so obviously unworthy of serious con-

sideration that I merely ask what measure of justice and equity can fairly be expected by either employers or employees in the administration of an institution captained by State officials who have so little respect for the intelligence and fairness of society in general as to offer such weak and groundless excuses for the obnoxious provisions of a law—in effect legalizing bribery—under the pretense of equalizing opportunity.

While the New York fund has disclaimed any attempt or desire to operate as a monopoly or to deprive private companies from competing, it was recently pointed out by a very able labor journal that—

There can be a more cowardly monopoly than a real definite and straight-from-the-shoulder monopoly; there can be a monopoly that insidiously attaches conditions to the "competition permission" that makes it worse than a direct prohibition. These conditions may be, some of them really are, dastardly. The public is not aware of these conditions as clearly as they would be of an out-and-out prohibition, and this is the reason that the handicap placed on the so-called right to "compete" is a dastardly one.

The handicaps imposed on private companies are aimed at retiring them from the business; this means that those interested in the existence of the State fund are of the opinion that under free and fair competition the State fund would be a loser; and surely the only deduction we can make from this truth is that the State fund is not the equal of the private companies under fair and equal conditions. Let us definitely declare that this conclusion leads unerringly to the fact that wageworkers under a State monopoly of a compensation fund are not securing the best they can get. It is because of this truth that we urge that every effort be made to prevent the enactment of any law that will lead toward such a monopoly as we have just discussed.

While the State fund in New York was enjoying the subsidy granted from the treasury of the State to cover administration expenses, it was paying back substantial dividends to policyholders, not because such dividends had been earned but merely because the opportunity existed, and it was considered good business to deceive and mislead the public in order to retain and encourage patronage.

Since the State fund can no longer draw upon the treasury for expenses, dividends have been discontinued. However, it has already been suggested to the governor of the State of New York that if the State fund was able to pass out such large sums as alleged dividends to its subscribers during the first two years of its existence, then why should not the money which the taxpayers were unwillingly obliged to put up for expenses during the same period be returned to the State treasury?

*Pennsylvania.*—The State fund scheme authorized by the Pennsylvania compensation law is subject to practically all of the fundamental demerits applying to the New York act, but has been in operation too short a time to justify extended comment upon methods of administration.

*California.*—There is another State insurance plan, State-wide in its activities, much discussed at the present time, though still sufficiently in its infancy to preclude the possibility of safe deduction from experience, namely, the plan in operation in the State of California. Theoretically, this particular State fund is being operated as one State-wide company upon much the same basis as the ordinary stock insurance company. The same relative individual industrial defects, so far as volume of business is concerned, is, however, to be found in this fund in exactly the same fashion as it is found in the fund of the State of Washington. Therefore, it is at once apparent that the State fund of California can not transfer ordinary loss, if excessive through unfortunate accidents, from one plant to the plants in that given industry alone, unless that industry is to face the same competitive result through disastrous rate advances in competition with the same class of plant in other States. As must necessarily follow in the State of Washington, it must inevitably follow here that the unfortunate experience which may be found in the operations so frequently encountered in California, for instance, explosive exposures, may not be borne by those industries themselves, but may be transferred to the fund as a whole. Eventually, this will mean that the low-rated manufacturing industries in that State will have their rates advanced by virtue of an abnormal proportion of higher rated industries, which will mean inability for those normally low-rated industries to compete in nation-wide markets. That this is the most overpowering fear ever present in the minds of the sponsors for and managers of this particular fund is proven conclusively by the fact that they have placed upon their prohibited list types and classes of industries which have been freely written by many stock companies in the State of California since the effective date of the workmen's compensation law in that State.

The question may very properly be asked why such a condition is permitted to exist and what is the necessity for it, and the two obvious answers are: First of all, the managers of the fund must of necessity freely admit an inherent weakness in their plan by virtue of the fact that they are limited to one State, and it is therefore physically impossible for them to transfer losses arising out of railroad construction work, for example, to all the railroad construction work written or which could be written and which is written by private stock companies in every State in America. Therefore, they must either saddle the entire fund in the State of California with the railroad construction work losses, including rock and tunnel work, or they must entirely prohibit this business and not expose themselves to a probable fatal calamity loss.

The ability of the private stock companies to further transfer this loss beyond the confines of any one State, and the ability of private

stock companies to fall back on their capital and their surplus, warrants such institutions in insuring a class of business that is to the State fund absolutely and completely uninsurable. This comparison is not one of theory but is based upon absolutely authentic evidence.

Take sewer operations, for example. The State fund of California refused in one instance to issue a policy to a contractor at less than double the manual rate, and even then upon a limited rather than an unlimited form of policy. Many instances such as this can be found which we believe prove, conclusively, our claims that this fear is present in the minds of the managers; and that it arises out of the fact that even the smallest stock insurance companies doing a nation-wide business nearly always have larger volumes of business in any industry than is to be found in any average single State in this country.

It is my judgment that the matured experience in California may, and no doubt will, mean classified rate readjustments almost as serious as in the Washington plan, although I grant freely the fact that it will be very much longer delayed. I do claim, however, that premature claims of success based upon localized experience, gained in a period of two to four years, constitutes the merest pettifogging of those claims. In evidence of this we can cite the fact that the California State authorities in other departments believe that 75 per cent of earned premiums constitute a proper reserve which should be maintained for a period of five years.

It is rather inconsistent to hear one department of the State say that it knows what its experience has been in a two-year period; while another department, namely, the insurance department of the State, claims that no one knows what its experience will be, nor can anyone intelligently judge what its experience will be, until the expiration of five years from date of issue. However, American politics are productive oftentimes of strange and conflicting claims.

Returning again to the principle upon which this particular fund is founded, we find that it has no State guaranty behind it; that it is writing business upon an annual premium basis; and that it has an agreement with its policyholders by contract not to resort to the deferred assessment plan with which to make up deficits in this fund; that it has a capital of \$100,000 loaned to it by the State with the statutory obligation to repay this \$100,000 as soon as possible. And what pray does this mean? Nothing more nor less than the fact that this fund has obligated itself not to go to its policyholders in the event of financial difficulty. It can not go to the State of California legally for relief, but will be compelled to go there pleading for relief from mismanagement in the event of future financial difficulty.

It has only such a surplus as it may be able to earn out of the current income, and from which it may set aside a sum with which to build up a catastrophe fund. That this fund is being created is frequently claimed. The claim is just as frequently made that they are complying with the loss reserve laws of the State of California in exactly the same fashion as are the stock companies operating in that State. If this claim can be accepted at its face value, why, may I ask, has no real examination been made of this fund by an actuary qualified to express an opinion upon its actual condition?

Advocates of this plan before the committee of the legislature which adopted it made the claim that they would be subject to regulation and examination by the insurance commissioner's office, and I am informed that immediately upon taking office administrators of this new act and administrators of this fund immediately declared themselves out of the jurisdiction of the insurance commissioner. Now that the question is being raised, they declare themselves under the jurisdiction of the commissioner, and cite as evidence of this fact that they have filed a statement with his office in exactly the same fashion as other insurance companies, and yet no statement of this fund on file in any place is verified by outside actuaries qualified to make this examination.

In justice to the California fund, however, it should be stated that the present managers of that fund have given it an administration superior to that usually found in politically governed institutions; and the fact that disaster has not already fallen upon this fund is not to be attributed to the plan itself or to the theory of the law itself, but rather to its having had fairly efficient and honest management.

I do claim without reserve, however, that the California plan presents a greater possibility of political exploitation than the Washington plan, and that whenever California is again blessed with an administration seeking perpetuation in office and self-aggrandizement during tenure in office this fund will afford the quickest and surest means of accomplishing that purpose.

A State temporarily blessed with competent, honest governmental representatives may safely experiment with exceedingly dangerous governmental innovations. But, may I ask, are we justified in resting on the assumption that any such condition of affairs is to continue indefinitely?

Notwithstanding the present able management in the California fund, we have before us the earmarks of the desire to utilize for political purposes the activities of that fund, as evidenced by the extremely premature declaration of dividends earned during the first year of its operation. I think I am safe in asserting that no new insurance carrier, almost unorganized and completely inexperienced,



could possibly know that any particular surplus out of which to declare dividends had been earned in that time.

#### SUMMARY.

To summarize, it will be observed that all of the various types of carriers of workmen's compensation insurance, except private stock companies, are inspired by and have as a controlling motive the mutual idea.

The so-called compulsory and exclusive State fund (public mutual) is nothing more nor less than the mutual idea capitalized by the authority of the State, designed to stifle competition, discourage individual effort, and create an official collection agency to secure the control and disbursement of large sums of money without assuming any responsibility therefor.

This capitalization of the "authority of the State" has led to the false impression on the part of the public generally that the State is financially responsible for the enterprise, whereas the State assumes no responsibility whatever. The employer pays what is demanded of him in premiums and must take whatever is given him in the way of security and management.

In an altruistic age it is conceivable that the management might be capable and honest and the funds handled with the interests of the policyholders as of paramount importance. However, in the light of past and present day experience with State-managed institutions, the reverse may fairly be expected in connection with the great majority of State-managed funds.

Experience further teaches us that when, through casual circumstances or through limitations placed by law, there is only one way of doing a thing or performing a certain kind of service, that service will naturally, through lack of competitive interest and effort, become arbitrary, inefficient, and expensive, since the compelling incentive of self-interest is wholly lacking and the most natural impulse to efficiency and economy has been destroyed.

Purely mutual insurance acts merely as an agency for the division of losses between solvent members. Losses are paid out of a common fund only so long as that fund may be replenished by assessments. With an unlimited contingent liability, there is only the uncertain and indefinite prospect that losses will be paid by assessments upon solvent subscribers. Each subscriber becomes surety for the continued solvency of every other subscriber, and the survivors share the losses to the extent of their individual financial worth.

With limited assessment losses are paid only to the extent of the funds secured by such assessment, the deficit being borne by each individual assured, who is primarily liable.

Joining a mutual association is something like signing a blank check to be filled in later by some one else.

The mutual insurance company, like any other business, must be run only by its owners, the employers who are members of it, if it is to stand the barest chance of ultimate success.

Keen business men, however, will not spend their time on unfamiliar business which, at best, can give them only a relatively small return, but will devote their energies entirely to their own business.

Under compensation laws an employer becomes liable to employees and dependents for periodical payments continued during many years and in some States for life.

This long-continued liability makes it a matter of prime importance to the employer that he select an insurance carrier of such solvency as to guarantee fulfillment of his obligations up to the date when the last payment falls due.

Touching the vital importance of ultimate security, let me ask whether the fantastic claims of continued low rates and future dividends made by certain carriers are justified?

In those State funds or public mutuels in America guilty of this sort of thing we find impaired funds, outstanding obligations, with no apparent certainty of payment, and by a comparison with continental figures we are led to believe that systematic effort is being made to defer payments. On the whole we are surely within the bounds of truth in making the statement that experience in America has been such as to cast serious doubt upon the validity and value of such claims and promises.

Normally the risk of the insolvency of the carriers rests upon the employer. Certain States in the establishment of "public mutuels" have undertaken to relieve the employer insuring in such public mutuels or State fund from all liability for personal injuries or death suffered by his employees, and we claim that this trading away of the inherent rights of injured workmen and their dependents to induce patronage of a State fund is repugnant to every principle of fairness and justice.

No good and sufficient reason can be advanced for denying to an injured workman employed by a State fund subscriber the right of ultimate recourse to his employer's property in the event of the carrier being unable to satisfy his claim, which is enjoyed fully by the workmen of employers insuring in other ways or carrying their own insurance.

Even if we assume that employees are limited to recourse to the State fund for compensation, it is certain that employers can not be legally relieved from other liability for personal injuries to em-

ployees entitled to compensation and also such liability to employees not entitled to compensation.

Whatever may be the interpretation of such laws made by those administering public mutual funds to the effect that the employer is relieved from liability to the employee or to the fund for additional amounts of premium to make up possible deficits, it is certain that the policyholder in an optional or compulsory State-managed mutual has absolutely no certain guide to determine the ultimate cost of his liability for compensation or for damages at common law, i. e., penalties imposed in addition to compensation benefits for failure to guard, or other unwitting or unintentional violation of statutes.

The continued success of a mutual association, private or public, is dependent upon constantly securing new members to take the place of members retiring from the association. For one reason and another insurers frequently change their insurance agencies if not their methods of insurance, and there is a varying loss of membership due to commercial failures and retirement from business.

Lapsed ratio in membership of a mutual compensation organization is a much more difficult problem to overcome by securing new members than would be the case with some other line of insurance where the liability is determined within 12 months or can be fixed with practical certainty.

The contributed capital and accumulated surplus of stock companies permit a positive fixing of premium.

To the manufacturer or other employer who bases the price of his merchandise or labor in part upon the estimated cost of his compensation and liability insurance, it is of primary importance that the percentage cost of such insurance shall be known at the time the insurance is effected. It is objected that the positive fixing and payment of the premium in advance requires employers to start in abruptly to pay premiums sufficiently high to establish reserves to cover the capitalized values of liabilities accruing during the period paid for; that the premiums will be so much higher than actual cost because of the element of speculation as to experience; that the payment of fixed and positive premiums in advance puts the maximum strain upon industries at the start and withdraws a maximum amount of capital from industry; and that the heavy premiums paid into insurance reserves are withdrawn from industry.

Stock companies, by reason of guaranteeing full protection for a fixed premium, in addition to securing average rates must pledge contributed capital and acquire surplus to insure solvency.

The chief argument in favor of private and public mutual systems upon the deferred-assessment plan is that capital is only withdrawn

from industry as needed to make payments as they come due, leaving future payments upon accrued liabilities to be provided for by future assessments and thus making the increase in premiums gradual.

Many years' experience in Germany under the deferred-assessment plan of mutual trade association insurance illustrates how the seeming advantage of low rates in the beginning operate to the serious disadvantage of industry with the accumulation of liabilities and the consequent continued rise in rates.

We find that German rates were miscalculated at the outset anywhere from 100 to 400 per cent. It has taken 30 years to develop this fact, and yet the end of the increased cost in Germany had not yet been reached at the outbreak of the present war. Unfortunately present tendencies in Germany are not available to us.

Current rates too low to provide reserves to cover the capitalized values of deferred payments result in shifting the burden of pre-established industries upon new establishments and impose upon successful establishments the liability for deferred payments for injuries incurred in operations of defunct and insolvent competitors. Ultimately such a plan must result in dumping upon the survivors a ruinous accumulated liability.

*Value of uniformity.*—In the United States there may be 49 different varieties of compensation acts, State and National, and, as has already been noted, there are several methods, with variations, of insuring the compensation obligations.

In the beginning, and we are now only in the primary state of development, there is perhaps some merit in the contention that there should be a variety of compensation plans so that there may be an ample opportunity for experiment in the search for the type of act and method of insurance best adapted to our needs.

The unfit plans will fail and be eliminated. The wisest will survive and be generally, if not uniformly, adopted.

It will no doubt be conceded that uniformity, all the States adopting the wisest law, and the best plan of insurance, would be highly desirable.

Viewing the mass of experience under the various State laws, we contend that this social reform has made better progress under those acts which are least repugnant to American traditions of democracy and individualism, which permitted the employer the choice of guaranteeing the payment of his obligations in the way most suitable to his condition, and which permitted private enterprise an honest and equal opportunity to participate in the possible rewards of individual ability and industry.

Five years' experience has demonstrated that stock company insurance is the only method of insuring compensation which ap-

proaches uniformity of security, service, and cost throughout the entire country.

The educational work of securing the acceptance and furthering the development of the compensation principle has largely depended upon stock insurance, as evidenced by the fact that the great majority (from 85 to 90 per cent) of employers have, where permitted, chosen stock company insurance.

Stock company insurance has responded generously and effectively to the needs of the people.

It has developed the practical application of the various compensation laws to the requirements of the employer. The stock companies individually and collectively have made liberal expenditures in the development of a uniform system of accident prevention.

Many advantages and economies are derived from uniformity in underwriting, accident-prevention work, and rating.

Stock company insurance alone has proven its uniform adaptability and fitness to insure any variety of compensation or incidental obligations without restriction or limit.

Through supervision and regulation on the part of the several States, which has been brought to such a high degree of uniformity and efficiency, stock casualty insurance has at once become the most complete, secure, efficient, and economical medium for the administration of workmen's compensation benefits.

*Value of universal protection.*—The needs of industry in insuring liability for workmen's compensation and for claims for damages for personal injuries arising out of accidents to employees and others can never be completely served by any method of insurance which does business with only one class of industry, with operations confined to a limited geographical division, upon selected risks, affording only limited coverage, and restricted to responsibility in limited amount.

Stock companies undertake to cover fully the insurance needs of industrial enterprise.

Other forms of insurance falling short of affording universal protection fail to perform a perfect public service and are merely incidental to the business of insurance as a whole.

Agencies which do not render a general-service but merely serve selected individuals or groups of individuals have a tendency to incite discrimination and thwart attempts to establish order and system.

The State should not directly or indirectly favor a method of insurance which does not undertake to satisfy the general universal economic needs of industry as against a form of insurance which does meet every demand.

Because it provides universal insurance protection with complete security stock company insurance is certain to survive.

## DIFFERENT METHODS OF WORKMEN'S COMPENSATION INSURANCE.

BY EDSON S. LOTT, PRESIDENT, UNITED STATES CASUALTY CO.

In this country there are four generally recognized methods of insuring payment of compensation under workmen's compensation laws: Stock company insurance, mutual association insurance, State fund insurance, and self-insurance.

All these methods of insurance except self-insurance should be conducted on a competitive basis, with equal opportunity for all. The law should not play favorites. All methods, including self-insurance, should be under the supervision of the State insurance department. None should be subsidized, not even as an "infant industry."

Stock companies, mutual associations, and State funds should be required to maintain reserves on the same basis, subject to the approval of the State insurance department; and the compensation payments of all three should be regulated by the same authority, whatever that may be.

But the authority which regulates compensation payments, decides disputes, etc.—be it a board, commission, or otherwise—should not manage the State fund. It is not just that any administrative body should also be the judicial tribunal to pass on claims against itself. And it is demoralizing and unfair, in view of the controversies incident to competition frequently and unavoidably arising between private companies and associations and a State fund, that the body which operates the State fund should be permitted to exercise judicial jurisdiction over the competitors of that fund.

Self-insurers—that is, those who carry no insurance—no matter how many millions they may be worth to-day, should be required to show that they are making due provision to secure the compensation payments which will mature in the long-distant future, when perhaps such self-insurers will be out of business and funds.

Thus each form of insurance would stand on its own feet, and there would be a fair opportunity to test the merits of each.

Assuming that mutual compensation insurance may be practicable under proper conditions, it certainly is not secure in small associations, for the smaller the number of policyholders in a mutual association the greater the risk to each and to the employees of each.

Even the most ardent advocates of State-managed funds must concede that if a State has not enough workmen to give proper effect to the laws of average and of distribution and risks, then it will not be wise for the lawmakers to authorize that method of insurance, for no State fund may go beyond its own State for patronage.

Some advocate monopolistic insurance, managed by the State, in connection with the administration of workmen's compensation laws, guessing that State management can give lower rates and as good service as can private enterprise.

Why act on a guess when the facilities for a practical test are so readily available?

Anyway, why not give those who pay the freight their choice of conveyance?

If the State-managed fund can not give both lower rates and as good service as can commercial companies, the lawmakers ought not to create a monopoly for it, whereas if it can give lower rates and as good service, it will not need a monopoly. In any event, such a monopoly should not be created in the absence of conclusive evidence that employers and workmen will be benefited thereby.

Monopoly is at best a dangerous expedient. Neither stock companies nor mutual associations ask for a monopoly. If a monopoly is given to the State fund, employers must take what is given to them in the way of management and give what is demanded of them in the way of premiums. The management may be competent or the reverse. It may be fair or the reverse. It may be conducted as a well-managed commercial enterprise is conducted or the reverse. It may have at heart the interests of the policyholders or of those to whom compensation is paid, or its main object may be to build up a political organization. Its character may change with every change in State administration. And if the fund becomes insolvent, either injured workmen and their dependents will suffer, or the taxpayers at large must make up the deficit—an injustice in either case.

No part of the expenses of the State fund should be paid out of the general treasury of the State, which would amount to payment by the taxpayers at large, whether or not they are employers. That would do violence to the cardinal principle of the workmen's compensation law, which is that the industry in the first instance should bear the loss caused by work accidents and ultimately distribute it among the consumers. Those who do not employ workmen covered by the compensation law should not be compelled in the first instance to pay any part of the cost of compensation. They will pay their share when they buy the products made by those who are covered by the law. In answer to the claim that all State-managed insurance funds must be subsidized while they are young, it may be stated that the California State fund has never made use of its

subsidy. If the State fund can give as good service as the stock company and the mutual association and at a lower expense ratio, it does not need to be subsidized. If it can not compete on even terms, it is not worth a subsidy. The State fund always has the advantage of being tax free, whereas the stock company and the mutual association are taxed for the general expenses of the State.

If any part of the expenses of a State-managed insurance fund is paid by the taxpayers instead of by the policyholders, then the fund is subsidized to that extent; and it is evident, other things being equal, that it would have an advantage in rates over its competitors to the extent of the subsidy. In the long run, if its rates are lower it will be because of the subsidy, not because of its superior business methods.

The stock insurance company charges a fixed rate of premium (agreed upon in advance) for the risk carried, thereby making the cost definite for the pay roll expended; and without further liability on the part of the policyholder, pledges all its resources to the fulfillment of its obligation, taking the place of the employer and assuming all his risk.

To make assurance doubly sure, a score of stock insurance companies have joined their resources to establish the workmen's compensation reinsurance bureau, and so divide among all such companies a "catastrophe" loss which might prove serious for any one company.

In New York a stock company can not begin business unless its surplus is at least equal to 50 per cent of its capital, nor until it has made certain deposits with the State insurance department (usually \$250,000) for the security of all its policyholders. The statute also regulates the amount of the capital of such companies, and those writing compensation insurance almost always have a capital of at least \$500,000. Other States have similar laws.

Capital and surplus form no part of the reserves required of stock companies, but are in addition to such reserves.

The mutual association and the State fund must have reserves too, but they make no deposit with the insurance department. They have no capital. They may accumulate a surplus, but they do not start with a surplus, nor, as a rule, do they ever accumulate a surplus equal to that with which a stock company must start.

So stock companies have a security back of their obligations, and an earning power by way of interest on their invested capital and original surplus, which is not possessed by either mutual associations or State funds.

Stock companies are, as a rule, managed by salaried officers and employees who are trained in their work, who give that work their whole time and undivided attention, and who are constantly striving



to excel in service—if for no other reason than that their salaries may be increased. They are selected, retained, and promoted on their merits, otherwise their companies are doomed.

Of course the officers and employees of private mutual associations will in time become trained also and have the same incentive. But up to date there are very few experienced officers or employees in mutual associations.

State fund employees are frequently political appointees. Their salaries are usually fixed by law and often bear scant relation to the services performed. Moreover, their tenure of office is not often determined by their ability or attention to their duties. New and untried men are frequently inducted into office. Hence, the employees of a State fund have not the same personal incentive to excel as have those of stock companies and privately managed mutual associations. The insecurity attaching to such employment makes it unattractive.

Do not overlook this human factor, either—stock companies, avowedly run for profit, will not be continued except on an earning basis. They can not survive in the field of competition unless they furnish service at least as good and at premium rates at least as low as those of mutual associations (public or private). These two definite qualifying conditions of stock company existence mean that the management of such companies must solve the problem of reducing their costs to the practicable minimum consistent with the best service, with some profit to their stockholders, even though that profit be kept within the limits of the company's interest income on its capital and surplus.

Mutual insurance charges a certain amount at the beginning, with the right to collect more from the policyholder at some future time if the first amount is not enough—that is, if all the premiums collected are not enough to carry to final maturity (years hence) all the losses incurred in the same class or group. In other words, the policyholders insure each other, and the association does not really insure anyone if the premium it collects is not enough. The real strength behind mutual associations lies in the fact that the financially good policyholders can be compelled to pay at least a part of the losses of the financially bad policyholders.

Mutual insurance advertises that it sells insurance "at cost" and that it "pays no agents' commissions or stockholders' dividends." Let us see about this.

Aside from the cost of agents' commissions and of stockholders' dividends, there is no way whereby a mutual association can carry on business at less cost than can stock companies—most certainly not if they give the same service.

The maximum commissions paid to general agents who have administrative and supervisory responsibility is  $17\frac{1}{2}$  per cent of the premiums.

Even if the law, in order to avoid agents' commissions, should compel everybody to insure in one association, that association would find it necessary to keep on its pay roll employees enough to do much of the work now being done by agents if it aims to give proper service to its policyholders. Consequently, all of the commissions paid by stock companies can not be saved by mutual associations. In the long run any material saving can be accomplished only through skimping the service. For—jot this down—the work done by agents for the benefit of the policyholders, over and beyond the mere getting of the business, is unceasing and invaluable. The agent sees that the policyholder is properly covered, as respects his liability to the general public (against which no State fund can insure him) as well as respecting his liability as an employer; sees that the policyholder constantly complies with all the demands of the law; sees that all papers required by the authorities (especially when accidents happen) are properly filled out and filed; sees that injured employees and their dependents promptly receive the full compensation due them; and especially and particularly regards it as his duty (in cooperation with the insurance company's expert inspectors) to point out to each policyholder ways and means of reducing the number and severity of accidents, thereby saving life and limb and reducing the cost of his compensation insurance. Stock insurance companies, through their accident-prevention departments, are an aggressive and a positive force in reducing the number and severity of industrial accidents, and the prevention of accidents is worth more than all the compensation for accidents in the wide world.

Stock companies are almost entirely responsible for the starting of systematic scientific accident-prevention service.

Agents bring volume of premiums to their companies from separated sections and from diversified industries, and they also sell for their companies many lines of insurance other than compensation, so that proper effect is given to the laws of average and of distribution of risks. Thus they make stock insurance the most scientific and certain. State funds must depend upon one State and one line, while most mutual associations do only a small business.

As respects who pays stockholders' dividends—suppose we call them 10 per cent, though that is much more than they have averaged—do the policyholders pay these dividends? Let us see. The capital of stock companies is nowadays sold at a premium to create a working surplus, sometimes two for one, and practically never below one and one-half for one. Remember, please, that a new stock company can not be licensed by the State of New York unless it has a surplus

equal to at least 50 per cent of its capital. Therefore, if the capital is \$500,000 the stockholders must contribute in cash at least \$750,000, although they receive dividends on only \$500,000. If the capital and surplus, \$750,000, is invested so that it will draw 5 per cent interest, \$37,500 will come from that source, leaving only \$12,500 to be otherwise earned to make up the 10 per cent stockholders' dividend. Moreover, if the company was in business during those years when there was an underwriting profit in the business and had saved that profit and added it to its surplus, as every well-regulated company did, then it would now have a surplus at least equal to its capital, so that all its stockholders' dividends would come from interest on its invested capital and surplus, and not a penny would be taken from any other source.

Here are the figures concerning one stock company with which I ought to be familiar, neither a large nor a small company, but fairly typical: Its capital is \$500,000, and its net surplus is \$800,000, making a total of \$1,300,000. It aims to pay its stockholders dividends of 10 per cent (\$50,000) on its capital. Its average interest earnings on its investments are 4.45 per cent, which is \$57,850 per year on its capital and surplus, \$7,850 more than 10 per cent on its capital.

So you see that this company (and other companies) can continue paying stockholders' dividends without making a penny of profit on insurance operations—that the policyholders do not pay the stockholders' dividends.

Speaking especially of State-managed funds, it may be said that a certain percentage of our citizens think that anything with any sort of governmental approval or indorsement must be superior to any kind of purely private enterprise; if they are that foolish, they will patronize the State fund. A certain percentage of our citizens take it for granted that all the State's resources are behind the State fund, and that, therefore, its insurance is safer than commercial insurance; if so deluded, they will patronize the State fund.

There are those who think that the State should carry on all business enterprise, except their own; they should be compelled to patronize the State fund.

There are others who believe that workmen's compensation insurance is in the nature of poor relief, and therefore to be provided for by a tax upon employers, and that such tax should be collected and disbursed by the State, as are taxes for the maintenance of poor-houses, etc.; if convinced by that theory, they belong in the State fund.

Still others maintain that competition is no longer the life of trade, but, on the contrary, the death of trade; that if the insurance of compensation risks is left open to competition, the cost of getting the business for the various competitors will be very high—because

each competitor will spend large sums to get the business away from other competitors; and that if all employers are forced by law to insure in a State fund, then the waste caused by competition will be saved. Of course, if they believe that and overlook the fact that the chief competition between stock companies is to excel in service, they will patronize the State fund.

But note the facts: State-fund insurance is merely ordinary mutual insurance usually managed by officers appointed by the head of the political party in power, instead of by business men responsible to those who pay the premiums. The State is not responsible for a penny to anyone in case of the insolvency of the fund. It is in no sense a guarantor.

Public enterprise under our system of government has not yet been and never should be substituted for private enterprises which properly serve the public.

Compensation insurance premiums are not taxes any more than life or fire insurance premiums; for compensation is not charity, it is a legal right. It was substituted for the legal right to collect accident damages.

Competition is still the best way to get good service and diminished cost. Competition in service is not only the life of service but absolutely essential to its well-being.

Service and cost are the real factors. Keep that in mind. Free competition between stock company insurance, mutual association insurance, State fund insurance, and self-insurance is the only right way to find out which method furnishes the best service and at the least cost.

However, say some would-be reformers: "The time has come to prohibit private insurance of workmen's compensation; give the State a monopoly!" What would that mean? Simply this: Much of the incentive to better service and lessening cost would be gone, for the bureaucrat would then be in the saddle.

Service! My friends, have any one of you ever been so unfortunate as to have a contract, for construction or what not, with the Government? How long did it take you to get your money, and did the man in charge show judgment or fairness in settling disputed matters? Delays, red tape, indifference—these are often the everyday diet of the citizen who contracts with his Government. The insurance company is a corporation, but in its dealings with its patrons it is at least polite, prompt, and fair. It has to be. Competition compels it.

Cost! Where is the experience upon which the would-be monopolist of State insurance bases his prophecy of reduced cost when the State takes sole charge? Not in Norway, where the Government has a monopoly of compensation insurance and put its rates so low

at the outset that a heavy deficit resulted. Not in New Zealand, where the State fire insurance office did the same thing, and then was forced to adopt the rates charged by the competing commercial companies. Not in Italy, where, when commercial life insurance was abolished a few years ago, the governmental monopoly fixed its rates at approximately the figures which the companies had charged. Not in Wisconsin, where the State fire insurance fund and the State life insurance fund are fizzes. Not in New York, where the State fund reversed itself between May and September of this year, offering in May that those who insured with it would receive "substantial dividends," and deciding in September that no dividends would be paid for that period. Not in North Dakota, where the State hail insurance fund is a fiasco. Not in Ohio, if the chairman of the Kentucky Workmen's Compensation Board is right in his pending controversy with the actuary of the Ohio State fund. The former remarked on the vanishing surplus of the Ohio fund. The Ohio actuary replied that they deliberately revised their rates and rating system to secure just this result, so as to provide compensation insurance at absolute cost. The chairman of the Kentucky board rejoined that this was strange, in view of the fact that to get through the fourth year's period of the Ohio fund the actuary appeared to have been forced to make substantial aggregate rate increases in spite of sacrificing the entire previous surplus into the bargain. And certainly not in the State of Washington.

By the way, a copy of the October 22 issue of the Post-Intelligencer of Seattle has just come into my hands, from which I quote as follows:

After nearly 10 months, State Auditor C. W. Clausen, ex officio chief of the State bureau of inspection, has completed his examination of the industrial insurance commission, which was begun immediately after the discovery of graft in the department, involving defalcations of more than \$20,000, by J. F. Gillies, former claim agent of the commission. The report exhaustively outlines the changes which it deems essential to the practical operation of the compensation law in the future; severely arraigns the former commissioners for their lax methods in the handling of claims, putting the responsibility directly up to them; scores the practice of making political appointments in an office where business efficiency is of prime importance, and shows among other things that the reserve fund set aside to pay pensions is more than \$500,000 short in the five years' operation of the law to care for accidents occurring in that time.

As a matter of fact, although 32 States and 3 Territories in this country have workmen's compensation laws, not one of them has placed the resources of the State behind any compensation insurance method; nor has any Province of Canada.

Net insurance—that is, the money which must be paid for accidents—should, in the long run, cost the same amount, whatever be

the method of insurance employed. The actual ratio of losses incurred to premiums received depends upon underwriting skill in avoiding or penalizing bad risks, constant scrutiny and expert advice in improving the quality of all risks, lessening the number and severity of accidents, and the insistence upon a rate that will correctly measure the hazard of the average risks.

Where is the proof that State employees can do this work better than the trained and skilled employees of the commercial insurance companies? For, remember, insurance is not a commodity like corn or coal. Instead, it is a business highly technical in character requiring specialized ability. No half-dozen years is a sufficient period of time to demonstrate that a State-managed fund can be successfully conducted while ignoring the principles which govern the commercial companies.

The number of payments of compensation to injured employees and their dependents is cumulative—as accidents happen—one added to another, as the years go by. Many payments due to this year's accidents will begin this year and extend into other years, next year another year's series of payments will be added, the year following two years' payments will be added, the year thereafter three years' payments will be added, and so on. The total of such payments per year will start low and increase each year, even though the number of workmen should remain the same.

The insurance rate should be sufficient to carry all payments to maturity, otherwise the time will come with mutual associations and State funds when the assessments collectible from policyholders will not be sufficient to pay the accumulated losses.

No State fund should attempt to beat commercial companies on loss payments, for any saving here would be made at the expense of the workmen. No insurance method can be permanently successful unless injured workmen and their dependents are dealt with in a broad and liberal manner, not in a narrow and technical spirit.

And can a State fund beat private insurers—in cooperation with the employers they insure—in providing good medical service at a fair cost and in detecting and eliminating palpable abuses and impositions?

Insurance service costs money, too. Should we reduce that cost by turning this highly technical work over to public employees who have not the incentive which spurs the employees of commercial insurers to make their service the best in the land? Would we, for even the same cost as now, get the same attention and fairness and square dealing for which the organizations writing compensation insurance in States like New York, Massachusetts, Illinois, and California are now so justly praised?

But, say these reformers, you talk for insurance companies. Can they be trusted? I answer, Yes. I could give many facts. One, hot from the forge of recent human experience, will be enough. When the New York compensation law was passed, these same reformers persuaded the legislature to require that all settlements of compensation should be made by the State commission and not by the insuring companies—nay, more, that all payments of compensation should be made by the commission itself. Thus the money that was due injured workmen and their dependents was to be paid to them without delay.

What happened? The commission's calendar of claims became clogged beyond the possibility of relief for months and payments of compensation delayed so that much hardship and distress resulted.

Then the legislature changed all this; it amended the law. What has been the result? I call as the best witness John Mitchell, world-renowned labor leader, known and favorably known by all men, who, as a member of the first workmen's compensation commission of New York, had been familiar with the workings of the original plan, and who, as chairman of the present commission, has put the new plan into effect. In a recent report made to Gov. Whitman, Mr. Mitchell (who conscientiously opposed the change when it was made), referring to the amendments passed in 1915 providing for direct settlements of compensation claims and advance payments by insurance companies representing employers, says:

The experience of more than a year in the operation of these laws has proved them to be of the greatest value to the wage earner. Compensation may now be arranged between the employee and his employer by agreement, without waiting for the long and somewhat tedious process of hearings by the commission, followed by an award, with the possibilities of appeal and other delays. All such agreements, however, are inspected and carefully examined by the Industrial Commission to make certain that in no case is an employee permitted to compromise his claim for anything less than the full amount provided by law. The advance-payment feature has also worked a great advantage.

In a word, the creation of a bureaucratic agency of government to handle the ordinary business transactions of citizens with each other—in this case the payment by the employer or his insurance carrier of wages in the form of workmen's compensation—had the usual result of delay and dissatisfaction. But now the insurance companies which protested against the original plan, but were and are in favor of public control of compensation settlements and payments, have been vindicated.

Let us not wear blinders as to another fact. The employer must have other insurance than workmen's compensation; in some States employers' liability insurance that he may be protected against loss, where some of his employees are not within the scope of the workmen's compensation law; in all States, public liability insurance, that

he may be protected against loss through injury caused to persons not in his employ; and elevator, team, automobile, glass, burglary, residence, vessel, and other liability insurance, as well. The employer ought to be able to get all these kinds of insurance he may need through one office or agency; otherwise he will be put to much avoidable inconvenience and additional expense due to duplication of inspection, audit, and other services, and to possible overlapping of coverage, or to possible loss due to failure of all his policies, issued by different carriers, to cover every feature of his risk. Therefore, if the State is to have a monopoly of compensation insurance, it should also undertake to provide all these other kinds of insurance. Is anyone here ready for that—a 7-league step toward the assumption of all insurance by Government? It is not conceivable that the State will, for a consideration, hold one citizen harmless from his liability to another citizen when such liability arises from the infraction of a law created for the protection of both citizens. And, until that step be taken, let us not forget that, of the competitive methods mentioned, commercial insurance alone can give complete protection to both employer and employee, for as our constitutions now are no State fund can insure against common-law liability.

Let us not shut our eyes to the fact, either, that, short of governmental guaranty—abhorrent to every red-blooded American—State insurance will always be a fraud and a sham. Nowhere is this put more forcibly than by my friend, Walter G. Cowles, vice president of the Travelers Insurance Co., in a recent address, as follows:

We are accustomed to speak of State funds and State insurance, but upon analysis these organizations are not supported by the credit of the States, and in that sense are not State institutions, nor are they insurance companies, because they fail in the fundamental element of insurance, which is absolute guaranty. Like a Welsh rabbit, it is neither Welsh nor is it rabbit; it is a piece of cheese masquerading under a fashionable name.

Finally, if my company can not withstand an even-handed competition with public and private mutuals, it has no right to exist, and it will cease to exist from lack of patronage.

This is true of the other companies. But they should not be put out of business to satisfy a theory. If the theorists are right they will die anyway. They have honorably conducted a legitimate business for years. If they die it will not bring loss to any policyholder or to any injured workman; their reserves will take care of them. The only ones who will lose will be the stockholders. The stock companies are willing that as many public and private self-supporting methods of insurance as the people want shall compete with them. They ask no favors. But they do ask that they be permitted to remain competitors. Let the fittest survive.



## SELF-INSURANCE.

BY DUDLEY R. KENNEDY, DIRECTOR, LABOR DEPARTMENT, B. F. GOODRICH CO., AKRON, OHIO.

I feel a good deal like the trick bicycle rider who was asked to appear on the vaudeville stage after Eddie Foy and the seven little Foyes. I want to set your minds at rest also, and ask the judges of the mutual admiration contest now in progress to exclude me from their award. I have no ax to grind for any company nor do I desire any political job.

I am rather at a loss to know from what particular angle this conference desires to hear the topic of "Self-insurance" discussed, whether from the legal standpoint, in the sense of a comparative analysis of the various compensation acts, as now in force throughout this United States and abroad, in so far as they grant to employers the right to carry their own insurance; or from the standpoint of a discussion of the generic term "self-insurance."

I have elected to approach the matter from the latter angle and to limit my analysis to the theory as conceived in Ohio at the time of the passage of section 22 of the workmen's compensation law of that State.

The bill, as originally presented to the legislature, made no provision whatsoever for the employers who desired to carry their own insurance. It will be remembered in passing that the bill was considered more or less as an assault upon the special preserves of the old-line liability insurance companies, and that it tended distinctly toward an absolute monopoly upon the part of the State. Organized labor, through its authorized representatives, frankly asked for the exclusion of the liability companies, and that the sole right to receive premiums and disburse awards be vested in the State administering board, and even more than this, that reinsurance upon the part of employers be specifically prohibited.

All this was upon the theory that inasmuch as the cost of administration of the act was to be carried by the State out of the general taxation fund, every cent paid in premiums would be strictly available for disability awards, and hence would find its way into the hands of the proper recipients; further, that such supreme and final

power as was proposed for the administering tribunal would preclude the possibility of technical delays and the refusal to pay to the injured of industry or the beneficiaries of those killed.

Personally, I have always contended that this rather severe attitude and drastic stand upon the part of labor was a more or less deserved rebuke to the liability companies. They had, through over-keen competition, reduced the business to a basis where it became imperative to hide behind every technical defense, and contest every possibility in the effort to make even a small profit on an individual risk. Often delay of years resulted, and in Ohio, at least, the courts in counties of industrial complexion became literally clogged with personal-injury damage suits, to the partial exclusion of the regular docket. Hence I maintain that these companies themselves materially assisted in the demise of the proverbial "goose" that laid the "golden egg," and paved the way for the marked antipathy upon the part of labor, which they were apparently so completely at a loss to understand and so unsuccessful in combating.

This firm labor stand was immovable so far as the attack of the insurance people was concerned, and out of this deadlock grew the negotiations which led up to the compromise as between the employers and employees.

There were in Ohio a number of large and financially strong corporations employing a large complement of labor, which concerns had instituted prior to this time "voluntary relief" or "compensation plans," carried by said companies themselves as a straight risk or charge against their business, without any insurance whatsoever. They had adopted this policy for several very logical reasons, the first in importance being that it returned to them again the personal-contact relation in all of its elements. It gave the opportunity of dealing directly with injured employees on questions of settlement, without the often-present necessity of negotiating through an "adjuster," or other outside third person. It gave them the opportunity of maintaining their own medical and surgical equipment and staff, where immediate treatment could be administered by competent surgeons and nurses in the best-equipped hospitals, located upon their own premises, and subsequent medical attention when necessary.

But more than all these practical benefits, it gave them the psychological reaction, which was considered by these forward-looking employers as the first great step toward the coordination of the management and its employees; the building up of that then newer relationship which is now more or less of an understood function, to wit, industrial relationship.

These same concerns had already started an organized campaign, under special departments, for safety, for the reduction of industrial

accidents, and, as before intimated, had equipped plant hospitals and dispensaries under the direction of full-time doctors and nurses; in short, they had approached this problem with that same hard-headed business logic which had made their own business a success, and they were among the pioneers in what we now know so well as the "safety first," "industrial medicine," "social insurance," and "general welfare" movements.

I must pause at this point for a moment to assure you that I have no patience whatsoever with the maudlin sympathy, or so-called praiseworthy humanitarianism, that has been so plentifully supplied by so many of our "newly arrived" economists, social and welfare workers; nor was this idea of "welfare in the sense of charity" present in the minds of the particular group of hard-headed employers of whom I speak. So, at the time when the present bill was pending before the Legislature of Ohio, this group appeared before both the liability board and the joint house committee, which had this matter under consideration, and presented their case, together with their proposed amendment to the pending bill. That amendment was finally adopted, and with certain added safeguards was incorporated into the "Green senate bill" and became section 22 of the Workmen's Compensation Act of the State of Ohio. This section gives to the industrial commission the discretion to grant to an employer applicant the right to conduct self-insurance. The commission have, under their duly delegated powers, promulgated certain rules covering the matter, but they have been very willing and ready—yes, generous almost to a fault—to grant the privilege. The self-insurer must first satisfy the commission of his financial responsibility, not only in the ordinary banking sense but in the sense of his ability to weather an accident catastrophe; of his ability to provide proper medical attention to his injured; of his ability to generally administer the compensation act in the spirit of its conception. The commission, being satisfied, grants the request of the applicant and allows him to carry his own insurance, but requires a bond in a fixed and certain sum, and a sort of penalty premium of 5 per cent of the regular State premium covering his particular type of hazard.

All action of the employer is subject to confirmation by the commission, and if an award be made "not equal to or greater than" that specified by law, the matter can be reopened and proper award made by the commission itself. No award is final, nor is a case closed until approved and passed by the industrial commission.

The point may be raised in the minds of some of my auditors that this seems an unnecessary and added burden upon the law's administration, but I believe that the members of our commission will confirm me in the statement that the manner in which the employers have cooperated has been of very material assistance in their labors,

and that, speaking for the original group at least, they have more often been guilty of giving too much compensation than of giving too little. It has reduced or entirely eliminated delay that is necessarily incident to the administration of compensation solely by a State board, with its necessary correspondence, examination by special examiners, nominated medical representatives, and other routine, whereas under self-insurance as conducted in Ohio, the employer is empowered to conduct the entire negotiation and close the case, without consulting the industrial commission until he submits the closed case for confirmation or rejection at their hands.

The foregoing is, of course, a very general résumé of the subject, and I have been less specific, for the reason that I assume that most of you are more or less familiar with the terms of the act itself and the special rules governing the same, as laid down by the commission, but in closing I desire to call your attention to a phrase or term that I endeavored to emphasize before in passing, to wit, personal contact. The paramount importance of this personal-contact relationship was, as I have said, appreciated by a few employers several years ago, but its real necessity is just now being truly recognized, and if proof of that statement be required, I will simply refer you to the table of contents of the program of this conference, which should be convincing enough, else you would not be here taking part in its discussion.

Our wonderful industrial expansion, the consolidations and enlargements of our various plants, have been sudden, tremendous, and startling. We are no longer stunned at the thought of 20,000, 50,000, or 100,000 men working for one employer. Go back, if you will, as you do with your "movie dreamer," 15, 20 years (longer is unnecessary), to the day when the managing executive knew most of his employees by name, many of their families, and, more or less, all of their trials and tribulations, both with the company and at home. Between the two was some bond, or at least the opportunity for it, and many, many of our problems in the abstract to-day were simply, pleasantly, and expeditiously handled in the concrete in those days; but as business grew and expanded, or consolidated, and as the managing executive receded farther and farther into the mysterious seclusion of the large general office building (if not, in fact, to another city), with the impending increase of his duties, his time and that of his direct subordinates was required more and more by the supposedly larger matters of the business, and the question of the human element and the interrelationship was somewhat lost in the shuffle.

As men progress in years and success they become more and more calloused and impatient of the frailties of their fellow man, and especially of their less fortunate fellow man, his selfishness, his

brusqueness, his unfamiliarity with larger problems of finance and the difficulties of management and his concentration upon his own little, particular problems; but the great mass of our people, the backbone of our Nation, is made up not of executives, not of highly educated or trained men familiar with all these things, but of wage earners, who have only their wage upon which to live, and very often no outlook for the future. To-day few, if any, really big employers are so obtuse as to be blind to the necessity or the desirability of some return to the old basis of relationship, some common meeting ground where the three greatest partners in the world can meet and discuss and agree upon ways and means for the common weal—labor, capital, and society.

What this country needs to-day is education and yet more education. We had better even discard the old three R's and revise ourselves upward somewhat, upon the most fundamental things; not so much upon this "new thought" that is being peddled about our country by self-styled economists, who yesterday "we wot not of," but rather a little more common sense, a little more primary education in the necessity of cooperation, in the partnership which controls our destiny and the destiny of our country.

We should pause somewhat in our smug complacency, our self-assured prosperity, our sublime American egotism, to consider for a moment what the determination of this hellish business now going on in Europe is going to bring to us. They have shown us an example of cooperation, of national unselfishness, and of manufacturing efficiency, which baffles word picture in its scope and depth.

The three partners in the "economic trinity" in each warring nation are pulling together with a oneness in which all discord is eliminated, in a struggle for their very existence. Labor has forgotten its old demands, capital has been more equitable and just, and the controlling partner, society, is insisting upon and getting from the other two teamwork and efficiency such as the world has never seen before.

When this war is over will the efficiency learned in the crucible of war's necessities be lost or forgotten? No. Will we be in position to compete with them all in their desperate battle to rehabilitate themselves in the world's trade? Again, the answer must be "no,"—or, at best, one of grave doubt, unless we waken to the fact very soon that the two great oceans are not locked doors upon our land. This great partnership in our country is trying to do business with no partner in full sympathy with the others, with no partner knowing what the other partners are doing, nor why. Could a business partnership long stay afloat through "insolvency shoals" and the "reefs of bankruptcy" where there was no understanding between the partners and less than no cooperation?

What has all this to do with self-insurance? Only this, that apparently everyone in this room feels more or less certain that all is not well with this country's partnership, and that many of the things that are for discussion here have a very material bearing upon this problem; more trust, more honest cooperation, more keen conception of their interdependability, are absolutely essential in this country between these partners in life's business, and it occurs to me that the theory of self-insurance, properly safeguarded and honestly administered, has its proper place in the whole economic structure.

We overlook somewhat the fact that social insurance depends on common sense. If we did not have manufacturing plants, stockholders and directors, etc., we would not have any necessity for social insurance.

Question. Will you tell me what limits you set to the award of self-insurance? Or what you mean by self-insurance?

Mr. KENNEDY. Simply to convince the commission that he is adequately prepared to meet any catastrophe that may happen to him.

The CHAIRMAN. The paper on "Employers' mutual associations," prepared by Mr. Walter S. Bucklin, will be given by Mr. David S. Beyer, of the Massachusetts Employees' Insurance Association.

Mr. BEYER. This paper was prepared by Mr. Bucklin, president of our company, and, as he was unable to be present, he asked me to read it.

## EMPLOYERS' MUTUAL ASSOCIATIONS.

BY WALTER S. BUCKLIN, PRESIDENT, MASSACHUSETTS EMPLOYEES'  
INSURANCE ASSOCIATION.

[Read by David S. Beyer, of the Massachusetts Employees' Insurance Association.]

Manufacturers and other employers of labor throughout the country are in the midst of a crisis in workmen's compensation insurance. Under their very noses an organized effort is being made by a group of stock-liability insurance companies to get control of the enormous sums in workmen's compensation premiums which employers are paying under workmen's compensation laws. Profit taking for their stockholders is the incentive for seeking this control, and the method which they have adopted is the familiar one of combining to uphold rates where there is little competition and to decrease rates below cost, if need be, where they are confronted with competition which they desire to eliminate.

While the method is old, however, the combination of stock-liability companies has not to its credit even the saving grace of the methods adopted in the past by some large aggregations of capital; that is, efficiency in operation. On the contrary, the commission agency plan of workmen's compensation insurance which these companies are endeavoring to establish, as I shall point out, is extremely wasteful and inefficient.

The combination of stock-liability companies is nevertheless a powerful one. It not only has large financial resources, but the ramifications of the influence of its thousands of agents and brokers go into every city, town, and hamlet in the country. And although, as I shall later show, the compensation insurance business can be efficiently conducted by employers through their own mutual companies at an expense of about 15 per cent of the premiums, this colossal organization is endeavoring to crowd out all competitors and establish at the expense of the employers of the country a wasteful plan of insurance which takes substantially 40 cents of every dollar of premium for expenses of doing business.

But let us see what evidence we have to substantiate these statements. If the employer is in the midst of a crisis, and his action at this time is likely to influence the future cost of his insurance,

he will wish to act wisely. Before acting, however, he will wish to be shown that a combination of stock-liability companies actually exists and that its methods in the long run will operate against his interests. He will also wish to be shown that in the present crisis the mutual company of employers furnishes the best means for preventing the stock-liability companies from establishing a monopoly of the business. Let me present, therefore, some evidence bearing upon the entire subject.

1. The National Workmen's Compensation Service Bureau is a stock-liability company organization, whose purpose is to fix insurance rates and to eliminate all competitors from the field.

2. The stock-liability companies can only exist by combining to eliminat their competitors and upon a system of commissioned agents and brokers which takes substantially 40 per cent of every premium for expenses.

3. Mutual insurance companies have demonstrated that the compensation insurance business can be administered by employers themselves, with high standards of efficiency, at an expense of about 15 per cent of the premiums. These companies provide for the employer the only positive means for insuring permanent low rates for workmen's compensation insurance in America.

1. The National Workmen's Compensation Service Bureau is a stock-liability company organization, whose purpose is to fix insurance rates and to eliminate all competitors from the field.

The insurance business differs from a commercial business in one important particular. In a commercial business it is possible for an individual concern to determine accurately the cost of its goods. In insurance, however, few, if any, companies have sufficient statistical data to enable them to determine from their past losses what their future losses are likely to be. This condition, therefore, has given rise to combinations of companies for the purpose of pooling their experience and determining rates. In the workmen's compensation insurance business the organization which has performed this function for the stock-liability insurance companies is the National Workmen's Compensation Service Bureau. This bureau appears before the public as a scientific organization for the purpose of collecting insurance statistics. As a matter of fact, however, the underlying purpose of the bureau is to eliminate competition and to increase the profits of the stock-liability companies which are its members.

If space would permit, I would produce here a complete copy of the constitution and by-laws of this bureau, which clearly indicate that its purposes are what I have stated. It will be sufficient, how-



ever, to produce section 4 of the by-laws (Exhibit A, hereto attached) to show that it is not a scientific body; that it is really maintained for the purpose of increasing the profits of its members, and that it intends to eliminate all competitors from the field.

It was the knowledge of the competitive methods of this organization that caused the legislatures of several States to pass laws to regulate compensation insurance rates. Many employers have wondered why it was necessary to pass laws in Massachusetts, Pennsylvania, New York, and other States requiring State authorities to compel the stock-liability companies to charge "adequate" rates.<sup>1</sup> At first one would think that it would be necessary to legislate to prevent such companies from charging excessive rates. The reason, however, is plain. The legislators had provided for the formation of mutual companies for the protection of employers, and they well know that the mutual companies, if given a fair chance in competition, could transact the compensation insurance business at much less cost than the stock companies. But they realized that the combination of stock-liability companies would immediately attempt to reduce rates temporarily below cost to eliminate their mutual competitors. To safeguard against this the legislators of several States provided that the stock-liability companies should be required to charge rates which should at least be adequate to cover their actual losses and expenses. In other words, the stock companies were to have a fair chance in competition, through being permitted to write insurance at the lowest rates that they could justify by their actual cost of doing business, but they were not to be permitted to do business at a loss, solely for the purpose of eliminating the mutual companies and later raising the rates. This legislation in several States stands out as strong evidence that the public had knowledge of the competitive methods of those companies.

But even the rate regulatory law in Massachusetts did not prevent the stock-liability companies from endeavoring to eliminate their mutual competitors from the field. Massachusetts was one of the first States to adopt workmen's compensation, and the stock-liability companies found in that State keener mutual competition than elsewhere in the country. They therefore centered their efforts upon either eliminating the mutual companies or rendering their competition harmless for the future. Accordingly in 1914 they made a successful effort to persuade the Massachusetts insurance commissioner to consent to a large reduction in compensation insurance rates, under which they believed the mutual companies would be unable to survive. Compensation laws were new, and the Massa-

<sup>1</sup> See Massachusetts Workmen's Compensation Act, Part V, sec. 3.

chusetts insurance commissioner having no data before him at that time which was conclusive of what the rates should be, was finally persuaded in March of that year to approve the cut which the stock-liability companies had urged. That this rate cut was unwarranted and carried the rates at least 15 per cent below the actual cost to the stock-liability companies of doing the business is now well known. Operating under these rates in 1915 the stock-liability companies lost over \$600,000 on a total volume of premiums of \$3,846,657.<sup>1</sup> Furthermore, immediately after the rate cut was approved, it became apparent that the reduction was accomplished through an improper combination of the stock-liability companies, and an investigation was made by the legislature. The Riley commission was appointed, and after a full investigation reported "that nearly all the stock companies entered into an improper agreement, giving one man full authority to change compensation insurance rates in Massachusetts alone for competitive purposes, a situation which is indefensible."<sup>2</sup>

Any employer who looks carefully into this record in Massachusetts can not help being convinced of the organized effort which the stock-liability companies are making to eliminate all competitors from the field so that they may later raise the rates to a profitable basis. Any employer who is interested to look further, however, can find much additional evidence of this fact. He will find, for example, that many of the stock companies have been unable to stand the pressure of these intense competitive methods, and have recently discontinued writing compensation insurance.<sup>3</sup> He will also find that the intention of the half dozen largest stock companies to get control of the business has been inadvertently announced in newspaper advertisements. (See Exhibit B. hereto attached.)

The situation which developed in Massachusetts following the rate cut before referred to is also interesting evidence. When the Massachusetts insurance commissioner found by the statistical returns which the companies were required to make to him, that the rate cut of 1914 was unwarranted, and that the rates must be increased, he attempted to put such an increase into effect. The stock-liability companies, however, hoping that the low rates, under which they themselves were losing money, would seriously affect their mutual competitors, endeavored to persuade Gov. McCall to prevent the insurance commissioner from raising the rates to an "adequate"

<sup>1</sup> See statement read by Insurance Commissioner Hardison before joint judiciary committee of the Massachusetts Legislature, May 1, 1916.

<sup>2</sup> See report of the commission to investigate practices and rates in insurance, Apr. 22, 1915.

<sup>3</sup> Within a few months the following companies have ceased writing compensation insurance: Fidelity & Deposit Co., New England Equitable Co., Massachusetts Bonding Co., Casualty Co. of America, London & Lancashire Indemnity Co. of America, American Fidelity Co., Prudential Casualty Co., and General Accident & Liability Insurance Co.

basis. Failing in this, they made a further effort in the legislature, through the notorious "Davis" bill, to deprive the insurance commissioner of much of the authority given him by law to regulate rates.

2. The stock-liability companies can only exist by combining to eliminate their competitors and by a system of commissioned agents and brokers which takes substantially 40 per cent of every premium for expenses.

Let us now see why it is that the stock-liability companies have been forced to use the methods outlined above, to meet the competition of mutual companies. If stock insurance is as strong as its proponents would have us believe, why is it necessary for these companies to combine to reduce rates below cost to meet mutual competition? The answer is this: The stock-liability insurance plan depends for its very existence upon a system of commissioned agents and brokers which, from the viewpoint of the employer, is wasteful and inefficient, and this system could not be maintained except by the methods which those companies have adopted.

As I shall later clearly show by an actual record of business transacted, mutual compensation insurance companies are now doing a large volume of workmen's compensation insurance business at a total expense to the employer of about 15 per cent of the premiums paid. The stock-liability companies, on the other hand, are charging the employers of the country substantially 40 per cent of each premium received for expenses of doing business. It is obvious that under these circumstances the stock-liability companies could not hold their business if they did not combine to drive competitors from the field, and if they did not employ thousands of agents and brokers to interview personally each employer and instill in his mind vague fears of mutual insurance. And there is a real touch of humor in the fact that the stock-liability companies make the employer pay the bills for employing insurance agents and brokers to persuade him against the economy of mutual insurance. If it were not for this veritable army of insurance agents and brokers, however, who are cleverly trained by secret and confidential instruction from their companies to misrepresent mutual insurance, the entire structure of the stock-liability business would immediately fall to the ground.

But let us see what evidence we have that should convince the employer that the commissions of 17½ per cent paid to stock insurance brokers and agents are an unnecessary expense; that if the stock-liability companies succeed in establishing their expensive system of charging the employers 40 per cent of each premium for expense alone, the employers will later pay millions of dollars in unnecessary expenses for the administration of workmen's compensation insurance; and finally, that through their mutual companies employers can conduct the workmen's compensation insurance business at an expense of 15 per cent of the premiums paid and with the very highest standard of service and insurance protection.

No evidence of the truth of the above statements could be more convincing than the record of the actual results accomplished by mutual compensation insurance companies in the few years that workmen's compensation laws have been in effect. I will turn, therefore, to the record of the results which have been accomplished by the mutual companies in Massachusetts, notwithstanding the competitive methods which I have already shown were used in that State by the combination of stock-liability companies.

In Massachusetts, since July 1, 1912, 4 mutual companies have competed with more than 20 stock-liability companies for the compensation insurance business of the State. Under the Massachusetts insurance laws each company has been required to make complete returns to the insurance department of the volume of workmen's compensation insurance premiums received, the percentage of the total premiums which was used by each company for expenses of doing business, and, in the case of mutual companies, the amount of the premiums which were returned to the employers in mutual dividends. The record which I shall present for all the stock-liability companies as a whole, and separately for all mutual companies as a whole, presents a vivid and convincing comparative picture of the efficiency of the two methods of transacting the compensation insurance business.

The first part of the record, taken, as I have said, from the sworn returns made by these companies to the Massachusetts insurance department, shows the volume of workmen's compensation insurance premiums earned by such companies between July 1, 1912, and December 31, 1915. In reading these figures the employer should keep in mind that the stock-liability insurance companies, through their thousands of agents and brokers, virtually controlled the old form liability insurance, and practically all the employers of the State were their customers when, July, 1912, the compensation law became effective.

Earned premiums:<sup>1</sup>

4 mutual companies.....	\$4, 871, 571
Over 20 stock companies.....	11, 064, 169
Total .....	15, 935, 740

Per cent of total premiums written by 4 mutual companies, 31.

Per cent of total premiums written by over 20 stock-liability companies, 69.

<sup>1</sup> The premium basis of comparison is used because all companies charged the same premium rates with but one exception. One mutual company charged slightly higher advance rates for some industries and slightly lower rates for others, but the average was substantially the same as the other companies. If the factory pay roll insured by each class of companies were used as a basis of comparison, the result would be the same, 31 per cent insured by the mutual companies and 69 per cent by the stock companies.

Let me now add to the above the record of the expenses of each of the two classes of companies for transacting, during the same period, a total volume of workmen's compensation insurance premiums paid by the employers of the State amounting to \$15,935,740. These figures show how the mutual companies have successfully eliminated profits to stockholders and the customary 17½ per cent commissions to agents and brokers and have effected other economies, on one-third of the total compensation insurance business of Massachusetts employers.

	Total earned premiums.	Total expenses.	Per cent of expenses to earned premiums.
4 mutual companies.....	\$4,871,571	\$807,000	16.58
Over 20 stock companies.....	11,064,169	4,211,107	38.08
Total.....	15,935,740		

To show that the tendency of the stock companies' expenses is upward and of the mutual companies' expenses downward, we may look at the following similar record for the year 1915 by itself:

	Total earned premiums.	Total expenses.	Per cent of expenses to earned premiums.
4 mutual companies.....	\$1,385,728	\$220,759	15.93
Over 20 stock companies.....	2,810,041	1,136,919	40.38
Total.....	4,204,769		

Let me finally introduce the record, which shows the actual saving of \$1,198,236 made by the employers of Massachusetts on one-third of the business of the State through mutual insurance. It is obvious that to this large sum, returned by the mutual companies in cash to employers insured with them, there could readily have been added substantially \$3,000,000 in addition if the mutual companies had written the entire compensation insurance business of the employers of the State.

	Total earned premiums.	Premiums returned to policyholders in cash dividends.
4 mutual companies.....	\$4,139,052	\$1,198,236
Over 20 stock companies.....	9,988,344	Nothing.

What deductions may the employer fairly make from the above record of several years of the keenest sort of competition in Massa-

chusetts? It is such results, and not theoretical arguments, which will count in the minds of most business men. If this record can be made in Massachusetts in a few years, it certainly can be duplicated by employers in other States. Compared to such a record, how ineffective seem the familiar arguments of the stock-liability companies and their agents—that their system of paying commissions to agents and brokers is necessary and of benefit to employers; that the mutual companies can not acquire sufficient financial strength to provide adequate insurance protection for employers; that employers will not find the service of the mutual companies in the adjustment of claims satisfactory; and, in fact, that the stock-liability companies have a monopoly of the brains and ability to run compensation insurance companies.

As a matter of fact the mutual companies are rendering to the employers of Massachusetts a higher standard of service in the adjustment of claims than the stock companies. They are accomplishing results in the prevention of accidents which the stock companies can never accomplish, for employers who pay their premiums to stock-liability companies are not inclined to spend time and money for accident prevention. Why should they when they know that the profits on their insurance will not come back to them but will go to the stockholders of the liability insurance companies? Furthermore, the results show that the employers of Massachusetts are entirely satisfied with the insurance protection afforded by the strong financial resources which the mutual companies have accumulated, by the legal reserves which they are required to carry, and by the strict supervision over them which is exercised by the State insurance departments.

It is obvious that in a very short time a large percentage of the employers in Massachusetts have changed from stock insurance companies to mutual insurance companies. While the stock companies proudly exhibit the names of a handful of employers who have left the mutual companies to go with them, for each such employer the mutual companies can show the names of hundreds of employers who have left the stock companies to go with the mutuals. Employers are doing this because they are no longer taking at par the statements of their insurance-broker friends; because they are learning from other employers that the service which the mutual companies are rendering is highly satisfactory; because, upon investigation, they are becoming assured that the financial condition of the mutual companies affords them the safest insurance protection; and because they are anxious to take advantage of the large saving in dollars which the mutual companies are making for their members.

3. Mutual insurance companies have demonstrated that the compensation insurance business can be administered by employers themselves, with high standards of efficiency, at an expense of about 15 per cent of the premiums. These companies provide for the employer the only positive means for insuring permanent low rates for workmen's compensation insurance in America.

In the preceding pages I have endeavored to present to the employer some information regarding stock and mutual compensation insurance which I believe is of vital importance in the present crisis. But before drawing certain conclusions from the record which I have presented the employer may wish, perhaps, to give some consideration to two other available methods of insurance, namely, self-insurance and State insurance. Neither of these plans, however, is destined to play any considerable part in reducing the cost of workmen's compensation insurance.

Self-insurance is at best a dangerous experiment, except possibly for the very few large employers (such as the United States Steel Corporation) who have enormous financial resources and widely distributed plants and who employ upwards of 100,000 persons. For the general run of employers self-insurance is purely a gamble. Through self-insurance such employers may save money for a few years, but in some one year they are almost certain to lose more than they have saved in all the previous years. In reality, no employer who carries fire insurance on his plant can afford to be without compensation insurance. Some employers are now carrying their own compensation risks, however, who have learned of the ever-present danger of fire but have not yet learned of the many hazards of workmen's compensation. But sooner or later a number of serious disasters will occur, and some self-insurers will find themselves in financial difficulties. The public will also learn that self-insurers are frequently unable to meet the claims of widows and orphans, and self-insurance will thereafter be confined, as is now the case with self fire insurance, to only a few of the largest corporations in the country.

For similar reasons State insurance can not hope to play any considerable part ultimately in reducing the cost of workmen's compensation insurance in this country. State insurance has serious inherent weaknesses. Employers insured in such funds receive no financial guaranty of the State. In reality, through State funds the State merely undertakes to collect and distribute the insurance premiums paid by employers, either at the expense of the taxpayers generally or by charging the expense to the employers in the premiums which they pay. In other words, the State fund is in reality a mutual association managed by politically appointed State officials. Several of these funds already have become financially involved, and it is obvious that in the long run they can not hope to compete suc-

cessfully with the mutual companies which are managed and controlled by business men and operated with modern business efficiency and economy.

It seems pretty clear, therefore, that the employer must decide between stock insurance and mutual insurance as a means for working out in the future the lowest cost for workmen's compensation insurance.

The employer is not looking for temporary low compensation insurance rates. On the contrary he desires to see conditions established which will assure him of low rates over a period of years in the future. Do the stock-liability companies offer any hope to the employer that if they obtain control of the business they will radically change their present wasteful methods. In deciding this question employers will, I believe, keep in mind that the stock-liability companies are organized for but one purpose—to make profits for their stockholders, and obviously they must make the profits from the premiums which employers pay to them. Employers will also keep in mind that when they insure in stock companies they not only receive no share of any profits which the company may make, but also that they are not given the slightest voice in the management of the company. The stockholders appoint the management, and the management is held strictly by them to the duty of making profits from the employer.

In a mutual company, on the other hand, the employers, who are the policyholders, control the organization and shape its business policy. There are no stockholders. The policyholders elect the directors, the directors elect the officers, and the officers in turn appoint the employees. The entire organization, therefore, is responsible to the employers and is held by them closely to the duty of conducting the activities of the company solely in the interest of the employers with the efficiency and economy of modern business. Consequently there exists one harmonious, concerted effort to accomplish for the employers as great a saving as is consistent with the highest standard of service and ample insurance protection.

#### CONCLUSION.

As I have pointed out, the stock-liability insurance companies, by combining through their bureau, are playing a big game for a big stake. Although workmen's compensation insurance is still in its infancy the stake for which they are playing is now approaching \$100,000,000 in premiums annually. And to this enormous sum there probably will soon be added further millions in premiums for sickness insurance, old-age pensions, and unemployment insurance.

Will employers permit the stock-liability companies to get control of these funds for their own profit? This is a question which



must be answered, not only by employers collectively but by each employer individually, when he determines with what company he shall place his workmen's compensation insurance.

If he gives his support to the stock-liability companies because of his friendship for the insurance agent or broker who solicits his business, he is in reality supporting a plan which if firmly established will mulct the employer for larger and larger profits and larger and larger amounts for expenses.

If, on the other hand, he gives his support to the already strong mutual organizations, he will assist in building up in this country a method of transacting the compensation insurance business which will endure for all time, as an absolute protection to the employer against excessive rates.

I believe that the manufacturers and business men of America are commencing to realize these facts and the importance of their decision in the present crisis in workmen's compensation insurance. I believe, furthermore, that they will decide to give their united support to their own mutual companies, and that America will lead the world in the economy of its methods for administering social insurance funds.

#### EXHIBIT A.

##### Extract from by-laws of National Workmen's Compensation Service Bureau.

Should competitive situations of a general nature (meaning thereby situations not involving a single risk or group of risks, but involving entire lines in certain territories) arise, the members of the bureau shall adhere to the regulations, rules, and rates of the bureau or voluntarily resign from membership, unless the member or members desiring to be relieved from the disadvantages of the competitive situation shall address a letter to the general manager relating the circumstances in sufficient detail to give the general manager a fair understanding thereof, and the general manager shall thereupon send a copy of such letter to each of the company members, accompanying which shall be a notice from the general manager that the situation described shall be considered by the board of referees at a session to be held at a date named, which date shall be sufficiently in advance to give every member of the bureau an opportunity to attend. The general manager shall also transmit to each of the referees an additional copy of such letter and notice of hearing, and upon the date stated, or any subsequent date to which the hearing may be adjourned, the matter shall be heard in full by the referees, opportunity being given to every company member interested to appear, offer evidence, or express its views upon the question under consideration. The referees, having given the members full and adequate hearing, shall make such further inquiries on their own behalf as they may see fit, visiting the locality where the competitive condition exists, if that is deemed necessary, but shall speedily render its decision. In rendering a decision the referees shall have discretion to the following extent when a competitive situation has been sufficiently proven:

A. They may order that the competitive situation be disregarded and the members not permitted to meet the situation by any departure from the regulations, rules, and rates of the bureau; or

B. They may order that such regulations, rules, and rates of the bureau as are necessary for the purpose of adequately meeting the competitive situation may be modified to such extent as to permit the companies to meet it. To accomplish this purpose the referees may issue emergency rules and rates which shall, however, limit the extent to which the competitive procedure may go. In this event the bureau members shall observe the emergency regulations, rules, and rates for the territory involved in lieu of the regularly adopted regulations, rules, and rates of the bureau. These emergency regulations, rules, and rates may be withdrawn by order of the referees at any time when, in their judgment, the necessity for them has ceased, and they may be altered from time to time by the referees by order when sufficient cause is shown; or

C. They may order that as to the line or territory involved in the competitive situation all regulations, rules, and rates of the bureau are suspended and the members are at liberty to meet the competitive situation in such manner and to such extent as each of such members may desire. In this event the referees may revoke this order of suspension and reestablish the bureau regulations, rules, and rates when in their judgment the situation justifies this course.

#### EXHIBIT B.

The rumor that the Maryland Casualty Co. contemplates discontinuing business is absolutely false. We will continue and increase this class of business to the largest extent consistent with sound underwriting principles.

This rumor was manufactured out of the whole cloth. There has never been any expression from this office that would give the slightest color to any such rumor. We believe that this business will probably concentrate in the course of years in the hands of comparatively few strong stock companies, whose resources are sufficiently large and whose personnel is sufficiently skillful and experienced to deal successfully with the many problems involved in its conduct. We believe the Maryland is thus equipped, and we are earnestly applying ourselves toward the solution of these problems. This is the best evidence that we are not contemplating withdrawal, but are contemplating permanent and enlarged interest in this class of business.

JOHN T. STONE,  
*President Maryland Casualty Co.*

SAMUEL DAVIS, attorney at law, Boston, Mass. May I ask Mr. Beyer a question at this time?

Mr. BEYER. Yes; although I won't promise to answer it.

Mr. DAVIS. I want to ask if this is a true statement, that the report of the examination of your company as of April 1 of this year shows a loss ratio from July 1, 1912, to October 1, 1914, of forty-eight and a fraction per cent.

Mr. BEYER. I could not answer that. If you care to address a communication to my company, I am sure they will be glad to answer it.

Mr. DAVIS. Can you give me the figures for last year?

Mr. BEYER. I can not.

Dr. F. SPENCER BALDWIN, manager of the New York State insurance fund. I am under strong temptation to file for printing the paper which I have prepared and address myself to comment upon

the papers of Messrs. Lott and Rowe. I shall not yield to that temptation. I can not, however, pass to the subject matter of my paper without commenting very briefly upon two statements made by Mr. Lott. He has told you that the officials who manage State insurance funds are usually political appointees, selected for political reasons, and retained in office for their ability to render political services. I challenge Mr. Lott to point to any political influence that has dictated the selection of the manager of the New York State fund, his assistants, and his working force. The only quarrel that Mr. Lott has with me personally appears to be the fact that I did pay for a college education for myself. I admit it. I am not sure that that sort of an investment would not have been worth while even for a person with the extraordinary capacity of self-education exhibited by my friend Mr. Lott. In this connection I might also refer to the evidence of the nonpolitical character of the administration of the New York State fund conveyed by the fact that the assistant actuary of the fund was selected for the position of manager of the Colorado State fund and another assistant in my office was chosen for the position of assistant manager of the Pennsylvania State fund.

Mr. Lott further stated that the manager of the New York State fund in May of this year had promised substantial dividends to employers, and in September had reversed himself, declaring that the State fund had passed dividends. The New York State fund has never promised or assured dividends to employers.

Mr. LOTT. May I correct the gentleman? I used the word "offered," o-f, of, f-e-r-e-d, offered.

Dr. BALDWIN. The qualification is accepted, immaterial as it appears to be. The management of the New York State fund has repeatedly called attention to the fact that any surplus premiums remaining after payment of insurance costs are returned to the employers as dividends at the end of the policy periods. It is also true that the New York State fund returned in the form of dividends to policyholders over \$500,000 during the first 18 months of operation. Incidentally, I may add that the State fund has saved employers insured in it not less than \$1,000,000, as compared with what the insurance would have cost them with the old-line companies. Further, the State fund might have saved at least \$5,000,000 to other employers of New York State who were influenced to place their insurance with the old-line companies. It is true that the State fund passed dividends on the last policy period which ended June 30, 1916. That action was taken with special reference to the extraordinary business conditions which had produced a sharp rise of the accident rate, and consequently of the loss ratios for compensation insurance carriers. In view of the fact that these conditions might be expected to con-

tinue, it was deemed wise to defer further dividends to policyholders, and to set up an addition to the loss reserves.

Mr. LOTT has mentioned the fact, as evidence of the superior security afforded by stock insurance, that one of the stock companies of which he has personal knowledge has a paid-up capital of \$500,000 and a surplus of \$800,000. I might mention the fact that the State fund of New York now has surplus and reserves for loss and catastrophe to the amount of over \$2,000,000.

Mr. LOTT. May I interrupt? I spoke only of surplus. You now also mention reserves—an entirely different matter.

Dr. BALDWIN. I might suggest that opportunity will doubtless be given for discussion at the end of my remarks.

That single fact—the size of the loss and catastrophe reserves of the State fund, amounting to over \$2,000,000—is an indication of its financial strength and security. This sort of comment, however, will carry me too far afield and I shall now return to the subject of my paper, “Competitive State funds.”

## COMPETITIVE STATE FUNDS.

BY F. SPENCER BALDWIN, MANAGER, NEW YORK STATE INSURANCE FUND.

### SURVEY OF FIELD.

At the present time 13 of the 32 American States which have passed workmen's compensation laws have State insurance funds. With respect to the form of organization and administration, three classes of State funds may be distinguished: First, monopolistic; second, quasimonopolistic; third, competitive.

Under the monopolistic form, which is found in Nevada, Oregon, Washington, West Virginia, and Wyoming, the State fund is the exclusive carrier of compensation insurance. In three of these States, Nevada, Oregon, and West Virginia, the compensation law is elective, and in the other two, Washington and Wyoming, it is compulsory. In the elective States the employer has the option of accepting or rejecting the law, but if he accepts he must insure in the State fund; there is no alternative form of insurance permitted. In the compulsory States acceptance of the law and insurance in the State fund are alike obligatory. Under the quasimonopolistic form, which exists only in Ohio, insurance in the State fund is compulsory, as is the acceptance of the act itself, but is not absolutely exclusive, the options of self-insurance and mutual insurance being permitted. Under the competitive form, which is found in seven States, California, Colorado, Maryland, Michigan, Montana, New York, and Pennsylvania, the State fund is only one of four insurance options open to employers, the others being stock insurance, mutual insurance, and self-insurance. In three of these States the compensation law is compulsory, California, Maryland, and New York. In the others it is elective.

The competitive State funds, with the exception of that of Michigan, have all been established within the last three years; the Michigan fund began business in 1912. The plan of administration provided is that of a board or commission, except in the case of the Michigan fund, which is administered by the State insurance commissioner. The funds in California, Colorado, Montana, Maryland, and New York are administered by the State industrial commission or accident board. The Pennsylvania fund is administered by a State workmen's insurance board, composed of the State treasurer, the labor commissioner, and the insurance commissioner.

**NEED OF A STATE FUND.**

Under a compensation law providing for compulsory insurance a State fund is a logical implication, if not an absolute necessity. If the State forces employers, under penalty, to insure their liability under the compensation law, it is bound logically to provide a public agency of insurance to which employers may resort if they find themselves unable to obtain insurance from a private company, or if for any reason they are not disposed to patronize such a company. A State fund is well-nigh indispensable under a compulsory insurance law for the accommodation of employers who may be black-listed by the commercial companies, as the latter are under no obligation to take a risk which they may regard as uninsurable. It is true that one State—Oklahoma—and one Territory—Hawaii—which have a compensation law with a compulsory insurance feature do not maintain a State fund. This situation, however, is clearly anomalous. The State, in establishing a system of compulsory compensation insurance, ought, as a matter of fairness and equity, to establish a State fund for the convenience and accommodation of employers. Aside from the plain necessity of a State fund to accommodate such employers as may not be able to obtain insurance on any terms with private companies, it is further questionable whether the State has any moral right to compel employers to contribute, by insurance in commercial companies, to the payment of brokers' commissions and stockholders' profits. Employers may rightfully demand to be relieved of this burden. The State should provide a means of insurance that will furnish employers complete protection under the compensation law at bare cost.

The objections to State administration of business in general are not conclusive or decisive in reference to State administration of compensation insurance. Whether or not it is desirable, as a matter of policy, that the State should embark in business undertakings, it is clearly expedient, if not absolutely necessary, that it should undertake to provide compensation insurance for employers. For reasons which have been stated, the establishment of a State fund is a logical and expedient, if not a necessary and indispensable, measure under any system of compulsory compensation insurance.

In this connection attention should be called to certain peculiarities of this form of insurance which furnish additional reasons for State administration. The first peculiarity is the compulsory nature of this insurance. Even under the elective compensation laws insurance is practically compulsory, as the removal of the common-law defenses is, in effect, compulsion to insure. That is, even where the law does not directly compel the employer to insure, it applies indirect compulsion, which is practically as effective. In the case of

other forms of insurance the employer is free to insure or not to insure, but in the matter of compensation insurance he has no choice. This consideration alone is sufficient to justify the provision by the State of a means of insurance that will enable the employer to comply with the compulsory requirement at the lowest cost. In particular the payment of brokers' commissions lacks justification in connection with compulsory insurance of this kind. If employers are compelled by law to take out compensation insurance, it is unreasonable that they should be obliged to pay commissions to brokers merely for placing such insurance.

The second peculiarity of this form of insurance is its collectivistic character, to use a somewhat cumbersome term. It is designed to serve a social purpose. The moneys contributed by employers in the form of insurance premiums are disbursed under the supervision of a State commission for the benefit of injured employees and their dependents. The benefit of this insurance accrues not to the individual insured or his family, but to the working population at large. This is really saying that compensation insurance is one form of social insurance, and as such is differentiated from other forms of insurance carried by employers.

In short, the premium for compensation insurance is in reality a tax, or compulsory levy, for the purpose of indemnifying injured workers and thus serving the ends of social justice. The natural and economical method of collecting this tax is through the direct agency of the State, precisely as in the case of other taxes. There is no sound reason why the collection of this particular tax should be farmed out to private companies, which in the rôle of tax collectors levy upon employers an overtax to provide commissions for their agents and profits for their stockholders. The administration of compensation insurance through the agency of companies operated for profit is analogous to the old discarded system of farming out taxes in general.

#### ARGUMENTS FOR MONOPOLISTIC STATE FUNDS.

It must be granted, in view of the considerations just presented, that a State fund is a desideratum, if not a necessity, in the field of compensation insurance. The question then arises whether the monopolistic or the competitive type of State fund is preferable. Should the State assume the exclusive administration of this form of insurance, or should it give employers the option of insurance with a State fund or with private companies?

The first argument advanced in favor of the monopolistic type of State fund is found in the alleged unfitness of the casualty companies to have any part in the administration of compensation insurance. It is argued that the record of these companies under the

old liability system shows that they can not, in general, be trusted to administer compensation insurance with fairness and justice and in the humane and conciliatory spirit that should prevail here. Casualty companies, it is declared, have, as a rule, made a practice of fighting claims, taking advantage of every device to circumvent the claimant and to defraud him of his just dues, and resorting to legal subterfuges and petty technicalities to defeat the ends of justice. They are charged with exhibiting an entire lack of moral obligation and social responsibility in their dealings with working people. Their unsavory liability record, it is pointed out, has made them most obnoxious to employees, and also unpopular with many employers. Their admission to the field of compensation insurance, it is held, tends to defeat the larger humanitarian and social objects of this legislation. One important purpose of compensation laws is to promote satisfaction, contentment, and good feeling on the part of labor. The success of the laws in this respect, it is maintained, is jeopardized by permitting the casualty companies to write the insurance. It introduces an element of controversy, antagonism, and discord into the administration of the compensation system.

Another argument for monopolistic State funds is found in the high cost of insurance through the stock companies. State insurance, it is pointed out, eliminates acquisition expense, notably the commissions paid to agents and brokers. Profit taking on this form of insurance is, furthermore, held to be indefensible. No one, it is declared, should be permitted to make money out of the misfortunes of workers; the moneys contributed by employers for the relief of injured employees and their dependents should not be subject to any toll of profit. The ideal compensation system, it is said, would provide the maximum of benefit to employees at the minimum of cost to employers, and the realization of this ideal is impossible under any plan which permits the administration of compensation insurance through companies operated for profit.

In fairness to the casualty companies it should be stated that the latter plead in answer to these arguments that the complaints concerning their practices under the liability régime were due to the shortcomings of that system itself and not to the faults of the companies, and that the alleged expensiveness of stock-company insurance is yet to be proved, as the superior efficiency of private enterprise will enable the companies to provide insurance at a lower cost than it can be furnished under State administration with its attendant laxity and waste.

#### ARGUMENTS FOR COMPETITIVE STATE FUNDS.

In the first place, the principle of monopoly itself is attacked as economically unsound and indefensible. Any legal monopoly, it is



argued, either public or private, is dangerous and must lead to grave abuses; in the long run, monopoly means high cost and poor service; the mere existence of a legal monopoly raises a suspicion that the monopolistic undertaking could not maintain itself without the force of law, and if subjected to the test of competition would be driven to the wall. The only form of monopoly that can possibly be defended, it is reasoned, is a monopoly that is secured in open competition through proved ability to render the best service at the lowest cost.

In the second place, then, it is contended that competition is the only method of obtaining satisfactory results with respect to cost and service. So, in the field of compensation insurance, competition among the different forms of insurance—stock, mutual, and State—will produce a healthy rivalry which must tend to reduce rates and improve service. Each form of insurance is placed upon its own merits and will succeed or fail in proportion to its ability to serve the interest of employers and employees. If any one form of insurance succeeds eventually in establishing a monopoly, complete or partial, this can be accomplished only by demonstrating its superior economy and efficiency. The test of competition will determine which is the fittest to survive. Under the competitive plan of insurance the controversy as to the respective merits of stock, mutual, and State insurance will be settled in the only conclusive manner possible—by the result of actual experimentation. If the experiment results in a division of the field among the three competing forms of insurance, no one of them being able to secure a monopoly, this outcome will prove that each form has its peculiar advantages that enable it to meet the needs of certain classes of employers, and that there is "room for all." In that event the respective spheres of the different insurance methods will be determined by the natural force of competition, and the requirements of employers will be met more satisfactorily than under any law conferring a legal monopoly upon one form to the arbitrary exclusion of all others.

#### PREFERENCE FOR COMPETITIVE STATE FUNDS.

The weight of argument here is on the side of the advocates of competitive State funds, and the preference of public opinion, as expressed in the general trend of recent legislation, is also on this side. Right here, however, the question arises as to the extent to which State funds should be permitted to compete for business with private insurance companies. Two kinds of competitive State funds are distinguishable, according to the degree of competition sanctioned by the legislation and approved by the administrative officials in control, namely, the passive and the active. The former takes

only such business as comes to the State fund without effort on its part. The latter attempts to increase its volume of business by the use of all legitimate means of competition.

It is clear that the only way in which a State fund can realize the full measure of its possibilities of benefit to employers and employees is through a policy of active competition. If State funds are to exist at all—and their *raison d'être* has already been set forth—it seems advisable to utilize them to the limit of their potentialities for good. At any rate, they should be given a chance to prove or to disprove the contention that a State fund is the most economical and advantageous form of compensation insurance. It is apparent that a State fund can not perform its function properly, or even demonstrate conclusively its success or its failure, unless it is permitted to compete actively with the insurance companies. In short, the right to compete on the part of the State funds must be recognized and defended.

If the right to compete is denied and repressed in the case of a State fund, while private companies are left free to employ all resources of competition against it, the former will in the long run be reduced to playing the rôle of carrier for the undesirable business and bad risks not wanted by the latter. A passive policy in the administration of a State fund must result in abnormally high loss and expense ratios, as a State fund so administered will secure only a comparatively small volume of business made up of the least desirable risks. It is not possible under these conditions to secure a fair test of the respective merits of the different forms of insurance permitted to employers. Nor can a State fund fulfill its purpose of furnishing to employers compensation insurance at the lowest cost, if its freedom of competition is curtailed. In order to become a really safe and cheap insurance carrier for employers at large, a State fund must be an active competitor for business and not merely a passive receiver of damaged goods for private companies—although this is the rôle which the latter would naturally prefer to see a State fund play.

This issue has been raised squarely in connection with the administration of the New York State fund. The right of this State fund to compete has been challenged by representatives of the casualty companies. In his work on *Employers' Liability and Workmen's Compensation*, Jeremiah F. Connor, Esq., questions whether it was ever intended by the legislature that the New York State fund should be an active competitor of the private companies. He writes:

An active competition for business is conducted between the State insurance fund on the one hand and the stock and mutual insurance companies on the other. This situation was probably never contemplated by the framers of the act, who regarded the State fund more as a check upon the rates which might

be charged by insurance companies and as a safe method of assuring compensation to the injured employee.

The State industrial commission, which administers the State fund, does not hold this view. In a statement issued in October, 1915, the commission declares that the State fund must do a large volume of business in order that the rate of expenses for administration may be kept as low as possible and that the State fund may be of the greatest service to the industries and the people of the State. For this reason the commission holds that the manager of the State fund is right in making such efforts as he can to increase its volume of business, and that they will support every effort of the manager to present the exact situation to employers, whether by interview or by correspondence, so that the manifest purpose of the legislature to provide a perfectly safe method of insurance at bare cost may be understood and employers given every opportunity to avail themselves of this means of insurance.

The competitive activities of the New York State fund have been attacked most violently by Mr. J. Scofield Rowe, vice president of the Aetna Life Insurance Co., in letters addressed to the governor of the State, and later reprinted, with additional matter, in pamphlet form. Mr. Rowe refers to the competition of the State fund as "the confiscation of an established insurance clientage through legalized bribery." The assumption on which Mr. Rowe proceeds is that the casualty companies have a vested right to conduct the business of workmen's compensation insurance upon which the State may not rightfully encroach. This can not be conceded for a moment. The historical fact is that the advocates and promoters of workmen's compensation legislation intended that this insurance should be provided exclusively by State funds or State mutuals. In fact this legislation was bitterly opposed by the casualty companies, and the latter by this course alone forfeited any claim to be intrusted with the administration of insurance under the compensation laws. The casualty companies secured admission into this field only in the face of vigorous protests on the part of labor and persons sincerely interested to secure the best possible administration of compensation insurance. The representation that the State funds are invading a field that legitimately and rightfully belongs to the casualty companies is sheer effrontery. It is rather the casualty companies that are attempting to seize a business which was designed to be conducted on a nonprofit-taking basis. It can not be held that the presumption is in favor of stock-company administration of this new form of insurance simply because the companies possessed a monopoly of insurance under the old liability régime. Compensation insurance is essentially different from liability insurance. As has been previously pointed out in this paper, it is compulsory and

collectivistic in character; a compensation premium is in reality a tax, the proceeds of which are disbursed under the supervision of a State commission for the benefit of injured workers and their dependents. The State fund stands for a system of direct collection and payment of this tax, as opposed to the wasteful method of farming out, represented by stock-company administration of insurance in this field. The alleged vested interest of the old-line companies in this business can not be recognized as paramount to the plain interests of employers and employees at large which should always control legislation with respect to compensation insurance.

#### HANDICAPS OF COMPETITIVE STATE FUNDS.

The difficulties in the way of making any State fund a really effective competitor of the private companies are numerous and formidable. These difficulties are partly external, resulting from advantages enjoyed by the old-line companies and the tactics adopted by them in competition with State funds, and partly internal, growing out of conditions surrounding governmental administration of a business enterprise.

The initial advantages over the State funds enjoyed by the stock companies are very great. They have large reserve and surplus funds, which enable them to make appeals to employers on the ground of established financial strength; they have possession of the field at the start and can reach employers directly and easily through their agents and brokers; they are able to write other forms of insurance needed by employers in addition to compensation insurance—public liability, employers' liability, boiler insurance, elevator insurance, etc.; they profit finally from the natural preference of the average business man for private enterprise as opposed to State management, and his consequent natural disposition to hold aloof from a State fund until it has fully demonstrated its ability to administer compensation insurance economically and efficiently. In all these respects a State fund is heavily handicapped at the start.

The connection of the stock companies with an army of insurance agents and brokers throughout every State is the most important of these advantages. The State fund pays no commissions to agents; consequently not only does the State fund receive no assistance from this source, but it encounters positive opposition and antagonism. The activities of the great business-getting organizations of the stock companies are concentrated directly against the State fund. Every conceivable argument against State-fund insurance is exploited and circularized. Policyholders of the State fund are constantly solicited to place their insurance with stock companies. Misrepresentations, concerning the State fund, of the most flagrant and shameless

character are spread before employers. The State fund is unable to correct the misrepresentations and to place the facts before employers, as it has not the facilities for reaching them at first hand. Many employers who would place their insurance in the State fund, if they were correctly informed as to the comparative expense and benefit of State-fund and stock-company insurance, are deterred from doing so through misinformation instilled into them by their brokers. Thus the elimination of the agent and broker, economically beneficial as it is, places the State fund at a tremendous disadvantage in competing for business.

The competitive advantage afforded the stock companies in New York State through their ability to write other forms of insurance for employers appears particularly with reference to public liability. An employer who desires insurance to protect him on liability arising out of injuries to persons other than employees is unable to obtain this form of "coverance" from the State fund. The rates of liability insurance, moreover, are not subject to supervision by the State insurance department. It is possible, therefore, for a stock company to offer a special reduced rate for public liability insurance, on the condition that the workmen's compensation insurance is placed with the same company. In the case of contractors carrying on operations that involve a high public liability hazard, this consideration is of great importance. The ability of the stock companies to offer a low rate for public liability insurance, if combined with workmen's compensation, may be the decisive factor in determining that the business shall be given to a stock company rather than to the State fund. It is obvious, moreover, that the stock companies could, if they chose, refuse to write public liability insurance for any State-fund policyholder. It is denied by the companies that discrimination of this kind is practiced against an employer insured in the State fund, but it undoubtedly exists, nevertheless, to a considerable extent. One of the companies has sent out a notice to its agents instructing them not to apply for quotation of rates on public liability for any employer insured in the State fund. The situation clearly calls for some legislation to relieve the State fund of this handicap. The effective remedy would be an act authorizing the State fund to write public liability insurance for any one of its policyholders desiring this form of protection. The constitutionality of such a measure has been questioned, but it would seem to be justifiable as a grant of supplementary power to the State fund needed in order to carry out fully the intent of the legislature in its creation. In any event the State insurance department should be given authority to supervise rates for public liability as well as those for compensation insurance, since the practice of offering cut rates for public liability in combination with compensation insurance really menaces the

adequacy of the compensation rates, which the plan of rate supervision was designed to guarantee.

The inability of the State fund to write insurance on the common-law liability of an employer in connection with injuries to employees was a great handicap to the New York State fund during the first two years of operation. Employers were told by representatives of the old-line companies that the State-fund policy gave only partial protection, since it insured only the liability for compensation and did not cover the liability arising from suits at common law brought by employees not included within the scope of the workmen's compensation law. The extent of the liability at common law was exaggerated grossly in the literature of the stock companies, and employers were led to believe that, if they placed their insurance with the State fund, they would lay themselves open to civil actions for damages brought by injured employees. The State was flooded with stock-company literature designed to show the shortcomings of State-fund insurance in respect to the protection of the employer. Every decision handed down by the courts, which could be construed as recognizing the existence of a liability not covered by the State-fund policy, was advertised widely in the effort to throw doubt upon the protection afforded by the State fund. As a matter of fact, no single instance could be cited in which the State-fund policy had failed to give complete protection to the employer. In all the cases of alleged liability not insurable in the State fund, the insurance of the employer was actually carried by a casualty company. The argument as to incomplete "coverage," however, industriously and ingeniously impressed upon employers in the voluminous literature of the stock companies, had much influence and undoubtedly deterred many employers from taking insurance with the State fund.

This question was settled once for all by the amendments of the workmen's compensation law in 1916. These amendments perfected the "coverage" under the State-fund policy, making it absolutely complete beyond possibility of successful challenge. The definition of employee was amended to include not only a person engaged in one of the hazardous employments enumerated in the law, but also a person in the service of an employer carrying on such a hazardous employment as his main business. This amendment brought squarely under the law employees such as stenographers and clerks, who, although not themselves engaged in hazardous occupations, are in the service of an employer conducting a hazardous employment. Under the amended definition all employees of an employer whose business is hazardous within the meaning of the law come within its provisions, irrespective of whether or not their individual occupations are specifically covered by the law. Another amendment permits an employer to elect to accept the law for all his employees, even if his

business is nonhazardous, and thus to bring them squarely within the scope of the law, regardless of the character of the employer's business or the employee's occupation. Finally, the provision of the law defining the exclusiveness of the liability for compensation was amended in such a way as to abolish every trace of liability outside of the law in connection with injuries to employees of employers providing compensation through insurance in one of the prescribed ways, including those specifically covered by its provisions and those voluntarily electing to accept the law. These amendments relieved the State fund from the disadvantage under which it had labored, in consequence of the limited scope of the original law and the hypothetical possibility of actions at common law instituted by employees not covered by its provisions.

#### COMPETITIVE TACTICS OF STOCK COMPANIES.

The tactics adopted by the stock companies in their campaign against the New York State fund aggravate the disadvantages under which it is placed. In the effort to discredit the State fund with employers representatives of the old-line companies do not scruple to resort to misrepresentations of the most shameless character. The State fund can take no action with respect to rates, dividends, or any other matter that is not seized upon by its competitors and distorted and misinterpreted in statements issued to employers. One of the companies, for example, recently sent out a circular in which employers were told that, if the surplus of the State fund were wiped out, they would be subject to assessment and would also be liable to have judgments, good for 20 years, entered against them by their employees for the collection of unpaid awards. As a matter of fact, the law contains no provision authorizing an assessment by the State fund, and it has been officially ruled, both by the State industrial commission and the State attorney general, that employers insured in the State fund are not subject to any assessment liability. It is true that the section of the law relating to withdrawal from the State fund provides that, in the event of the withdrawal of an employer, his liability to assessment shall continue for one year. But, in the absence of definite and affirmative provisions creating an assessment liability and prescribing a method of enforcement, this sole reference to assessment in the law is absolutely nugatory. Nevertheless, in the face of the formal rulings of the commission and the attorney general on this question, the unqualified assertion that State-fund policyholders are subject to assessment is repeated in the circular mentioned and in other literature issued by the stock companies. With respect to the matter of judgments for unpaid awards, the fact is that, while such judgments may be entered by employees against employers insured otherwise than in the State fund, the policyholders

of the latter are exempted from this procedure by the section of the law releasing an employer who pays a premium to the State fund from all liability on account of personal injuries or death of employees, and further providing expressly that his employees shall have recourse for the payment of compensation only to the State fund and not to the employer. When the State industrial commission sent to the company that issued this circular a letter of protest, calling attention to the misrepresentations concerning the law contained in it, the commission was informed that the use of the circular would be discontinued. But meanwhile the damage had been done, and brokers to whom the circular had been sent continued to repeat its harmful misrepresentations.

The insurance interests have not hesitated even to attempt to discredit the workmen's compensation law itself by raising the question of constitutionality, in the desperate effort to throw doubt upon the protection afforded by the State-fund policy. In New York, and in other States having State funds, employers have been led to believe that the courts would probably refuse to sustain the constitutionality of the workmen's compensation law, and would eventually wipe out the whole body of this legislation, including the State fund. The big outstanding fact that the constitutionality of workmen's compensation legislation has been sustained by the highest courts in 12 States and by the United States Supreme Court in the case of the Ohio and Washington laws is ignored or suppressed in the stock-company literature issued to employers. The course taken by the old-line companies for the purpose of discrediting the State funds by throwing doubt upon the constitutionality of the workmen's compensation laws can not be too harshly characterized or too severely condemned. It is distinctly against public policy, as it tends to confuse the minds of employers with reference to the soundness of this legislation and to alienate their support and cooperation.

No candid person well informed concerning the trend of judicial opinion with respect to workmen's compensation legislation can have any doubt that these laws will be sustained by the United States Supreme Court. The constitutionality of the Ohio and Washington laws, as previously stated, has already been passed upon by this court. The decision in the case involving the constitutionality of the Washington law, *Meese v. Northern Pacific Railway*, 239 U. S. 614, is of particular importance as throwing light upon the probable attitude of the court toward the New York law in the cases now pending. The precise question of constitutionality raised in connection with the New York law is whether the provisions of the law making the liability for compensation exclusive and depriving the employee, on the one side, of his common-law remedy and the employer, on the other side, of his common-law defense are in conflict



with the equal-protection clause of the fourteenth amendment of the United States Constitution. The language of the Washington act in abolishing common-law liability is very broad and sweeping. Section 1 of the act provides that "all civil actions and civil causes of action for such personal injuries and all jurisdiction of the courts of the State over such causes are hereby abolished, except as in this act provided." In the Meese case, the widow and children of a deceased employee sued the Northern Pacific Railway, in a third-party action, for his alleged negligent killing. This case thus raised the question of the right of the surviving dependents of a deceased employee to bring action against a third party. This was a very broad issue. The Supreme Court of the United States held that this right had been abolished by the Washington workmen's compensation law.

In the light of the Washington decision it seems practically certain that the New York law will be sustained by the United States Supreme Court. The New York State court of appeals in its opinion sustaining the constitutionality of the law, in the case of *Jensen v. Southern Pacific Co.*, did not hesitate to declare that the amendment of the New York State constitution and the decisions of the United States Supreme Court made it reasonably certain that the New York law will be found by that court not to be violative of the Constitution of the United States. If the highest court of New York State ventures such a prediction it is hardly presumptuous for a layman to contend that there is no reason for the slightest apprehension that the general question of the constitutionality of the New York law or the law of any other State will be decided adversely by the United States Supreme Court.

It has always seemed to the writer that it is a mistaken and short-sighted policy on the part of the casualty companies to resort to such tactics in their campaign against State funds. The use of competitive methods that do not square with the standards of fair play and public policy must react harmfully upon those who countenance such practices. Moreover, the best protection against the creation of a State-fund monopoly, dread of which haunts the private companies, is the existence of strong successful competitive State funds. If in New York State, for example, the casualty companies should succeed in their attacks upon the right of the State fund to compete and should prevent it from getting and keeping a fair proportion of good business, making it a negligible factor in the insurance situation and reducing it to play the rôle of a carrier of last resort for otherwise uninsurable business, an irresistible demand would arise for drastic legislation in the direction of a State-fund monopoly. One thing is plain, the business of compensation insurance will not be left to be monopolized by the old-line companies. If the competitive State fund should fail, then a monopolistic State fund

would be practically inevitable. By raiding and baiting the State fund with the fatuous hope of driving it out of business, the casualty companies pursuing this policy are simply inviting measures of reprisal and jeopardizing their own tenure of the compensation business.

#### SOME ADMINISTRATIVE DIFFICULTIES.

The internal difficulties confronting competitive State funds remain to be considered. These arise from the defects of a governmental machinery that was constructed without reference to the peculiar requirements of a State department carrying on a competitive business enterprise. The cumbersomeness of this machinery is proverbial. The operations of governmental bureaus naturally take on a rigid routinelike character. The tendency is to run in ruts and the ruts grow deeper and deeper. A system of checks and counterchecks is developed with the object of preventing dishonesty, but with the result of hampering efficiency. An able writer speaks of "the languor of the Government stroke and the slow mechanism of a State department" as unfavorable to efficient administration.

Another distinguished publicist points out that the State is hampered in the conduct of any enterprise, first, by considerations of policy which dictate or forbid certain kinds of choice, and, next, by stringent rules which it has been forced to lay down regarding the admission to certain public functions by examinations, grades, and the like, which were designed to prevent the possibility of a shameless favoritism. The civil service, in particular, is a serious handicap in the administration of a State fund. The necessity of civil-service rules arose from the fact that economic competition was excluded in State departments. Consequently, in order to keep out political abuses, the civil-service system of examinations and grades for selection and promotion of employees was adopted. The best that can be said in its favor is that civil service is a necessary evil, designed to prevent the worse evil of political interference and corruption. The necessity of applying civil-service rules to a department like a State fund is not clearly apparent, however, as such a department is subjected to the action of commercial competition. The enforcement of these rules places the administration of a State fund at a serious disadvantage in competition with private companies not similarly restricted. It is extremely difficult to secure and retain the services of the most competent men under the hampering conditions of the civil service. New employees must be selected, not from the best men available, but from certified lists of eligible candidates. It is impossible to promote employees and increase salaries according to the judgment of heads of departments, which should be decisive and final in such matters. Promotions and increases can

be granted only on the basis of competitive examination. The method of examination, at the best, is a crude and unsatisfactory way of determining the fitness of a person for employment or for promotion in a business organization like that of a State fund. Examinations do not test the qualities of industry and resourcefulness, readiness to take orders, capacity for cooperation and team play, ambition and loyalty, and, above all, that complex of qualities that go to make up personality, which has so much to do with determining the ability of a person to make himself a useful factor in a successful commercial organization. In view of the fact that a State fund, unlike other departments of government, is subjected to the spur of competition, which furnishes a practical guaranty of businesslike management, there seems to be no good reason why it should not be relieved of the crippling restraints of the civil service, designed to protect State departments that are entirely removed from the sphere of commercial competition.

It will, of course, be argued in opposition to this suggestion that the exemption of a State fund from the civil-service régime would open the door wide to political abuses. This objection overlooks the fact that the interests of employers and employees at stake in the management of a State fund are too large to permit them to view with indifference or easy-going tolerance any attempt at political interference with the administration. The possible menace of political control or manipulation seems less serious than the actual handicap to administrative efficiency entailed by the rigid enforcement of civil-service rules. As the writer has pointed out in a previous discussion of this subject, it is not likely that politics will be allowed to creep into the administration of State funds, because the interests of employers and employees alike lead them to demand a nonpolitical administration. A State fund is in reality a trust fund made up of money contributed by employers for the benefit of injured employees and their dependents. The interest of employers and employees is that State funds be administered solely with regard to economy and efficiency, in order that the benefits prescribed by the law may be provided for employees at the lowest cost to employers. The cooperation of employers and employees may be depended upon, therefore, to support an administration of State funds in accordance with sound business and insurance principles, and free from the blighting influence of partisan politics.

#### CONCLUSION.

Notwithstanding the difficulties with which competitive State funds have had to contend, they have already made substantial progress and have secured a large share of the business in the States in which they have been permitted actually to exercise the right to com-

pete. In the three largest States having competitive State funds—New York, Pennsylvania, and California—these institutions have rendered indispensable service to employers and have won their confidence, cooperation, and support in constantly increasing measure. The State fund in each of these three great industrial Commonwealths is fulfilling its mission, which is to reduce the cost of compensation insurance, directly by furnishing such insurance without superfluous overhead charges for commissions and profits, and indirectly by contributing to the reduction of rates through the competitive pressure which it exerts upon other carriers.

It would be venturesome at this time to offer any definite prediction as to the future of compensation insurance and the ultimate division of the field between the competing plans of stock, mutual, and State insurance. One result of this competition, however, is already making itself evident, in the elimination of the weaker or less successful competitors and the concentration of the business in fewer hands. The stress of competition has become keener during the last year and a half of abnormal business activity, with the consequent increase in the frequency and severity of industrial accidents. A rise in the accident rate is a natural and inevitable accompaniment of any period of rapid industrial expansion. At such times plants are run overtime and under high pressure, new and inexperienced employees are taken on in considerable number, working space is crowded by the installation of new machines, and less attention is paid to safety requirements. The recent intense activity of business has resulted in higher loss ratios on compensation insurance. Thirteen of the stock companies lost money on their 1915 compensation business in New York State, and the 1916 experience will doubtless be even worse. The pressure of these conditions has accelerated the natural tendency toward concentration of compensation business through the reduction of the number of companies writing this insurance. Already three mutuals and seven stock companies, which started writing compensation insurance in New York State in 1914, have withdrawn from the field.

This process of elimination may be expected to continue. Gradually the less capable and resourceful competitors will find it increasingly difficult to hold the pace and will drop out of the running. The eventual outcome of this sifting process would naturally be the survival of only a small body of carriers, including a very few large companies, stock and mutual, and the State funds.

## STATE MONOPOLY OF COMPENSATION INSURANCE.

BY T. J. DUFFY, MEMBER, INDUSTRIAL COMMISSION OF OHIO.

Mr. Chairman, I never realized the importance of time as much as I do now. I wish I could have my 20 minutes to reply to some of the arguments set forth by the representatives of stock companies. Their arguments in favor of the desirability of competition reminded me of a story I told yesterday at the boiler-inspectors' convention: An Irishman and his wife could not get along well together. One night they were sitting in front of the fire, and a cat and a dog were in front of the grate. Biddy looked over at Pat and said, "Isn't it a shame the way we quarrel; look at the cat and dog sitting there so peacefully. Why can't we live in peace and harmony the way they do?" Pat says, "That is no comparison at all. Just tie the cat and dog together and see how they like it."

The statement was made to you that Ohio State insurance had been a failure, if the chairman of the Kentucky Compensation Board was right in his contention. I want to answer that by quoting Bill Nye, who said that "it is better not to know anything at all than to know so many things that ain't so."

I might also call your attention to this fact: That every effort is made to cast reproach upon State insurance by implying that politics make it impossible to succeed. While I have not time to go into it, I hope you will not misunderstand my motives, as I do not wish to throw any slurs, but I will say there are just a few State officials in some of the States in this country who cater to the insurance companies just as much as some State insurance officials cater to the politicians, and they do it in the hopes that they will be rewarded for their political services, not by the State but by the insurance companies themselves.

In speaking on this subject it might be well to explain that the State insurance feature of the Ohio workmen's compensation law, strictly speaking, is a mutual insurance plan administered by and at the expense of the State. The law provides that each separate class of industry shall bear the burden of the cost of its own industrial accidents. But instead of leaving the separate classes in isolated groups, with no bond of unity to inspire confidence and give reinforcement in time of stress, the Ohio law links the separate groups together into one great mutual insurance association.

Under the Ohio plan the premium rate for each class of industry is based upon its own accident experience, but the employers of each and every class pay their premiums into one insurance fund. This plan gives the employers of each class all the advantages of the ordinary mutual association. But, in addition to that, it gives the various groups the advantage of a big insurance fund to protect them against the embarrassment of catastrophe losses. This means a great deal to the smaller groups. It does not mean that any portion of the burden of cost of one group shall be thrown upon the other groups. It does, however, permit the distribution of catastrophe losses over a longer period of time and a larger exposure of pay roll than would be possible if each group were in an isolated mutual association of its own.

With this explanation, it must be admitted that the insurance feature of the Ohio workmen's compensation law is a monopoly, since it is the principle and intent of the law to exclude private insurance companies from participating in the business of workmen's compensation insurance.

It might be well to note here that the Ohio law provides that employers who are financially able to do so may carry their own risks by complying with the lawful requirements in that respect. Therefore, in speaking on this subject, I do not wish to be understood as opposing what we commonly call self-insurance.

To pass fair judgment upon the merits of State insurance we must keep in mind the fact that one of the principal objects in changing from the employers' liability system to the workmen's compensation system was to eliminate the wasteful expenditure of money for the cost of an insurance that neither protected nor benefited the injured worker, and which fomented undesirable and costly litigation between employer and employee. If, in the elimination of this wasteful expenditure of money, there is good reason why we should stop at the point where it interferes with the insurance companies' profits, there is equally as good reason why we should stop at the point where it interferes with the lawyers' fees. The ambulance-chasing lawyer was no greater evil than the insurance adjuster.

To be a permanent and substantial success a State insurance fund, in my opinion, should be a monopoly. I have not much faith in a competitive State insurance fund as a regulator of the rates of the private insurance companies. Under an exclusive State insurance fund the enormous overhead expense for salaries or commissions of soliciting agents is done away with. If a competitive State insurance fund is to be an effective factor as a regulator of the rates of the private insurance companies it must go about it in a businesslike manner, and must have a force of soliciting agents equal to those of its competitors. In doing this it would be compelled to take on the

same overhead expenses as the private insurance companies. The moment it does this it deprives itself of the advantages which an exclusive State insurance fund possesses.

Either Mr. Rowe or Mr. Lott—I forget which of the two—practically supports me in that when he says that employers will not go to seek information as to rates, etc. Therefore, you have got to carry it to them, just as he said, provided there are several alternatives. But where there is only the one plan, there is nothing left for the employer to do but get the information, and he is going to get it.

The advisability of State insurance is not going to be determined by those who flippantly assert that the State can never conduct any business with the same degree of success as a private concern. A more thorough and accurate knowledge would convince these critics that there are certain things which the State can do better than private individuals or corporations can do. In these matters the State has natural advantages which make it impossible for private concerns to give the same service as economically as the State can give it. Even the opponents of State insurance would hardly be willing to encourage the reestablishment of competitive water-supply plants to take the places of the monopolistic municipal water-supply plants that have been established in the various cities.

Of course the State can not make a success of anything if it goes about it in a slipshod, unbusinesslike manner; neither can a private concern. Whether it be public or private business its success necessarily depends upon honesty, efficiency, and faithfulness. I have had experience in both public and private business, and my experience leads me to remark that if the searchlight of public criticism were constantly turned upon private business as it is upon public business, it would be found that as a general rule there is as much efficiency and far more honesty in public business than there is in private business.

In Ohio we have not attempted to administer a State insurance fund by slipshod, unbusinesslike methods. Ours is not a mere assessment insurance plan. We aim to administer our State insurance fund with the same businesslike methods and the same actuarial science as the best-conducted private insurance company does. We are willing to let our record speak for itself for the sake of comparison with the private insurance companies from the standpoint of economy, efficiency, and solvency.

Our last financial statement, issued under date of May 15, 1916, shows that after making liberal allowance for all pending and unreported claims, we have a total reserve fund amounting to \$875,572.77. It also shows what we call a net surplus, amounting to \$41,314.42. This net surplus is the amount we would pay out as

dividends if we were a private insurance company. To put it in other words, if we had quit business on May 15, 1916, we could have met all of our obligations and had left to our credit \$916,887.19.

This report shows that the cost of administration, covering the entire period since the fund was established, has been equivalent to 11 per cent of the earned premium collected. If we take the year 1916 alone the cost of administration will not exceed 6 per cent. Compare this with the 45 per cent overhead expenses of the private insurance companies and you have one of the reasons why Ohio employers favor the State insurance fund.

The report also shows that the premium rates of the private insurance companies are from 40 to 100 per cent higher than the rates which we have charged the employers of Ohio.

On this question of State insurance many business men are allowing their judgment to be warped by an appeal to the prejudice against State ownership. They do not realize that they are the victims of a systematic propaganda carried on by the liability insurance companies, who have their representatives in every chamber of commerce and business men's club throughout the country, urging business men to oppose State insurance on the ground that it is an entering wedge for Government ownership of all kinds of business. This is but a trick to divert attention from the real merits of State insurance. The advocates of State insurance are no more in favor of the Government taking over "other lines of business" than are the opponents of State insurance itself.

A manufacturing business or an agricultural business exists because it supplies the natural wants of mankind. The same may be said even of life, accident, or fire insurance. But wherever employers' liability insurance or workmen's compensation insurance exists it is because the proper legislative tribunal has imposed a legal obligation upon employers or conferred a legal right upon injured employees and the dependents of employees who are killed in the course of employment. The very existence of such a business depends upon legislative enactment, and when the State enacts such legislation it does it as a matter of public policy. When the very existence of a business depends upon the public policy of a State, how can it be said logically and consistently that such a business should be left to private enterprise rather than public control? I am not now speaking of that public policy which restricts or regulates a business already brought into existence through the natural needs of man; I am speaking of that public policy which gives life or existence to a business which would not exist at all if it were not for legislative enactment.

Do the men in the manufacturing and the agricultural business want their business to be put in the same class as the employers'



liability insurance business? Do they want to be considered such superficial observers and such shallow thinkers as to say that there is no more reason why the State should have a State insurance fund in connection with a workmen's compensation law than there is reason why the State should take over the manufacturing and the agricultural business of the country? Are we willing to confess that our present "individualistic system" will not permit us to provide for the victims of industrial accidents without permitting a private enterprise to make profits out of the broken bones, amputated limbs, and crushed-out lives of our laboring people?

While I concede that State insurance, as a general proposition, is still in the experimental stage, yet it is indisputable that the experience in Ohio, thus far, has been so favorable as to justify the claim that it is an established institution so far as Ohio is concerned. There is room for honest difference of opinion as to the advisability of State insurance, but there is no justification for the conduct of those who willfully and persistently misrepresent the facts as to the Ohio State insurance fund in order to prevent its introduction into other States. The fact that in Ohio hard-headed business men, who are bitterly opposed to State ownership of industries, are ardent advocates and champions of the State insurance fund should cause the business men of other States to look with suspicion upon the representations of those who, for selfish reasons, set up the scarecrow of paternalism or socialism in order to prevent men from studying the true facts and considering the real merits of State insurance.

Perhaps it is to be expected that insurance men will resist encroachment upon their business, but that is no reason why the march of progress should be stopped. When labor-saving machines were first introduced in the world of industry, the handicraftsmen protested. They said that they had spent the best years of their lives to acquire the skill of their trade, and that it would be unjust to supplant them by machines. But they were told that this new invention would confer great benefit upon the people, and that they must step aside and make way for progress. So I say to the insurance men that this new legal invention, known as a State insurance feature of a workmen's compensation law, will confer great benefit upon the people, and the insurance men, with their old methods, must step aside and make way for the progress of humanity.

## STATE MONOPOLY OF COMPENSATION INSURANCE.

BY WILLIAM A. MARSHALL, CHAIRMAN, INDUSTRIAL ACCIDENT COMMISSION OF OREGON.

[This paper was submitted but not read.]

It is unnecessary here to review the arguments advanced by those favoring the various methods of carrying workmen's compensation insurance. This paper will, therefore, be confined to a brief explanation of the Oregon law, a review of our experience, and a comparison of that experience with other methods of providing this form of insurance.

The Oregon law is an optional one of the presumptive-elective type, and it is estimated that between 80 and 85 per cent of the industries of the State subject to the act are operating under its provisions. Although not automatically subject to the law, farmers are coming under it, by application, in such numbers that it is believed when the law is made a compulsory one little opposition will exist to including agricultural operations.

No minimum premiums are required, nor are employers with less than a certain number of workmen excluded from the protection of the act. Insurance as to all employers becoming subject to the law is restricted to the State fund. Employers rejecting the act are subject to the employers' liability act. Payments of premium are made by employers between the 1st and 15th of each month on account of the pay roll of the preceding calendar month, thus obviating the necessity of tying up of vast sums of money in advance premiums.

During the first year there were 5,088 employers subject to the law, and at the end of the second year, June 30, 1916, the number was 6,532, an increase of 28 per cent. Provision is made for reduction in the individual employer's premium for favorable accident experience, and at the present time a very large proportion of employers operating under the law are securing the reduction.

The industrial accident commission administers the insurance fund and also passes upon claims for compensation. Each claim is considered by at least two members of the commission, and of 14,535 cases disposed of by the board there have been but 9 appeals from its decisions, 3 of these being for the purpose of securing judicial inter-

pretation of some provisions of the law. No appeals have been taken by employers from the decisions of the commission, and in only a few instances were the operations of the employer disturbed by requiring the attendance of fellow employees of the injured workmen before the commission or the courts. The number of cases where the claimant was represented by an attorney was also small. We believe our experience has been favorable, if we are justified in comparing it to the litigation existing in some of the States.

During the first year the law was in operation the injured workmen received in compensation benefits 88.3 per cent of all moneys expended for every purpose, and during the year following this was increased to 91.3 per cent. The ratio of administrative expense to moneys handled by the commission the first year was 8.69 per cent, while the second year it was 8.71 per cent, the increased ratio of expense resulting from decreased income through reduction in premium rates.

Save for several specified permanent partial disabilities, compensation is made by monthly payments, and future payments in all fatal cases and in permanent-disability cases extending over two years are secured by capitalizing the liability and the establishment of a segregated fund. The moneys in this fund have been invested solely within the State of Oregon in school and municipal bonds.

One of the arguments used against the State fund in Oregon has been the claim that the rates would be found to provide insufficient income to cover liability. It will be conceded, I believe, that from the standpoint of security no other method of providing for future payments in fatal and permanent partial disability cases can compare with capitalizing the full liability in such cases and placing the required sums of money in a reserve or segregated fund. As to liability in pending claims, if the premium income should prove inadequate at any time in the future, I see no reason why this condition could not be remedied as satisfactorily by State funds as by other insurance carriers.

As to the catastrophe hazard, this is minimized where, aside from the reserve to cover the liability in closed cases, all premium income is in one fund and available to cover catastrophe liability.

Another point urged against an exclusive State fund in Oregon is the possibility of political appointments of commissioners and assistants destroying efficiency in the administration of the law and the fund. Although the Oregon law has been in force under two different administrations and has not experienced the difficulty predicted, it can not be denied that such a condition could arise. This objection could, however, also be raised against every other governmental activity, and yet we do not hear anyone advocating the opera-

tion of our public schools and police or fire departments as business enterprises.

My observation of the methods of handling insurance and settling claims under both the employers' liability and workmen's compensation systems has brought the conviction that the providing of insurance under workmen's compensation laws is properly a function of the State. Formerly the injured workmen were too often participants in unequal contests with skilled adjusters, whose main consideration was the securing of settlements at the least possible cost. The large number of technical objections involved in appeals to compensation boards and the courts at the present time is also evidence that the settlement of claims of injured workmen should not be provided for by a method where financial considerations are bound to be the controlling influence.

It has also been urged in Oregon by the advocates of other methods of insurance that accident prevention will be greatly encouraged by the application of merit-rating principles. One can not deny the force of these statements, but I fail to see any obstacle in incorporating this feature in the laws providing for State funds. Uniformity in the application of the merit-rating principle is, of course, essential, and it must be conceded that this could not be handled less efficiently by State fund officials than it is at present in some States where merit rating is regarded largely as a vehicle for rate cutting.

Aside from the moral consideration, it seems to me that the plan of carrying workmen's compensation in a State fund exclusively has an advantage as to cost of acquisition which can not be met by any other method save possibly self-insurance. As before stated, the ratio of benefits to total expenditures in Oregon in the second year was 91.3 per cent. As a basis of comparison there should properly be added to the expense factor the estimated value of services furnished by the State without cost to the fund and a sum equivalent to the State tax required from certain insurers. This would increase the ratio of expense to all expenditures to 11.1 per cent in a State where the industrial operations are comparatively small and scattered over a large area.

In conclusion, I deem it fortunate that under the different State laws, at the present time, opportunity is offered for the carrying of workmen's compensation insurance under the various methods, and that it will thus be possible to ascertain by experience the best method.

## THE COMPETITIVE PLAN OF WORKMEN'S COMPENSATION INSURANCE.

BY W. W. GREENE, ACTUARY AND INSURANCE MANAGER, INDUSTRIAL COMMISSION OF COLORADO.

[This paper was submitted but not read.]

Within a few short decades the United States has been transformed from an essentially agricultural nation, homogeneous in race and ideals, into a modern industrial community, with a mixed population, with mammoth corporations on the one hand and organized labor on the other, and with a commercial system connecting us intimately with the markets of the world. Fundamentally it is this great change which has made the workmen's compensation system a need and a fact in our American life, and it is this change which makes pertinent our discussion of the other forms of social insurance at this time.

We may safely predict that if health insurance for workers, old-age pensions, maternity benefits, and unemployment insurance are generally adopted in this country, their establishment will come as the result of the pressure of tremendous economic forces, without regard to the opinions expressed by any particular group of individual citizens.

Apparently, then, the function of this conference is not to attempt to influence public opinion as to the desirability or undesirability of the several forms of social insurance, but rather by thorough discussion to bring out the facts now available as to each of these forms in order that unnecessary defects and weaknesses may be avoided in such social-insurance measures as are actually adopted. This distinction applies with particular force to our discussion of compensation laws and insurance, since the workmen's compensation system is already effective in the great majority of the States of our Union. This general acceptance of the workmen's compensation principle brings our comparison of the several methods of compensation insurance, in part at least, within the sphere of experience and fact. Moreover, it enables us to engage in constructive criticism of the different types of insurance carrier operating in the compensation field without fear of exciting prejudice against the workmen's compensation régime and without fear of endangering the future of the compensation system.

Upon the program of this conference I am designated for the presentation of a paper dealing with the "Shortcomings of the competitive plan of State insurance in workmen's compensation." Since I feel that the competitive plan is a practical experiment which will contribute much to the sound development of all forms of social insurance, it will be my endeavor to discuss the present defects in this plan from a constructive standpoint, and, frankly, I shall attempt to emphasize certain advantages of this plan.

#### THE COMPETITIVE PLAN.

The competitive plan of compensation insurance may be defined as a system whereunder the employer may choose as his insurance carrier a fund administered by the State, or a mutual association of employers, or a private stock company. In its broader meaning the competitive plan includes those States where live competition exists between mutual and stock companies, even though there be no State fund. Much of the subject matter of this paper applies not merely to California, Colorado, Maryland, Michigan, Montana, New York, and Pennsylvania, where competitive State funds are in operation but to all other compensation States where both the mutual and the stock plans are effective.

Without a doubt the establishment of the competitive plan had its origin in a general difference of opinion as to the best form of insurance carrier of workmen's compensation risks. On the one hand it was felt that a virtual monopoly of the compensation field upon the part of stock companies would not be desirable, since it would be placing the employing class in the hands of the companies both as to premium cost and as to the nature and quality of the services rendered by the carrier. On the other hand, many felt that it would be unwise to establish a State monopoly of compensation insurance for several reasons. In the first place, we would be discarding outright the services of well-established institutions, many of them of great financial strength and well equipped with officials and employees thoroughly trained in the business of liability insurance. Secondly, monopoly of any kind was felt to be undesirable as removing all incentive toward progress in method of handling the business. Finally, grave doubt was expressed as to whether our ideals of public service have yet become so advanced as to warrant the expectation that State management without the spur of competition would prove as efficient as the conduct of a private enterprise.

From these considerations the concept of the competitive plan was evolved. It was believed that competition between State funds and mutual companies on the one hand and stock companies on the other, would effectively prevent the collection from the employing

class of premium rates disproportionate to the actual cost of administration plus the benefits accruing to injured workmen and their dependents. Moreover, competition should place a premium upon service, not only in the prompt and liberal adjustment of claims, but in the matter of assistance rendered to employers in the installation of safeguards against occurrence of avoidable accidents.

#### THE COMPETITIVE STATE FUNDS.

The competitive State fund has little in common with the monopolistic State fund. The competitive State fund can not hope to gain or to hold a respectable volume of business without rendering service equivalent to that rendered by competing stock and mutual companies. On the other hand, the monopolistic fund would appear to be in a position to decide for itself in great measure what service shall be rendered to the employer. In either case the volume and character of services rendered is limited by the amount of money at the disposal of the fund's management. Here again is a difference in situation, since the monopolistic fund is generally dependent upon legislative appropriation, while there is good reason to believe that in the long run the competitive funds will be required to pay all their expenses from the premiums collected from their policyholders.

Under a monopoly, temporary insolvency, however undesirable, need not spell disaster, since the only contingency which can prevent a monopolistic fund from eventually collecting sufficient premiums to cover its losses is legislative action removing the fund's exclusive right to the compensation business of the State. On the other hand, insolvency, or a condition approaching it, can mean little else for a competitive fund than the winding up of its affairs, since its policyholders are free to avoid any increase in premium rates by transferring their insurance to other carriers. It appears therefore that the management of a competitive State fund is a task requiring greater technical skill than does the conduct of a State monopoly.

It is increasingly evident that these distinctions have not been kept clearly in mind by legislators, for most inappropriately many legal provisions applicable to the competitive State funds have been copied well-nigh verbatim from the statutes which called into being the monopolistic funds of Washington and Ohio. This confusion is most apparent in provisions relating to the payment of expenses, supervision of rates and reserves, and fundamental financial plan.

A majority of the competitive funds have had their expenses paid by the State for the first two or three years of their existence. Apparently it would have been more consistent with the functions of these institutions to provide each of them with a surplus commensurate with the number and character of compensation risks in the

State and to place the burden of the fund's expenses upon premium income from the very outset.

Since stock and mutual companies have to meet their expenses from their premiums, the fund's expenses can be met in the same manner, without prejudice to the position of the fund as a competitor. Probably it is not illogical that the State should contribute some portion of the cost of the workmen's compensation system; nevertheless it appears inequitable that the employer electing private insurance should pay a premium covering both the cost of the benefits and administrative expense, while the State-fund policyholder is relieved of his share of the expense of conducting the business of compensation insurance. Incidentally, one important function of a competitive fund is to furnish a criterion of the reasonableness of the rates charged by private companies. Where the fund is subsidized by the State, a comparison of the respective costs under the State and private plans may be somewhat misleading as to the real expense of conducting compensation insurance.

The Legislature of California granted the fund an appropriation of \$100,000 as a surplus with which to begin business. It can hardly be gainsaid that in the other States lack of such a "nest egg" has been something of a handicap. Expense subsidies have, however, proven an advantage in business getting and have facilitated somewhat the accumulation of a surplus. From present indications all of the competitive funds will soon be paying their own expenses, and it seems therefore that these institutions are working toward a basis well suited to their needs and functions. Meanwhile in States where the hazards of industry are great as compared with population the fund should not be expected to accept indiscriminately risks involving catastrophe hazard, and its right to reject extrahazardous risks should in some cases be made more specific. In such States the fund can hardly be expected to open its doors to all employers, unless an adequate appropriation be made to augment its surplus. Such provision might be made upon condition that the amount of the appropriation is eventually to be returned to the State at such time as the condition of the fund shall warrant.

The rates, reserves, and investments of competitive funds should, of course, be subject to the same supervision as that exercised over the rates, reserves, and investments of stock and mutual companies. The entire future of the fund depends, of course, upon the collection of adequate rates in the first instance. The fund's management has often found it necessary to compute reserves upon a basis more stringent than that imposed upon the private carrier. Making the fund subject to the State insurance department to the same extent as are private companies is therefore no hardship whatever to a conscientious management. On the other hand, a periodical verification



of the fund's financial condition on the part of the insurance commissioner is to be welcomed as a protection to the fund against unjust attack and as a further guaranty of proper management to which the public is entitled.

#### STOCK COMPANIES.

The existence of a considerable number of strong stock casualty companies, managed by insurance men well versed in the experience of liability underwriting, has undoubtedly been of inestimable value to the establishment of workmen's compensation insurance upon a stable and scientific basis. Especially have some of the stock companies played a leading part in the development of the system known as merit rating, whereunder the employer is given a powerful economic incentive toward accident prevention by means of credits and charges expressed in dollars and cents of premium cost.

As in the case of other commercial enterprises, the original purpose of the establishment of a stock company is the realization of profits. It is notable that within the last few months two leading companies have ceased writing workmen's compensation risks, apparently because they have found the transaction of compensation business to be not merely unremunerative, but actually productive of financial loss. In view of the present unsettled basis of compensation premium rates, it is perhaps easy to attach too much significance to these withdrawals from the field. There are, however, other considerations which favor the conclusion that the compensation field will not prove very profitable to the stock companies.

The compensation laws are fundamentally humanitarian and pro-social in their purpose. Although the workers are the direct beneficiaries of this legislation, its primary object is to stabilize the foundations of society by removing the causes of industrial unrest. Through their legislatures the people have gone so far as to make workmen's compensation insurance compulsory. In theory, at least, the realization of profits from the conduct of workmen's compensation insurance is hardly consistent with the underlying concept of compensation legislation.

Competition in service is the outstanding feature of the competitive plan of compensation insurance, and expert service can best be rendered, generally, by men trained in the home office of an insurance institution. From the experience of State funds and mutual companies, it appears that a considerable volume of business can be secured and maintained without the payment of commissions to agents. The competition of State funds and mutuals whose employees are all upon a salary basis forces rates down to a point where no margin of profit seems possible as long as the stock companies adhere strictly to the agency plan and to the present scale of commissions.

A moderate return upon the capital invested is without doubt the most that the stock companies can hope to realize on the compensation business in view of the conditions of competition and of public sentiment. Some companies undoubtedly have an interest in writing compensation because of the hold which it gives them upon other lines of insurance. The companies which remain in the compensation field may find it necessary to reduce the present commissions on compensation business, and to depend almost altogether upon salaried employees in the rendering of service to policyholders.

A partial list of the classes of insurance conducted by stock companies includes accident and health, fidelity and surety, employers' and public liability, steam boiler, plate glass, flywheel, and automobile. The most advanced legislation looking to the establishment of stock casualty companies upon a sound basis requires that the company shall have a capital in direct proportion to the number of lines of insurance it proposes to conduct. Unfortunately this very important principle has not been carried out in a considerable number of States. Periodically examinations are made as to the financial condition of all insurance companies, but the standards imposed by the different States are regrettably lacking in uniformity both as respects substance and interpretation.

It follows that not all stock companies are in the same class as respects financial responsibility. In fact, it has not been possible up to the present time always to cut short the career of a company before insolvency has occurred. In view of the complicated nature of the affairs of stock companies engaged in a miscellaneous business, the interests of employers and workmen under the compensation acts demand that the present requirements as to capital be universally raised to the high standard already set in certain States. The enforcement of adequate rates and the maintenance of adequate reserves are matters of great immediate importance, to which I shall refer later.

#### MUTUAL LIABILITY INSURANCE CORPORATIONS.

The laws of most compensation States authorize, or at least permit, the organization of mutual corporations for the purpose of insuring the liability imposed upon employers by the compensation acts. In most instances such corporations are permitted to write certain other lines, such as public liability, elevator liability, and certain classes of automobile and team insurance. Although the number of mutuals is steadily increasing, the great majority of such companies thus far established are comparatively small institutions. However, in a few States, and particularly in Massachusetts, mutual companies have already played a conspicuous and worthy part in the compensation insurance field.

For several reasons it appears inevitable that these mutual associations shall increase in number and importance for many years to come. Under the mutual plan whatever excess there may be of premiums over the insurance expense and compensation cost reverts to the employers. Moreover, the mutual plan gives employers whose establishments are above the average in point of hazard a means of cooperation whereby premium cost can be kept to the minimum through selection of risks and expert inspection service for the encouragement of accident prevention.

In this generation employers and employees alike have come to regard organization as a necessity, and the general consensus of public opinion favors organizations both of employers and employees as in the long run productive of much good. In many industries no organization has yet been established with sufficient prestige to make the average business concern defer its individual interests to the welfare of the entire industry. Without doubt a mutual insurance corporation whose members, being engaged in the same or related industries, are working together for the fulfillment of the important public purposes of a compensation act, is a powerful influence toward cooperative effort along other important lines.

In a report dated February 28, 1916, the superintendent of insurance of the State of New York says:

As to the mutual companies, if there were 7 or 8 such corporations instead of 17, their cause would be the gainer. Eight of the mutuals receive less than \$50,000 per annum in premiums and the remaining nine are doing about 99 per cent of all the mutual business. The department has taken over for liquidation one mutual company with a total annual premium income of slightly more than \$7,000. Fortunately, this company has not experienced a single serious loss, and will be able to pay off its outstanding obligations and return to its members a substantial dividend.

The report goes on to state that the New York insurance law has been amended to require that no mutual company shall begin business unless it has a prospective yearly premium income of at least \$25,000.

This report places a most appropriate emphasis upon the undesirability of the creation of a multitude of mutual companies, each with a premium income too small to absorb even minor fluctuations in the accident rate. It might have been said further that only where a mutual company is of fair size can employers realize any saving under the mutual plan as compared with the cost of stock insurance. Nothing could be more consistent with the sound advancement of the mutual idea in compensation insurance than a general adoption of high standards as to the amount of business which must be pledged to a mutual company before it can begin actual operations. The present New York standards require 40 employers, 2,500 employees, and, as above noted, a prospective premium income of \$25,000 a year.

Requirements at least as stringent as these should be adopted in all States.

Mutual companies should be required, as are most of the competitive funds, to set aside a certain percentage of their premiums as a contribution to surplus until an adequate surplus has been accumulated. The maintenance of proper rates and reserves is a matter important alike to State funds and to all private companies, both stock and mutual.

#### MAINTENANCE OF ADEQUATE RATES FOR COMPENSATION INSURANCE.

Under the workmen's compensation acts the benefits for death and for permanent disability are payable throughout a long period. Soundness of the insurance system is the only guaranty to the employee or to his family that the payment of these benefits will be eventually completed. The solvency of the insurance carrier means nearly as much to the employer, since under many compensation laws failure of the insurance company or fund does not relieve the employer from liability to pay compensation to his workmen and their dependents.

The collection of adequate rates is the first premise upon which solvency of the insurance carrier depends. Accordingly not even a brief survey of the competitive plan is complete without some reference to the statutes which have been adopted in several States looking to the maintenance of adequate rates, for these statutes strike at the very core of compensation-insurance problems. In Massachusetts, New York, California, Colorado, Pennsylvania, and possibly one or two other States, the premium rates charged by private companies must be approved by some State official or commission as to their adequacy. This means that no company can do business unless in the opinion of some State official, generally the insurance commissioner, it proposes to charge rates which will be sufficient to meet expenses, the current compensation payments, and to provide sufficient reserves. The practical effect of this legislation is to make the approving State department fix a schedule of minimum rates at which compensation business can be written.

There is an apparent contradiction between the effect of these adequate rate laws and the intent of much of our so-called anti-trust legislation. It is easy to establish, however, that unrestrained competition in compensation premium rates is contrary to public policy. Unrestrained competition means the survival possibly of only the strong companies, but the weaker companies can not be eliminated from the field without great hardship upon employers, employees, and the public. If we wish concrete evidence as to the evils of unrestrained competition we need but to turn to the experience of the State of California, where not so very long ago two

stock companies were obliged to cease operations. It is believed that the passing of these companies was caused primarily by the charging of inadequate rates. One company was reinsured, the other failed outright, leaving several hundred thousand dollars' worth of unpaid claims—and let us not forget that in case of compensation claims the injured workmen and their families bore the loss. It is not surprising that since this experience the State of California adopted its present minimum adequate rate law.

The competition of strong State funds and mutual companies is a sufficient guaranty that premium rates will not be excessive. Adequate rate legislation is a logical and necessary complement to the competitive principle. The general adoption of laws under which State authority can not only approve but effectively enforce the collection of adequate rates is undoubtedly of the greatest immediate importance to the future of the competitive plan. In fact, the value of all well-managed insurance institutions, whether funds, mutuals, or stock companies, is seriously impaired when these important servants of the public are embarrassed by the competition of companies which are willing for reasons of their own to take compensation business at rates which must inevitably result in eventual financial loss to the carrier.

It is not sufficient that before writing compensation risks the carrier must file with State authority a manual of rates and a merit-rating plan purporting to be the systems which it will follow in its underwriting. Experience demonstrates that some companies will not adhere to the rates which they file, unless the underwriting of every risk is checked by some State department or by some impartial central agency backed up by the State. All inspections for merit-rating purposes and the classification of all compensation risks should be made either by an arm of the State Government or by a central rating bureau cooperating with the State and subject to visitation, examination, and supervision on the part of State authority.

In the long run employers are bound to have to pay premiums sufficient to cover the true cost of the workmen's compensation laws. Lack of adequate rate supervision means discrimination, most often at the expense of the small employer. Improper classification of risks makes the experience compiled under workmen's compensation acts of little value and destroys all possibility of an equitable distribution of cost in proportion to the hazard of the industry.

The alleged purpose of schedule rating in compensation is to reward the employer who protects his employees and to penalize the employer who subjects his workmen to the hazard of preventable injury. Under conditions of unrestrained competition, the merit-rating schedule becomes a mere rate-cutting device removed of all value from a humanitarian standpoint. It is only when merit-rating

inspections are made by impartial inspectors responsible only to a public or semipublic bureau that a substantial economic gain results from the schedule rating of compensation risks.

#### IMPORTANCE OF A UNIFORM RESERVE BASIS.

The National Convention of Insurance Commissioners has this year most advisedly taken under consideration the preparation of a bill for the establishment of a uniform reserve basis in liability and compensation insurance for both stock and mutual companies.

The country-wide need of standard legislation of this kind can not be overemphasized. The insurance laws of some States do not specify any basis for determining the liabilities of a casualty company. Such statutes as are in force respecting workmen's compensation loss reserves are, with few exceptions, inelastic, unscientific, and inadequate, although reflecting as deep an understanding of the needs of the situation as was current at the time of their enactment.

The establishment of State funds and mutual companies for the benefit of employers and employees avails but little if these institutions and the best stock companies have to compete with concerns which have no apparent interest in their own eventual solvency, which are not required by law to maintain adequate reserves, and which are able to evade the statutes which require that adequate rates be collected. The most efficient and conscientious insurance commissioners can not curb the operations of loosely managed companies unless their efforts are backed by adequate legislation.

#### WHY THE COMPETITIVE PLAN?

The advisability of the competitive plan has been challenged, on the one hand, by the advocates of State monopoly, and on the other by the champions of the "vested rights" of private enterprise. In fact it was recently contended, in an article appearing in a leading insurance journal, that if the State is to engage in the business of compensation insurance it should take over the entire field, and that while there is some justification for the monopolistic plan, the competitive plan is a hybrid possessing the vices and none of the virtues of both State and private insurance.

I believe that this point of view bespeaks an artful juggling with our concepts of the so-called moral rights of the State, rather than a sincere exercise of sound judgment as to what activities may in practice be undertaken by the State with profit to the great majority of its citizens. Moreover, I can conceive of no way in which greater injury can be done to the interests of private insurance companies than by the presentation of arguments of this kind. It is altogether improbable that social insurance will revert entirely to private

agencies, so that opposition to State insurance, except upon a monopolistic basis, is perhaps the most likely way of eliminating private enterprise from the social insurance field.

The American people will judge the competitive plan not from the standpoint of theory alone, but principally upon the basis of its practical achievements. Accordingly the public wants to know, first, what the competitive State funds have accomplished and, second, whether the competitive plan possesses any advantages over the monopolistic plan.

It has sometimes been stated that the competition of State funds is not necessary, since employers generally have the right to organize mutual corporations as a relief from possible monopoly on the part of stock companies. This argument is comparable to the contention that the mere presence of some millions of able-bodied men within the boundaries of the United States constitutes an adequate preparation for defense against foreign aggression.

Well-organized mutual companies do not spring into being overnight. The competitive funds, being organized and sponsored by the State, have been a vital factor in the compensation business from the very outset. In the campaign against excessive cost in the administration of compensation insurance these funds have maintained a progressive and effective lead and their presence in the field has saved employers hundreds of thousands of dollars.

The proponents of State monopoly point to the apparent economy and to the simplicity of operation of the monopolistic plan. They may say that the competitive plan is complicated, expensive, and difficult, and that much time, money, and effort can be saved by eliminating the companies from the social insurance field once and for all. In answer, let me say that under the competitive plan difficult problems have a way of coming to the surface and demanding immediate solution. The very continuance of the competitive plan requires constant effort toward the calculation of adequate but equitable rates, the determination of a reliable and elastic system of reserves, and the development of an effective system of accident prevention. The study which is being devoted to these problems under the competitive plan can not but contribute much to the soundness and usefulness of compensation insurance; and if under the monopolistic plan there is no exchange of ideas along these important lines the necessary implication is that the solution of many a vital problem has been unduly postponed.

A small ratio of expense to premium income does not necessarily spell economy, while a liberal expense ratio need not mean wastefulness. Under the competitive plan insurance carriers are vying with each other in service to the employer. Prompt handling of claims, expert medical service, and inspections for safety purposes are all

expensive, but these things are productive of real economic gain. From steam boiler insurance on the one hand to life insurance on the other it is being demonstrated that true economy is brought about by conservation of human life and property rather than by "watchful waiting" for the occurrence of the loss.

Very few, if any, of our State governments have progressed to the point where merit is the sole criterion in the selection of employees. Obviously it is not a good thing to conduct a State fund upon a political rather than a business basis. Even professional politicians may from self-interest desire to keep a State fund out of politics, since mismanagement means loss of business and of prestige. On the other hand, it seems possible that the employees of a monopolistic State fund will be selected in much the same way as are employees in other State departments, without due regard to the appropriate requirements of technical knowledge and insurance experience.

The fundamental justification for the competitive plan is the outstanding fact that we can not yet agree as to what kind of insurance carrier is ideally suited to serve the high purposes of the compensation acts. Competition between insurance institutions of divergent types is the logical method of settling this question, not merely for workmen's compensation, but for social insurance generally.



## DISCUSSION.

ALBERT L. ALLEN, assistant manager, Workmen's Insurance Fund, Pennsylvania. The ideal theory of workmen's compensation insurance is equitable distribution of payments of compensation costs to injured employees or their dependents at a minimum burden to the employer. Modern efficiency means the elimination of waste. What is waste in the payment for workmen's compensation insurance?

Workmen's compensation laws virtually compel every employer, from the standpoint of financial self-preservation, to obtain protection against demands that injuries to workers may occasion. An insurance medium for such a condition should be as nearly lacking in waste, as high in efficiency, as may be possible to meet adequately the requirements created by workmen's compensation legislation.

Whether the process of transferring from the employer's production cost the stipulated compensation amounts to injured workmen can be ethically regarded as a transaction to produce profit for enterprises capitalized for the purpose of giving that protection is a question receiving nation-wide consideration. With that question I shall not deal from the ethical standpoint.

Each individual method which has been presented to the conference this morning has merit and demerit, but to the employer who purchases compensation insurance the methods appeal only in the manner in which they are presented by insurance representatives. However, after experience for a year or two under compensation laws, the ultimate decision of the employer will be based on service and cost.

Is it equitable and just for the cost of production to assume a burden of excessive cost for compensation insurance? Should not the consumers protect themselves from the increased cost of commodities by influencing employers to accept the insurance method which will give the result required under the compensation statute with the elimination of the waste, for which there is no apparent return?

The different methods of compensation insurance—stock companies, mutual associations, State monopolies, and competitive State funds—are now all in the spot light of public scrutiny, and the final decision will be made by a crystallized public opinion on the records of

efficiency and cost of each of the various systems or by combination of two or more of the prevailing systems.

The merits of stock companies may be at this period outlined as greater experience, possession of voluminous records based on that experience, and capitalization for reserve strength. Opponents of stock companies object to this form of insurance on the basis that a large percentage of its premium income is distributed as commissions and salaries to men who solicit for their individual concerns an insurance commodity which the laws of various States say every employer within those States, with few exceptions, must purchase. This solicitation cost to divert into individual concerns something that must be purchased regardless of solicitation is frequently considered as waste.

In return for the capitalization which stockholders have contributed to strengthen stock companies, they properly expect an adequate profit or dividend on their investment. Reduced to its last analysis, the dividends to stockholders and the commissions paid to agents is an added expense for the distribution of compensation payments from the aggregate cost of production and which does not exist in other forms of compensation insurance protection.

Mutual associations have become a factor in the compensation insurance field in an effort to eliminate a portion of the waste which I have previously mentioned. The mutual association is meritorious inasmuch as the final cost is subject to a distribution of dividends to policyholders should the premium income exceed the cost of the payment of claims, after setting aside adequate reserves and the payment of necessary operating expenses. A properly managed mutual association with sufficient number of members to accumulate a large exposure and with sufficient premium income should be able to offer employers a suitable protection against compensation liability at a cost lower than that of the stock companies.

However, as a demerit, the employer who places his insurance in a mutual association is always in the shadow of a contingent liability equal to the amount of his premium should an assessment become necessary on account of excessive loss ratio. There is always the danger of a financial depression which would eliminate many members from participation in such an association, thereby reducing the premium income below an amount adequate for a proper exposure.

Self-insurance is virtually negligible in number of employers, but alarming in amount of pay-roll exposure. Comparatively few employers can show to any compensation board financial soundness that would be deemed adequate to meet any contingency that might arise. The assumption of the risk by the employer, who may be granted privilege to carry his own insurance, is a gamble against a possible catastrophe or many serious accidents which may exhaust his in-

insurance reserves. The large employer with a tremendous pay-roll exposure who has adopted this plan of insurance may possibly find his average cost over a period of years a satisfactory recompense for taking the chance. This custom is not universal and should not be allowed to extend unless the same requirements are placed upon the self-insurer as those imposed upon private insurance carriers.

Supervision of self-insurers by the insurance departments of all States where such privileges are granted is an important feature for consideration. To encourage the accumulation of compensation statistics, all methods should be placed under the same jurisdiction in order that complete statistics may be obtained upon a uniform basis for the guidance of actuaries in compilation for insurance statistical purposes.

The legislatures of various States have recognized in passing workmen's compensation laws that they have virtually compelled the employers to purchase an insurance policy to cover the protection to employees.

State funds have been created by statutes in order that there may be a medium through which this insurance may be obtained at net cost to the insuring public. Many of the State funds so created operate upon a system peculiar to themselves and different from that adopted by other insurance carriers.

We have in Pennsylvania a State workmen's insurance board composed of the State treasurer, insurance commissioner, and the commissioner of labor and industry. This board has no connection with the workmen's compensation board, and our claims are placed before the compensation board in the same manner as any insurance carried. We have the same right to appear as any insurance carrier, and it is a very satisfactory medium. By this arrangement of the insurance board the actions of the fund receive automatically the approval of the insurance commission, and in all cases all activities of the insurance fund, the reserves, the financial statement—in fact, rates and everything which have to do with the administration—are under the stated supervision of the insurance department, so it would be impossible for the State fund to run wild if it so desired.

The organization of State funds, based on communal principles, does not include stockholders or commissioned agents who exclusively solicit a commodity which the law says every employer must purchase. In the majority of cases an expense subsidy has been furnished by the State or Commonwealth to pay operating expenses until the fund has assumed the successful proportions which would enable it to operate as an individual enterprise entirely self-supporting.

The legislatures have provided State funds as the popular medium which the employers may utilize for compensation protection by mak-

ing proper application. In some States it is a compulsory insurance, but in others it is on a competitive basis in the open field, with the altruistic view of furnishing the employer compensation insurance at net cost and lower than it can be obtained through other methods.

Opposition to State funds is strongly voiced by its competitors, using the argument of political management and inefficient service. They assume that the office force will be loaded with political attachés who are incompetent to fulfill the duties of an ordinary insurance clerk or inspector and also that the management will be politically controlled, to the detriment of the policyholders. The reference to such practice is irrevocably repudiated by consideration of the various State funds now in operation. The organizations show many experienced men who have been obtained from other insurance offices vested with the experience of which the competitors boast. The majority of State funds show conclusively that the final result relieves the employer of excessive compensation cost and produces a lower production item to be borne by the consumer.

In conclusion, it may well be stated that all systems of insurance are sufficient for the protection of the injured employee and the individual efforts will produce a situation which will result, after years of experience, in the survival-of-the-fittest method or the fittest combination of methods.

JOHN W. MAPEL, of the Pfister & Vogel Leather Co., Milwaukee, Wis. The theory of all compensation acts is that the industry should bear the burden of the expense of repairs to the human machine. There is an additional obligation on the industry or the employer, however, which is more important than the mere money recompense by the employer to the unfortunate workman. This is the obligation of protection which the employer owes the employee, and this obligation of protection is an underlying and essential feature of a compensation act.

The method of operating under a compensation act which most fully recognizes and most completely carries out this spirit of protection is self-insurance by the employer, by which the employer assumes the liability of a compensation act rather than to delegate his obligations to an insurance company.

The function of an insurance company is to protect the employer by limiting his financial losses.

The function of a compensation act is to protect the workman.

When an employer buys his compensation insurance protection from an insurance company as a rule he turns over to the insurance company the obligation of protection which a compensation act requires.

On the contrary, when an employer elects to insure himself and to assume the liability of a compensation act the success of his under-

taking depends first on his extending to his employees the fullest measure of protection.

The insurance companies appreciate the value of protection as keenly as do self-insurers, and so offer their customers the inducement of merit rating, to secure better protection.

The personal interest between the self-insuring employer and his workmen will, however, always overbalance that interest of an employer in protecting his men which is stimulated alone by the inducement of merit rating given by an insurance company.

Employers who carry their own insurance realize that self-insurance unquestionably furthers the employer's interest by fostering the personal contact between the employer and the workmen.

In addition, however, to the intangible but recognized advantage of personal dealing with employees, there are substantial profits in self-insurance, particularly during the experimental stage of rate making by the insurance companies. Curiously enough, the incentive to large employers to carry their own insurance was furthered by the insurance companies themselves.

The rates quoted by the insurance companies for compensation insurance were startling to the employer, accustomed as he was to buying his liability insurance under the former common-law relation between the employer and employee.

In Wisconsin, for example, immediately before the compensation act took effect, the average manual rate of the insurance companies for unlimited employers' liability insurance was \$2.84 per \$100 of pay roll. When, however, the compensation act went into effect, September 1, 1911, the average rate for unlimited protection under the compensation act advanced to \$4.75, or an increase of \$1.91 per \$100 of pay roll. In some instances the cost to the employer of buying compensation insurance protection was increased more than 10 times the insurance rate paid prior to the enactment of the compensation act.

The insurance companies were doubtless justified in these large increases in the rates. They were without experience in operating under compensation acts in this country. The experience of European companies was not applicable to American conditions or American compensation acts. The attitude of the industrial commissions would necessarily affect the construction to be placed on the acts and their administration. The tendency might be to increase the indemnities paid under the acts and make them more costly in their operation than they were originally intended to be. New classifications might be construed to come under the act, such as industrial diseases and the like, which could not be foreseen and anticipated by the insurance companies in basing their rates. Hence the base rates

which the insurance companies fixed were largely a matter of conjecture and were of necessity placed conservatively so that they would be on the safe side in assuming the risk.

The very material increase in the compensation rates immediately suggested to employers the possibility of insuring themselves against their liability under compensation acts. This alternative, however, was not open to all employers. Only the employer whose financial condition was sound could consider self-insurance. State authorities, rightly enough, were unwilling to jeopardize the payment of indemnities to injured workmen unless the financial responsibility of the employer was proved and his ability to meet a severe loss was assured them. The employer had to judge whether or not he had a sufficient number of employees over which to distribute his risk. The hazard of the industry had to be taken into consideration, as well as whether the hazard could be lessened by safeguarding machinery and the many other methods of preventing accidents and reducing consequent liability. The character of materials handled, the location and construction of the plants, and any other conditions which would affect the risk, entered into consideration.

As an inducement to the employer to insure himself the compensation act fixes and limits the amount of indemnity payments for any one accident. The employer reasoned that it was probable that the insurance companies, while compensation insurance was in its initial experimental stages, would unquestionably be well on the safe side in their quotations. The employer knew that there was a margin of at least 15 per cent which the insurance companies had to pay for the cost of the acquisition of business, and which expense the employer would not have to meet. The insurance company also had a materially higher percentage of overhead charge for actuarial and statistical expense, adjustments, inspections, etc., which also would not have to be met by the individual employer. In fact it was believed that there should be a good margin for the employer, particularly in the experimental stages of insurance under the compensation acts, and that it would be a favorable time for the employer to accumulate a reserve at the start, when the margin was large, before competition had forced close competitive prices for compensation liability insurance.

It is impossible from the statistics at hand to state with even approximate accuracy the exact saving which large employers are making by carrying their own insurance.

But the experience of the Wisconsin employers who carried their own insurance during 1914 and 1915 is suggestive as a practical demonstration of the results of this kind of insurance. Mr. W. H. Burhop, chief statistician of the Wisconsin Industrial Commission,

has courteously furnished the following data, showing the cost to self-insurers for the years 1914 and 1915 in comparison with the cost of purchasing insurance based on the same pay rolls at the present bureau rates. These figures, covering \$108,000,000 of pay roll, show that the aggregate premiums of the insurance companies (computed after allowing an average reduction for merit rating) amounted to about three and one-half times as much as the total compensation expenses to the employers who carried their own insurance.

Mr. Burhop states, however, that among the self-insuring industries many of the most hazardous occupations are included, for which the insurance rates were very high, and which either by good fortune or excellent safety work had shown very favorable experience and very large savings. Mr. Burhop includes in this list powder and dynamite making, heavy machinery manufacturing, logging and lumbering, work in sawmills, construction work, work on coal docks, electric railways, and stevedoring. By excluding all of these unusual risks, we find that the expense to the self-insuring employer was \$411,000, in comparison with a computed insurance premium of the insurance companies of \$1,263,000; or, the expense of the self-insurer was one-third the cost of the computed premiums of the insurance companies.

Table IV of the bulletin of the Industrial Commission of Wisconsin, August 1, 1916, shows the percentage of expense to earned premiums of all the insurance companies operating under the Wisconsin Workmen's Compensation Act for the year 1915 to be 35 per cent. Assuming that many self-insurers did not make an adequate estimate of the overhead charge in connection with carrying their own insurance, let us add 100 per cent to the compensation expenses of self-insurers to cover any omitted cost, thus bringing the cost to the self-insurers to \$800,000, which would seem to be a conservative estimate. There would still be a difference to self-insurers of 33½ per cent less than the cost of the computed insurance premiums of the insurance companies.

Let us, however, not view self-insurance from the narrow viewpoint of comparative cost alone. The large employer who himself carries the liability of a compensation act is consistently carrying out an enlightened policy of present-day business.

As Mr. Kennedy has pointed out, the trend of large business, where many thousands of workmen are employed by a single company, has been toward the divergence of personal relationship of employer and employee. But the far-sighted employer now realizes that close personal contact is essential for the best advantage of employer and workmen. To secure this advantage the large employer offers various "employees' service" and "welfare" plans, such as medical and nursing service, group insurance, and the like, to

maintain the spirit of personal contact with his men. These efforts are invariably along protective lines. For example, when an employer realizes the disadvantage of a large labor turnover, his remedy includes the protection of his employees against irregular employment by furnishing steady work at fair wages in safe and sanitary plants; by protecting the health of his workmen; and by generally furthering their interests, as well as his own, by protective measures.

In conclusion, self-insurance established on the underlying principle of protection produces the soundest relationship between the large employer and his employees under a compensation act, and when an employer in a position to carry his own liability under a compensation act contracts away this privilege to an insurance company he loses an advantage in successfully dealing with the human element of his business.

SAMUEL DAVIS, attorney at law, Boston, Mass. I think you can hear me from here. I only represent myself as an insurance student. I came down to listen and look on, but the extraordinary statements made in the paper sent down here by the president of the Massachusetts Employees' Insurance Association—Mr. Chairman, I can not allow those statements to go without rebuke. It is a pity the gentleman is not here himself in order that he might be interrogated on some of the statements that he made concerning the situation in Massachusetts. That is my State, and I am able to claim some acquaintance with what has gone on there in the matter of compensation-insurance rates. He made the statement that an enormous sum of money was lost—I can not recall how much—by the insurance carriers in Massachusetts, because the rates had been deliberately made so low that mutual companies and the weak stock companies might be crushed out. Now, we have some official statistics on that matter which are conclusive. The most important fact is this: The Massachusetts Employees' Insurance Association was examined this spring by the Massachusetts insurance department. The report of that examination states that the loss ratio of that company from the beginning of compensation in Massachusetts down to the 1st of April of this year, Mr. Chairman, was just 48.35 per cent. Now, I ask this intelligent audience how that company could have been frozen out of existence, even though the insurance rates were low, if the entire loss ratio for the whole period was less than 50 per cent. Now it is true that some companies have lost money in Massachusetts. I do not claim to speak with any knowledge of the inside conditions of these companies. I know nothing but what I gathered from public statements and formal reports. But this much is true, and appears from the last insurance report issued by our commissioner of insurance: About 75 per cent, perhaps a little less, of all the workmen's compen-



sation insurance in Massachusetts last year was underwritten by a group of five companies, of which two were stock and three were mutual. It is true that the loss ratio of that group was 102.51 per cent, but, Mr. Chairman, in 1914 the rates were increased some 40 per cent over what they had been formerly and without any increase in rates whatever; moreover, on the 1st of May of this year new rates were put in force in Massachusetts which took into account the increase of benefits as of the previous October, and there is no doubt that all the companies will be able to make good on the new rates. Moreover, the sixtieth report of the insurance commissioner contains this statement, that from July 1, 1912, when the act went into effect, up to October 1, 1914, the loss ratio of all the companies was less than 40 per cent. Now I submit to you gentlemen who are accustomed to handling figures whether this tends to show that the rates were made so low as to exclude mutual companies from operation in our State. During all that period the company in question increased its volume of business until it is now the next to the largest insurance carrier in Massachusetts, and during all that period it has paid dividends of 30 per cent.

T. H. CARROW, of the Pennsylvania Railroad Co. I want to say a word for the self-insurers. For more than 36 years the Pennsylvania Railroad has assumed its own risk of loss from fire, and for 16 years it has assumed the risk of loss from personal injuries. It is at the present time assuming these risks and it proposes to continue to do it as long as the law will permit it. It has a well-organized force of safety inspectors and its insurance department is equipped to handle the business in a thoroughly intelligent manner. And there is no reason that we can see why the question should even be agitated; that is, the question of restricting private companies as to self-insurance. I had no intention of having anything to say until I read the subject of this morning's session, "Merits and demerits of different methods of carrying workmen's compensation insurance." and then I read over in the back of the program under "The purpose of the organization": "It will be a sufficient accomplishment if the problems considered can be clearly defined and definitely stated for the information of legislators and administrators." And I assumed that the proceedings of this conference will be published and spread broadcast, and I simply want to go on record as representing one company that has been for more than 36 years a self-insurer against fire loss, and for 16 years has also been a self-insurer against injury to persons; and not only that, it obeys the laws implicitly; and it proposes to do so, and all it wants in the matter is a fair chance to continue self-insurance, and I merely say that so it will go on record.

W. G. WILSON (of Cleveland, Ohio), *Ætna Life Insurance Co.* I beg to correct the introduction; I am not standing on the floor as a business representative of my company. I presume that this meeting is a forum where we are expected to drink from the fountain of truth, and so I feel that everyone may speak frankly. A gentleman made a statement which I believe should not pass unchallenged and upon which I feel competent to address myself. Commissioner Duffy, of the Industrial Commission of Ohio, has been an acquaintance and a friend of mine for many years. He has been on the commission ever since the introduction of the compensation system in Ohio. I think that it is but simple justice to say that in the judgment of myself as well as the judgment of many other people in the State of Ohio, Mr. Duffy and his several associates on the commission have striven to the best of their ability and with no small measure of success to give the benefits of workmen's compensation to the people of that State. In so far as he has rendered that service, I feel that he is entitled to recognition and praise. I had not supposed, however, that he had been so preoccupied or had gone so far away as to misstate and misjudge the attitude of the insurance men in the State of Ohio, of whom I happen to be one, and I know very well and clearly the attitude of insurance men in that State.

Mr. Duffy made the claim this morning, rather gratuitously, that the insurance men of Ohio had striven desperately to defeat the workmen's compensation law at the recent election. I want to say, on behalf of myself and a large number of people who are jointly interested with me in this subject, that any such statement is entirely misinformed, absolutely inaccurate, and made out of whole cloth.

Workmen's compensation was not even an issue in the recent election. Far from opposing workmen's compensation, the insurance men in Ohio have resented and resisted an effort to exclude legitimate insurance companies from an active participation in that business.

MR. BEYER. As manager of the accident-prevention department of the Massachusetts Employees' Insurance Association I hesitate to attempt to give figures from memory as to the record of the association. However, I am sure Mr. Bucklin will be very glad to go into any details of that sort upon request. I hardly feel like letting the statement by Mr. Davis go, though, without some comment. Mr. Davis states that he is a student of insurance, and as such he undoubtedly knows the answer to his own question, which is simply this, that the rates in Massachusetts to begin with were high; they were higher than need be, and they were cut successively two or three times. The last cut was approximately 25 per cent. This is the cut to which we referred as having carried the rates below actual cost, and the fact that the rates were carried below cost is borne out by the statement of the Massachusetts insurance commissioner, mentioned in Mr. Bucklin's paper.

I omitted several paragraphs from this paper in order to bring it within the 20-minute time allowance. I should just like to read one of the omitted paragraphs now which refers to this last cut. [Reads.]<sup>1</sup>

Mr. DAVIS. I claim the privilege of replying to that adjective. I asked Mr. Beyer two questions as he was leaving the platform. He announced that he was unable to answer either of them, because he was not acquainted with the facts. If you believe that statement what do you think of his second statement, when he says that the last cut made in Massachusetts was a 25 per cent cut? His first statement to you was right. He did not know the facts; there were several reductions after the 25 per cent cut that he spoke of. His company adopted the 25 per cent reduction. Now, as to the bill which he calls "notorious," I am proud to have been the author of that bill. I drafted it and I have copies of it here if anybody should want to see it. To take this matter of rate making out of the realm of competitive discussion and to fix the rates by statute as they are fixed in Washington, and through the industrial commission in Ohio, I made the endeavor by my bill to have rate making in Massachusetts a matter of statute. The company which that gentleman represents was one of the most persistent opponents to a method of having rates fixed in a stable manner.

Mr. DUFFY. I have no desire to do any injustice, even to a liability-insurance man. If any statement that I made on this floor is incorrect as to the truth, then these insurance men must look to others for correction, because my statement was made upon official statements made by representatives of the insurance companies. During the time of the campaign in Ohio I read in an insurance magazine called the Insurance Field that they had an organization of 14,000 insurance men in Ohio, and the specific purpose of this organization was to elect a governor and a legislature that would be favorable to the insurance companies and against the State monopoly of insurance. I know positively that this is true, although I can not give the page and number of the magazine. Since the election I have read in the same insurance paper that they deplore the defeat of Gov. Willis as being a defeat for the insurance companies. I can get the page of the paper where this statement is made. Furthermore, I happened to be talking with the successful candidate for governor, who told me himself that Mr. Willis sent him a letter of congratulation as an opponent. He said, "We did not think that you could do it, but as a good sportsman I want to congratulate you." I want to do no injustice. Now, with this explanation, I am willing to stand corrected.

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<sup>1</sup> See pages 118 and 114.

S. HERBERT WOLFE, consulting actuary, New York City. I was very much interested in Mr. Duffy's paper. I don't quite understand his statement in which he said there was a reserve of \$800,000 and a surplus of \$41,000.

Mr. DUFFY. I will explain. Under our law we are required to take 5 per cent of the amount collected in premiums and set that aside as a reserve fund. In addition to that we make reserves to cover the pending obligations on death claims and permanent partial disability claims which have been secured by the full amount not yet paid up. Now that is what I include in the reserve fund. Now this surplus, as we call it, is the amount which is left over after all the reserves are provided for, in other words, what we would pay out as dividends if we were a private insurance company, amounting to \$41,000.

Mr. WOLFE. You would have nine hundred odd thousand. How is that?

Mr. DUFFY. That is the reserve and surplus combined. We start with 10 per cent and then 5 per cent, the figures that this is based upon—I have a copy in my room that I can get. Anyway, I am positive of this, and I will bring that to-night to read more carefully, if you want it. We will have over \$960,000 left if we close up all the obligations standing against our fund on May 15, 1916.

HARRY A. MACKAY, chairman, Workmen's Compensation Board of Pennsylvania. In view of the fact that this is Pennsylvania's first year in compensation legislation we have felt that we have been breaking new ground in addressing ourselves to the solution of very serious questions that involve the welfare and the happiness of a vast number of people. I have listened to the papers on insurance this afternoon with great interest, and I am going back to Pennsylvania with the firm belief that the policies that we have adopted are the wisest and will make for the consummation of the highest justice between man and man. It seems to me to be unfortunate that those who occupy at least a quasi-judicial position in the interpretation of the law should at all be involved in the question of insurance. As has been stated here, that has been the Pennsylvania conception of the subject, so much so that the State fund was intrusted to the care of a special commission, headed by the State treasurer, the insurance commissioner, and the commissioner of labor and industry. In the early days when we were going about the State holding public meetings, educating the people up to the standards of workmen's compensation, my colleagues on the compensation board and myself declined to enter into the discussion of the merits of any kind of insurance at all. The matter assumed such position a short time ago that certain elements in the labor field were urging upon the members of the legislature

elect compulsory State insurance, and the insurance men felt perhaps that the whole official family of Pennsylvania was devoting itself to that purpose, so that in behalf of the board I issued the following statement,<sup>1</sup> which, I think, is the proper attitude of those who must solve the questions that will be presented to them. In passing I want to say that I would regret exceedingly any legislation that would forbid the right of a man who has shown to our board perfect financial ability to carry his own risk. We address ourselves to the determination of that question with a great deal of care, realizing that in so doing we are practically underwriting the ability of that self-insurer to carry his risk for 16 years.

**Mr. DUFFY.** If you give me a quarter of a minute, I can give you the figures asked for by Mr. Wolfe. Our reserve fund is made up of the following items: Surplus, \$432,226.06. Same item from self-insurers who are required to pay 5 per cent of what their premium would be, \$192,624.56. Interest received on premiums deposited, \$250,722.15. Total, \$875,572.77. In order that you may know that this is correct, here is an item in the list to show that before reaching those conclusions, we set aside \$749,398.67.

**Mr. WOLFE.** Do I understand that all those items, Mr. Duffy, will be available for distribution?

**Mr. DUFFY.** It is what we call the catastrophe fund.

**Mr. WOLFE.** I understood you to say that if the company went out of business on May 15, you would have some nine hundred odd thousand dollars to distribute among the policyholders?

**Mr. DUFFY.** Yes; that is what we would have left if we discharged all of the obligations that we had. You see there in the table every possible contingency is allowed for.

**Dr. MEEKER.** In regard to the session this evening, Mr. Pillsbury is not present. His paper is available for distribution, however, and you can get it in the registration room. I urge all of you who are interested in the subject of schedules of awards to read this. It is a most interesting and valuable paper. I am going to take the liberty of announcing that Mr. Michelbacher will discuss the California system in 10 minutes instead of 20 minutes allotted to Mr. Pillsbury. That will cut the program down some, so we can make more provision for the much-needed discussion from the floor. Mr. Michelbacher had more to do with working out the California schedule than anybody else, and is therefore the person best qualified to explain and interpret that schedule.

Adjourned.

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<sup>1</sup> See paper on "The Pennsylvania System," pages 44 and 45 of this report.

**TUESDAY, DECEMBER 5—NIGHT SESSION.**

**CHAIRMAN, GEORGE A. KINGSTON, COMMISSIONER, WORKMEN'S COMPENSATION BOARD OF ONTARIO.**

### **III. COMPENSATION SCHEDULES OF AWARDS.**

The CHAIRMAN. One thing upon which we who are administering the compensation laws pride ourselves is that we have come down from the bench and are getting on a level with the people, and, with Dr. Meeker's permission, your chairman will come down from the platform on a level with the rest of you to-night.

As announced this afternoon, Mr. Pillsbury, of California, much to our regret, is not here. Those of us who remember Mr. Pillsbury's very excellent paper delivered at the Columbus convention will regret his absence from this conference. Mr. Pillsbury's paper is printed, and I hope all of you will avail yourselves, if you have not already done so, of the opportunity of reading it.

## **SCHEDULE RATING FOR PERMANENT DISABILITIES.**

**BY A. J. PILLSBURY, CHAIRMAN, INDUSTRIAL ACCIDENT COMMISSION OF CALIFORNIA.**

[This paper was submitted but not read.]

### **ORIGIN OF THE IDEA.**

A chance remark made by one of the members of the Industrial Accident Commission of the State of California to the effect that the loss of the first phalanx of the index finger of the right hand of a printer meant a very different thing from such a loss sustained by a ditch digger was the initial incident which culminated in California's highly prized system for rating permanent disabilities by schedule.

It was perfectly obvious that such an injury sustained by a printer would, in most cases, drive the printer to learn a new occupation, whereas in the case of a ditch digger the injury would be practically of no consequence. If this were so with regard to the loss of the part of a finger in these two occupations, what about all of the permanent injuries which can take place in the human body from the crown of the head to the sole of the foot in all of the occupations in which men and women toil for a livelihood? This was the problem which was presented to another member of the commission, who pondered over it not a little, and then called to his aid expert advice in undertaking to find a workable solution.

### **OTHER STATES AND COUNTRIES STUDIED.**

A study made of the laws of other States and countries showed that in only a few of them had any special interest been taken in the effect of permanent injuries as related to the particular employments of injured persons. In those countries that did take this element into consideration it was only partially and indifferently done.

A study was also made of the schedules of benefits of personal accident insurance companies with the view of ascertaining whether the allowances for each of the injuries covered were related in any way to the particular needs of the persons injured, with reference to their employments, and it was found that the allowances were made upon no rational basis whatever, unless possibly as "talking points" in securing business, and were purely arbitrary.

Upon further reflection it also became evident that the effect of a permanent injury was greatly dependent upon the age of the injured person, that young persons can adapt themselves more readily to their maimed condition than persons advanced in years.

The experience gained through one or more hearings where permanent disabilities had been sustained, in an endeavor to prove the loss of earning power resulting from such disability, made it apparent that the cost of determining such issues was, unless some better method than "trying out" the issues could be found, likely to prove extremely costly in the operation of the compensation act.

Recourse was had to the experience of older countries where it was assumed that the adjudication of hundreds of thousands of controversies involving injuries must have resulted in the establishment of dependable precedents and rules for measuring loss of earning power resulting from permanent injuries, but it was found that if such precedents and rules existed, they had not been so codified or correlated as to make them available for the work of the Industrial Accident Commission.

#### COMPENSATION CONSIDERED AS INSURANCE.

Postulating that compensation is, in its essence, insurance and that an adequate compensation law should furnish sufficient insurance to tide the injured person over his period of adversity until he can readjust his earning capacity to his daily needs, the commission undertook to determine a measure for such insurance to apply to each case of permanent injury arising out of employment in each industry. The task was neither small nor lightly undertaken.

In striving to devise such a measure of insurance, the following elements were considered:

1. Something for the injury itself—not adequate damages, to be sure, but some recompense for the personal, rather than industrial, handicap caused by the permanent loss of a part of the physical mechanism.

2. Impairment of ability to compete in an open labor market. In a case, involving the loss of an eye, coming before the commission, the superintendent was asked in the event that, needing one workman, two presented themselves of equal apparent value in all respects except that one of them had lost an eye and the other had not, which of the two he would take, and he promptly answered, "The man with two eyes." This made it evident that obvious permanent disabilities would constitute a permanent handicap in obtaining employment and should be considered as an element in fixing the amount of insurance requisite to carry one through his period of rehabilitation of earning power.



3. Inasmuch as every permanent disability involves some temporary disability, it was evident that some allowance should be made to cover the indemnity payable during the average period of temporary disability following each permanent injury.

4. Adaptability to a changed condition dependent upon age. For this purpose it was assumed that a boy of 15 has complete adaptability. The world is before him, and if by reason of a permanent injury he may not follow one or more occupations he may still have his choice from all other occupations. It was assumed, on the contrary, that a man of 75 years of age has no power of adaptability; that he must do the work he has always done or not work at all. In other words, that he is "too old a dog to learn new tricks." The power of adaptability between these two extreme ages was made merely a matter of computation in two-year periods.

#### INSURANCE ADAPTED TO REQUIREMENTS.

The factors of age, occupation, and the nature and extent of physical injury or disfigurement being settled upon, it remained to fix a reasonable time during which, on the average, a man so injured would readjust himself to his changed condition; and it should be remembered in this connection that all insurance is based upon the law of average. It will happen under any conceivable schedule for rating permanent disabilities that some injured persons will rehabilitate themselves in less time than the schedule allows, while others will require more time and some will give up and fail to rehabilitate themselves at all. Therefore the effort was made to reach the requirement of what may be called the average man.

Having exhausted its resources for material to be obtained from other countries and other States and other forms of insurance, the commission availed itself of the tentative schedule of the Russian Government outlined in the Twenty-fourth Annual Report of the United States Commissioner of Labor, as a basis upon which to build, and proceeded to organize a permanent-disability rating department under the general supervision of Prof. Albert W. Whitney, then of the Department of Economics of the University of California, now general manager of the National Workmen's Compensation Service Bureau, New York City, but under the immediate supervision and management of Mr. G. F. Michelbacher, now actuary for the above-named bureau.

Taking up first the problem of injury, it was found by consultation with the best medical, surgical, and statistical authorities available that there were some 300 permanent injuries which can be inflicted upon the human mechanism from head to foot, which could

be selected as a basis, with reference to which the infinite number of possible permanent injuries could be rated.

There next followed a careful study of some 1,340 different occupations with the view of ascertaining the physical requirements of each of these occupations, and it was found that all of the functions performed in all of these industries were reducible to 52 physical functions performed by the workman. These functions have various names in the various occupations but are essentially the same. It remained then to determine how each of these 300 permanent injuries would affect a workman in the performance of each of these 52 physical functions, as modified by the training and peculiar circumstances in each of the 1,340 industries studied. This was no small undertaking and it occupied a corps of bright young men for several months and cost the State of California several thousand dollars.

#### A STANDARD FOR COMPARISON.

As we know nothing in this world except through comparison, it was necessary to fix upon a "standard man" with whom all other men should be compared in relation to these injuries. The statistics gathered in the State of California showed that, in California, the average workman was 39 years of age. A study of the physical functions performed in the industries showed that the digger of trenches for the laying of sewer pipes used all of his physical functions but without specially training any one of his members. Therefore the "standard man" was taken as a digger of trenches for the laying of sewers, and 39 years of age. A careful study was made of how each of the 300 possible permanent injuries would affect this sewer digger in his occupation. As a result of this comparison it was found that some of the injuries would prove more serious in other occupations than they would prove in the case of a sewer digger, while in other occupations the injury would prove much less serious. Therefore, all injuries were rated according to occupation on a plus or minus basis as compared with the "standard man."

#### LIFE PENSION SYSTEM.

But not all of those who are injured will be able to reestablish an earning power. The Workmen's Compensation, Insurance and Safety Act of California provides that loss of both eyes, or the sight thereof; loss of both hands, or the use thereof; total paralysis; incurable imbecility or insanity shall be regarded as involving 100 per cent permanent disability. Any scheme of compensation that does not provide a life pension for such persons is inadequate and only puts off the fatal day when such persons must become charges upon public or private charity.

A question was, At what percentage of total permanent disability should a life pension begin? It was found by investigation that the average workman spends approximately 40 per cent of his earnings upon himself and 60 per cent upon his family. Now, one who by injury is made totally and permanently unable to earn is, so far as the support of his family is concerned, dead. Therefore, we thought it fair to allow the full death benefit in such cases, which, under the California law, equals three times the average annual earnings, payable at the rate of 65 per cent of the weekly wage per week, which would continue the compensation for 240 weeks, at which time the death benefit would be exhausted. Thereafter it would be necessary only to provide for the injured person's own support and not that of his family; that is, if, on an average, three times the average annual earnings is sufficient to tide the family over its period of adversity until it can reach a self-sustaining basis. Very many compensation acts assume this to be so, but the assumption is more or less open to doubt. It was also concluded, after investigation, that, on an average, a workman who had lost 70 per cent of his physical efficiency would not rehabilitate his earning capacity and would need some pension for life. In the case of a person who has lost 70 per cent of the efficiency of his physical machine, he has 30 per cent of earning power left and will, therefore, need only a 10 per cent wage pension for life to make out the 40 per cent necessary for his support. Likewise, the person who has lost 80 per cent of his physical efficiency has 20 per cent of earning capacity left and needs a 20 per cent life pension to provide for his support during the remainder of his life. But if the disability be total and permanent, the injured person requires 40 per cent of his average annual earnings to provide for himself for the remainder of his days, and the California pension system was based upon the foregoing assumptions and conclusions and, we may say, has given satisfaction so far.

#### THE SCHEDULE AS COMPLETED.

To make it a little clearer as to just what our schedule means we may say, for the purpose of illustration, that a 1 per cent permanent disability would be for the loss of the little finger at the second joint of the minor hand of a foreman of a rock quarry, aged 50 years. For each per cent of permanent disability an allowance of four weeks' compensation is made up to and including 69 per cent. A 70 per cent permanent disability would be for the loss of all fingers and both thumbs, at or above the second joint, of a laborer aged 39 years. The schedule worked out on the foregoing lines was printed in a paper-bound book, 9 inches by 12½ inches, and containing about 70 pages, comprising 12,711,240 possible combinations or ratings,

which have been carefully computed and made readily understandable by a person mentally competent to find in a railroad time-table when a train leaves, and with practice it can be done with a less expenditure of time.

#### THE SCHEDULE IN DETAIL.

Following is a description of the schedule and its various subdivisions:

There is, first, a 2-page introduction on "How to use the tables for rating permanent disability." This sets out a certain definite procedure to follow in order to arrive at a proper rating when the essential items—

(a) The nature of the physical injury or disfigurement,

(b) The occupation of the injured person at the time of the injury,

(c) The age of the injured person at the time of the injury—  
are known. In order to assist the beginner several practical examples are given.

There is also a table for determining the percentage of wage to be paid as a pension for all percentages of permanent impairment from 70 per cent to 100 per cent.

Table I is a "Table for the determination of the proper line to be read for each injury and disfigurement." The Roman numerals under "disability number" refer to group numbers, the "group" referring to the portion of the anatomy injured. For example, "I" refers to the group of disabilities resulting from injury to the skull. These group numbers start with the skull and end with the toes. Under each group the various degrees of disability are designated by Arabic numerals. The whole of the disability number is therefore composed of a group number and an injury number; that is, of a Roman and an Arabic numeral. The list of disabilities given is not intended to be complete.

Some disabilities are of such varying degree that it has become necessary to introduce three ratings to fit the degrees of slight, moderate, and severe.

Table II is a "Table for the determination of the proper table to be read for each occupation." This table consists of two separate and distinct divisions; the first enumerating occupations by name, arranged in alphabetical order and giving the correct form in which the occupation is to be classed by reason of its physical requirements; the second giving for each form the correct table to be consulted for each disability. Disabilities are here designated by the disability numbers, which numbers refer to the nature of the physical injuries and disfigurements as enumerated in Table I.

The symbol (\*) wherever it appears in the second division of this table shows that the disability is not considered as permanent for the form in question.

Table III contains "Rating tables A to Q." There are 17 of these tables in all, Table A being the mean or standard table, with 8 tables, B to I, or plus tables, in which the disabilities increase over Table A, and 8 tables, J to Q, or minus tables, in which the disabilities decrease as compared with those of Table A. In the rating tables A to Q the age factor is introduced, the percentage of disability in general increasing with the age.

The object of having 17 rating tables, consisting of a standard table, 8 "plus" or "above standard" tables, and 8 "minus" or "below standard" tables, was that by grouping all occupations into form classifications injuries could be more easily and accurately rated by assigning tables above and below standard, according as the work incidental to the occupation required greater or less use of the part of the body to be rated than the work incidental to the standard occupation.

Table I takes into consideration the question of injury; Table II the question of occupation; Table III the question of age.

#### THE ONLY DISAPPOINTMENT.

It has not been found advisable—and this is the only serious disappointment encountered so far in the administration of the California act by the use of this schedule—to encourage employers and insurance carriers to apply the schedule rating system without the visé of the rating department of this commission. There exists a margin of discretion in most cases, resulting from a consideration of the nature and extent of the injury. Not all possible combinations of injuries have been covered by the schedule, and it is possible that no schedule can ever cover every possible combination of injuries, but for practical purposes this schedule is, in California, 98 to 99 per cent efficient. When dissatisfaction exists with a rating made by the schedule it is usually because of an inaccurate statement of the nature and extent of the injury, and for this reason this statement should be made by a competent and painstaking surgeon. Adjusters for insurance carriers and employers are inclined to take rather than give to the injured man the benefit of any marginal doubt which may exist, and sometimes this leads to controversy. For the reasons above suggested, it is better that all permanent disability rating be made by the rating department at the central office of the commission upon carefully prepared descriptions of the nature and extent of the injury.

**PRIMA FACIE EVIDENCE ONLY.**

A schedule for rating permanent disabilities is only prima facie evidence as to the correctness of such ratings, but when a dissatisfied claimant or defendant undertakes to overturn a rating made from the schedule, by the introduction of evidence, it is the custom of the commissioner or referee holding the hearing to call in the superintendent of the rating department, that he may give his evidence as to the correctness of such rating. This serves to create conflict of testimony, which empowers the commission to make its decision final, and, unless the evidence against the schedule is very strong, the commission sustains the schedule rating in its decision, and that ends it.

However, experience has shown that the finger injuries especially may have been somewhat too low in most cases, although not enough experience has been had to make clear that many modifications need to be made. The commission is endeavoring to keep track of all persons seriously injured, with the view of ascertaining, after the lapse of five years, what their experience actually has been in the matter of rehabilitating their earning capacity, and, after five years from the time the schedule went into effect, the commission may desire to revise its schedule in the light of its own experience.

**THE TEST OF EXPERIENCE.**

The value of the schedule in determining controversies may be gathered from the fact that during the calendar year 1915 there happened in California 1,264 ratable permanent disabilities, and the permanent-disability rating department rated 866 disabilities, in nearly all of which cases the rating was accepted as final without controversy. To have proven by the introduction of testimony the degree of disability in each of these cases, and the loss of earning capacity dependent thereon, would have necessitated hundreds of hearings, at great cost to the State, and would have cost the parties thousands of dollars in expense of litigation.

I may say in concluding that the printed schedule for rating permanent disabilities which the California commission has created and adopted is available to all other States in the Union free of cost. and to make it applicable to such other States it would be necessary only to make a study of the industries existing in such States which California does not possess, and which therefore have not been covered by our investigations.

The California commission will be glad, on application of anyone connected with compensation, to furnish a copy of the schedule on receipt of request accompanied by 20 cents for postage.

The CHAIRMAN. The next item on to-night's program is an address by Mr. P. Tecumseh Sherman, of New York City, on the subject of "The basis of compensation."

Before Mr. Sherman starts his address I will say that I think possibly we may have a little time after the papers to-night, because there are two or three breaks in the program. It occurs to me that we might spend a little time to our mutual advantage in discussing practical problems in administration. All of us have in our minds certain leading cases that have come before our various boards, that have presented more or less difficulty. I rather think that if for a little while we take ourselves into one another's confidence in regard to some of these cases, possibly we can get some words of wisdom that will throw light on some of these difficult points; and if any of you have such questions, you might jot them down on a note, or in your minds, and after the papers are over we may have the opportunity of discussing some of these problems for a short time.

## THE BASIS OF COMPENSATION.

BY P. TECUMSEH SHERMAN, ATTORNEY, NEW YORK CITY.

What I propose to discuss is not whether the rate of compensation should be 50 or 66 $\frac{2}{3}$  per cent, but the question: What is the basis upon which the rate of compensation should be computed?

Legally the subject matter for compensation is the loss of earnings caused by the accident. Whatsoever be the rate of compensation it should be computed upon that loss. But that loss is prospective, and can be measured only by application of the principle of average probabilities. For practical purposes the formulas for measuring that loss must be capable of prompt, certain, and ready application; but in the absence of some substantial social advantage from a departure, the principle should be closely followed.

The method generally adopted of estimating what the future earnings would probably have been had the accident not happened is to apply the presumption of continuity and to measure the problematical future loss by "average earnings" (not wages) during some period immediately preceding the injury, ignoring such uncertain factors as subsequent fluctuations in the wage scale, and on the one hand the mere possibility that the workman might have improved his position, or on the other hand the mere possibility that he might have degenerated. To explain how, in my opinion, such average earnings should be estimated, I will use as a basis for consideration the rules applied under the German, French, and British laws to the more common concrete conditions.

1. If when the accident happens the workman has been employed in the same establishment or employment and in the same grade and at the same wages for the whole of the year preceding the accident (or, under the British law, for a shorter period if sufficient to give a fair average), if the work was continuous rather than seasonal or intermittent, and if the workman has lost no time: In this case, under the French and British laws, the injured workman's actual individual earnings during that year or shorter period are treated as the measure of his "average earnings," and are divided by 52 or by the total number of weeks in the period to give his average weekly earnings. But under the German law the possibility that such year might have been abnormal is considered, for which



reason the earnings for that year are used only to compute the workman's average earnings per full working-day, which average per full day is multiplied by the customary number of working-days per annum in the workman's occupation—presumably 300—to arrive at his average annual earnings.

Of these two rules the German is the fairer in so far as it takes a longer period than the year immediately preceding the accident from which to estimate an average, but it is a bad rule if the presumption of 300 full days be arbitrarily adhered to where certainly not in conformity with facts or if half holidays are common in the employment. In my opinion, the New York rule, which is based upon the German rule, is so misapplied, and quite commonly gives untrue results.

2. If the workman has lost time during the preceding year, the other suppositions remaining the same as in the first case: In this case, under the German law and under the British law as construed by the courts (*Anslow v. Cannock Chase Co.*, House of Lords, 2 *Butterworth's Workmen's Compensation Cases*, 365), the workman's average annual earnings are not reduced because he individually has lost time, but his average daily or weekly earnings are estimated for the number of days or weeks he has actually worked. In other words, something like his average earning capacity, rather than his average earnings, is taken as the basis.

Under the French law the average earnings with which an injured workman is credited suffer no reduction for time lost "exceptionally and for causes independent of his will." Consequently if he is a chronic invalid and regularly loses a great deal of time, his average annual earnings are computed to be just as much as if he had lost no time. But if he is a chronic loafer the time he unnecessarily stays away from work reduces his average earnings pro tanto. This is a moral distinction. However much such a distinction may appeal to our sympathies, it does not conform to any principle, and it gives an untrue result in the case of the chronic invalid.

It is obvious that loss of time from all usual causes would probably have continued, and consequently that only time lost from exceptional causes should be disregarded in estimating average earnings.

3. If the wages have been increased or reduced during the preceding year, all the other suppositions of the first case remaining the same: In this case, under all the laws mentioned, the actual earnings for the preceding year are the basis for computing the average annual earnings, unless under the German law there was a change of trade and under the British law a change of grade—what is meant by a change of grade being practically undefined. It is claimed abroad that this rule works both ways and results in a fair average, but it seems to me that it does not conform to probabilities. Where

there has been a fixed change in the wage scale the probabilities are that the rate in effect at the time of the accident would have continued during the future; and consequently such rate should be used as the basis of computation.

4. If the work in the employment is not continuous—that is, if the number of working-days in the year is so small that the employees regularly perform work elsewhere in addition—all the other suppositions in the first case remaining the same: In this case, under the German law, the earnings for the days worked in the employment are added to the standard local wage for ordinary day labor for the number of additional days necessary to make 300. Under the French law the actual earnings of the workman elsewhere during the remainder of the year are considered in estimating the total earnings for that year. Under the British law the practice is obscure.

In my opinion the German rule is better than the French rule. Where a workwoman who is injured in a seasonal industry ordinarily spends the rest of the year in an unremunerated domestic service, the French rule is obviously defective. On the other hand, if a person who is injured while filling out his year at some low-grade work in a seasonal industry should, unknown to his employer, carry on some highly remunerative occupation during the remainder of the year, it would be an onerous construction of the contract of employment to hold the "industry" in which the accident occurred liable as an insurer of his aggregate earnings. (This question will be taken up more fully later when we come to consider concurrent employments.) Moreover, in some cases such supplementary earnings will be mingled with income and profits and consequently will be difficult to distinguish and determine.

5. If the workman has not been employed for the full preceding year (or, under the British law, for a sufficient shorter period to obtain a fair average), all the other suppositions in the first case remaining the same: In this case the general rule is to adopt the average remuneration of other workmen—in Germany, of the same kind and earning capacity; in France, of the same category; and in Great Britain, of the same grade. In other words, the German law then takes as the basis the individual workman's earning capacity as disclosed by the actual earnings of other workmen of closely similar capacity, but regardless of whether or not he has actually exercised his full capacity continually. And the French and British laws disregard individual variations altogether and assume that the injured person's "average earnings" are the average earnings in the grade or category.

In my opinion all these rules—but more particularly the French and British rules—are radically wrong. Nine times out of ten the new hand is an irregular workman—a workman of the type which is

astaken on in rush seasons and first dropped when the pressure lessens—and to assume that the average earnings of such a workman are the same as the average of regularly employed workmen of the same grade, category, or even capacity leads far from the truth.

6. If the workman has concurrently worked part of the time for another employer than the one in whose employment he is injured, all the other suppositions in the first case remaining the same: In his case, under the German law, only the earnings in the employment in which the accident occurred are considered. Under the French law the rule is unsettled. Under the British law—if the concurrent employment was also one of “service”—the earnings in both employments are considered.

The German rule, which is reasonable because it applies only to organized industries, would be harsh if applied to such occupations as those of charwomen, gardeners, etc. On the other hand, the British law is perilous for employers, for they have no means of ascertaining the full measure of their possible liabilities, even to those of their workmen who are engaged continuously and at full time, because the latter may secure substantial supplementary earnings in their evenings. Obviously some line of distinction should be drawn according to the nature of the employment. If the occupation is of such a nature that it is normally carried on concurrently for two or more employers, earnings in both employments should be considered. But where the concurrent employments are in two distinct occupations, not usually carried on in conjunction, only the earnings in that employment in which the accident occurred should be considered. The principle upon which I would base this distinction is that equity requires that the responsibility of industry should be limited to those earnings which may reasonably be deemed to fall within the contemplation of the employer when he enters into the contract of employment.

To the general rule of estimating probable future earnings upon a presumption that past average earnings would have continued had the accident not happened there are in principle four exceptions:

1. Where a youthful beginner is totally disabled either for a long time or permanently, allowance should be made for the probability that his earnings would have increased had the accident not happened.

This exception to the general rule is to be found in the British law (Schedule I, 16) and in a number of our American laws.

2. Where a workman is disabled, allowance in proper cases should be made for the probability that upon his reaching a certain age his earnings would decrease, and that upon his reaching a certain more advanced age his earnings would altogether cease, even if there had been no accident.

This exception to the general rule is partially provided for in the Wisconsin law (sec. 2394-9 (5)), but in no other law that I know of.

3. Where a workman already partially and permanently disabled suffers an accident, the subsequent disability may not be entirely the result of the accident, but rather the result of the accident and the previous infirmity combined. A familiar illustration of this is where a one-eyed workman loses his remaining eye. In such cases the compensation should be computed upon what would have been the disability resulting from the accident if the prior infirmity had not existed.

This exception to the general rule is to be found in the laws of Germany, California, Illinois, Michigan, Minnesota, Nebraska, New York, Nevada, Wyoming, and possibly other States. In the laws of Indiana, Maryland, Montana, Oregon, and Washington it is provided that the compensation for the second injury shall be based upon the degree of disability resulting from both injuries, but that the amount of the compensation for the first injury, if any, shall be deducted. This distinction is well intentioned, but, in my opinion, it lacks any basis either in principle or sound public policy. The compensation statutes of Colorado, Maine, Oklahoma, Rhode Island, and Wisconsin also have provisions relating to this point, but what they mean is beyond my ability to construe.

4. Where a workman is incapacitated or dies from a disease which is brought to a crisis by an accident, it is obvious that the accident was not the entire cause of the injury, but only a contributing cause. Consequently, to conform to principle, it is necessary in effect to divide the injury into two parts—one part morbid and the other part traumatic—and to base the compensation solely upon the traumatic part.

Under no law with which I am familiar is this exception to the general rule in force; but it was in force in some jurisdictions in France for quite a number of years until the highest court ruled that where an accident—and by accident is meant any sudden event of violence, however trifling—is the proximate cause of disability or death, such injury is to be deemed to be entirely the result of the accident. It is objected to the rule I have suggested that it would give rise to excessive disputes and litigation, but the French experience indicates the contrary. It is further objected to it that physicians could not in practice equitably distinguish and measure the respective consequences of two causes of a single injury, but again experience indicates the contrary. It is difficult to arrive at a well-founded judgment upon this question, but the best information I can obtain is to the effect that the early French practice referred to was rejected solely for theoretical and not at all for practical reasons, and, con-

sequently, that a reasonable opinion on the question may be based upon the theoretical merits of the respective rules.

Once the average weekly or daily earnings are determined, according to some proper formula, the measure of the amount of the compensation due for *total* incapacity is the prescribed percentage of such "average earnings" for the duration of such incapacity, discounted for present value. (Note that I am not now concerned with the time and manner of payment, but merely with the total amount of compensation.) The French rule, which distinguishes between *temporary* and *permanent* total incapacity and measures the former by wages and the latter by average earnings, is, in my opinion, not deserving of consideration. It does not conform to principle, and the practical convenience it affords of having an immediately ascertained standard for the first payments is more than offset by the practical disadvantages of raising from the start the litigious question whether or not incapacity is permanent or merely temporary.

Though, in my opinion, as I have explained, earning capacity is an improper basis from which to estimate past average earnings, reduction in earning capacity is, however, the proper measure of the injury resulting from an accident. Total incapacity is simply 100 per cent reduction in earning capacity, and, consequently, the proper amount of the compensation for *partial* incapacity is that part of the full pension for total incapacity which corresponds to the loss of earning power resulting from the accident, for the full period of the incapacity. That is the rule under the French and German laws.

In this connection, however, "loss of earning power" must be given a broad definition, so as to include reduced ability to secure employment (caused by disfigurement, etc.), and reduced physical value because of liability to aggravation from subsequent accidents (as in the case of the loss of an eye).

Where *partial* disability is only *temporary* the practical aspects of the case should control. If "light work" is provided, according to the conditions of the British rule, the difference between the actual earnings at such work and the past "average earnings" is, for the time being, the exact basis for compensation. If "light work" is not so provided the disability is practically total and should be compensated accordingly. Where, however, *partial* disability is *permanent* the "reduced earning power rule" should be applied.

The difficulty then is how to estimate the reduction in earning power. It can not be properly estimated upon the difference between the individual workman's "average earnings" before the injury and his actual earnings thereafter, because what he will actually earn afterwards may be seriously affected by many posterior causes.

Abroad it has been left entirely to the administrative tribunals to estimate the reduction in earning power from all injuries causing

permanent partial incapacity. In America we have had recourse to schedules in the laws arbitrarily fixing the amounts for the more common injuries. The choice between these two methods—and I know of no complete alternative—is a choice of evils.

Wherever this task of estimation has been left to the tribunals, two very serious abuses have developed:

1. Some reduction in earning power has been attributed to almost every trifling injury, regardless of the fact that in actual experience there is really no consequent reduction in actual earnings, thereby giving rise to those much sought after supplements to full wages popularly known as "drink-money pensions."

2. The loss rates attributable to the various injuries have become established from a priori estimates of maximum possibilities, dictated by sympathy for concrete cases, with grossly insufficient allowance for the mitigating consequences of "accommodation," and consequently are absurdly exaggerated on the average. It is only a mild hyperbole to say that it is almost the rule rather than the exception that the recipients of partial disability pensions in Europe profit from their injuries.

On the other hand the schedule system has proven even more defective. Our American schedules are absolutely unprincipled. The amounts fixed for specific injuries have been determined not by estimating the resulting loss of earning power but by simple compromise between opposing political influences, thereby excluding any principle upon which to seek for finality or for uniformity between the different States. Though the compensation fixed in such schedules for the minor injuries is sometimes fairly generous, that allowed for the major injuries generally is absurdly insufficient; whereas if either class of injuries is to be favored over the other it certainly should be the major class. No allowance is made in such schedules for the variations in the loss resulting from the injured person's particular occupation, skill, age, etc. Such schedules also are all most insufficiently formulated. Many of them most inequitably provide that the compensation for a permanent injury specified in the schedule shall be exclusive of all compensation for temporary total disability immediately following the accident. It is contended that these schedules operate for certainty and for the prevention of disputes and litigation. So far as the schedules now in force are concerned I think that longer experience will demonstrate that the contrary is nearer the truth. They have served to avoid some initial uncertainty; but after the initial period they will probably increase the uncertainty of awards for the reason that they simply bristle with doubtful questions of definition and classification.

But can not proper schedules be devised? In my opinion, if the schedule system is to be maintained, a proper schedule would be about

as long and complicated as the usual manual of insurance rates. Not only would such a schedule not appropriately belong in a statute, but we have not yet the data requisite to formulate one. Consequently the determination of the loss of earning power ought to be left to the administrative tribunals.

To avoid the abuses characteristic of that method of determination, I would suggest for consideration statutory provisions somewhat along the following lines:

1. That all injuries resulting in a theoretical loss of 10 per cent or less should be ignored, experience showing that there is seldom any actual loss resulting therefrom. And the compensation for injuries resulting in a theoretical loss of 20 per cent or less should be based upon the probability that the loss of earning power will be terminated by "accommodation" within a short period to be fixed in the statute.

2. As to the major injuries, that the commission or board should be required to seek from all available sources data and statistics of the wage losses resulting from permanent injuries in actual and completed experience, and should be required to base its awards upon such data regardless of precedents.

For *fatal* injuries the basis for computing the compensation should be the past "average earnings," just as for disability, though the rate of compensation may be governed by different principles and vary according to the number of dependents, etc. But in connection with death benefits it should be observed—

1. Where the workman is killed the loss of earnings to his dependents is never as great as it would have been had he survived totally and permanently disabled. Therefore the aggregate compensation to dependents should be lower than for total incapacity.

2. The probable earnings lost by death are limited by the period of the life expectancy of the deceased workman had he not been killed, and pensions to dependents should be computed upon average earnings for not to exceed that period; otherwise the result would not be indemnification of a loss, but life-insurance annuities regardless of loss.

All that has been said leads up to my principal thesis, which is that the basis for computing compensation should always be so estimated that the compensation itself shall never exceed the probable loss resulting from the accident, lest the injury thereby become a source of profit. Do any of the compensation laws provide compensation in excess of such loss? Under many common conditions the German, French, and British laws most certainly do so. And so also do many of our American laws, as will become more and more apparent as experience develops.

It will not do to say that the cases in which compensation exceeds the loss are exceptional results of the application of a ready and con-

venient rule of average and are not important. On the contrary they are, as I have pointed out, the results of departures from the basic principle of the law and from the application of any consistent rule of average, and are most important. With malingering an evil of such importance abroad that it is producing a reaction in philosophic opinion against the compensation law, is it unimportant that the usual method of computing average earnings especially favors the unindustrious, the "bums," and the "ne'er-do-wells," and offers them a bonus as an inducement to mangle? With the natural handicap in securing employment suffered by the aged, the infirm, and those afflicted with acute diseases, is it unimportant that the usual method of estimating the loss from accidents adds to such handicap by imposing a heavy penalty for employing them in the form of an extra liability to compensate for the consequences of their diseases and infirmities? In my opinion these are vitally important defects in the operation of the compensation law which we should strive to correct instead of tolerating with indifference.

From a proposition I have advanced, that compensation should be based upon "average earnings" for the full period of disability, it does not follow that all limitations upon amounts are wrong. When the old idea of the common law, that by the contract of service the workman assumes the risks of his employment, was practically reversed by the compensation statutes, it was proper to limit the scope of such reversal and the extent to which the "industry" instead of the workman should bear the risks, and to provide that beyond those limits the old rule should still apply. Certainly a high-salaried official of a corporation may rightly be deemed to assume all the risks of his employment. All the more, then, may he be deemed to assume the risks of loss over certain limits. Where the line should be drawn for lower-paid employees is a question of policy. This observation applies to the weekly limitation, the aggregate limitation, the exclusion of the waiting period, and, as regards the maximum, to the Washington practice of low "flat rate" compensation regardless of differences in earnings—to cite only a few illustrations. But the rules of policy which, in my opinion, should govern such limitations are beyond the scope of my present subject.

Neither does anything I have said imply that the compensation due for an injury should be payable throughout the period of disability. The time and manner of the payment of the compensation—whether it should be in the form of a pension, subject to commutation in exceptional cases, or in the form of a lump sum, subject to conversion into an annuity, etc.—are collateral questions that I have tried to avoid in order to keep distinct the subject of my discussion, namely, the single problem of computing the *amount* of compensation.



## COMPENSATION SCHEDULES OF AWARDS.

BY ALBERT W. WHITNEY, GENERAL MANAGER, NATIONAL WORKMEN'S  
COMPENSATION SERVICE BUREAU.

The first essential in the establishment of an intelligent schedule of compensation awards is the possession of a social philosophy. Not only is it necessary to know the needs that arise from accidents and how they may best be met, but it is still more fundamentally necessary to know what the social response to need shall be.

The workmen's compensation law brought in a new theory of social adjustment, more radical in its nature than might at first appear. The retributive system of individual responsibility was set aside because of its failure to meet modern industrial conditions, and, instead, industry was made to bear the burden. In the face of actual need the question of fault became of secondary importance; the point of view shifted from the individual to society and from ethics in its narrow sense to economics.

This pragmatic recognition of the responsibility of the industry has had a wonderfully quickening and stimulating effect in the field of the relations between capital and labor. It has not only led the way to prevention—more important than compensation itself—but it has helped to open the field of industry to welfare work of other kinds. To-day it is generally admitted that industrial organization can not be one-sided; for the sake of the highest type of efficiency—and therefore of social right—industry must be made use of to develop the life of the worker as well as to do the work of the world. The concrete recognition of this fact may go far in solving some of the problems of labor and capital. Industry, in accepting a responsibility, has gained a conscience. An ethics founded upon the basis of industrial responsibility must arise as did the ethics of individual responsibility.

Before a schedule of awards can be prepared one of these ethical questions must be answered, namely, whether the rights that are acquired under workmen's compensation in lieu of the rights that are waived under liability are to be based solely upon loss or upon loss as affected by need, and if the latter theory is to prevail how far shall such rights be determined by need. What I refer to, for example, is this: If a man of 25 loses his life it is possible to calculate upon an actuarial basis the money equivalent of his expectation of future wages; that is, the value of the life that has been lost.

The need may be very different for he may have no dependents, or one, or half a dozen. There is no schedule, I believe, in which the theory of abstract right, that is, right based solely upon loss of earning power, has been consistently carried out. Some schedules, however, go further than others in this respect. Two schedules, those of Wisconsin and California, make the amount of compensation independent of the degree of dependency. To grade the amount of the award down to match the number of dependents is a backhanded recognition of the modern theory which bases social justice not upon cleverness in appropriating but upon ability to produce and worthily to use. All schedules, I believe, contain minimum and maximum limits of compensation, which again is a recognition of workmen's compensation as something different from simple indemnity. In the preparation of a schedule, therefore, the first question to be answered is, What shall be the balance between compensation as indemnity for actual loss and compensation as a social expedient to meet need?

The second question that must be decided is, What shall be the degree of beneficence of the given law? In other words, what amount of compensation, measured in commuted form in terms of equivalent week's wages for an average worker, shall the law provide? This will fall short of complete indemnity by an amount that depends upon the social consciousness of the particular State. Doubtless the temptation to malingering requires that the indemnity shall not be complete. In practice the beneficence of the most liberal law is probably not more than 50 per cent of full indemnity and the beneficence of the least liberal law is not over half that of the most liberal.

After the general level of compensation awards has been established, it remains to devise the details of a plan for distributing this compensation in the most effective way; in other words, so that the given compensation shall relieve to the greatest possible extent the sum total of distress resulting from accident.

Four classes of needs must be met, namely, medical aid, and loss of wages due to temporary disability, permanent disability, and death. The treatment of the first two of these classes is fairly evident. Parsimony in the amount of medical aid given is a shortsighted practice. Experience seems to show that the best quality of medical aid is an economy in the long run. This is not inconsistent, however, with the fact that medical aid is proving to be a very expensive item, the explanation apparently being that there is much to be done in the development of economical methods of administration of medical service.

There appears to be little chance for an alternative treatment of temporary disability. The obvious action to take is to pay such a percentage of wages as is consistent with the general level of

beneficence of the law pending recovery and return to work. Perhaps the only serious difficulty in this connection is the determination of the proper waiting period.

The most serious feature of the modern transfer of emphasis from the individual to society is its possible effect in weakening the sense of individual responsibility. While the net effect of insurance in the bearing of each other's burdens and in the collective treatment of risk is overwhelmingly good, there is no denying that it carries with it a certain bad effect; if our houses are insured we are a trifle less careful than if they are not, and if they are overinsured there is the temptation to pervert the purpose of insurance entirely. Insurance, like most forces, has its possibilities for both good and evil, and genius in the use of insurance as a social instrument consists very largely in ability to develop its good effects, both direct and indirect, to the greatest possible extent at the same time that its bad effects are minimized.

In certain fields, as in life insurance, there is sufficient deterrent effect to prevent abuse of full insurance or even of overinsurance, but, in general, complete indemnity produces such a bad moral hazard that it must be avoided. Compensation involves the principle of insurance and therefore possesses this possibility of abuse. The most effective deterrent to malingering is the expedient of requiring the worker to bear part of the loss himself; in the case of temporary disability the waiting period is designed not only to accomplish this but in particular to make the worker bear the first part of the loss—that part which he is best able to bear but yet that part which by its proximity has the greatest deterrent effect. It is interesting to note that a movement in this direction in the field of fire insurance has been discussed, namely, to require that the first 10 per cent of the value shall be uninsurable; since the average coverage is something like 70 per cent of value, the penalty of having to bear part of the loss does not in general become operative under the ordinary fire insurance policy unless more than a 70 per cent loss occurs.

I know that there is constant pressure toward the abrogation of the waiting period; while the pain of injury and the manhood of the worker are powerful deterrents I think it would be a mistake not to continue to make the worker a part sharer in the loss, and if this is to be done by all means the most effective expedient and yet the least disastrous in its effect upon the worker is the principle of the waiting period. Incidentally in this connection attention should be drawn to the fact that a serious moral hazard exists because of overinsurance through channels outside the compensation law; I refer to benefit funds of various kinds.

The problem of treating permanent disability and death is far more difficult; so difficult in fact that it can not be treated in detail

in such a paper as this. The first step, however, appears to be the establishment of a proper relativity between permanent disability and death. First, however, let us premise that the ideal solution for cases of permanent disability would be the individual treatment of each case on its own merits both as to loss and as to need. This, however, as a matter of practice is an impossibility. There doubtless should be individual after-treatment of cases by reopening them after a certain period, but to meet the initial conditions it is practically necessary to have some general method of treatment. Such a method should be flexible enough to take the most important elements into consideration, but it is inevitable that it should to a certain extent be based upon average conditions.

To revert to the question of the relation between permanent disability and death: Substantial justice would seem to be done if, as regards the economic loss produced, death were identified with permanent disability of a certain grade. From an economic point of view death would seem to be the same as permanent disability of a degree such that the diminished earnings of the injured worker were sufficient only to pay for his own keep, for in that case the net effect of his earnings would be neither a gain nor a loss to his dependents. Death might, for instance, be considered the equivalent of a 60 or a 70 per cent loss of earning power.

This brings up the question of the rating of permanent disability. It is curious that New Jersey, the first State to enact a constitutional workmen's compensation law, should have adopted a plan which so far as I know was in use in no other country, and yet the plan in its general features has been adopted, I believe, in the laws of nearly every other State. This plan, which must have been suggested by the practice of the accident insurance companies, introduces into the law a schedule of specific awards for particular disabilities. The only point in favor of the plan is its extreme simplicity, but it is a simplicity which in its crudeness largely defeats the purposes of the law. The loss of earning power occasioned by an accident is a matter of more than merely the nature of the disability produced; there are doubtless a number of other elements, but of these certainly two are of prime importance, the age and the occupation. The loss of a forefinger is a very different proposition to a typesetter and to a common laborer, and furthermore it makes a great difference whether the age of the injured worker is such that he can learn a new trade if necessary.

The proper solution of this problem, it seems to me, is unquestionably to make the schedule of awards depend upon percentage loss of earning power; this makes the law itself very simple. The determination of what constitutes a given loss of earning power should be a matter for the commission administering the law, but

the commission should not be required to deal with individual cases but should issue a schedule by means of which loss of earning power is rated as a matter of at least nature of injury, age, and occupation, at the same time ruling that a settlement made in accordance therewith shall be valid unless appealed by either party and until the commission at some future time shall see fit to reopen the case. A schedule of this kind will probably dispose of at least 90 per cent of cases without appeal and will produce a far larger measure of justice than is secured under the ordinary plan. Such a schedule is being used in California.

Having brought the treatment of the economic loss due to death into proper relation to the treatment of permanent disability and having provided a method for measuring various disabilities in terms of percentage loss of earning power, it remains only to decide, first, what share of compensation shall be allotted to each grade of impairment and, second, in what form this shall be dispensed.

An interesting question arises in connection with the first problem: Shall the compensation be graded uniformly with the disability rating or shall the more serious disabilities receive proportionately a larger share in view of the fact that the need here is more serious and the utility of the compensation will therefore be higher? This again is a place where we must decide whether we are to be governed by loss alone or by loss as affected by need.

Assuming that this question has been settled, it remains only to decide how the compensation shall be dispensed. This necessitates a theory of rehabilitation. In the California law it is assumed that in case of any disability up to 60 per cent rehabilitation is possible, and the compensation is therefore directed to be paid, for periods increasing with the disability rating, to the worker in sufficient amount to allow for the learning of a new trade or other adjustment to the altered conditions. In the case of disabilities of over 60 per cent the death benefit is provided—since death is assumed to be equivalent to a 60 per cent disability—and in addition, a life annuity for the loss of earning power in excess of 60 per cent. This plan, while it may not be the best possible, is at least based upon an intelligible theory and seems to be consistent.

The workmen's compensation movement came on in this country so rapidly that in general no actuarial analysis of the problem was made. As a consequence the compensation in the various States is widely different and to a very considerable extent it is unwisely applied. Has the time not come when by conferences such as this the States can draw together on a basis that will be more consistent from a humanitarian point of view, fairer from a competitive point of view, and more effective in the distribution of benefits?

## DISCUSSION.

S. HERBERT WOLFE, consulting actuary, New York City. It is not quite clear to me what are the true functions of a leader of the discussion. If you ask a plumber what a leader is, he describes it as something connected with a spout on top of a building, and I do not know whether you had that in mind when you asked me to be the leader.

I wish to explain at the outset that while Mr. Sherman's paper and Mr. Pillsbury's paper were submitted to me, Prof. Whitney's paper was not. So I am not so familiar with the details of his paper as I am with the others.

I think we are particularly fortunate in having this topic treated in this way by Mr. Sherman and Mr. Pillsbury. The former has approached this subject from the realms of theory as it were, and has given us the benefit of his wealth of knowledge and his intimate study of the history of the subject, while Mr. Pillsbury has confined his paper to practice, it being an explanation of the application of the California method of treating compensation cases.

Neither Mr. Sherman nor Mr. Pillsbury devoted the attention which Prof. Whitney did to the question of the waiting period or the question of the proper percentage which should be allowed.

I think there are certain important questions which have been referred to merely in a casual way to-night, which I may outline in the hope of provoking discussion. There is a matter that was briefly referred to by Prof. Whitney, namely, the question which is dealt with in the New York law in a negative way. In the New York law, when making the award, we are prohibited from taking into account any benefits which may be paid to the injured workman from any other source. I think that the conditions surrounding workmen in this country will be found different from those in the continental countries. The sociological conditions are entirely different, and I am of the opinion that we will find that the average American workman, through his membership in lodges, sick-benefit societies, and trade-unions, and organizations of that sort, is in receipt of benefits which, when added to the payment made to him under the workmen's compensation act, result in his receiving a larger payment each week when he is injured than when he is in possession of all his faculties. Now, as we can readily see, this will tend to malingering, and surely will result in an increase in the num-

ber of weeks of disability which will be paid. Shall we therefore base the workman's compensation upon his income from all sources?

Incidentally, this has a direct bearing upon the question of over-insurance, to which Prof. Whitney referred.

We are also brought face to face with a rather peculiar and illogical situation, in that we are basing future payments upon past earnings. I realize the difficulty of trying to remedy that, and I fully appreciate how easy is the present system, which provides that the payments in the future shall be a percentage of the earnings in the past; but there is a phase of it which is different from the one to which Mr. Sherman directed your attention. I have in mind the situation in this country at the present time. Owing to the European war, there is a scarcity of labor. High wages are being paid in the munitions plants. What is the result? A workman injured to-day will have his future payments based upon this high scale of wages which he has been receiving in the immediate past; if the wage scale should be decreased, the condition can very easily give rise to a situation where the injured workman will be receiving a larger amount during his incapacity than his brother workman who has not been injured will be receiving. Now, hand in hand with this goes the question of the cost of living, which naturally rises during these periods of high wages and falls when the wages are lower. Of course, the other side of the situation is just as vital, namely, that a workman injured during times of low wages will not be receiving the proper benefits when the cost of living goes up.

The question of compensation for fatal injuries was presented in an admirable way by Mr. Sherman when he called attention to the fact that the German, French, and British laws, and some of the American laws, provide for compensation in excess of the loss sustained. There seems to be a very great difference of opinion between Mr. Sherman and Mr. Pillsbury and Prof. Whitney as to whether compensation is insurance or not. Mr. Pillsbury is quite sure that it is, and Mr. Sherman is quite sure that it is not, and I think Prof. Whitney is not quite sure whether it is or is not. I may say that I sympathize with Prof. Whitney. I am not quite sure either, whether under the compensation act compensation is really insurance. This difficulty arises from the fact that instead of trying to compensate in case of fatal injuries—that is, instead of trying to compensate for the loss in the earning power—we are really paying an annuity to the widow, based upon her age and the ages of the children, but disregarding entirely the age of the deceased. A concrete illustration of my point is the case of two workmen, both aged 35, who were killed. Now, it is evident that the damage to the families of the two men is measured by the same amount in both cases. We find, however, that in nearly every case the award is not

based upon this measure of loss, but that it disregards everything except the age of the beneficiary and the likelihood of the remarriage of the widow. That phase seems to lend color to Mr. Pillsbury's repeated assertion that compensation is insurance. That is one phase of it.

The point that Mr. Sherman raised in regard to the division of the injury into two parts was a very pretty one. You will recall that he wants to separate some of these injuries into two parts—first, that due to a preexisting disease which has contributed to the accident, and, second, the traumatic part of it, or that part which is due entirely to the accidental injury. Now, while I think a great deal could be said on that point, I fail to find any comfort from a reading of the decisions of the various industrial boards. I do not find that in any of the cases in this country the boards have taken into account that matter to any appreciable extent. It is, of course, extremely difficult to make the separation, but it is one of great importance, and one that if disregarded must inevitably result in some form of discrimination against the handicapped worker. Can we blame the employer for refusing to employ a handicapped workman? Taking the case of the man who has lost one eye, referred to by Mr. Sherman, can the employer be expected to give work to him as promptly as he would to a normal man? That query is entirely independent of the fact of this employer carrying his protection in a State fund, or a stock company, or a mutual. The same principle applies. In the first place he does not want to jeopardize the lives and safety of the other employees, as he might by employing a handicapped workman, and, second, he does not want to increase his own loss ratio.

In referring to defectives it will not be amiss for us to inquire whether some way can not be found whereby the employment of the handicapped can be made more easy. Take the case of a man who suffers from cardiac trouble. Is an employer justified in saying, "I will not have him in my employ, because if anything happens to him I must pay to his beneficiaries the compensation which is awarded"? Under the New York law, and I think the law of many of the other States, there can be no waiving by the workman of his right to compensation. I think that is a hardship, and one that should be remedied. I think there should be some way in which this handicapped workman can waive his right to compensation. I am fully alive to the fact that this is fraught with danger theoretically, but it seems to me we can overcome that danger in two ways. In the first place, by providing that an employer may have a certain percentage of handicapped workmen—that is, of those who waive their right—in his employ, the condition of none of whom would jeopardize his fellow workmen; and second, that those waivers could be given only under proper supervision and control. If, for instance, we



should provide that only the industrial accident board may permit a workman to waive his right to compensation, we would have overcome that difficulty, it seems to me.

Prof. Whitney referred to the cost of medical aid. That is a very serious problem to insurance carriers and to employers. I think a great part of it is due to the fact that at the present time, in some jurisdictions anyhow, the injured workman is permitted to consult his own medical adviser. That, in my opinion, inevitably has resulted in an increase in the cost of medical service, and an increase in the period of disability.

To crystallize the discussion, therefore, I suggest that we deal this evening with the following questions: First, what is the proper method for arriving at the percentage of earning power to be paid to the injured workman; second, to what scale of wages should such percentage be applied; third, in the case of a fatal accident, should we disregard the probable life expectancy of the deceased in arriving at the amount to be paid to the dependent; fourth, is it possible to provide for a modification of the workman's compensation act so that defectives may be given employment; fifth, is the present waiting period satisfactory, or should some modification be made in it?

G. F. MICHELbacher, National Workmen's Compensation Service Bureau. The California schedule for rating permanent injury is predicated upon the fact that the specific dismemberment schedule idea of rating permanent injuries upon the basis of physical loss only can not with any degree of accuracy do full justice to the problem of providing adequate compensation for permanently crippled workers. To meet the requirements of any philosophy of permanent-disability indemnity a method must be used which will adequately compensate permanently injured employees by taking into consideration every factor which in any way contributes to the permanent loss in earning capacity and which is capable of arbitrary measurement.

The factors which affect the worker's earning capacity may be briefly stated as follows:

1. In the first place, the worker must have a certain amount of skill or experience. The worker in any craft, whether the craft requires skill or not, must have served a brief apprenticeship. Even the laborer who digs sewer ditches for a living must know what he is to do and how he is to do it before accepting work. The amount of skill or experience required is a question, first, of the occupation, varying from no skill at all to the highest type of efficiency, which requires an elaborate training; and, second, of the age, varying as the worker passes from apprenticeship to the status of a skilled mechanic or an efficient worker in any line of employment.

2. In the second place, the worker must have a sound body in perfect working condition in order that he may put his skill and experience into practice. Here, again, we find the occupational factor a most important one. The degree of skill required to perform the work of a given occupation has a direct bearing on the requirements imposed upon the various parts of the worker's body. Thus it may be pointed out that the leg of a structural-iron worker is more important in the performance of the work incidental to structural-steel rigging than is the leg of a cobbler in the performance of the work incidental to shoe repairing. The body, with its functions, is used to interpret the worker's skill. An ornamental modeler may have a wonderful conception of ornamental art; still this conception of itself would be of little use without two unimpaired eyes and two skilled hands with which to express it. A musician may have a wonderful faculty for playing his instrument in company with other musicians; still this faculty of itself is worthless without good hearing.

3. In the third place, the worker must be able to compete with other workers of his class in the open labor market. The worker must be able to secure employment wherein he can display his skill and experience. A disfigurement which hideously distorts the face of a laborer may not interfere seriously with his power to compete with fellow laborers in securing employment, for the reason that laborers are chosen with reference to physical fitness rather than with reference to good looks. The disfigured laborer may have a powerful physique and by reason of this fact secure employment in competition with other laborers who are less fortunate in their physical make-up, but this same disfigurement would absolutely bar the worker from certain classes of employment in which personal appearance counts for more than evidence of physical strength. Again, the occupational factor is most important. The power to compete varies with such items as the nature of the work, the skill and experience required, the supply of labor available, the general condition of industry, all of which create the occupational factor which affects the worker in competition with his fellow workers for a chance to perform work.

The factor defined under section 1 may be termed the worker's occupational ability, the factor defined under section 2 may be termed the worker's functional ability, and the factor defined under section 3 may be termed the worker's competing ability. If any one of these factors is damaged, the worker's earning power is damaged, and if the damage is permanent the method of rating the permanent injury should allow an adequate amount of compensation to enable the worker again to assume his position in the open labor market with as little disadvantage as possible.

The principal factors, then, to be considered in rating permanent disabilities are the following:

1. The nature of the physical injury or disfigurement;
2. The occupation; and
3. The age.

There are other important factors which should probably be taken into consideration, as, for example, education, inherent adaptability, general health, and so on, but while these factors are important it is impossible to measure them arbitrarily, and therefore not practicable to attempt to incorporate them into any scheme for rating permanent disability. We must remember that the fundamental purpose of workmen's compensation is to extend to each injured worker a high grade of average justice. The limitations of all workable methods of administration make it impossible to do more than this.

Compensation values should therefore be based upon the requirements of an average man, of average education, average inherent adaptability, average health. For this average man the three items enumerated above constitute the vital factors as far as the question of permanent impairment of earning capacity is concerned.

The California method, briefly stated, involves the use of a table which contains a rating for each permanent injury for a standard age and occupation, and, second, tables whereby injuries for other ages and occupations may be rated with reference to these standards. The basic idea of the plan is the idea of schedule rating, the schedule differing from schedules used for rating risks in connection with fire and casualty insurance only so far as subject matter is concerned. The standard rating for each injury is the percentage of loss of earning capacity for an unskilled worker of age 39. This occupation was chosen for the reason that the worker employed therein performs no work requiring specialization of the use of any part of his body. Because of this fact the problem of determining the effect of injuries upon this worker's body is reduced to its simplest terms. Age 39 was taken because it is the average age of workers in California.

Ratings in the first table of the schedule represent the degree of physical impairment produced by some 306 injuries upon the body of the standard unskilled worker of age 39.

In taking the question of age into consideration it was necessary to use reasoning more or less abstract. Age is an important factor in rating permanent injuries for the reason that as the age varies the power of accommodation likewise varies. Two limiting cases were assumed in the first table. These limiting cases are represented by the unskilled worker of age 15 and the unskilled worker of age 75. A boy of age 15 is considered to have perfect power of accommodation to injury; that is to say, if he receives an injury which bars him from the standard occupation represented by this table he has every chance

because of his youth to rehabilitate himself and to train his permanently injured body to perform work in any one of a number of occupations where the loss he has sustained is either of no importance or of very much less importance. A man of age 75, on the other hand, is considered to have no power of accommodation at all. If he is injured, he is, because of his age, required to remain in the occupation in which he receives the injury, which naturally causes him to fall to a lower earning level in that occupation. The power of accommodation of this old man in the extreme limit of industrial life may be represented by 0. The power of accommodation of a boy of age 15 may be represented by 1. The California schedule then makes the assumption that this power of accommodation to injury is a simple function of the age, and that it varies with the age, so that the power of accommodation of a man of age 45, midway between the extreme ages of 15 and 75, may be represented by  $\frac{1}{2}$ . It is sufficient for the purpose of this discussion to state that the application of this law to the question of producing a certain relationship between ratings for age 15 and age 75 was simple. Intermediate values were supplied by simple interpolation.

To study the effect of occupation five investigators were employed. Each investigator was assigned a particular industrial group and was required to make himself expert as to the work performed in the industry in general, and in particular by the occupations represented by the industry. The investigator was sent into several different plants where work incidental to a certain occupation was being performed. In inspecting these plants he paid particular attention to the general method employed in manufacturing the product and incidentally to the work each occupation contributed to this general scheme. In this way the physical requirements imposed upon each part of the worker's body by the work incidental to his occupation was studied. After carefully investigating some 1,300 occupations it was found possible to create 52 different classifications of occupations. In other words, while investigators in the field found 1,300 different names for occupations there were really no more than 52 different occupations, so far as the question of physical requirement was concerned. All the occupations grouped by classifications were carefully rated by assigning them to tables above and below standard, according as the work incidental to the occupation required a greater or lesser use of the part of the body to be rated than the work incidental to the standard occupation. It will be found that structural-steel riggers are rated for lower extremities in table plus 40 (Table I), that bookkeepers are rated for lower extremities in table minus 40 (Table Q). These two occupations represent the limits of physical requirements imposed upon the lower extremities. The lower extremities are indispensable to the

structural-steel worker, but they have little or no importance in connection with the actual work performed by the bookkeeper.

In closing I should like to quote from Mr. Pillsbury's paper:

The value of the schedule in determining controversies may be gathered from the fact that during the calendar year 1915 there happened in California 1,264 ratable permanent disabilities, and the permanent-disability rating department rated 866 disabilities, in nearly all of which cases the rating was accepted as final without controversy. To have proven by the introduction of testimony the degree of disability in each of these cases, and the loss of earning capacity dependent thereon, would have necessitated hundreds of hearings, at great cost to the State, and would have cost the parties thousands of dollars in expense of litigation.

DUDLEY M. HOLMAN, president, I. A. I. A. B. C. I shall have to discuss these topics from the standpoint of practical experience as a member of the Massachusetts board for four and one-half years, and perhaps I may introduce some new thoughts with which some of my friends may not agree.

In the first place, as I have always understood the theory of workmen's compensation, it is that the injured worker should not bear the burden alone, as had been the case under the old law, but that the burden should be distributed over the industry. Of course, that is a very polite fiction in the case of a State like Massachusetts or any of the other States where we do not have a compulsory law, because some men may insure, most of them do, and some may not. Jones is in a line of business in which I am also engaged. I pay \$20,000 a year for compensation insurance, and Jones says, "I will carry my own insurance." We go through the year. I have no serious loss and he has no serious loss. Am I going to pass that along to the general consumer in competition with Jones, who has not paid out his \$20,000?

Again, I think some of the speakers have not taken into account the actual conditions. We have in Massachusetts a minimum and a maximum amount that is paid to injured workers. The minimum is fixed at \$4 and the maximum at \$10. A worker who is earning \$30 a week is killed. The maximum that his widow and family can receive is \$10. Are you in any way giving to that widow an equivalent for what she has lost when you pay her on a \$10 basis? Are you doing that, particularly when the time is limited, as it is in Massachusetts and as it is in most States, to 6 or 10 years, particularly if the husband was a young man who had a long expectancy of life, and his wife could have looked forward for a long period of years to good support for herself and her children, and by an accident in industry her husband is taken away and she is left with a lot of little children to bring up on \$10 a week? Those

are some of the things that I think our actuarial friends should take into consideration when they are measuring whether it is for the needs of these people.

I can not quite agree with my friend, Mr. Sherman, on the problem of the one-eyed man. How many of us know exactly what our vision is, and how many men do you suppose are working in industry to-day who have never had an accident to their eyes, so far as they know, and who are yet blind in one eye? What are you going to do with one of those men when he loses his good eye? He had a working capacity. He worked along during all his life under the supposition that he had two good eyes. When he meets with an accident he finds that he has only one good eye; but in the industry where he lost that eye, and which was responsible for the loss of that eye, which took that sight away from him, is he any the less disabled? Should he be treated on any different plan than a two-eyed man who has lost both eyes? Should he be awarded compensation only for the loss of the sight of one eye? All of his sight is gone. Or, if he has met with a prior accident and has lost one eye, he still has a good working eye until a second accident destroys that. There are many, many occupations in which one eye is all that is necessary. The physicians tell us that it does not take very long, if a man loses the sight of one eye, for him to adjust himself to his new conditions; and when he has become accustomed to judging distances and to the other adjustments that are necessary, his incapacity is comparatively small, and he goes on and earns the same amount of money that he was earning before. Take away that remaining eye and the man can not work. In a certain way it may be unfair to the employer, if it happens to be a new employee, that the employer should be penalized for an injury to him which means total incapacity; but these accidents are not so numerous as to constitute any serious burden. I know in the early part of the discussion of our act, our board was quite divided on the question of whether or not we might not be providing an old-age pension in the case of a man or a woman advanced in life who met with an injury which in a younger person would not be disabling beyond a certain period, but in the case of people well along in years, who did not have the recuperative powers of a younger person, we would be saddling the act with an old-age pension. My experience did not bear that out, and I made up my mind I would find out whether I was right, or whether some of the insurance companies were right in the claim that this was giving an old-age pension where it should not properly be given. So I asked our statistical department to run through all the accidents during a year which had already been completed. We ran through the machines 83,000 cards of male workers, and I said, "I want these separated out, and I want to get

the injuries to all the men of 50 and over, and I would like them divided into age periods. I would like to have divisions of five years, of men 50 to 55, 55 to 60, 60 to 65, and 65 and over, and then I want to see when those injured people went back to work." We found 7,500 injuries to men over 50 years of age in the Commonwealth of Massachusetts. Now, I am going to ask some of you gentlemen who have made a study of this subject how many of those men had not returned to work at the end of 26 weeks? Well, you would not guess in a thousand years, and I am not going to keep you guessing. There were just 60, and when I boiled that down to the number of men who had not gone back to work at the end of 52 weeks, there were just 9. I think we punctured the old-age pension scheme right there.

Mr. Sherman spoke about aggravating or accelerating preexisting conditions of disease. I think I had one of the first cases that was passed upon by any supreme court in the United States on that. I had the case of a man who was a cook on a lighter. His galley was below deck. He had a very bad valvular disease of the heart. He was just as liable to die at home in his bed as he was to die anywhere else. An accident happened to the ship as she was tied up at a wharf at Woods Hole, and the ship began to sink. Mr. Fisher—that was the man's name—started up a perpendicular ladder to the deck to notify the captain that the ship was sinking. He then went back again, took some of his clothing and went up the ladder, put the clothing on the wharf, went back after more clothes, did the same thing over again, went back and saved something belonging to the ship, got back to the wharf, toppled over and died.

The medical testimony was very clear. The medical examiner who investigated that case and made his report gave this testimony: That the work which the man was doing immediately prior to his death, the unusual exertion through which he went, plus the excitement of the sinking of the ship, brought that man to a mortal end sooner than he would otherwise have come, and I awarded the widow \$4,000. The insurance company appealed and went to the full board. The full board sustained me. They went to the supreme court and the supreme court sustained me.

A very similar case was the Brightman case, that of a stationary engineer.

The next case was that of a woman who was employed in the Whitehall Manufacturing Co., a carpet-manufacturing company in Worcester. She was a woman who was below par physically. She had a bad heart trouble. The work which she was doing on the day on which she received this injury consisted of repairing a carpet after it had come from the loom. In order to do that the carpet was placed on a horse, and she would draw that carpet over a table, perhaps as

long as these three tables here, and repair any inaccuracy in the weaving of the loom. Her work that morning consisted more of pulling that carpet over the table than it did in mending the carpet. Toward the end of the morning she had a bad attack of angina pectoris. She finally gave up work that noon and was out some 18 or 20 weeks. The case came before me, and I heard it, and I listened very carefully to the medical evidence. The gentleman who defended that case is going to address you before this session closes. I do not know that he will refer to it, but he fought the case very hard. I could not see that there was any new principle of law involved there, any different than in the Fisher case or the Brightman case, except that the woman did not die. I gave her compensation. That case went the rounds. It went to the full board and then to the supreme court, and the chief justice of the Massachusetts supreme judicial court wrote a very exhaustive opinion upon that case. I am sorry I have not got it here to refresh my recollection of his words, but in substance he said that the Massachusetts law contemplated payment for personal injuries arising out of and in the course of their employment to employees who were injured, and he said the law does not state that these employees must be healthy employees, or that they must be wise or foolish employees, the sole requisite being that they be employees under the definition of our statute. Consequently, if you took into your employment a person who was below par physically, and the work that he or she was doing aggravated and accelerated a previous condition of disease to such an extent that that person became disabled, he was just as much entitled to compensation as though he had lost a finger or a hand. The chief justice did point out that this might mean a very serious burden to the employer, and that it might put on industry a burden which industry could not well afford. I was going to test that out, but, unfortunately, before I completed my tests my term of office expired and I was unable to complete my investigation. But I seriously think that if you will study these cases to see how many there are, you will find that they do not impose that serious burden which we all of us feared.

The question of malingering has come up. In my experience in four and one-half years on the Massachusetts board I can not recall half a dozen genuine cases of malingering. Now, that may be exceptional, but I think there are some gentlemen here who have considerable insurance interests in Massachusetts who will bear me out in the statement that in Massachusetts we do not have very much malingering. Am I correct, Mr. Lott?

Mr. Lorr. I think you are. If I may be permitted to answer, I think that the administration of the law in Massachusetts is better than in any other State in the Union, and the fact that you do not



have malingering there is because of the efficient administration of the law, and the good results that you have there in that regard would not be attained in other States where they have a less competent board to administer the law. You may take the credit to yourselves, and not to the disposition of those who would mangle if they were permitted.

Mr. HOLMAN. In other words, it is a question of efficient administration, and not of a defect in the law.

Capt. WILLIAM P. WHITE, United States Navy, retired, treasurer and general manager, Lowell Paper Tube Corporation. May I ask a question of Mr. Holman?

The CHAIRMAN. What is the question?

Capt. WHITE. I would like to know what the effect is in those cases of partial disability, where compensation is awarded, or what the effect would be if the employer knew of the disability.

Mr. HOLMAN. That I can not say.

Capt. WHITE. If he had known of the disability, and the liability of the individual to injury, would he have employed a person so disabled?

Mr. HOLMAN. I think the answer to that is going to depend on the state of the labor market. I notice that we frequently have brought up the question of the physical examination of employees. Now, I do not care to discuss the abstract proposition of the physical examination of employees, but I do notice this, that when your industry is rushed to the utmost, and when you are searching for men and women to work in your industry and can not get them, it does not make a great deal of difference who they are, or what they are physically, or what their physical condition is; if they can do a day's work. Consequently any physical examination would be waived during those periods. If we are going to have physical examinations, you are going to shut out from industry a very large proportion of efficient workers. That is true, is it not?

Capt. WHITE. Not altogether.

Mr. HOLMAN. Now, take that engineer, or take the cook on the lighter. Previous to that incident he had done his work, and perhaps but for the happening of that unfortunate combination of circumstances he might have gone on 5, 6, 8, or 10 years with good working capacity, as he had gone on before for 5, 8, or 10 years, in exactly the same condition that he was in when he died. Are you going to throw those people out?

Capt. WHITE. I feel that that would be an unfortunate effect of this law, unless we allow the physical condition of the individual

employed to be discoverable, if possible, and allow it to be considered in the insurance.

Mr. HOLMAN. Some of the companies in Massachusetts undertook to differentiate in that way, and I can recall one company that had a physical examination made, and they threw out 22 people at one time. But I notice that now they are employing men very much inferior to those whom they got rid of, and they are employing them now because of the rush of work. I am afraid that if by any means men and women are legislated out of their jobs, by the same token you must give them some other form of insurance, which will be more burdensome, I think, upon the average employer than it would be to take his chances now and then with somebody who was physically a little bit below par. In other words, you are going to have invalidity insurance, because, if a man is thrown out of work on account of his physical condition, you have got to take care of him, and you are going to have old-age pensions very quickly, because if you throw out people who, if they get injured, are going to be a long time in recovering because of their age, you must make some legislative enactment that will in some way take care of those cases, and you will find that you will be jumping out of the frying pan into the fire, because I do not think those things are of sufficient account—it has not been my experience that they are sufficiently common—to constitute any great or real burden on the employer.

Capt. WHITE. What I feel in regard to the matter is that the burden does not come so much upon the employer as upon the employee. If the employee is able, by assuming part of the responsibility of his condition, to obtain employment, why should not the law permit him to do it?

Mr. HOLMAN. It should. I am going to discuss that point a little later in this conference, under the topic of the handicapped worker.

Capt. WHITE. Take, for instance, the case of a man with one leg engaged in an employment in which he could do a day's work. Ought not that man be allowed to assume the responsibility for the previous loss of one leg, so that in case his remaining leg is injured the insurance company will not have to pay for the disability of two legs?

Mr. HOLMAN. I am glad you brought that up. I do not wish to anticipate something that I am going to say a little later in this conference, when I am going to take up the problem of the handicapped workman, and I am going then to make some suggestions that may be a little radical; but I think when you come to that, when you come to think it all over, you will find that the suggestions I am going to make are not as radical as they seem. Of course, the instances of men going back to work after having lost one arm,

all those problems come under the head of the handicapped worker; and it makes no difference whether it is the physical loss of a member, or whether it is a neurosis that grows out of his employment, like that of the cigar maker, or what not. There are a lot of cigar makers who can not sit down at the bench and turn out a full day's work; and if they can not turn out a full day's work they can not get employment, because the employer expects that bench to turn out so many cigars, and the man who can not turn out his share is discharged. There are a number of cigar makers in Boston who are out of work because they can not turn out the full number of cigars in a day, owing to this impairment that has come upon them. Yet those men can do two or three days' work in a week, or a part of a day's work each day, and some way has got to be provided so that they can get that work.

Capt. WHITE. I am interested in the case of the employee.

L. D. CLARK, of the United States Bureau of Labor Statistics. I am very much interested in the statement made by one speaker this evening to the effect that the State legislatures have made the worst possible choice in enacting schedules for disabilities. When we consider that of the 34 compensation States and Territories 28 have statutory schedules of awards for designated injuries, it is evident that the error, if it be an error, is very widespread. I think that since 1913 no State has passed a law that did not embody such a schedule of greater or less inclusiveness. Furthermore, the important States of Ohio and Wisconsin amended their laws by the incorporation of a schedule after some experience on a nonschedule basis. The officials of these States assigned as reasons for the change that it was demanded by both equity and administration, since a return to work after recovery from a total disability following an injury might be accomplished without immediate loss of wages, though with a mutilation or maiming that might be detrimental to continued employment or an obstacle to the securing of other employment. The fact that an employer receives such a workman into his service on the recovery from total disability is no guaranty of continued employment, while the maiming obviously produces a certain degree of disability. Again, it was said that even if there was a reduction in wages and a corresponding compensation award, accidental or personal causes might influence such reduction, so that identical injuries would lead to dissimilar allowances and produce in the mind of the workman receiving a smaller compensation the idea that he had been discriminated against. The need of a prompt and inexpensive method of determining awards without hearings and operating as a guide for direct settlements between the parties was another reason assigned. It may be added that no State having once enacted a schedule has abolished it.

Since 28 States and Territories have a schedule of this class there remain the laws of 6 States and the Federal statute without such a provision. These laws are sometimes said to contemplate awards on a percentage basis, as distinguished from the schedule method, but the fact remains that practically every law declares that compensation shall be based on the percentage of disability produced by the injury, the schedule being available for the determination of the more frequently occurring injuries, the direction frequently being given in the law that other injuries shall be compensated for on a commensurate basis. The laws containing no schedule direct that compensation shall be paid on the basis of the difference between the earnings before the injury and the amount that the injured man is able to earn thereafter, or that he is probably able to earn. The laws of California and West Virginia provide that the award for partial disability shall represent the percentage that such disability is of a total disability, adding that account shall be taken of the age and occupation of the injured person. The Washington statute differs somewhat in language but not in apparent intent.

The question naturally arises as to the practical differences that result from the differences in the provisions of the laws; that is, whether the schedule system and the percentage system, if they are distinguishable, really work out distinct results. Lines have been drawn in discussion and the schedule system condemned as arbitrary, "cut and dried," and likely to work injustice, leading to a disregard of the individual physical and labor conditions of the injured person, even though based on experience and often properly applicable. One can but wonder what better criterion there could be for awards than experience, or how an individual estimate of a particular case is to be arrived at other than by an assumption of consequences based on the cumulative experiences of persons in identical or approximately similar conditions. Again, it is said that the schedules are drawn up on a basis of dismemberment rather than of disability, and that compensation should not consider personal appearances but economic needs. The question would be pertinent as to what attitude of mind one could have that would fail to recognize in dismemberment a measure of disability; and as to appearances, a man with but one eye or a mutilated hand is most assuredly at an economic disadvantage in seeking employment in most establishments. No one will question the principle of compensation as being economic and for the purpose of preventing want rather than an assessment of a penalty against the employer; but it seems possible at least, and certainly desirable, that an injured man should not be required to await the experiment of subsequent employment before he shall be compensated for a certain and absolute physical loss, whether or not it immediately manifests itself in a reduced wage. The name given

an award amounts to little, whether it be called compensation, damages, adjustment-period payments, or what not, if only there is recognition in proper degree of a loss suffered. The Supreme Court of New Jersey declared that the schedule of that State was based not on an estimate of the time lost as by a temporary disability, but was a method of ascertaining by statute the damages suffered by the workman.

The New Jersey law was the first to establish a schedule and the system is frequently referred to as the New Jersey method, while the law of California is the most frequently cited as embodying the percentage system. But, as Mr. Michelbacher has just explained, the State of California has an elaborate scheme for determining awards, claimed by its proponents to contain answers for 1,080,000,000 questions. Keys and finding lists are furnished in order to show the exact rating of a man of any age or occupation affected by any injury, and it is submitted that the answer is nothing more nor less than a schedule award. To be sure, it has the great advantage of accuracy and refinement of distinctions, as compared with the schedules of the other States, which are only suggestive and which, it is admitted, are unduly rigid where applicable. With all its breadth of inclusiveness, however, it is found in practice that conditions arise not covered by the schedule which must be referred to an expert for determination according to his judgment, using as his guide the nearest rating presented in the schedule. Clearly, what happens here is just what happens in any schedule State where the administrative official reasons from the provisions of the statute to the conditions under consideration. In West Virginia, whose law contains similar provisions to that of California, the commissioner has worked out a list of 30 of the more common injuries of a permanent character, establishing minimum, average, and maximum allowances, while in Washington, another nonschedule State, a list of degree awards has been established for 43 of the more frequent injuries. In the Province of Ontario the same result followed the enactment of the law without a schedule, the commission establishing a rating schedule for the commoner injuries of a permanent nature.

It is obvious from the foregoing that administration tends to accomplish in the nonschedule States, so called, what the law accomplishes in the schedule States, and that there is no practical difference in the results where, for instance, the schedule declares that the loss of a hand shall be compensated for by the payment of awards during the term of 150 weeks, and where the loss of a hand is said to incur a 52½ per cent loss of earning capacity, with 3 weeks' benefits payable for each per cent; and such a result is only an illustration of general conditions.

Reference to the decisions of the courts only emphasizes the conclusion that there is no real difference in the construction and workings of the two types of laws. The Supreme Court of California affirmed an award for the loss of a finger, even though there was no actual reduction in earnings at the time, which was exactly the position taken by the courts of New Jersey. In the nonschedule State of Kansas an award was affirmed where there was no wage loss, on the ground that the present employment might not continue for the full period for which compensation could properly be allowed and that the workman might be at a disadvantage in seeking to make any change. The schedule State of Michigan ruled by its board that a man was entitled to an award, not because of the wage loss, but because the injured man was deprived for life of the use of a member. Defects do appear in court construction by reason of too literal a following of the schedule in some cases, but this seems to be the fault of the courts or of the local construction rather than of the phraseology of the law, since different constructions are made in different States.

It seems to be clear, therefore, that instead of condemning schedules and proclaiming the "scientific character" of percentage awards it is desirable that attention should be given to the development of flexible and inclusive schedules, probably simpler in their method and adaptability than that of California and certainly not so rigid as to render impossible the exercise of a degree of discretion in view of the peculiarities of the case, if any, while preserving the value of an accumulation of experience and judgment such as will accrue during the continued operation and extension of laws of this class.

The CHAIRMAN. With reference to the point that our friend has just been discussing, I may say that last spring, in a moment of weakness, I consented to prepare a paper which I presented at the Columbus convention, in which I attempted to do just what our friend has said, viz, to compare the 33 different compensation jurisdictions, and I sought to present in dollars and cents a comparison of what each of those jurisdictions would give in five different cases, viz, loss of an arm, an eye, a leg, a thumb, or index finger. If the report of that convention is ever published, that comparison will appear in it.

Mr. CLARK. Ontario did not enact the schedules, but the commission made a schedule. Is that correct?

The CHAIRMAN. That is the situation. Discretion was given in the Ontario act, based upon that section which is in most of the acts, viz, that permanent partial disability shall be 55 per cent of the difference between what a man formerly earned and what he is able to earn subsequently. Attempting to reduce that to a practical basis, we simply adopted a schedule which we thought would be fair and right.

RALPH H. BLANCHARD, University of Pennsylvania. I think that in connection with the discussion of the question whether we should base compensation upon loss or upon need, we should go back to the basic theory of compensation. Ordinarily compensation is advocated on the ground that industry is responsible for the major number of accidents, and that therefore it should pay for the loss from injury. Now the loss from death is the loss of the probable earning capacity of the person who dies, regardless of the need that arises from it. That is really what the industry is responsible for, on the basis of the reasoning that is usually applied. It would follow logically that we should pay the loss regardless of whether the man has any dependents. We would pay it to his estate if he did not have any direct dependents. On the other hand, from the social point of view, I think there is no question at all that it is better to compensate in proportion to the need that is created; that is, in proportion to dependency—if there are no dependents, paying for the burial of the man who is killed, and if there are dependents, paying compensation in proportion to their number and degree of dependency. Most of the recent acts distribute the death benefit in proportion to need, but I think we should recognize that we are following a different theory than is usually urged in justification of compensation acts. That is, we are using the industry as a practical means of attaining a social end, payment according to need not being based on the theory that the industry ought to pay the loss, because the industry is not responsible for relative degrees of need.

There is just one other point of which I desire to speak in connection with dismemberment schedules, particularly in connection with what Mr. Clark has just said about the fact that a number of States have adopted schedules. There are at least three States of which I have been told where schedules were adopted, not because it was thought they were well adapted to the end, but because the man who drafted the act copied the schedule from a personal accident policy. I think it is true that a great many of the acts which have been passed have been drafted by slavish copying, without any proper consideration of just what ought to be done under the circumstances. While it is not an exact copy of the Washington act, anyone who reads the Oregon act will find the same features running through it, and I would be willing to wager that the man who drafted the Oregon act did not go back to basic principles and did not decide whether each paragraph in the Washington act was a good thing to copy. In the same way you find the English influence in the Massachusetts act, and in a great many cases the authors of compensation acts have adopted the methods pursued in drafting the old employers' liability acts in the eighties, when we simply took over the English act in this country. I think a great many provisions are traceable

to this tendency, which does not add to the conviction that the provisions of the various acts are ideally adapted to the purposes for which they were intended.

S. W. ASHE, of the General Electric Co., Pittsfield, Mass. I just want to say one word as to the objections which have been raised to making physical examinations of employees. There seems to be a general impression that the inspection of employees results in considerable rejections in industry. I just had the privilege of going over 4,000 cards of employees hired in about eight months in one concern, and the total rejections in that number were 192. This you will see is not large. A large percentage of these rejections were acute cases of hernia. There were also some bad cases of heart trouble and some tubercular cases and cases of venereal disease. I have been much interested in all the discussions so far, and it seems to me that the only criticism I have to offer is that in all this work there is a very great need of more concrete statistics. For instance, in most States, if a man employed in an industry comes to the company and says that he has a hernia, the case has to be operated upon and cured and the compensation paid. Now, I could get the statement of at least 40 physicians and surgeons who have gone on record as saying that it is practically impossible for a man to receive a rupture as the result of an accident. Yet in 90 per cent of the cases where the men claim that they have been ruptured in the industry, under the compensation laws in a great many of the States—not all—the individual had to be operated upon and compensation paid. It would seem to me in cases of this character, where concrete statistics are available, the laws ought to be a little more lenient to the employer.

Mr. WOLFE. I want to ask Capt. White and Mr. Holman whether in their opinion the waiving of the right to compensation by handicapped workers would have met the cases to which they refer? In other words, if a handicapped worker presented himself for employment and you felt that he could be employed without jeopardizing the other employees, would you have accepted him if he had been permitted to waive his right under the compensation act?

Mr. HOLMAN. May I ask a question? Take the case you have in mind; I want to get it down into a little more concrete form. In other words, take the case of the one-eyed worker, that being the only objection to him; would you mean that he should waive his rights to compensation for anything except his eye?

Mr. WOLFE. Mr. Holman has indicated his place of birth by answering my question by asking me one. I wish he would ask his question again.



**Mr. HOLMAN.** In the case of a one-eyed worker whom Capt. White would not want to employ, because if the man lost his remaining eye Capt. White would be burdened with the total incapacity of the man and would pay for that, would the man have to waive the right of compensation for the loss of the eye, but not for the loss of his hand, or for some other accident that might happen to him?

**Mr. WOLFE.** Yes; only for that part which is affected by his incapacity, not for the loss of his hand or anything else except the eye.

**Capt. WHITE.** For my part, notwithstanding the risk of the burden to our industry, I did hire a one-legged man, and I have hired a one-eyed man; but I do not think it is fair to our corporation to leave us open to penalties, or having to suffer a loss that should be partly borne by the individual, and for which we are not responsible. I took the risk in accepting him for employment, because he was in need of employment. Now by doing so it seems to me that we ought not to be subjected to the penalty of paying for total disability where the man had already been partly disabled before he entered our employment.

**Mr. ASHE.** We have employed ruptured men at the Pittsfield Works of the General Electric Co., but have made a record of the fact that they were ruptured when they entered our employment. Knowing that such a record exists, we have never had such a case return for compensation. On the other hand, a large part of our manufactured products, high potential transformers, are made of heavy material, weighing many tons, and therefore out of 152 rupture cases where the hernia was of such a character that the risk was great and the conditions might be aggravated, applicants have not been employed until they have been operated upon and cured. While a waiver of compensation has no legal standing, still if all of these hernia cases had been able to carry their own risk, it is possible that half of them might have been employed, the balance of the cases consisting mostly of double hernia, too serious to consider.

**ALBERT W. WHITNEY,** general manager, National Workmen's Compensation Service Bureau. I should like to call attention to the fact that a reduction in the amount of compensation, not a waiving of it altogether, would be in line with the fundamental idea of compensation, provided compensation is looked at as indemnity. We indemnify a man for the probable value of his life; if his life is impaired, the probable value of his life is not so great, consequently the indemnity should not be so great, and therefore the compensation should not be so great; if compensation is to be considered as indemnity, it is just and proper that there should be a reduction of the compensation in a case of this kind. I believe it would be possible to work out a

schedule applicable to cases of this kind, or at any rate to treat the matter in some systematic way.

T. H. McGREGOR, chairman, Industrial Accident Board of Texas. I did not intend to speak on this subject, because I did not think it interested me; for under the fundamental and organic law of the State of Texas this question would not arise there. Then, it occurred to me that I had another interest here than the territorial interest of the State which I represent. There is a fundamental objection which obtains to the contention of Mr. Wolfe as a legal proposition, and there is a reason why a waiver should not be allowed. There is a just reason for the rule laid down by Mr. Sherman. There is a fundamental proposition of compensation why a waiver should not be allowed. All our compensation acts spring primarily from the police power of the respective States, and the statutes look to that power for their origin. Those which have been sustained by the appellate court have carried with them the option on the part of employer and employee to avail themselves of an employers' liability act. In other words, the employer had a right, and the employee had a right, and they had the option to exercise that right. The doctrine of waiver through all the ages has presupposed the existence of a right on the part of the man who exercised the right to waive. Now, if the statute gives to an employee the right to avail himself of an employers' liability act, and then gives to an employer the right to coerce that employee to waive that right, then he did not have any right. Therefore, it must fail for that reason. You can not give a man right by one statute and say to him in another statute, "Before you can earn your meat and bread you have got to waive that right." So as a legal proposition there can be no such thing as a waiver in this case.

There may be a coercive taking away from the employee of a right that is given to him in most of the States by statute, and that has later found its authority in the organic law of the State. So it is not a waiver. It resolves itself into the question, Shall his right to compensation be taken away from him? That is the statement of it. A one-handed man ought to have the same rights under our statute that a two-handed man has, otherwise it would be a discrimination against the weak. It would be saying, "To him that hath shall be given, and from him that hath not shall be taken away even that which he hath." This is not charity. If this is charity that is dispensed under the police power of the State through compensation boards, then we are proceeding on the wrong theory, and we ought to search out the weak and afflicted and administer charity to them. But it is not charity. It is compensation, based upon a specific loss, given to the man who has lost something in the accident or the injury that he sustained. If a man goes into a factory with two arms

and loses them both, he ought to be compensated for what he has lost—his two arms. If a man goes into a factory with one hand and loses it, he ought to be compensated for that; not for total incapacity, because it did not originate there; but the scientific and sound doctrine announced by the distinguished gentleman from New York should obtain, that he should be compensated for the injury which he sustained; not pensioned as a matter of need, not as a charitable bestowal, but as compensation for the loss sustained. Therefore it occurs to me that it is absolutely a legal anomaly. If I were in Texas, where strong language is permissible, I might suggest that it is a legal absurdity to give to a man by one statute a right from which may spring the bread and meat that feed his babies, and his house rent, and the clothes that his family wear, and then to take it away from him by the soft and euphonious term of "waiver," which can not obtain in countries where men are equal.

Mr. LOTT. When I said that the good results obtained in Massachusetts were because of the efficiency of the board which administered the law there I should have said the board as constituted when Mr. Holman was a member of it, and I should have followed that by saying that as soon as the board became really efficient the complexion of the board was changed, following the political example prevailing in this country. Therefore, by the splendid example that I had before me to-night, I should have proven the assertion which I made in my paper, which many of you were kind enough to listen to this afternoon, which I did not have quite time to finish, but which, with your permission, I will finish now.

(Mr. Lott then read the concluding portion of his paper.)

#### IV. LUMP-SUM SETTLEMENTS.

The CHAIRMAN. There are two addresses on the program for to-night—one by Mr. William C. Archer, deputy commissioner, New York State Bureau of Workmen's Compensation, and one by Mr. Robert E. Grandfield, secretary of the Industrial Accident Board of Massachusetts, on the subject of "Lump-sum settlements." Mr. Archer is not here, nor is Mr. Grandfield here, but his address is printed, and we were going to have Mr. Donahue read it. Mr. Donahue has just suggested that it be taken as read, and as it is now half past 10, that the meeting adjourn. If it is the wish of the meeting, Mr. Grandfield's paper will be considered as read, and we will adjourn until to-morrow morning at 9.30 o'clock.

#### LUMP-SUM SETTLEMENTS.

BY WILLIAM C. ARCHER, DEPUTY INDUSTRIAL COMMISSIONER, IN CHARGE OF THE BUREAU OF WORKMEN'S COMPENSATION OF NEW YORK.

[This paper was submitted but not read.]

Workmen's compensation for losses arising out of industrial accidents is in no sense a charity or a dole from the State. Neither is it provided in lieu of the cost otherwise to be encountered in the maintenance of eleemosynary institutions. And its source is not a tax upon industry, for it is not a levy in support of government nor is it an assessment to support an improvement of property for the benefit of the public. It is not even a burden.

But, as the word signifies, it is payment over and above ordinary wages for losses sustained through the risks taken in hazardous employment. In a sense, it is a wage whose payment is contingent upon loss from accident. The money for the purpose, through being made a certain element in the calculation of the cost of production, is collected as part of the selling price of finished goods or work.

It does not lay an added burden on industry after proper adjustments to new conditions take place, but, on the other hand, produces relief. Money hitherto paid for indemnity contracts would almost effect full payment of compensation awards and benefits. Then there are the attendant economies and incidental improvements of industrial relations. All these much outweigh any estimate of compensation as burden.

The State in its attempt to further social justice has compelled the adoption of the plan; has done it by the method of insurance, since

single industries do not alone develop the law of contingent losses; has regulated it in commerce through rates varying as hazards vary, and among workmen according to earning capacity, which reflects living conditions; and, with conditions in mind of hitherto unalleviated distress, has sought to guard against unthrift in expenditure by means of installments of payments throughout the entire period of disability or dependency.

This has been said in support of three propositions:

First. Awards and benefits of compensation are the workmen's *as of right*, as things earned, paid for in advance by all and enjoyed by all, the better, be it said, in expectancy but perhaps with more appreciation during disability.

Second. The State which enacted the law has the right and it is its duty to safeguard its fulfillment and to realize its beneficent provisions.

Third. The employers have special rights through their duties to their workmen and since they themselves are directly benefited when the law is well administered.

Periodical payment during disability or dependency is the rule of all compensation laws. The schedule of specific awards is no exception to the rule, for schedules have been adopted for the sole purpose of certainty and convenience in administration, and under the analogy of the general law are contingent rather than vested interests. It may be said therefore that lump sums are not in the favor of the law. Nevertheless, as has been shown, awards are the workmen's *as of right*, and may, under certain conditions, be made and still be kept within the letter and the spirit of the law.

In fact, I should say that the single and only test is the good of the recipient, which will always satisfy the interests of justice. If this may be effectuated, the State will instantly be obliged as a matter of duty to grant the lump-sum payment. In doing so it need not be deterred through consideration of the probability of the failure of its purpose, for if it exercises a wise precaution it will have performed its duty. For the State to go too far as overseer or protector would be a violation of the workmen's rights and a wrongful use of its own powers.

Let us proceed to a consideration of the various kinds of cases in their relation to lump-sum payments—and first, of those in which lump-sum payments may well be made. Where the awards are small and the disability of definitely short duration, payments which may become due after the award is granted may be made in a single payment. This for obvious reasons.

Where the claimants conform to a fine type of thrifty men, who would likely know no dependency even were there no compensation benefits or who give other evidences of thrift, payment should be

made. In such cases the opportunity for a distinct betterment of conditions is offered and should be encouraged.

In cases in which a reputable employer interests himself in the welfare of his injured workmen and secures an application for a lump-sum payment it may well be made. The attitude of the employer is somewhat a guaranty that he will see the matter through.

Where sentiment through sympathy would support a small business in a community in which the injured is known, a lump-sum award should be granted.

Lump sums should be given to aliens who are nonresidents or who are about to become nonresidents of the country. Every reason supports this, for abroad the award is worth more, our own States will have discharged their duties to the injured and a more suitable environment is likely to be found in native scenes. There is justification for discounting the present values of such claims.

Lump-sum payments should seldom be withheld when they go to support children in school. Through education the disability may be turned into a blessing. However, it may be said that an education may be paid for in installments, but experience teaches that the periodical benefits to children are too small for this purpose, though when confined to a more limited period they prove sufficient.

In the granting of lump-sum awards administrators of the law are bound to take cognizance, at least mentally, of the different characteristics of various races. It is seldom indeed that the representatives of certain races will lose or waste their awards if made in lump sums, but on the other hand will proceed to turn them into increased benefits.

There is another class of cases in which lump sums are granted which would not be thought of by those who merely read the law or give but academic consideration to the question of compensation. This class of cases arises out of injuries which we call permanent partial and in which theoretically there is ability to do some work. The law measures compensation in such cases by the impairment of earning capacity. There are hundreds of such cases, but employees as a rule are totally disabled temporarily and when they are able to work earn full wages. But where an employee has been injured, has recovered as far as he will ever recover, and has not secured employment, or, if he has secured employment at the same wage, has done so through the consideration of his former employer, who will not turn away a faithful employee, and yet who, with any other employer, could not receive so much wages, a commission in such cases knows that it is either a question of continuing payment upon an impaired earning capacity or of a purely theoretical consideration of what a man is able to earn when, in fact, he is not earning anything. Such cases afford peculiar difficulties and endless hear-

ings and rehearings, with some show of ill will on the part of insurance carriers who have no sentiment in the matter and begin to resist the claim, or a temptation to malingering in which the claimant may seek to secure advantage out of doubt. So when claimant and insurance carrier come before a commission with a prayer to end the case by an award for a single amount, such amount being suggested jointly by employer (or his representative) and employee, a commission should not hesitate to make awards and close the case if clearly in the interest of justice. A commission need not be a party to any dickering as to amount, nor need it enforce its opinion on either party. It simply approves if justice is furthered. It is needless to add that this function should be exercised with great care.

Finally, in certain cases lump-sum awards are justified to prevent malingering, and especially is this true in cases of neurosis. If the psychic element tends to prolong disability, the quicker a case is closed the better. There are also certain cases of real disability accompanied by malingering to the extent only of overestimating the disability. I should say in the interest of justice that such cases are better closed.

There are cases in which lump-sum payments should seldom, if ever, be made. Since all payments should be made only for definite purposes it follows that payments to satisfy sentimental reasons should never be made. Claimants often desire their money that they may see it and count it and put it in the bank. Their applications should be denied. Some desire to loan it or to speculate with it. This is not sufficient reason.

Drunkards, the diseased of certain types, and the stupid and imbecile should never be granted lump sums.

Lump-sum awards, except in very rare cases, should not be granted when the injured is suffering a permanent total disability. In such cases only when the periodical payments are too small to subsist upon should serious consideration be given to the claimant's application. Each such case should and undoubtedly will have very earnest and special consideration. It is enough to say that such is needed.

Many applications are supported by the pleas of attorneys or next friends. In the majority of these cases the suspicion is at once aroused that the expectation of fees rather than the good of the claimants is back of the application. Such claims should be denied.

Cases sometimes come on for lump-sum settlements at the instance of the employer or carrier whose reasons may be found in a desire to liquidate doubtful cases, to pull down reserves, or to save expense of further handling. These are not justifiable causes for granting lump-sum payments.

In death cases where payments are contingent upon life or re-marriage or dependency or minority great caution should be exer-

cised in the granting of lump sums. In some such cases the very terms of the law itself would seem to prohibit lump-sum awards. In cases of children who would be helpless against the improvident use of commuted payments their interests should be safeguarded. Lump sums for the same reason should seldom be paid to the aged or infirm who have no hope of support outside the compensation benefits.

I have spoken now of cases in which payments may nearly always be made and of cases in which they should seldom, if ever, be made. For these and for all other cases the growing if not paramount importance of the question of compensation problems leads me to suggest that where the volume of compensation business is sufficiently large to warrant it, and it is likely so in all States, that a unit of organization be formed for the special consideration of lump-sum payments. There are many applications for money with which to purchase businesses, to pay debts, to embrace and encourage opportunities, and to satisfy desires seemingly springing from proper motives. All such applications should be carefully examined, and the administrative department might even go so far as to make investigations and pass critical judgment upon the proposed ventures as viewed from every standpoint. Certainly the matter can not be treated with haste or disregard without subverting the ends of justice. This is a stern business and should be governed by a great deal of practical hard-headedness. Necessity rather than enjoyment should be a governing rule, and there should be evidenced on the part of the claimant enough foresight and thrift to justify the department's action, and it should be kept constantly in mind that the interest of justice and the good of the claimant will in many instances justify lump-sum awards. A consideration of this will fortify the department with the proper patience to listen to the never-ending applications for money.

Finally, I want to speak of one or two dangers to be guarded against and avoided. The first is the tendency toward the practice of granting lump-sum awards in order to get rid of cases. This tendency should be curbed as entirely unworthy, and the importance of the suggestion should not be overlooked, for it denotes a real and present danger everywhere. The compensation business is new. Its volume has surprised the public, who are even yet unaware of its real magnitude. Many departments administering compensation laws are starved and compelled to work under strain. To close cases by lump-sum payments is a temptation, and especially so since this method satisfies all parties concerned, at least temporarily. But it is one thing to be tempted, another to fall; and we must not fall.

The greatest danger of all, however, is the danger of a single corrupt administration which would in a wholesale manner commute future installments of outstanding claims and in doing so effect dis-



counts in value. This would be the real calamity, for the injury would be irreparable, the work of years brought to naught, and it would scandalize the State in its benevolent purposes in furthering the great humane laws comprised in our various compensation statutes.

Finally, let me conclude by saying that a discussion of lump-sum agreements by emphasizing the details involved might lead to the hasty conclusion that such payments should be made in a relatively large number of cases. The very opposite should be the rule, and the law, as has been said, generally looks with disfavor upon this manner of determining claims.

## LUMP-SUM SETTLEMENTS.

BY ROBERT E. GRANDFIELD, SECRETARY, INDUSTRIAL ACCIDENT BOARD OF MASSACHUSETTS.

[This paper was submitted but not read.]

The question of lump-sum settlements under compensation acts is an important one with reference both to the purpose of such settlements and to the administrative policy in connection therewith. The subject may best be introduced perhaps by recalling briefly some of the fundamental principles of a compensation act. One of the objections to the former system, or lack of system under common law or employers' liability law, was the waste attendant upon lump-sum settlements, owing to wasteful expenditure of the damages awarded, the cost of attorneys' services, and the lack of control over the injury through medical service. The compensation act is not a law of damages; it is a law, in theory at least, designed to return employees to industry, either fully cured or restored as fully as medical skill may accomplish. Compensation is intended to be paid periodically, usually weekly, to relieve financial distress during the period of rehabilitation, or in cases of permanent disability to supplement the wage loss. In fatal cases the compensation is intended to tide dependents over the period necessary for their adaptation to new conditions.

The extent to which a compensation act provides adequate financial relief in all cases is dependent upon the generosity of the compensation scale, both with respect to the amount payable periodically and the length of time for which these payments may be made. For various practical reasons, largely the question of cost, present acts in general do not pay 100 per cent of the wage loss, the period of benefits is not based on the life or working-life expectancy, and owing to the effect of the weekly limits even the percentage provided is not applicable to those persons whose wages exceed the limit established. Under the pure theory of a compensation act there would be no apparent real need of lump-sum settlements if the compensation scale were adequate in all respects to meet the special requirements of each case.

In general, weekly payments should be the rule under the workmen's compensation act; lump-sum settlements should be the exception to the general rule, but under present conditions seem unavoidable in some cases. The burden of proof, however, to show why

we should approve the payment of a lump sum in redemption of liability should be upon the applicant, and the applicant in all cases should be the employee or the dependent of an employee. The insurer may not, under the practice in vogue in Massachusetts, initiate a lump-sum payment. This rule is intended for the protection of the employee and as a safeguard against the premature termination of the rights of an employee by the lump-sum process. Another reason for the practice is the desire of the industrial accident board to limit the number of cases in which employees may be tempted by the dangling of the lump-sum bait to accept a settlement proposed and arranged by the insurer. The desire of the insurer to terminate liability is not recognized as a legitimate reason for the approval of a lump-sum settlement. It may be added, also, that many insurers accede to the wishes of the board in regard to liability redemption cases and freely cooperate with the commission in their investigations and conferences in regard to such settlements.

In passing upon these matters certain fixed principles can not be ignored, if settlements by lump sums are to be approved in accordance with the spirit of the law. Briefly, the main points to be considered are as follows:

First. The case must be exceptional or unusual.

Second. The settlement must be for the best interest of the employee or his dependent.

Third. The amount agreed upon must be adequate.

It is difficult to define concisely an exceptional or unusual case. Generally speaking, however, the exceptional case may be defined as that of an employee, or a dependent of a fatally injured employee, in which a lump sum may be used to better advantage than the weekly payment. Thus the employee who is the father of a family, and who receives a permanently disabling injury, such as the loss of a foot or hand, may be much better off financially and socially if the future weekly payments are commuted and he is allowed to depart for Italy. A lump sum of \$2,000, or even of one-half that amount, becomes almost a fortune when translated into Italian lire, and the employee and his family will be able to live in comparative comfort and even luxury in their native land. Contrariwise, the weekly payment of \$8 or \$10 leaves the employee only a small balance, and at the end of the compensation period the permanently disabled workman has little or no prospect of becoming self-supporting unless a philanthropic employer creates a place for him in his business. Such a case is not only exceptional or unusual, but it is also an excellent type of case in which the facts show that the settlement is for the best interest of the employee and his family.

Probably the idea of whether a case is or is not unusual may best be conveyed by means of actual examples taken from our experience.

Typical cases are shown below illustrating the unusual and the kind that is not considered unusual. First, we shall consider some unusual cases.

A Brockton shoe worker lost his left hand while engaged in shoe-making, and as a result his usefulness in that particular industry was terminated. This employee had been brought up on a farm and had received his injury while helping to augment the family income by working in a near-by factory. By reason of his long connection with a farm the employee knew its requirements thoroughly and applied for a lump-sum settlement so that he might purchase adjoining land and till the soil. He was granted a settlement, purchased the land, and has become a successful one-armed farmer. The man is assured of a comfortable living for the remainder of his life. This was an unusual case, the settlement was for the best interests of the employee, and the amount of the settlement was adequate for the injury suffered.

A stonemason desired to go into business on his own account, making cemetery urns from his own patented molds, and showed orders for several thousand dollars' worth of stock; a grocer's clerk wished to operate a small business of his own; a young widow, formerly a stenographer, whose husband had been fatally injured and left her with a good income-producing property, mortgaged for about the amount of the commuted compensation, wished to pay off the mortgage and go back to stenography; a metal worker desired to open a business of his own in a small way and promised well in such an undertaking; a widow wished to convert her single house into a revenue maker by the addition of another apartment—cases of this nature are both unusual and promise permanent revenue to the employee or dependent.

Types that are not unusual and do not give promise of permanent income are:

That of a widow who wished to buy a certain parcel of real estate which proved upon investigation to be greatly overvalued and whose lump-sum payment would have been irretrievably lost if the transaction had not been carefully inquired into by the board. In this specific case the widow would have owed more for the real estate, after making a payment of \$3,000, than the parcel was worth on the market.

The case of a widow who desired to obtain a lump-sum payment solely for the purpose of purchasing a single house, and whose family income was not adequate to support herself and children.

The case of an employee who wished to get a redemption for the express purpose of placing the fund in the bank.

The case of an employee who wished to gamble on his prospects of recovery and concerning whose chances of improvement the surgeons were unable to give a definite opinion.

The day laborer who wished to conduct a bakery, the widow who wished to use the compensation fund to buy a piano and other luxuries for her children, and the employee who could not live within the income provided by the law and wished to commute his payments so that for a time at least he might have ample funds, these and scores of others—most of them having for their object the desire of the employee to get what appeared to be a large final settlement, without definite, promising plans in mind—are types of cases which should not be approved under the workmen's compensation act.

An inadequate lump-sum redemption should not be approved. This is so because the inadequacy of the payment will defeat the aim which underlies the request for approval and makes it unwise to sanction such approval. In Commonwealths where the administering body has the right to fix the amount of the lump-sum payment the tendency toward inadequate redemptions may be avoided. In other instances where an agreement between the parties is necessary before the commission may pass upon the matter, the practice followed in Massachusetts, that of withholding approval until the sum to be paid in redemption is increased to an adequate amount should be adopted. The power to fix the amount of the settlement probably is the better method of insuring adequacy.

In death cases, the question of adequacy is simplified by the passing of a rule that a final settlement will not be approved for an amount less than the present value of the payments, at a stipulated rate of interest. In Massachusetts, the rate is  $4\frac{1}{2}$  per cent, and insurance companies generally have accepted this rule as a basis to be used in computing settlements. Some difficulty is experienced in passing upon cases of probable permanent disability. Medical opinion, the experience of the individual case, when work has been obtained and performed, and experience derived from general sources, are aids to be used in passing upon the legal aspects of a settlement. In Massachusetts, it is the invariable practice not to pass upon the adequacy of a lump-sum settlement, except after having received competent expert medical advice, a full consideration of the particular requirements of the case before the board, and a determination of the fair value of the future benefits, under all the circumstances of the specific case.

Thus, in the case of a one-eyed man, who sustained an injury which destroyed the vision of the other eye, and whose wife wished to make his future certain by taking up a line of business with which she was familiar, the redemption fund was figured as in a fatal case, on the present value of the amount due for total incapacity or dependency

for the full period of 500 weeks. In the case of a man who lost the fore part of his left foot, reference was had to Imbert's standard table, the disability computed as 30 per cent of total, and the employee allowed to return to his native land to take up farming on his father's farm. The employee who suffered a shortening of his left leg, due to a compound fracture, who wished to become a barber, and whose prospects of success were exceptional, under the circumstances, was given a settlement of \$800, arrived at arbitrarily, because the settlement agreed upon by him and the insurer, in amount \$300, was inadequate. Yet, the insurer agreed to this adjustment, upon the advice of the board member, because it was shown that it would be unsafe and unwise to attempt to learn a new business and undertake to build up a tonsorial patronage with a lesser sum in view. When an employee can earn a definite sum, and his compensation is on a partial incapacity basis, there is no difficulty at all in agreeing upon a proper and adequate redemption figure. If an employee earned \$18 a week prior to the injury, has sustained a permanent partial incapacity, and is able to earn \$6 a week thereafter, the lump-sum value of the future payments is the present value of a weekly sum representing two-thirds of the difference between the old rate of wages and the new, for the balance of the partial incapacity compensation period.

The approval of lump-sum payments should be hedged about with every reasonable safeguard. When attorneys are employed in these cases their fees should be either ascertained and approved, or determined and approved by the administrative body. Otherwise the settlements agreed upon may be diverted in large part to improper channels through the medium of improper and exorbitant fees. Every case should be investigated thoroughly before receiving the consideration of the commission or a member of the commission. No lump-sum redemption should be approved hastily on the plea that the applicant "must leave at once for Italy," or that "this is an urgent matter, which must be approved immediately, or the employee will lose the chance to buy this business," or for any of the many real and manufactured reasons that are offered for the purpose of getting a redemption settlement "by the board." Reference of each request to the investigating department, first; consideration of the report and all the facts in conference, second; and approval or disapproval, third—are the steps which invariably should be followed in every lump-sum case. This may be regarded as overzealous care, partaking of paternalism, but the rights of injured employees and their dependents are precious and should be safeguarded as a matter of paramount duty by the administrators of our workmen's compensation laws.

**WEDNESDAY, DECEMBER 6—MORNING SESSION.**

**CHAIRMAN. FRANK J. DONAHUE, CHAIRMAN MASSACHUSETTS INDUSTRIAL  
ACCIDENT BOARD.**

## **V. BASIC PRINCIPLES OF RATE MAKING.**

Dr. Meeker read the following telegram from the California Social Insurance Commission:

**HON. ROYAL MEEKER,**

*Chairman Committee on Social Insurance, I. A. I. A. B. C.,*

*Washington, D. C.:*

The California Social Insurance Commission sends its cordial greetings to the national conference on social insurance with best wishes for a successful meeting, which can not fail to result in a better understanding of the great value of the social-insurance movement by the people of this country.

**BARBARA NACHTRIEB, Secretary.**

## **BASIC PRINCIPLES OF RATE MAKING.**

**BY WALTER G. COWLES, VICE PRESIDENT, THE TRAVELERS INSURANCE CO.,  
HARTFORD, CONN.**

It seems to have been the custom yesterday for the principal speakers to preface the reading of their papers with a sort of prologue. I can assure you that I have with difficulty restrained myself in my desire to refer to some of the things said yesterday, but I have reached the conclusion that if ever the cause of stock insurance was advanced, it was advanced yesterday by its enemies. Therefore I shall resist all temptation in that direction and offer my trifling contribution to the program.

The subject assigned to me is briefly expressed. Its complete discussion would do violence to the most tolerant ideas respecting brevity.

Some things carelessly called insurance rates are really not rates at all. The results obtained by the theoretical rate maker for purposes of publicity or agitation are not rates; they are merely figures. This sort of a rate maker is nimble and plausible with complicated algebraic formulas. He has no connection with insurance in any form; he never wrote or administered a policy; he never faced a critical superior, a dissatisfied board of directors, or a disgruntled policyholder. His apparent learning impresses some, but his results are without value to the serious business of insurance. Then there is

the mutual rate maker. It is of no importance to him whether there are any basic principles involved in rate making or not. He may produce his rate by dense and laborious algebraic methods or by rule of thumb. Under the laws of some States his rate must be adequate and he must uniformly propose the same rate for the same hazard. Neither of these requirements is difficult. As his rate is not final but merely experimental, accuracy is unnecessary. If a customer thinks the rate is too high, the ready answer is that any excess will be returned to the customer in the form of dividends. Customers seldom claim that a rate is too low, hence this rate maker escapes the further explanation that if the rate proves to be too low the customer will be assessed for the deficiency.

If a rate may be roughly defined as the money value of a given hazard, then a mutual rate maker does not produce a rate. There is no pretense that the money value of the hazard is expressed by this rate. The rate is actually determined after the policy expires. It is the bookkeeper and not the rate maker who produces the actual rate. Unless restrained by competition or by law the natural tendency of the mutual rate maker would be toward wholesale rate making with rates pitched above the money values of the hazards for the purpose of assuring dividends.

Glowing dividend promises are looked upon by some as good selling arguments. Why should the mutual rate maker pay any attention to the ethics or fairness of the system of dividend distribution? There is evident unfairness involved in a plan which permits the good and bad members of a dividend group to share the dividends equally. The same is true of assessments. Why should the good risk, which during a substantial period has cost the mutual nothing, enjoy equal dividends and pay equal assessments with the bad risk which has cost the mutual a good deal? The rate maker talks glibly about the necessity for distribution, but this is not distribution. It is pure imposition.

There is probably not a business man in this room who would join in a community or other mutual plan to provide food for his family for a period of ten or more years in the future, deliveries to be made every week or every two weeks, the price to be paid now to be corrected at the end of a year possibly by a dividend if commodity prices were reduced, to be increased possibly at the end of another year by an assessment if commodity prices increase, and then during the remaining eight years have to await the result with no degree of confidence that he had really paid the final price for the goods he expected to receive. The final price has not been paid. It is only determined when the last consignment has been delivered at the end of ten or more years, when the subscriber may be called upon, because of the failure of earlier mathematics, not to pay an assessment but



to pay for himself the actual deficiency in the cost of the goods when finally delivered. We have here dealt with the delivery of commodities in the distant future upon present prices. In insurance we deal with the delivery of indemnities rather than commodities, but other conditions are the same.

The mutual cycle, so called, ends in two years when the right of assessment usually expires. This is the last opportunity for the bookkeeper to correct the work of the rate maker. Liquidation is projected into the far distant future, frequently ten or more years. A mutual rate, therefore, even when corrected by the bookkeeper, is not the rate. It is merely the basis upon which each member of the mutual group insures himself and all of his fellows. The mutual itself insures nothing; therefore to find the mutual rate as it directly affects the policyholder we must await the completion of liquidation, perhaps ten or more years hence. The rate maker has no control over the rate at that time. Neither has the bookkeeper. If the original rate with the bookkeeper's corrections has not produced a sufficient fund to meet the long-deferred obligations, then each mutual subscriber is responsible for any deficiency on his own risk at least and that cost must be added before the real rate as it affects the policyholder is determined. Hence we may naturally go a step further and say that the mutual rate maker makes no rate. The bookkeeper makes no rate, but the cost of the insurance as it affects the policyholder is determined only upon complete liquidation in the distant future.

It is the stock-insurance system and that system alone which requires a real insurance rate. This rate must not only be adequate and indiscriminatory but it must be absolutely accurate, or as nearly so as human skill and knowledge can make it. This rate as respects the policyholder is a finality. A rate upon a given risk is subject to no change or correction during the life of the policy. How does the stock rate maker go about it? I shall omit the mathematics. Others will profusely supply this element.

Perhaps I should have stated earlier that my comments are directed particularly to the workmen's compensation insurance field. Our rate maker turns to his manual of classifications. He finds there some 1,500 classes expressed in the terms by which industrial undertakings are usually known. He finds "Machine shops," "Cotton mills," "Rolling mills," and so on through the list. He finds some subdivisions, but not many, as subdivisions have been found to be dangerous in practice. Because of possible misapplication, manuals must be kept within the narrowest practical limits. Our mathematical friends will tell you how the classified or basic rates are produced. Let us suppose our rate maker produces a perfectly accurate basic rate for machine shops. Is his work done? Not at all.

He has barely started. The hazards involved in the operation of machine shops differ, infinitely, each from the other. If it is true that rates for the same hazard should be the same, it is equally true that rates for different hazards should not be the same.

Our rate maker must analyze his hazards; he must dissect them and provide a rate measure for each part. This leads to a discussion of practical procedure which time limits will not permit. We may comment briefly. Let us say that a hazard is divided into three elements—moral, physical, and inherent. Exact scientists may note their exceptions, but this general division will answer our present purposes. The inherent hazard is not within human control; it is wholly governed by the law of average, and is properly distributable as a whole without regard to the events in any particular risk. This element of hazard must be further divided. A part of it is the hazard peculiar to the classification. In this part alone the differential is found. Another part of it is the hazard which is common to many or perhaps all classifications. An elevator in a powdermill; if such a thing exists, presents of itself no different hazard than the same elevator in a silk mill. Passing along rapidly we encounter the physical hazard. Certain physical hazards are inherent and apparently uncontrollable. Otherwise this hazard is within human control. Running along with it, often so closely as to be inseparable, is the moral hazard which is, or at least ought to be, entirely within human control. One writer at least has announced his conviction that the term "moral hazard" is offensive. He concludes that if we are to call anybody or anything bad names, we ought to do it in a foreign language. If we are seeking to obscure something, a foreign language furnishes a convenient means. When we use foreign words, they never quite carry with them a true meaning and often carry quite a false meaning. To many Americans the well-known title "Gotterdammerung" sounds like vivid liquid profanity, but as a matter of fact it is not. It is a highly refined allegorical expression. I confess that I can see nothing offensive in the expression "good moral hazard," and if the reverse expression "bad moral hazard" is offensive, I should say the offense was justifiable. A bad moral hazard should be offensive to those who are responsible for it. It certainly is offensive to those who come in contact with it. Our risk never presents a fixed condition. We are not dealing with so-called "still life." We deal with operative activity, with brain, muscle, and skill in action. Controllable conditions may change every day, every hour, or every minute during the rush and hurry of work. We have here the human element. How shall we measure it? These changing conditions are governed by no law, not even the law of average. The rate maker undertakes the measure of physical hazard seriously, perhaps too seriously. He proposes rate reductions for the installation

of safety appliances. This is desirable and proper if not overdone. Has the rate maker finished his work? By no means. The mere installation of a safety device does not of itself improve the hazard. The safety device which becomes ineffective because of incompetent supervision or improper use frequently constitutes a distinct menace. The safety device suggested by the inspector and upon which a rate reduction is obtained ceases to improve the hazard when it is laid aside by the workman or is neglected by the superintendent. The constant and proper maintenance and use of the device are infinitely more important than its mere installation. This points directly to the responsibility of the individual, a responsibility which should be brought home to the offender in some compelling way.

This is a phase of the moral hazard. There are many other phases. In two plants with identical equipment and product the losses may persistently differ. This is not all due to difference in moral hazard, but some of it doubtless is. The only sure method for measuring this difference is by the application of the experience of the risk to the process of rate making in a well considered and thoughtful manner.

Our rate maker then must distribute the cost of the inherent hazard, properly loaded for expense, to all risks in a chosen group of essentially the same degree of hazard in equal proportions. He must measure the physical hazard upon the visible evidence presented by the inspector, and he must measure the moral hazard by the actual experience of the risk. This experience must exhibit real loss in real dollars and cents. We do business in money, not in events. Similar events may produce different results. We must measure results only. Our problem is one of cost, purely. A piece of heavy material may be dropped a considerable distance without injuring anybody. Under other circumstances the same piece of material dropped a similar distance might kill or injure a dozen. The result is controlled by the law of average. The cause is not. The result is not controllable, while the cause is. We know, of course, that an uncertain number of pieces of heavy material will be carelessly dropped in an uncertain number of industrial plants of varying classifications and varying inherent hazards, and that in many instances at least these events will have no relation to the classification. If, given a sufficient exposure, we should deal with such an element of cause alone, the results in deaths and injuries could be made amenable to the law of average, but the cause never could be. The cause exists because of a controllable human element. It is capable of entire or practically entire removability. It is the cause, then, which affects the rate only in its proportion to the actual, and not the theoretical, results. The untoward event which costs nothing has no effect upon the rate. The inspector may pronounce a few solemn words of caution. The agent will probably call and warn his customer that he should exercise

unusual care to avoid repetition which might affect his rate, but otherwise the incident makes no impression on the situation.

We must require a substantial exposure over a considerable period that the result may be fairly indicative. We must deal with a given risk and that alone. We can not deal with groups or measure one risk by means of another. We must never lose sight of the large part of the rate which is properly distributable and upon which the events in a given risk have no bearing. We must avoid undue refinement by the recognition of a neutral zone just beyond the distributable zone in which equal distribution must be maintained irrespective of events because the inherent and the controllable hazards are not clearly distinguishable at their borders. We must not charge our whole loss to the risk which produced it because in the kaleidoscopic activity which constitutes our risk we will always find more or less of the hazard which is theoretically controllable, but actually inherent.

We must make some thoughtful provision for the abnormal experience. We must remember that our business is that of insurance, not of banking. An abnormally bad experience not infrequently results from practically uncontrollable conditions which furnish no criticism of moral hazard. Proper discretion must be used in distinguishing between such events and others which are strongly marked with the indisputable evidence of personal culpability. It is a sound underwriting conclusion that a single large loss on a risk may not, and often does not, reflect upon the moral hazard equally with a number of trivial losses on another risk of the same character with an aggregate loss much less. These principles, however, are not applicable except in cases of abnormality. Abnormally good experience is reasonably limited in its application to the rate by a proper limitation of the maximum discount. Abnormally bad experience must be similarly treated. The question at this point is rather an underwriting than a rate-making question. Abnormally bad experience might indicate cancellation. The inherent risks of all hazards, no matter how serious, may be properly insured under stock-insurance systems with their wide distribution of loss, but we occasionally encounter such complete disregard and indifference to the moral and physical hazard as to render risks uninsurable because an insurance rate is incomputable. The remedy is wholly within the control of the employer, and one very effective way by which the interest of the employer may be awakened is through the denial of insurance protection until improvable conditions are improved. Then and then only can the rate maker do his work.

We must reflect our loss in its proper relative degree, and thereby furnish a warning which will serve as a deterrent to the culpable individual, be he employer, superintendent, or workman. A goodly share of industrial accidents is fairly chargeable to the personal fault of some one. We can best correct the evil by reflecting its cost

in the rate for the risk. This involves no violation of the best principles of insurance, no disregard of the fundamental law of average, but provides a reward for the careful and competent or a penalty for the careless and incompetent, depending upon the point of view. The development of this plan must be by means of slow evolution. The earlier efforts will be imperfect, but if in the right direction we should not condemn them; rather we should strive to improve them. The plan will be unfairly applied, but should not be judged by its abuse. We must keep ever before us the fundamental fact that no rate maker will ever produce a real rate until he includes these basic principles among others.

Speaking generally, the rate of the future—and, I hope, the near future—must be a rate for a risk rather than for a classification. For some time at least rates for classifications must serve the purpose as to risks which in themselves provide an insufficient experience to make it indicative. This does not penalize the small risk. The small risk has just the natural disadvantages of any small consumer; no more and no less. I paid more for my Thanksgiving turkey than the steward of my club did, and yet both his turkeys and mine were used for the same purpose. This is a recognized condition. It would be difficult to call it unfair. There is an undoubted ultimate advantage even to the small risk, which for the present may be compelled to struggle along with an average rate. That advantage lies in the fact that by improving the distribution of cost by an improved method of measuring hazards we reach an ultimate improvement in the basic rate itself, which inures to the benefit of the small risk incapable of producing its own indicative experience.

On the whole the plan seems to be free from fault. The objections made to the recognition of individual experience are largely specious or unreasonable. The mutual rate maker has the same regard for experience rating as the devil is said to have for holy water. It does not fit into his scheme. He prefers the allurements of a general dividend unfairly distributed to the cold, calculating, discriminating method of levying insurance contributions upon policyholders on the basis of merit. If we are to deal adequately and fairly with our peculiar kind of risks, we must recognize the influence of individual experience as a prominent factor in rate making, more prominent than physical conditions. It should not be trivial. It must be substantial. When this condition has been recognized and the means for its application thoughtfully established, we will be able to give the insuring public what it has a right to demand, which is a fixed rate at the inception of the contract which enables the employer to distribute the cost of his insurance as a known quantity to his product, and by that means to the consumer, where it belongs.

## PRINCIPLES AND METHODS OF RATING COMPENSATION RISKS.

BY LEON S. SENIOR, MANAGER, NEW YORK COMPENSATION  
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It is quite difficult to discuss the subject of rate making after such a distinguished authority as Mr. Walter G. Cowles, who has probably devoted a quarter of a century to the problem. I think my friend, Mr. John T. Stone, of the Maryland Casualty Co., made a statement some time ago that workmen's compensation insurance is so intricate and so complex that no individual can possibly make himself familiar with all the different phases of it. Now, the subject of rate making is the special phase to which I have devoted myself for the last three years. I believe that I can simply lay down the a-b-c of the problem within the limited time at my disposal, and I shall proceed upon the assumption that a statement of the fundamentals involved will suffice to provoke interesting discussion.

It is my purpose to present a review of the principles and methods that have been adopted in establishing rates for workmen's compensation insurance. Notwithstanding the comparative youth of the workmen's compensation laws and this form of insurance, tremendous progress has already been achieved under the leadership of important industrial States. Except in the States where the administration of the insurance system is vested exclusively in the hands of State funds, the legislation for the supervision of rates has taken the tendency of requiring the establishment of adequate rates under the supervision of insurance departments and the prohibition of methods that discriminate unfairly between risks of essentially the same hazard. In discussing the principles of rate making the important thing to bear in mind is the fact that *adequate rates* are absolutely essential for the maintenance of sound insurance, for upon the adequacy of rates depends the sound financial condition of the insurance carrier and the assurance that the injured man or his dependents will receive in full the benefits provided by law. The principle of adequate rates established by legislation has brought with it a responsibility of great magnitude imposed upon the supervising authorities. Efforts in the direction of creating sound rating systems, initiated by company organizations and subjected to the review and approval of insurance departments, find ultimate expression in the manuals of basic rates and in merit-rating systems administered through independent rating organizations. In estab-

lishing rating systems insurers are guided by the purpose, first, to provide rates sufficiently high to enable the payment of all insurance obligations and sufficiently low to appeal to the reason of the assured who stands in the advantageous position of selecting from various forms of participating or nonparticipating insurance; second, to avoid unfair discrimination in the rating of risks according to class experience and physical analogies of hazard; third, to provide discriminatory systems for the measurement of individual risks so as equitably to distribute the cost of insurance; fourth, to encourage accident prevention by creating definite standards for safeguarding industrial plants, thereby reducing the accident frequency and the insurance cost.

This, you will observe, is a large program. You are interested in this program because the questions involved are most intimately related with the economics of social insurance. The present theories for rate making may be imperfect; indeed there will be no difficulty in finding critics both of the destructive and constructive type. Such criticism is helpful if based upon scientific study and research and should be received in a spirit of broad tolerance. Rate-making systems must have science in the form of mathematics as the foundation and art in the form of judgment as the superstructure. The greatest skill must be exercised in the analysis of figures, and the best judgment must be used in determining analogies of hazard.

Industrial enterprises will vary greatly, depending upon the raw material, the process of manufacture, and the finished product. For rate-making purposes industries must be arranged in groups in accordance with the similarity of process of manufacture or operations conducted. In creating homogeneous groups of this type it is possible to develop large-group experience to serve as an index from which to derive pure premiums. The groups must be further subdivided into classes for the purpose of developing class experience for specific products or operations. The pure premium derived from a division of pay roll into actual losses paid and incurred represents the amount necessary on the average in the payment of loss claims, including within that term, of course, the money awards allowed to the injured or his dependents and medical benefits. Accepting the law of averages as the underlying principle, and adopting the retrospective method of analysis, we assume in a somewhat prophetic manner that the experience of the past is a sufficient guide for the future and that the quantitative volume of losses sustained in the past will inevitably recur in the future. It is the same principle that has been adopted in life insurance. The grouping of industries, as previously indicated, and the consequent application of the method described in deriving pure premiums, assuming, of course, that we have a sufficiently large exposure in the

form of pay roll, will give us so-called basic pure premiums for the various industries in the State for which we propose to establish rates. It then becomes necessary to load the basic pure premiums with certain factors in order to obtain the rate which is intended to be charged for each form of enterprise. Scientific rate making must recognize definite elements which enter into rate computation in order to provide adequate rates. The student of rate making must familiarize himself with the entire history of the workmen's compensation movement throughout the world in order to appreciate the factors that enter into the final rate. I shall briefly refer to the principal factors.

First in importance is the law differential. The paucity of American experience for any one State makes it impossible to determine rates upon the experience of any individual State. Furthermore, it is doubtful whether any one State will produce sufficient experience to enable that State to make rates for all of its industries. Then again, the compensation movement is spreading rapidly throughout the country, and new States that have entered the field require the establishment of rates upon the experience of their neighboring States. It is, therefore, obvious that for rate-making purposes it is at present absolutely necessary to combine the experience of various States on a common basis so as to afford a sufficiently broad exposure. Benefits under various compensation laws differ in various States. In order to make possible the combination of experience it is necessary to adopt the law of a given State as a basis and analyze the provisions of the laws of other States in relation to the law of the basic State and to determine the degree of variation. Until the present time the law differentials for the different States have been determined upon an assumed table of distribution of accidents derived largely from an analysis of European accident statistics. It is generally recognized that as soon as American experience provides sufficient material a new table will be devised to reflect the distribution of accidents upon the basis of American experience. To illustrate the method, I may cite as an example the State of Massachusetts. The original law of that State has been used as a basis of measurement. The value of benefits, therefore, provided under the original Massachusetts law being equal to unity, such benefits are compared in value with the benefits provided under the New York law. The valuation of the New York benefits as compared with the Massachusetts benefits indicates a value twice as great as that provided by Massachusetts. It would, therefore, follow that the pure premiums derived from Massachusetts experience require to be multiplied by a factor of 2, representing the New York law differential, in order to obtain pure premiums for New York rates. By similar process the law differential for Illi-



nois is equal to 1.37 and for Wisconsin to 1.50. The differentials thus determined should, of course, be periodically modified in accordance with accumulated experience.

In estimating reserves for outstanding losses on a judgment basis the companies invariably fall into the human error of underestimating the probable liability. This human error will be found prevalent in the estimation of losses on fidelity and surety bonds as well as on employers' liability and workmen's compensation policies. For evidence one need only examine the history of the workmen's compensation business in Great Britain and what little experience is already available in the United States. In addition to this error of human judgment, the liberalizing tendencies of courts and commissions must be taken into account. It has been historically proven that with the increasing age of every workmen's compensation law there has been an increasing cost of insurance. It is therefore very clear that a factor of loading must be provided for insufficient estimates and for the rising cost of workmen's compensation with the age of the act. There are other factors which I will briefly pass by, such as the loading necessary to provide for catastrophe hazard, for variation of accident frequency in different States, and for awards made to cover industrial diseases.

In addition to all these factors a definite margin must be provided to cover expense of acquisition and home-office administration. The factor representing home-office administration may vary materially among the various insurance companies. The loading necessary for acquisition expenses may differ with the particular form of insurance. Thus it is well recognized that the acquisition expense in the case of stock companies is greater than the acquisition expense required by mutual companies and State funds. Assuming, however, that the portion of premium which represents the claim cost and home-office expense is alike for all companies, the only variation in the cost of insurance will be found in the factor representing acquisition expense. In order to maintain position in the competitive field, companies which are suffering under the disadvantage of a high acquisition cost are inevitably forced by the logic of the situation to bring that cost down to the minimum amount. The important advantage claimed for participating insurance lies in the ability to pay dividends, and the payment of dividends by participating companies is possible only through judicious selection of risks, low loss experience, and freedom from acquisition expense. The competitive element, therefore, between stock and mutual insurance is not without its advantages; in mutual companies I include State funds, for the reason that organizations of that character are usually conducted on a participating basis. The question is fre-

quently asked as to the desirability of making initial rates equal for all forms of insurance. It is to the interest of all three forms of insurance to have the rates upon an adequate basis. It is to the interest of the mutual companies to have initial rates with a sufficient margin of safety, enabling the return of a dividend under favorable experience, and it is to the interest of stock companies to have the rates sufficiently low in order to enable them to compete on a satisfactory basis with the participating form of insurance. Assuming that the participating carriers adopt the rates adequate for stock insurance, the difference in acquisition cost will permit dividend returns, provided, of course, the loss expectancy is not violently exceeded by actual losses, and provided the office is conducted on an expense basis not exceeding the marginal loading.

We have now reached the point in our discussion where our system of rates obtained from experience and analogies of hazard applies to industrial groups or classifications. These are so-called manual rates—rates which may be applied to each risk within a given industry. From this point on, our discussion takes on a somewhat different form and will deal with the question of rates for individual risks. The pure premiums which we have determined are average pure premiums, and if our experience has been correctly analyzed and our judgment is sound, and if the law of average as applied to accident insurance maintains on the whole the same true level as it has historically maintained in life insurance, we shall be able to collect an adequate amount of premiums to meet all of the losses for the given period for which the rates are determined, together with the expenses required in the conduct and administration of the business. But if we enforce these rates against each individual employer in the State insured under the workmen's compensation act will we deal justly with him? Will we deal equitably with him? Is it proper to charge the same rate, reflecting the average experience, for every risk within a given industry? The modern philosophy of rate making gives a negative answer to these questions. While the sum of the projected losses may exactly measure up to the sum of the losses to be realized in the future for the entire business or for any given industry, the average projected pure premium will differ materially from the actual pure premium of any risk. That, of course, is to be expected, but it seems to be the duty of the actuary to analyze the difference between the average projected pure premium and the actual pure premium for the risk. The analysis of the departure leads to the conclusion that the departure is due partly to chance and partly to other causes. In the general process of rate making we have adopted a number of imperfect classifications which can not with any degree of accuracy describe every risk assigned to the classification. We have been obliged to select pure premiums

on judgment basis in cases where the experience was insufficient to give us a pure premium based upon experience. We have included in a given group a great number of risks, some of them constructed in accordance with modern ideas, equipped with safety devices, provided with safety appliances, and generally organized along the lines of preventing accidents. Risks of this character may be expected to show favorable loss experience. On the other hand, we have also included within the same group a number of antiquated plants, badly constructed, poorly equipped—risks which have given no attention to the safety movement and have taken no steps to prevent accidents—in other words, risks which may be expected to incur a very unfavorable loss ratio. What must be done to correct our rates with respect to risks varying so materially in their inherent hazard? The answer to that question will be found in the merit system of rating compensation risks.

The term "merit rating" expresses in a measure the purpose of the rate maker to appraise each risk according to its merits, and includes both schedule and experience rating. When we speak of schedule rating we having in mind the physical inspection of the risk and its appraisal according to a definite schedule providing values for conditions above or below the average. The object of schedule rating of workmen's compensation risks is to secure an equitable distribution of the insurance cost by discriminating on a sound economic basis between industrial plants of the average, superior, or subnormal type. To secure satisfactory results under a schedule-rating system so as to produce rates approximately close to average for the average plants, higher rates for the inferior risks, and lower rates for the superior risks, it is necessary to provide the following methods:

First. A definite system of standards which will serve as a guide to employers in correcting defective conditions and in pointing out under what terms insurance rates will vary. The system of standards must be devised by safety engineers familiar with causes that contribute to accidents. Such standards must provide for the character of the building, condition of floors, wall openings, hoistways, stairs, elevated runways and platforms, pressure apparatus, steam engines, electrical equipment, explosive hazard, power transmission, methods of safeguarding machinery, and the organization of welfare and safety work. Definite values must be provided in the form of charges for hazardous conditions and credits for superior conditions. There is a certain theory underlying the method of applying charges and credits in the schedule now in use in a number of compensation States. To illustrate, for conditions that indicate the extent of the catastrophe hazard, a flat amount is applied to the rate for the entire pay roll on the theory that all employees are exposed to the catastrophe hazard in an equal degree and without regard to the particular

classification to which the risk has been assigned. For conditions that affect only a portion of the employees a flat amount is applied to the premium; this on the theory that it would be unjust to charge or credit the entire pay roll if only a portion of the employees are exposed to the hazard. For conditions that reflect the hazard of the entire plant, such as safety organization, first aid, and hospital equipment, the premium is modified by the application of factors expressed in the form of percentage; this on the theory that the premium should be modified in a variable manner for each classification in proportion to the loss expectancy indicated by the pure premium.

Second. In order to have a successful application of the schedule it is important to have uniformity. The standards to be adopted for any one State must be uniform standards to be applied by all compensation carriers. Inspections to be made in any one State must be uniform inspections for all compensation carriers. The values of the schedule must be of a uniform character, and the spirit in which the schedule is to be applied must be impartial, disinterested, and free from competitive influences. It is quite evident that it would be absurd to have individual standards for various compensation carriers, varying values in several schedules, or varying systems of inspection. Variation in standards, methods of inspection, or methods of application of the schedule would result in utterly confusing the employers and in bringing about chaotic conditions. It requires, therefore, no lengthy argument to convince impartial minds that the schedule-rating system, to be effectively applied, must necessarily be a uniform system with a single set of standards, uniform inspection methods, and administered by a disinterested authority. In recognition of this self-evident fact compensation States that have adopted the principle of adequate rates with auxiliary schedule-rating systems have also brought about the organization of independent rating institutions administered under the supervision of State authorities with rating systems that apply uniformly for all compensation carriers within a given jurisdiction.

Third. While the history of schedule rating is still in its infancy, the fact that it has been in successful operation for a period of over two years in a great industrial State like New York indicates the tremendous possibilities of the system. The adoption of definite standards, the specific enumeration of defects in accordance with respective merits, and the direct pecuniary reward which the system offers to the employer has a dynamic force in stimulating accident-prevention work. In this fact, undoubtedly, will be found the secret of its success. Accident-prevention work has been carried on by companies for a long period of years under employers' liability insurance. It is, however, well recognized by all students of the subject that the greatest amount of progress in the direction of accident

prevention has been made during the past few years since the introduction of workmen's compensation laws. With the introduction of such laws and forms of compulsory insurance, the rate question has become of an acute character. Employers have been made acquainted with the possibilities of reducing cost dependent upon efforts for accident prevention. Exact statistics are not available as to the actual effect of schedule rating upon loss reduction and no method has yet been discovered to measure that effect in a mathematical manner. It is, however, well known that advocacy of safety measures has been gaining steadily in strength and that physical and moral conditions are constantly improving. To satisfy oneself one only needs to review the safety publications issued by insurance companies, industrial commissions, large and well-known industrial plants, and special associations organized for the purpose of extending the scope of the propaganda. The rating schedules published by National and State rating organizations, setting forth definite standards, values for correcting defects, and methods for organizing safety committees are being widely distributed among employers. In this age of industrial efficiency, the lesson taught by these schedules receives instant recognition; the great army of insurance solicitors helps to bring the lesson home to the employer. The system must appeal to the employer with an effect that no other appeal can possibly have. The establishment of safety conditions promotes efficiency, encourages confidence in the workmen, improves relations with the employer, reduces the number of accidents, promotes the general welfare in the shop, and lowers the cost of insurance. It would, therefore, be idle to deny the value or effect of this appeal. There are some of us who believe that whatever has been accomplished in the promotion of safety ideas has been due not so much to the economic forces of schedule rating as to the humanity of the employer who is imbued with the responsibility for the welfare of his workmen.

I am not at all disposed to take issue with the statement that employers who possess a consciousness of their social obligations to their workmen and to the community at large will readily respond to the humanitarian appeal for safety in the shop, nor will I assume to attempt to divide the honors among the various types of advocates who make their appeal to the employer; I maintain that the foundation upon which schedule rating is built possesses forces which naturally appeal to the employer's mind, whether that mind is of the idealistic or materialistic type. If the particular employer to whom we address ourselves is an individual with high ideals, he will respond to the demand for correction of unsafe conditions regardless of whether his work will result in financial reward. If the employer is of the impersonal or corporate type, the material forces of schedule rating offering pecuniary rewards must necessarily have the desired effect. Anyone who has given attention to the safety movement and its

workings within the past few years must have inevitably run across a great number of corporate employers, many of them carrying their own insurance, who have given a great deal of time and thought to safety methods and whose herculean efforts in this direction have produced remarkable results. Industrial preparedness has now become the slogan for action, both in Europe and America. In this work of industrial preparedness all social forces that tend to promote efficiency will become recognized factors. The principles embodied in schedule rating must necessarily produce an effect upon industrial efficiency in preventing the needless waste and destruction of human lives with their consequent economic loss to society. The system will take its proper place as a recognized force for the betterment of industrial conditions.

There is another method of merit rating which I have not touched upon yet. So far we have discussed the principles underlying *schedule rating*, which is the accepted term for individualizing risks upon physical inspection and conditions of the plant. The theme of experience rating has afforded a large field for controversy within the past year and has resulted in a revision of experience-rating plans which were in vogue prior to July, 1916. Experience rating attempts to appraise the morale of the risk by an examination of the accident frequency during a given period of years. It has been claimed, and not without good reason, that physical inspection alone is insufficient to produce an accurate appraisal of each manufacturing plant. Take, for instance, a plant that has been perfected in accordance with standard recommendations but where the workmen persistently refuse to employ the safeguards which have been provided. Evidently there is something wrong with the discipline in that plant. It is quite true that an effective safety organization will remedy conditions of that character, but it is extremely difficult to gauge the effectiveness of safety organizations through mere inspection. The only effective way to check safety organizations is by results, viz, a review of the actual accident experience of the risk. The experience of the risk, therefore, may be employed as the final test in determining the value of the preventive measures which have been put into operation by the assured. Furthermore, there are certain industries described as contracting risks and public-service enterprises which do not lend themselves readily to appraisal by any system of schedule rating. In the case of operations of this type, experience rating is the form of merit rating applied for the purpose of setting an individual value upon the risk as distinguished from the class value provided by the average manual rate. In its fundamental conception, therefore, experience rating does not differ from schedule rating, and it is even claimed by its advocates that it possesses an incentive for accident

prevention in that it offers reduced cost of insurance to employers who are able to maintain a favorable record of accident experience.

Conceptions of the principles of experience rating differ so widely that in a discussion of the subject it is well to confine one's ideas to certain prescribed limits. For the purposes of this paper I will review the fundamentals of the experience-rating plan which is now effective in New York. In the first place it has been recognized that experience rating is intended to correct that departure of the actual pure premium from the expected pure premium which is due largely to error caused by imperfect rate-making judgment, incomplete statistics, improper classifications, and fluctuating industrial conditions. This departure becomes increasingly important with the increase in the size of the risk, the size being measured by volume of pay roll exposed or, preferably, by amount of premium earned. Admitting this principle as the underlying basis for the New York plan, risks become eligible for experience rating only if the pay-roll exposure amounts to at least \$50,000 and the premium to at least \$500 for a period of two years. The valuation of the loss experience is not based upon the actual losses sustained by the assured under observation. A table of average values derived from the total experience has been created, such values to be applied without deviation to each risk and the same prospective method which obtains in determining pure premiums for industrial groups is also used in determining the rate modification to which the risk is entitled on its current policy. Full recognition is also accorded to the principle that the deviation of the actual from the projected pure premium grows increasingly important with the increase in the size of the risk. The application of this principle has resulted in the adoption of a schedule of debits and credits subject to maximum limits, depending upon the volume of earned premium.

Those who have made a study of the merit-rating system now in vogue seem to be agreed that there is no denying the fact that the system brings about the education of the employer and provides a tremendous economic incentive. The only tenable exception that is offered is contained in the critical inquiry as to whether the values provided correctly represent the measure of hazard that may be eliminated by compliance with the standard recommendations, and to that inquiry we can offer the answer that judgment values must necessarily be maintained until such time as American experience will furnish sufficient statistical data to enable the substitution of mathematical values in place of judgment values. There is, however, a larger question involved—as to whether the schedules are so framed as to permit statistical analysis. This point is elaborated upon in a very valuable paper by Mr. Downey, published in the last proceedings of the Casualty Actuarial and Statistical Society of

America [November, 1916]. That subject deserves careful study and earnest consideration.

It is admitted that the statistical data in America is not sufficiently large to establish workmen's compensation rates upon a strictly mathematical basis, nor do I conceive that the time will ever come when judgment will be eliminated from the process of rate making. Perfect rate making involves not only the possession of statistics but the ability to analyze such statistics with good judgment. It involves a knowledge of the history of the workmen's compensation movement throughout the world, a knowledge of processes employed in manufacturing and contracting industries, an understanding of machinery and the safeguards that make the operation of such machinery least hazardous; but beyond and above all, it involves that character of judgment which is competent to study and analyze the history of the past as a guide for future action.



## EXPERIENCE RATING VERSUS SCHEDULE RATING.

BY DAVID S. BEYER, MASSACHUSETTS EMPLOYEES' INSURANCE ASSOCIATION.

The conditions from which accidents may result are not identical in any two plants. Since workmen's compensation insurance is intended to make a fair distribution of the cost of such accidents over all the plants insured, the idea of giving each plant an individual rate, which is determined by its own conditions, appeals to us at once as being desirable. It seems self-evident that the employer who has done everything he can to safeguard his employees will have relatively fewer accidents and should accordingly pay less for insurance against these accidents than the careless employer who is indifferent to the safety of his workmen. Hence "individual" rating is desirable from the standpoint of equity between employers.

It is equally desirable from the standpoint of accident prevention. The employer who is asked to spend money in installing safeguards for the purpose of reducing his accidents may hesitate to do so when he knows that he will have to pay precisely the same rate for insurance against these accidents as that paid by his competitor who spends nothing on accident-prevention work. When he is told that his expenditure for safeguards will give him a lower insurance rate than can be secured by the man who does not install safeguards, he is naturally more willing to make this expenditure. Hence individual rating stimulates accident prevention.

"Experience" rating is an attempt to modify the rate of the individual plant in accordance with its accident experience. "Schedule" rating is an attempt to modify the rate of the individual plant in accordance with its physical conditions, as determined by inspection. In other words, both "experience" rating and "schedule" rating are forms of "individual" rating; hence they may both be judged by the degree in which they contribute to the fundamental purposes of individual rating, viz:

- (1) Equity between employers.
- (2) Inducement for accident prevention.

In deciding whether or not a given plan of individual rating should be adopted there are other points that must be considered also, such as the difficulties involved in placing the plan in operation, its cost to the insurance carrier, the ease with which it can be explained to the employer, etc. The two great aims of individual rating, however, are equity to the employer and prevention of injuries; these considera-

tions accordingly furnish two definite standards by which we may judge the value of any form of individual rating.

#### SCHEDULE RATING.

Schedule rating takes into consideration the accident hazards presented by the buildings, equipment, and operations of each plant, giving charges for certain conditions that have been shown by practical experience to produce accidents, or credits for conditions that are known to be superior from the accident-prevention standpoint.

The plans of schedule rating that have been developed up to the present time are undoubtedly capable of improvement in certain respects. For example, the values assigned to the individual items of charge or credit in these schedules are based, to a considerable extent, on judgment. There is no statistical method by which it can be demonstrated that the charge for a set screw or the credit for a belt guard bears an accurate relation to the cost of the accidents that would result from the presence of the set screw or from the lack of the belt guard. Probably such values can never be verified in absolute detail. There is a growing feeling, however, that it should be practicable to divide the charges and credits into a number of groups and through general comparisons of the results shown by plants falling within these groups determine the group values with considerable accuracy.

Two interesting papers along this line have been presented at a recent meeting of the Casualty Actuarial and Statistical Society [November, 1916], one by Dr. E. H. Downey and the other by Mr. Albert H. Mowbray. The writer recently had the privilege of looking over a third paper presenting a similar line of thought, prepared by the safety engineer of one of the large casualty companies. Without taking time to discuss the merits of these proposals in detail, the writer thinks it probable that some such plan can be developed by which values for the items included in the rating schedule may be determined much more accurately than is possible at present, thus placing schedule rating on a more sound statistical basis.

Some of the rating schedules now in use may be criticized because they include certain items of an intangible nature for which there are no definite standards, such as sufficient light, insufficient ventilation, and freedom from rubbish. The question as to what constitutes sufficient light, insufficient ventilation, or freedom from rubbish in a given plant must be left to the judgment of each inspector, and as differences of opinion are inevitable, the item can not be interpreted uniformly. A premium variation of approximately 8 per cent is possible for these conditions as now included in the industrial compensation rating schedule. It is natural that the agent or solicitor should make a strong effort to get the lowest possible rate, and thus

retain the good will of his clients. In States where there is no central rating bureau, each company making its own rating inspection, it is evident that this furnishes a competitive advantage to the company giving the greatest credits and accordingly tends to bias, either consciously or unconsciously, the judgment of the inspector or agent. Inequity between employers will result to the extent in which the interpretation of these conditions varies. This source of inequity may be removed by omitting such items from the schedule (which has been done in Massachusetts).

An additional shortcoming of the schedules now in use is due to the fact that they are too general; the same schedule is applied to a cigar factory, a cotton mill, and a blast-furnace plant. A slight attempt has been made to distinguish between these industries by including certain safety devices for the point of operation of different types of machines and for goggles, leggings, etc. Much additional work along this line is necessary, however, before an adequate distinction can be made between special hazards found in the widely varied industries to which schedule rating is applied.

It is evident, however, that these defects are not fundamental objections to schedule rating as such, but rather they are faults of existing schedules, which should be eliminated as time goes on. Meanwhile it can be said without hesitation that schedule rating complies with both of the tests we have outlined for individual rating plans. Schedule rating brings about greater equity between employers, inasmuch as it gives the plant having good safety conditions a better rate than the plant having poor safety conditions, thus meeting the first test; it also meets the second test, since it gives a definite financial return for the elimination of accident hazards, and thus stimulates work in accident prevention.

#### "EXPERIENCE" OR "MORALE" RATING.

When these two tests, viz, equity between employers and inducement for accident prevention are applied to so-called "experience rating" the desirability of this form of individual rating is less obvious.

There is no doubt that experience rating will give valuable assistance in accident prevention, provided a plan can be developed that will appeal to the employer as being fair and will not arouse his antagonism. Since every accident will affect the experience of a plant adversely, and thus increase its insurance cost, the employer can be shown that it is to his advantage to adopt all practicable safeguards. This not only furnishes an inducement for accepting those safety provisions which are included in the rating schedule, but also furnishes a further much-needed argument for the adoption of addi-

tional important safeguards, which are not in the present schedules, and all of which can probably never be included in a schedule without making it too cumbersome for practical application.

When we consider experience rating from the standpoint of equity between employers, however, we are immediately confronted with the fact that a large percentage of all accidents is purely the result of chance, for which no one can be blamed. Yet a single serious accident, in even a fair-sized plant, may have a radical effect on the insurance rate of that plant for a number of years under experience rating.

The principal examples of "experience-rating" plans in use at the present time may be designated as the "Massachusetts" plan (from the State in which it is used), the "service bureau" plan (adopted by the National Workmen's Compensation Service Bureau for use in 13 States, effective Oct. 1, 1916), and the "Ohio" plan, used by the Ohio State fund. A fourth plan, which may be called the "Pennsylvania" plan, has been developed, by a committee, for possible adoption in that State. These plans have been described in various publications, and will not be taken up in detail here; reference will be made later, however, to certain features which seem worthy of special comment.

The following study of accident frequency in Massachusetts, where conditions may be considered as fairly representative of the average industrial State, throws interesting light on the application of experience rating.

According to information secured from the Massachusetts Industrial Accident Board, the 96,891 accidents included in the second annual report of the board covered about 900,000 employees, located in approximately 18,000 establishments. This would indicate that the average-sized plant in Massachusetts contains about 50 employees.

These accidents included the following:

Fatal .....	509
Total permanent disability, say .....	80
(Conservatively estimated by the board at 20.)	
Dismemberment .....	1, 115

This gives the following ratios:

- One fatal injury to 1,770 employees.
- One permanent total disability to 30,000 employees.
- One dismemberment to 810 employees.

Applying these ratios to the average plant of 50 employees, this means that under the general law of averages in Massachusetts during the course of a year—

- One average plant in 35 would have a fatal accident.
- One average plant in 600 would have a permanent total disability.

Under the Massachusetts experience-rating plan dismemberments are divided into Classes A to E, according to seriousness. These classes range from the loss of both feet or one eye and one hand to the loss of one finger or one toe.

Considering the dismemberments specifically on the basis of this classification, the following results are shown during the course of a year:

- One average plant in 2,800 would have a Class A dismemberment.
- One average plant in 4,500 would have a Class B dismemberment.
- One average plant in 130 would have a Class C dismemberment.
- One average plant in 150 would have a Class D dismemberment.
- One average plant in 21 would have a Class E dismemberment.

The Massachusetts experience-rating plan gives the following values for various injuries:

	Weeks.
Fatal accident.....	235
Total permanent disability.....	350
Dismemberments:	
Class A.....	100
Class B.....	75
Class C.....	50
Class D.....	25
Class E.....	12

Taking the average annual wages of \$550, at an average insurance rate of \$1, we find that under the Massachusetts experience-rating plan one fatal case would give the maximum charge of 30 per cent<sup>1</sup> in a plant of 80 employees with \$440 annual premium for the entire experience period of five years. One total permanent disability case would give the maximum charge in a plant of 100 employees and \$550 premium for the entire experience period of five years.

In an average plant of 50 employees—

- One Class A dismemberment would give the maximum charge for three years.
- One Class B dismemberment would give the maximum charge for two years.
- One Class C dismemberment would give the maximum charge for one and one-half years.
- One Class D dismemberment would give the maximum charge for nearly one year.
- One Class E dismemberment would give the maximum charge for about four months.

When we compare these charges with the preceding accident frequency studies and find that only 1 average plant in 21 will have any injury of the kind in question during the course of a year it is

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<sup>1</sup> Reduced by a factor of four-sevenths when applied to schedule-rated plants.

at once apparent that chance is the greatly predominating factor in the application of large experience-rating charges.

Perhaps some one may say, "But, after all, the average plant of 50 employees is a comparatively small plant; if we take a larger plant the results will be different."

Of course a single accident has less weight relatively as the pay roll of the plant increases. In a plant having a pay roll of \$10,000,000 per year the effect of chance in varying the accident rate may be so slight as to be negligible. Let us take, however, a plant with \$1,000,000 pay roll and \$10,000 premium, developed in three years' experience; assume this plant is just on the border line, but does not receive a charge. Under the Massachusetts plan a single permanent total disability case would immediately impose a charge of 28 per cent.<sup>1</sup>

Since, on the average, not more than 50 per cent of all accidents are preventable there would seem to be at least an equal chance that this charge is entirely undeserved, and represents no fault on the part of the employer. As safety work progresses the percentage of accidents that may be charged to fault on the part of the employer is still further diminished.

Not only is the occurrence of an accident in a given plant due largely to chance, but the cost to the insurance carrier after an accident occurs may vary widely from matters of pure chance, such as whether the injured employee draws high or low wages, his physical ability to recover promptly from the shock, the number of dependents in fatal cases, etc. An effort has been made in some of the experience-rating plans now in effect to reduce the variation in cost of different injuries by using fixed factors instead of the actual payments in each case. For example, the Massachusetts plan contains a factor of 285 weeks' wages (averaging about \$2,280) for each fatal case, the actual cost of which may vary from \$200 to \$4,000.

This does not materially improve the general result from the employer's standpoint, however, since one serious accident, for which he is entirely blameless, may involve a heavy penalty. Furthermore, the use of factors introduces some inconsistencies that are very difficult to explain to the employer, since the theoretical loss ratio from which his "experience" rate is computed may be different from his actual loss ratio. This discrepancy is well illustrated by the following cases which represent conditions actually found in rating risks under the present Massachusetts plan:

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<sup>1</sup> Reduced by a factor of four-sevenths when applied to schedule-rated plants.

ACTUAL LOSS RATIOS COMPARED WITH THEORETICAL LOSS RATIOS USED IN EXPERIENCE RATING.

Plant.	Experience period.	Pay roll.	Earned premium.	Actual loss ratio (per cent).	Credit <sup>1</sup> corresponding to actual loss ratio (per cent).	Theoretical (experience) loss ratio (per cent).	Charge <sup>1</sup> actually applied under experience rating (per cent).
No. 1.....	2 years.....	\$1,966,875	\$19,812	23.8	14	63.7	0
No. 2.....	2 years 6 months.....	908,731	5,539	77	*12	122.5	30
No. 3.....	do.....	731,360	7,450	29.7	10	77.5	12½
No. 4.....	do.....	354,139	840	29.6	10	119.7	20
No. 5.....	2 years 8 months.....	774,784	7,042	30	10	101	30

<sup>1</sup> Reduced by a factor of four-sevenths for risks subject to schedule rating.

<sup>2</sup> Charge.

It will be noted that where the actual experience of a risk was good, and if used in the experience rating would have given the risk a credit, the result of the application of experience rating with its accident factors was to apply a charge which caused a total change in the rate varying from 14 per cent to 40 per cent.

In cases Nos. 2, 3, and 5, the average rates on which the actual loss ratio was computed were practically identical with those on which the experience rating was based, so the change in results is due entirely to the use of factors and not to changing rates. In No. 1 the rate under which the experience was computed showed an increase of about 35 per cent, otherwise the 14 per cent credit, instead of merely being eliminated, would have been changed to a 22 per cent charge. In No. 4 the rate to which the experience applied was lower than the actual rate, otherwise the theoretical loss ratio would have been 85 per cent and the charge 20 per cent instead of 30 per cent.

It might be inferred that these heavy charges are caused by the fact that the accident factors used in computing the loss ratio are too high; it is evident that this is not the case, however, since 977 risks, with a total of \$51,000,000 pay roll, which have been experience rated by the Massachusetts Rating and Inspection Bureau, show a net credit of approximately 3 per cent, indicating that the factors are, if anything, too low to maintain the desired balance of charges and credits in the experience-rating plan.

It is obvious that such discrepancies can not be readily justified to the employer and tend to confirm him in the belief that insurance is a game in which the cards are "stacked" against him by the insurance companies.

The Massachusetts plan of experience rating is understood to be a trial plan, subject to revision on January 1, 1916. This study of the Massachusetts plan is of value, however, in indicating the sort of

results that may develop from the use of a similar plan recently adopted by the National Workmen's Compensation Service Bureau for application in 13 other States.

The factors used in the Service Bureau plan for the more serious accidents are so large as to give an even greater penalty for a single accident in some States than those shown in our study for Massachusetts. In Ohio, for example, an experience value of \$7,488 is possible for one accident, and in Illinois a value of \$7,296. Under these conditions a single accident of the kind in question would result in a plant of \$148,000 pay roll, at an average rate of \$1, paying the maximum experience charge for five years, even though without this accident it would receive the maximum credit.

The accident and medical cost factors vary for the different States, but, as in the Massachusetts plan, the cost per accident is based on the actual wages of the injured employee. This means that in spite of the use of accident factors the value of an accident to one employee may be placed at twice or even three times the value of identically the same accident occurring to another employee, simply because one of the injured men happened to be earning higher wages than the other. Surely this is "chance" rating rather than "morale" rating.

The discussion thus far has been confined to the value of experience rating as measured by the two tests of (1) equity between employers and (2) inducement for accident prevention. The effect of experience rating on the level of rates is equally important, however, both from the standpoint of the compensation insurance company and from the standpoint of the State authorities on whom is imposed the duty of maintaining the adequacy of rates.

The plan of experience rating as originally adopted in New York has been criticized on the ground that it was used largely as a competitive measure, being applied almost exclusively to those risks which had a favorable experience.<sup>1</sup> This resulted in a material reduction in premium income, which had the effect of lowering rates.<sup>2</sup>

The objections to this plan as a competitive measure have been reduced considerably by modifications recently made in the plan at the request of the New York insurance department. These objections have not been eliminated entirely, however, since great variations are permitted in the cost of an accident, depending on its seriousness; thus the person who is making up the statement of experience for a given risk can often vary the result several thousands of dollars

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<sup>1</sup> See brief of Theodore E. Gaty, presented at hearing on experience rating before the superintendent of the New York Insurance Department, "Journal of Commerce," Feb. 31, 1916.

<sup>2</sup> See paper by Leon S. Senlor, in Proceedings of Casualty Actuarial and Statistical Society, No. 1, p. 227 et seq., particularly p. 237.



merely by taking an optimistic view or a pessimistic view of the termination of a single outstanding accident.

The revised New York plan will probably reduce the level of rates less than the former plan, since it requires risks to be experience rated regardless of whether their experience is good or bad. As the present plan is constructed, however, it is impossible to determine in advance just what its effect will be; it may reduce rates, but this reduction can be demonstrated only after the plan has been in effect for some length of time. If either the credits or charges should prove to be too great, a further change of factors, etc., would again leave the results in doubt until many risks had been rated.

An excellent feature of the proposed Pennsylvania plan is that it provides automatically for a balance in charges and credits, thus giving positive assurance that it will not disturb the average level of rates. This is done by providing a system of charges for experience worse than the average, the amount of these charges being distributed in the form of merit rewards to the plants having experience better than the average. This means that the premium income after the experience rating has been applied will be exactly the same as though there were no experience-rating plan in effect. This arrangement is highly desirable from the standpoint of making certain that the adequacy of rates will be unaffected by the experience-rating plan.

The Pennsylvania plan has a further advantage in that it limits the experience period to the current year. This gives the maximum incentive for accident prevention.

From the standpoint of reducing the effect of chance as expressed in death cases, it is also an improvement over the Service Bureau and Massachusetts plans in that a death case is treated as a catastrophe, the principal cost of which should be distributed over the general class of insurers and not concentrated on the plant in which it happens to occur. The Pennsylvania plan gives each death case a nominal value of \$200.

The Ohio plan carries the matter still further, rating each accident by factors, the relative value of which is as follows:

Permanent total disability.....	15
Death.....	10
Other injuries.....	1

This further reduces the effect of chance and also simplifies the rating considerably from the standpoint of getting the data and making the calculations. It still leaves the difficulty, however, of deciding when an injury shall be considered to involve permanent total disability and thus take the highest rating. In order to remove variations in results due to individual judgment in cases of this kind

as well as to minimize the effect of chance as a factor in accident results, it would seem to be desirable to give all compensable accidents the same value.

From the preceding discussion it would seem to be clear that what we have been speaking about as "experience" rating is, at best, a combination of merit and chance, in which chance preponderates in the majority of cases and is a serious factor, even in the large plant. When once we recognize this fundamental characteristic of the accidents on which experience rating is based the whole question is clarified.

It has been pointed out that experience rating is a valuable aid in accident prevention, and for this reason alone some form of rating that will take into consideration the number of accidents in each plant may be amply justified.

Since it is recognized that the cost of accidents, however, is determined largely by chance, and since it seems unfair to penalize an employer heavily for something that he is powerless to control, it would seem desirable to keep the limits of such charges moderate—say, not over 10 per cent. In order to maintain the balance of charges and credits, a corresponding limit would apply to the credits.<sup>1</sup>

If it is conceded that the chief justification for experience rating is the incentive for accident prevention which this form of rating affords, it immediately becomes apparent that to extend the benefits of experience rating to the large employer and deny these benefits to the small employer is unfair.

While a single accident in a plant can not be said to indicate poor morale for which an employer should be charged, even though this accident is a costly one, frequent accidents in the same plant *may* indicate poor morale. The way is thus pointed to the adoption of accident frequency rather than accident cost as an indication of morale and an incentive to accident prevention. When an employer is having more accidents than the average plant of the same size in his industry, this can be readily explained to him and justified as the basis for a charge, where it is impossible to justify a heavy penalty for one or two serious accidents for which the employer is not to blame.

The number of compensable accidents per thousand employees (or per unit of pay roll) in a given plant, compared to the corre-

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<sup>1</sup> A move in this direction has been made in the new Service Bureau plan which limits the credits and debits for schedule-rated risks to 5 per cent for plants with a premium of \$500. This limit is increased proportionately, however, to a maximum of 20 per cent for plants with a premium of \$5,000 or over. In some States one permanent disability case might entail the full 20 per cent charge for at least one year in a plant having an earned premium of \$5,000. In the Ohio plan, which consists of charges only, the maximum of 24 per cent would be equivalent to charges of 12 per cent above and credits of 12 per cent below the average rate; thus it exceeds the limit suggested above by a slight amount only.

sponding average for the entire industry in which the plant falls, furnishes a practical basis for accident-frequency rating. A formula for this purpose, proposed in a paper by the writer printed in the *Economic World* of April 15, 1916, and rewritten in accordance with a suggestion of Mr. Winfield W. Greene in the *Economic World* of June 17, 1916, is as follows:

$$\text{Credit or charge (in per cent of rate)} = \left(1 - \frac{F'}{F}\right) .10 R$$

Whence, if  $R'$  be the rate of the individual risk

$$R' = .90 R + \frac{F'}{F} (.10 R), \text{ not to exceed 20 per cent.}$$

In this formula 10 per cent is assumed to be the maximum permissible charge or credit—

$F$  = Frequency of compensable accidents for the industry.

$F'$  = Frequency of compensable accidents developed in the experience of the individual risk.

$R$  = Manual rate for the classification in which the plant falls.

Since minor injuries which are not compensable may play an important part in some industries (particularly from the standpoint of medical cost), an additional factor of less weight might be added for tabulatable accidents (those involving more than one day's lost time).

Some employers have already adopted the plan of keeping a "score board," by means of which the different departments in their own plants are compared on the basis of accident frequency. This has proven to be an excellent incentive for safety work in the departments, each one of which is eager to stand at the head of the list with a low accident record.<sup>1</sup> Accident-frequency rating, in which the accident rate of each employer is compared with the average for his industry, should have a similar beneficial effect on accident-prevention work throughout all the plants insured. Accident-frequency rating should further appeal to the insurance carrier, since it is simpler and less expensive to apply than most of the forms of experience rating that have been proposed.

From this study of experience rating it would appear that, while there are certain advantages in each of the plans now in effect, they also have certain defects. By taking the best points of each and combining them a new plan might be developed that would be superior to any of these now in use, from the standpoint of the employer, the insurance company, and the State authorities having supervision over compensation insurance.

<sup>1</sup> See "Friendly Competition in Promoting 'Thinking First,'" by Melville W. Mix, *Safety Engineering*, March, 1914.

## SUMMARY.

The conclusions of this paper may be summarized as follows:

1. While schedule rating as applied at present is subject to improvement along certain lines, such as the determination of charges and credits on a statistical basis, the elimination of intangible items which can not be interpreted uniformly, and further provisions to cover the special hazards of particular industries, it complies, in general, with the two tests proposed for any plan of individual rating: (1) It contributes to equity between employers, and (2) it affords inducement for preventing accidents.

2. Experience rating as at present applied in most States is inequitable to employers for the following reasons:

(a) It imposes a serious penalty (in some cases varying the rate 40 per cent for a period of five years) for a single accident, for which the employer may be entirely blameless.

(b) Its benefits are given to the large employer but denied the small employer; probably the majority of all plants insured are not permitted to share in experience rating on account of their size.

(c) It applies to past experience, penalizing the employer for something that has gone by and can not be changed, even though conditions may have been improved in the meantime and the hazard eliminated.

3. Experience rating is valuable as an accident-prevention incentive and for this reason some plan of "experience" (or preferably "accident frequency") rating is desirable. Such a plan should include the following features:

(a) The maximum charge should be moderate, say not over 10 per cent, since the result of experience rating in the average plant is dependent largely on chance, and it does not seem fair to penalize an employer heavily for something over which he has no control and for which he is not to blame.

(b) All compensable accidents should be rated at the same value, so as to minimize the effect of chance on the seriousness of the accident. (In order to give some weight to the effect of varying medical cost, an additional factor might be added for tabulatable accidents.)

(c) The plan should apply to all employers in order to avoid discrimination.

(d) It should apply only to the current year, so as to offer the maximum incentive for accident prevention.

(e) The charges and credits should be balanced in some fixed manner—for example, as suggested in the proposed Pennsylvania plan—so as to make sure that the adequacy of rates will not be disturbed.

## DISCUSSION.

RALPH H. BLANCHARD, of the University of Pennsylvania. Mr. Beyer has referred to the proposed Pennsylvania plan. I think that it is of enough value to explain it more at length.

Of course, one objection in the past has been that experience-rating plans have reduced the average rate as applied to the entire classification. It was stated in a report made for the year 1915 that the experience and schedule rating plans had reduced rates by about 15 per cent in New York. The Pennsylvania plan does away with that objection through the following process: In the first place, the normal loss ratio of the entire State for all classifications is calculated for the period for which experience rating is to be applied. Having calculated the normal loss ratio, say 40 per cent, this plan penalizes every employer who has a loss ratio greater than normal. He is charged one-half of 1 per cent for every per cent in excess of normal, with a maximum charge of 20 per cent; that is, an employer having an 80 per cent loss ratio, 40 per cent normal, would be charged the maximum of 20 per cent. Then the entire amount received from charges is distributed among those whose loss ratio is below normal and who are therefore entitled to credits, and the insurance company retains the rate which they have originally quoted. Credits are allotted in proportion to the amount of premium and in proportion to the saving below normal.

In the original plan fatal cases were to be eliminated from consideration, but under the revised plan, \$200 is to be charged for each fatal case. This plan has been evolved by the statistical and actuarial committee of the Pennsylvania bureau, and will come before the bureau in December.

One other point regarding Pennsylvania experience with schedule rating: A report (Nov. 23, 1916) has just come from the bureau which shows that, on 6,810 risks there was a variation from the manual rate of only one-tenth of 1 per cent, and that an increase. On reinspection, that is, inspection made after the first inspection of the same plants, there was a net decrease of 4½ per cent from the manual rate. This decrease might very well be justified by the actual decrease in hazards because of improvements in the plants.

In closing, I would suggest that anyone interested in schedule rating read "The Experience Rating and Rating Schedule," by Mr. E. G. Richards, of the National Board of Fire Insurance Underwriters. Mr. Richards proposes to secure adequate statistical bases for the making of fire-insurance schedules. I do not see why his excellent idea might not be eventually applied to schedule rating of workmen's compensation risks.

JAMES HIGGINS, of the Maryland Industrial Accident Commission. I am not an expert by any means on the question of rate making or merit rating, and have no intention of discussing the subject. I rise simply to ask a question, particularly of Mr. Beyer or Mr. Senior, whose papers we have just heard read. Mr. Beyer, in his closing words, advanced some ideas which I have been giving some consideration recently because of some proposed changes in the rates and merit-rating plan for the Maryland State accident fund; that is, a combination of the best features of the schedule-rating and experience-rating systems into a system that might prove more beneficial than either of the present systems, particularly with reference to their influence on accident prevention. There is unquestionably some merit in the experience-rating system, but I fail to see how that system can be profitably substituted for the schedule-rating system. It seems to me that the good features of experience rating can only be made useful in connection with schedule rating, and I have been thinking that the experts on merit rating might develop, from the two, a new system better than either now in use. As Mr. Beyer has well pointed out, it would be largely a matter of chance to adjust rates solely upon the basis of experience, and therefore such a plan of basing the rates to be charged for any one year upon the experience of the preceding year or even several preceding years would be too hazardous. Speaking from the standpoint of the State fund or the mutual association it would be equivalent, in a measure, to declaring a dividend before it was earned. Now, the question I wish to ask is, that so far as the State fund or the mutual association is concerned, could not all the benefits to be secured by the adoption of any of the distinct features of the experience-rating system be attained through a modified system for returning dividends? My idea is, could not all of the beneficial features of the experience-rating system be taken care of by a system of credits to be given to the meritorious individual after he had actually earned the credit, in addition to his proportion of the return dividends that might be given in any classification of industries? Such a system, it seems to me, in combination with the schedule-rating system, might greatly strengthen the latter system for accident prevention, and at the same time the element of chance, which is so predominant in the experience-rating system, would be entirely eliminated.

I have not given any particular thought as to what these credits should be or on what basis they might be worked out, but I should think the merit-rating experts, who are much more familiar with merit rating than I am, could work them out.

Prof. W. C. FISHER, New York University. I have never faced a disgruntled policyholder, nor a dissatisfied board of directors, and it seems to be the assumption that one must have done one of those things to qualify to discuss the question or even to hold an opinion. I suppose by the same token a man who has eaten most of the turkey is best qualified as an expert on diet. I supposed I came here with a fair understanding of this matter. I have heard a number of statements made which I can not quite reconcile with the knowledge which I had acquired, not by reading books, but by word of mouth from men who had actual experience. I shall touch but one and that an extremely simple matter. Now in Mr. Cowles's statement of stock companies, I gathered that on the whole he did not think quite as well of mutual insurance as of stock insurance, and in particular he did not think well of mutual insurance for several reasons, and among them that mutual insurers did not take adequate account of experience or of merit rating. I recall specifically a statement that the mutual insurers are as fond of merit rating as the devil is of holy water. I had been of the opinion that the mutual companies did not abhor merit rating. I should like to ask if there is not somebody here who has had experience with the mutual companies, who can answer whether the mutual companies do particularly abhor merit rating or favor it one way or the other. I am sure there are those here who have had experience and can answer that question—whether or not they do abhor merit rating as the devil abhors holy water. I believe Mr. Beyer has some experience with mutual companies, and I would appreciate a reply to my question.

Mr. BEYER. I will answer it later if agreeable.

H. M. WILSON, department of inspection and safety, The Associated Companies, Pittsburgh, Pa. The makers of this program evidently knew very well the substance of the papers. They have been admirably arranged. Mr. Cowles's paper, read this morning, gave a very clear and scientific statement of the principles of rate making pure and simple as distinguished from schedule or merit rating, or experience rating. Mr. Senior also made an equally clear and scientific differentiation between the principles of rate making and the principles of modifications of the base rate as a result of inspection and merit rating based on standards. The last speaker referred to Mr. Cowles's remarks regarding the abhorrence of merit rating, as I understood it, by the mutuals. I think that was rather clearly brought out in Mr. Beyer's paper. As I recall it, Mr. Beyer's paper

did not refer to rate making at all. He rather proved the point which I gathered Mr. Cowles made—that the mutuals do not make rates on a particularly scientific basis. They were especially interested in having a fairly high rate; in other words, they rather abhor rate making, and if they had much use for merit rating it was of the kind known as experience rating, and Mr. Beyer did devote most of his paper to answering the question of the last speaker by showing that the mutuals are governed largely by experience rating. Mr. Senior stated that exact statistics are not available as to the actual effect of schedule rating upon loss ratios, and no method has yet been discovered to measure that effect in a methodical manner.

I am to have the honor of presenting a paper in a few minutes on a title very closely akin to that of the paper we are now discussing, namely, on the subject of the effect of schedule rating on accident prevention, and therein I make no remarks whatever regarding the schedule-rating method from which those results are produced. I want to state therefore, in closing my discussion of the preceding papers, something which will be in the nature of an introduction to my paper, namely, that the method of modification of the base rate as a result of inspection for the purpose of relatively appraising the safety or hazard in various plants of the same industry and the corresponding deduction or increase in the base rates, based on the standards governing the same, is on a schedule-rating principle somewhat different from any of those discussed here to-day.

T. H. CARROW, representing the Pennsylvania Railroad. Gentlemen, I do not know anything at all about rate making, but it is so closely related to accident frequency that I could not resist the temptation to ask one question, and I would like to address my question to Mr. Cowles, because he is the first on the program. Is there any material possibility of further reducing accidents in any well-regulated and scientifically managed plant? I ask that question simply because there is such a tremendous amount of exaggeration of the possibility of reducing injuries, and so much is said that is misleading, and I would like to be permitted to ask you, as a practical rate maker, as a man who has to account in a large measure for the proceeds of your company, that question—whether in any well-regulated and scientifically managed plant to-day there is any reason to expect a further material reduction in accidents?

Mr. COWLES. If I may answer that question very briefly, I shall take great pleasure in saying I hope there is. There are many plants that are approaching practical perfection, but I do not think they have quite reached it. I hope that further improvement even in the best of the plants is quite possible and may reasonably be hoped for.



The CHAIRMAN. I would say that that is the next subject and may more properly come up at that time.

Prof. W. M. ADRIANCE, Princeton University. From merely listening to Mr. Cowles's paper I should receive the impression that rate making in general and also the method of measuring this moral hazard have been reduced to a highly accurate science. From other sources I have been led to entertain a certain skepticism as to the degree of accuracy attained in both these things. Mr. Scattergood, of the Fidelity Casualty Co., of New York, in his article on the "Synthesis of rates for workmen's compensation," with which no doubt you are all familiar, has pointed out some particulars in which the principles of rate making in general are still in the stage of uncertainty. He indicates, for example, one difficulty in the calculation of the law differential as between States, where the question of varying distribution of industries as between States would make the calculation of the law differential somewhat questionable; and he suggests an accident-frequency differential in regard to which I understand there is not entire agreement among the people who are actually making these insurance rates. And in other particulars this article is very suggestive as to the limits of accuracy in the present methods of rate making, even on the part of insurance companies. I remain, therefore, even after hearing Mr. Cowles's paper, somewhat skeptical as to the degree of correctness with which these rates can at the present time be calculated. I am making these points mainly in the search for information and in the hope that some adequate answer will be brought out. I am also skeptical as to the possibility of measuring this moral hazard of which Mr. Cowles and others have spoken, and I think I may put my inquiry in this form: Regardless of the question as to the degree of skill in estimating such moral hazards which individuals may attain by their experience in the insurance business, is there a possibility of establishing a generally applicable scheme for measuring this moral hazard, and for making adequate provision for it in the rate? Is it possible not merely as a matter of "underwriter's judgment" in the particular case, but as a part of a generally applicable scheme of rate making, to distinguish between those hazards which Mr. Beyer pointed out are so largely a matter of chance, and those hazards which can be characterized as moral?

Mr. COWLES. Was that question addressed to me? I will say very briefly that I agree perfectly with the gentleman. I believe I stated that the system of experience rating was not perfect. We should tolerate it because it will eventually be perfected, and I will say that I do think it will be possible to work out a perfect system of applying experience to rate making.

The CHAIRMAN. If Mr. Beyer wishes to avail himself of the two and one-half minutes left by Prof. Adriance, he may do so.

Mr. BEYER. I do not know whether I can say what I want to in that time or not. The question was raised as to whether in Mr. Cowles's statement the methods of applying experience by the mutual companies were fairly presented, and I think I can perhaps illustrate that question by a story. Probably you have all heard it, but I shall risk boring you by repeating it. It is about the man who saw two negro boys quarreling; a big boy was very much provoked at a small boy and called him all sorts of names. This the small one did not seem to mind at all and appeared to be rather enjoying it. He waited till the big one was through and then said, "All dem tings what you said I am, you is yo'self."

Any criticism applied to the mutual companies of disregarding experience, or carelessness in making their rates, applies equally to the stock companies, since the rates for both classes of insurance are based on "pure premiums" prepared by a committee of both stock and mutual companies that met in New York about a year ago. In Massachusetts some of the mutual companies which had been paying a 20 per cent dividend adopted those rates as they stood; other mutual companies paying 30 per cent dividend charged 10 per cent higher rates than the stock companies, but the rates of the Massachusetts mutual companies, at least, are based on the same figures and on the same experience as those of the stock companies.

I was present at some of those committee meetings and know it was agreed that the Massachusetts experience should be given preference in determining the pure premiums, and a large percentage of the Massachusetts experience was contributed by the mutual companies.

One of the speakers spoke about the mutual companies having about the same feeling in regard to merit rating as the devil has toward holy water, but I think a better expression might be that they have the same attitude toward some plans of merit rating as an individual would have toward being immersed indefinitely in a tank of holy water. The objection is not to merit rating as such, but to some methods of merit rating that have been employed. The plan of "experience rating" that was originally adopted in New York was used largely as a competitive measure and gave a rate reduction of some 15 or 20 per cent if I remember correctly the data given in a statement published by Mr. Senior. That plan was undoubtedly one of the things which hastened the retirement of a good many stock companies from the compensation field. As a matter of fact one of the first plans of merit rating in the country was introduced in Massachusetts in 1912 by the Massachusetts Employees' Insurance Association.

## **VI. ACCIDENT PREVENTION IN CONNECTION WITH WORKMEN'S COMPENSATION.**

### **ACCIDENT PREVENTION IN CALIFORNIA.**

**BY WILL J. FRENCH, MEMBER, INDUSTRIAL ACCIDENT COMMISSION OF  
CALIFORNIA.**

[This paper was submitted but not read.]

Every member of an industrial accident board or commission thinks that the law he is helping to administer is the best, or one of the best, that can be enacted. Consequently, it is appropriate to discuss the subject assigned me in connection with California's experience. We are all agreed that the true science of workmen's compensation is accident prevention. From the experience of Government and State officials, and a study of the laws they are operating under, we can make the best advances in preventing industrial injuries. The National Safety Council states that one worker is killed every 15 minutes, day and night, in the United States, and one worker injured every 16 seconds, day and night. This is a record of which the citizens of this land have no reason to be proud, and every organized effort to remove the reproach will meet with the cordial approval of all.

When the Workmen's Compensation, Insurance, and Safety Act of California became effective on January 1, 1914, the industrial accident commission decided to secure the very best men available to organize the safety department. No qualifications were asked or considered other than engineering ability and the possession of temperaments that would enable the men to cooperate with employers and employees. From the beginning the result has been gratifying. The primary object of reducing the number of deaths and accidents in the industries of California has been attained as a result of support tendered by employers and employees. During 1915 there were 158 fewer deaths than in 1914.

### **UNITED STATES COOPERATION IN MINE SAFETY.**

For the first time in the history of any of the States the United States Government was asked to cooperate with a State commission—the Industrial Accident Commission of California—in the work of accident prevention. Dr. J. A. Holmes (deceased), director of the United States Bureau of Mines, was delighted at the proposal

that came from the Pacific Coast. An agreement was drawn up and signed in behalf of the Bureau of Mines and the industrial accident commission. It was immediately approved by Franklin K. Lane, Secretary of the Interior. It provided for the delegation of a highly skilled mining engineer of the Bureau of Mines' staff to take charge of the mine-safety work in California. H. M. Wolflin was selected. He had charge of the mining department until December 31, 1915, when he resigned, to become the mine-safety engineer for the bureau. He had the advantage of going into the field with the support of both Federal and State Governments. Mr. Wolflin was very successful in his efforts and organized a small force of deputy mine inspectors, chosen as a result of a thorough examination conducted by the State civil-service commission. Half of Mr. Wolflin's salary and expenses was paid by the Federal Government and the other half by the State of California. He made a careful survey of mining conditions and recommended numerous changes, that have been followed in practically every instance, so that the work of mining may progress without the drain heretofore considered necessary on human life and limb. Mr. Wolflin was succeeded by Edwin Higgins, also a United States Bureau of Mines engineer and a man exceptionally well qualified to continue the work. He has organized a Miners' Safety Bear Club among the miners of California. On November 1, 1916, this club had 5,378 members, and each week brings additions to the roll.

#### MINE SAFETY RULES.

On June 11, 1915, there was held in San Francisco a public hearing to consider mine safety rules. These rules had been prepared by a committee representing the California Metal Producers' Association and miners' organizations. It was impossible for the employees to attend the committee meetings. They presented their views through the mail. The result was that the employers were very largely instrumental in presenting a splendid set of rules for consideration. After full opportunity for discussion, the rules were made permanent by the industrial accident commission and became effective on January 1, 1916.

The advantage of the system before described is that the employers and the employees in an industry prepare their own orders, rules, or regulations. This takes the preparation out of the domain of politics, gives time for careful consideration, and places the work in the hands of men who know the business requirements and who are best qualified to act intelligently. This method has proved all that could be desired.

The industrial accident commission wants to secure a maximum of safety at a minimum of cost to the employers. This is not as difficult a task as might be considered at first glance. Homemade safeguards are advocated. Our safety engineers have the ability to show employers how to construct these guards, or to use waste wood or iron to protect men from dangerous places or from coming in contact with moving machinery.

#### PUBLIC HEARINGS IN ALL INDUSTRIES.

The California law calls for public hearings to consider safety requirements, and the industrial accident commission has full authority to make proposed orders permanent after hearings are held. Recognizing that it is impossible for three busy men to acquaint themselves with the needs of diversified industries, the California Employers' Federation and the California State Federation of Labor were asked to appoint small committees to supervise the preparation of safety orders, rules, and regulations. There was an immediate and favorable response from both organizations. Subcommittees of those engaged in the different industries are now busily at work ascertaining what is needed to make employment safe. Care has been taken to see that employers, employees, insurance men, and others who may be specially interested are given representation on the subcommittees. The central committee meets in San Francisco. In Los Angeles the Merchants' and Manufacturers' Association and the Central Labor Council have selected energetic committees to cooperate with the committee in the north. The same applies to the subcommittees. General safety orders became effective on January 1, 1916, and many of the industries have been cared for by orders specially prepared to meet their needs.

#### SAFE ELECTRICAL CONSTRUCTION.

The United States Bureau of Standards, another department of the Federal Government, has kindly referred to the activities of the safety department. Dr. E. B. Rosa has complimented the industrial accident commission on the thoroughness of its operations in the field of electricity. All the large and nearly all of the small electrical plants have been carefully examined by our expert, and Dr. Rosa said that his recent visit to California led to the conclusion that this State was probably the equal of any State in the Union in its intelligent effort to provide industrial safety. Last year our electrical expert visited New York and Washington, D. C., to consult with representatives from other States so that there may be adopted standards for electrical construction.

**HIGH-GRADE SAFETY EXPERTS.**

John R. Brownell was selected to head the safety department. He studied at the Massachusetts Institute of Technology, and had wide experience in safety work in the industries. Just prior to accepting the offer tendered him by the industrial accident commission, he had 7,000 men under his care at the Pennsylvania Steel Co.'s plant at Steelton, Pa., where he was the safety expert. He brought to California a knowledge of the latest developments in his particular field. Four engineers were selected in San Francisco and one in Los Angeles during 1914, and the force was increased during 1915 after the State civil-service commission had conducted competitive examinations. These men are experts in their different lines.

**TWO SAFETY MUSEUMS.**

A safety museum has been installed at 529 Market Street, San Francisco. It is operated under State auspices and has approximately 150 exhibits and a department showing photographs and pictures appropriate to such a museum. No recommendations are made to employers as to the best devices obtainable, but all exhibitors are given an equal chance and employers fully advised as to what is available in their particular vocations. Some of the largest industrial concerns in California have "circularized" their employees, urging them to visit the safety museum so that they may keep in touch with the latest inventions for saving life and preventing accidents. Many of the exhibits have been sent to California from the Atlantic Coast. The second safety museum has been opened in the Union League Building in Los Angeles.

**"SAFETY FIRST" CONFERENCES.**

The industrial accident commission has held "safety first" conferences in the principal cities in California, to let the citizens know what was being done, to impress upon them the need of cooperation, and to show a number of pictures that vividly impress upon the mind the importance of "safety first." Nearly all these pictures deal with California factories and workshops. Some of them show the "before and after" effects of safeguarding.

Employers have frequently asked for the suggestions of our safety engineers. The compulsory compensation features of the law drew special emphasis to the need of preventing accidents. Insurance is not compulsory in California, and many of the larger establishments do not carry coverage. This means a lively interest in industrial safety, and those employers that do insure realize the effect accident reduction has on the rates. The insurance companies

have well-equipped safety departments, and are operating in conjunction with the State safety department wherever possible. Another important factor in "safety first" is the reductions in rates that are given for the installation of safeguards. This merit-rating plan has proved advantageous.

#### FURTHER STEPS TO DECREASE ACCIDENTS.

The industrial accident commission is a member of the National Safety Council, and secures the bulletins that are issued weekly.

One of the officials of the United States Bureau of Mines was delegated early in the year to give first-aid training to the miners of California. Several hundred men have been informed of the best way to treat their injured fellows. Plans are under discussion to enlarge this feature of our activities.

Last year there were more than 60,000 industrial accidents reported in California. This number is altogether too large. One of the main purposes of the industrial accident commission is to reduce this heavy toll on the workers to a minimum, and to get the best results that come from sanely and intelligently cooperating with all those interested in any given industry. Accident bulletins have been sent out to employees. They have been printed in different languages. Special attention has been given to the formation of shop committees, so that the men may take that interest that is so important in order that the desired end may be attained. The use of signs and general methods of publicity have also been urged in this connection.

Looking back over the operations of the last 2 years and 10 months the California Industrial Accident Commission has the satisfaction of knowing that its plans have worked well and that there is every prospect for a continuance of united effort to remove the reproach from industry that human life has not been given the consideration that it deserves.

#### INDUSTRIAL DEATHS REDUCED.

The industrial accident commission has issued figures giving the number of deaths in the industries of California during the year 1915, and draws attention to the list as compared with the statistics for 1914. In the latter year there were 691 workers killed, and, in 1915, 533 workers gave their lives to the industries of the State. The following table shows the reductions in the death list by occupations (the word "service" includes employees of men in the professions, as well as those engaged in hotel service, apartment houses,

restaurants, domestic servants, and amusement or entertainment employees) :

	1915.	1914.
Agriculture .....	55	62
Construction .....	78	115
Extraction (mining and quarrying) .....	71	86
Manufacturing .....	99	121
Service .....	25	24
Trades .....	20	24
Transportation and public utilities .....	172	239
Unknown .....	13	20
Total .....	533	691

This effective work in behalf of "safety first" has been accomplished as a result of cordial support from employers and employees, the public generally, and the press of California. It is a striking result to be able to show a reduction of 158 in the death roll of 1915 as compared to 1914. That this reduction comes as the result of careful planning is shown by the decrease in the main industries of the State, excepting "service," where the record shows an increase of one death in 1915 over 1914.

It is the hope of the industrial accident commission that statistics will show a substantial reduction for each succeeding year. The aim is that no preventable death shall take place. The 158 lives speak in terms of breadwinners saved to wives and little children and an enrichment to the State's citizenship.



## INSPECTION AND SCHEDULE RATING OF COAL MINES AS A MEANS OF PREVENTING MINE ACCIDENTS.

BY HERBERT M. WILSON, DIRECTOR, DEPARTMENT OF INSPECTION AND  
SAFETY OF THE ASSOCIATED COMPANIES, PITTSBURGH.

I think that, in a measure, certain of the facts presented in this statement will answer a portion of the questions of those last participating in the discussion, not including Mr. Beyer, as to whether or not schedule rating and its purpose affect the accident ratio. I am unfortunate in having to give, before an audience of this sort, my illustrations of the subject from the mining industry, which is but one of the many industries in which you gentlemen are concerned.

Nothing more clearly accentuates the hazard of the mining industry than does a review of legislative activities with respect to it. The protection of the men who dig in the dark, underground, for the raw materials from which all modern industry is constructed, has long been a matter of State and Federal concern, surpassing even that accorded ocean and railway transportation. Safety in mining has always received the attention rightly due the most hazardous of all the industries.

Due to the relatively-high accident ratio in mining, this industry was one of the first to receive State and Federal assistance for the purpose of increasing the safety of the workmen. Industrial accident statistics prepared by Dr. Frederick L. Hoffman for the Federal Bureau of Labor Statistics showed in 1915 a fatality rate, per 1,000 employees, of 0.25 for general manufacturing; about 1 per 1,000 among draymen, teamsters, and street railway employees; 1.5 among soldiers in the United States Army; 2.4 among railway employees; 3 among those who toil on the seas—fishermen and the merchant marine; 3.5 in coal mining; and 4 per 1,000 in metal mining.

These figures speak volumes for the need of aid to this hazardous industry. In spite of and in a measure because of its high accident rate the mining industry with much justice claims the right to welcome and to guide the other industries now entering the safety-first movement in the methods to be pursued. Nearly half a century ago,

or long before the operation of Federal or State commissions for the protection of railway employees, and before the development of modern life-saving methods at sea, the State of Pennsylvania created a State department of mines and appointed inspectors whose duty it was to aid in the protection of mine workers. Other States and the Federal Government in its Territorial possessions rapidly followed this example, until to-day there is no mining State of any importance which has not its inspection department, and which has not for many years been gathering statistics and studying the causes and investigating the means of preventing accidents in mines.

The effect of this effort by the States and the more recent activities of the Federal Government, through its Bureau of Mines, is clearly reflected in the statistics of mine accidents so admirably assembled by A. H. Fay, statistician of the Bureau of Mines, in his reports for 1915.

The average number of men killed per thousand in coal mines showed a rapid decrease from 1869—the date of the earliest mine inspection—when it was nearly 6 per 1,000, to less than 3 per 1,000 at the end of the first five years of State inspection. Little change in the fatality rates was then evident for nearly 20 years, when an increase resulted from the large production per man and the intensive activities due to the introduction of mining machinery and electricity, coupled with deeper mining. As quickly as the causes of this accident increase were determined remedies were applied, with the result that the fatality rate in coal mining has fallen rapidly from the second maximum reached in 1907 of 4.08 per 1,000 to 3.22 per 1,000 last year, and in metal mining from 4.19 per 1,000 in 1911 to 3.54 per 1,000 in 1914.

That there is much yet to be done in the way of safeguarding the miner is evidenced from a very brief comparison of this accident rate with that of two European countries where intensive governmental and private attention has been given to safety in mining, but in which the natural hazards of mining, due to depth of operation, character of roof, occurrence of coal formation, and presence of explosive gas and dust, are even greater than in the average mine of the United States. Thus, in England the fatality rate per 1,000 is but little over 1, and in Belgium a little less than 1. In other words the fatality rate in the United States is still about three times as great as in the countries named, measured by the number of men employed, a condition which should encourage us to believe that, with continued and renewed effort, we may yet hope to reduce the fatality ratio for the mines of the United States to one-third the present rate.

That such a result is possible is evidenced by the great reduction of accident frequency effected in the coal mines controlled by the

United States Steel Corporation through its department of safety. The methods and the result of this work have blazed the way for others to follow. For example, in the most dangerous coal field we have, the Pittsburgh district of Pennsylvania, the accident ratio of the large group of mines operated by the H. C. Frick Coke Co. was, a few years ago, as great as that in neighboring mines operated by other companies. A year ago the fatality rate in the mines of this company was 1.52 per 1,000 employed, as compared with a rate of 2.36 per 1,000 of underground workers in neighboring mines. In the West Virginia mines of another subsidiary of this corporation, namely, the United States Coal & Coke Co., the fatality rate last year was 0.75 per 1,000 employees, compared with the average of 7.04 for the State.

The latest agency injected into this situation, and one which at once gave an increased impetus for further improvement of conditions, has been the enactment in many mining States of workmen's compensation legislation with, unfortunately in but two or three of these States, effective insurance provisions.

Workmen's compensation legislation is a powerful instrument for greater safety in the industries, from the fact that special stress is not laid on how the accident occurred, but only upon how badly the employee is hurt by it. The injured person does not have to employ lawyers to prove his case, because the fact of his employment alone is a proof of his right to compensation. The immediate effect of such legislation is the certainty confronting the mine operator that he must pay out large sums for every accident, regardless of its cause, thus adding to the cost of production of his coal or ore. This furnishes the strongest incentive to him to reduce the causes of accidents; not that the operator has ever lacked reasonable consideration for the welfare of his employees and a proper human interest in their safety, but because of his engrossment in earning his daily livelihood he has not felt that he had the time to devote to safety of operation which he must now find as a result of the actual cash cost of injuring workmen.

This agency has alone, however, proved inadequate to bring about a material improvement for the simple reason that mine operators have always been willing enough to improve safety conditions if they only knew what further they could do than they were doing within reasonable limits of their financial ability. The requirement in the workmen's compensation laws of Pennsylvania, Colorado, and Kentucky, for example, that the mine operator shall insure as a guaranty of his ability to meet his compensation obligations, has furnished the added incentive, moral and financial, necessary to the prompt and effective dissemination of a more general knowledge of the causes and means

of preventing accidents and of the cash value and the cost of removal of each mining hazard.

This latter condition is the result of the extension of the intelligent and scientific safety engineering service of several well-known stock casualty insurance companies and its application to the mining industry. To Chairman W. G. Cowles, of the Associated Companies, is largely due the credit for bringing together 10 of the strongest stock casualty insurance companies for the organization of a department of inspection and safety for the insurance and protection of coal mines. With farseeing vision, born of a knowledge of the splendid results achieved in the prevention of accidents in other industries through the safety engineering departments of the several member companies constituting the Associated Companies, these felt that they could safely undertake the insurance of mine operators against their workmen's compensation obligations, providing they could develop a system of inspection to determine the safety condition of each mine insured and the premium rate which it should bear according to the hazard revealed by such inspection, supplemented above all by a safety engineering service which should devote itself to the improvement of the safety condition of each mine, coupled with the financial incentive of a reduction in insurance rate for every improvement made in the safety condition.

The result of this undertaking has been the standardization of inspection methods on the basis of accident causation. The effect of this new element in the mine-safety problem has been felt in some measure in all of the coal-mining States in which there are workmen's compensation acts which encourage private insurance enterprise. These are the States of Illinois, Indiana, Iowa, Maryland, Kansas, and Michigan. In Pennsylvania, Colorado, and Kentucky, under legislation more favorable to compulsory competitive compensation insurance, the effect has been more strongly felt.

In Pennsylvania the law has been in effect only since January 1, yet in the brief interval of nine months there is no mine operator in Pennsylvania, be he insured with the State fund or with the Associated Companies, who is not thoroughly familiar with the safety standards of the Associated Companies. The nearly 2,000 mines in Pennsylvania under the observation and protection of the inspectors of the insurance companies have in these few months been twice, and sometimes three to ten times, reinspected. A splendid cooperation has been built up among the operators, the State mine inspectors, the Federal Bureau of Mines, and the insurance inspectors, to the end that all are working harmoniously along identical lines for the improvement of the mines concerned. The measure of this is to be found in an examination of the reports of the inspections.

The average safety condition of the bituminous coal mines in Pennsylvania on January 1, 1916, was 75 per cent perfect on the standard scale of measurement adopted. The average safety condition of the same mines on July 1, 1916, only six months later, was 92 per cent perfect. This condition corresponds with an improvement of from 25 per cent below standard to 8 per cent below standard and represents a condition of safety which should correspond with a reduction of fatalities from a little over 3 per thousand to one-third this number, or something over 1 per thousand. It is rash to predict that the statistics of accidents in the mines affected by this inspection and safety service will be reflected in the statistics for this year or next. It is, however, reasonable to believe that such a result will be effected within the next three or four years, providing as good relative progress in the improvement of the condition of the mines is made during the next few years as during the past few months.

A concrete example of the manner in which insurance inspection for fixing merit rates under workmen's compensation has effected improvement in the condition of mines and the consequent safety of the workmen will doubtless make this more clear. The following is selected as representative of conditions occasionally encountered among the more dangerous gaseous and explosive mining districts:

Inspection was made of one of a group of large mines controlled by a powerful nonresident owner. The inspector found the mine in a very hazardous condition on account of the presence of large quantities of explosive gas and of fine coal dust. All of the elements necessary to a violent gas and dust explosion, which would destroy the 200 underground workers, were present. The mine was otherwise in a most unsafe condition because of lack of protection to men from falls of roof and coal, careless handling of explosives, bad condition of haulage ways, and general neglect of the safety of the mine workers—this condition in spite of the fact that the controlling corporation had employed an experienced mine manager with experienced superintendent and foremen. The trouble lay in the fact of pressure from a distant executive department for economy in operation and cheapness of production or tonnage cost of coal, and consequent absorption of the local management in getting out coal as cheaply as possible, to the neglect of safety conditions.

Immediately upon receipt of the report of the insurance inspector the head of the nonresident corporation, in a metropolitan city several hundred miles away, was called on the telephone and notified of the condition, and that unless the immediate hazard were removed within 48 hours the insurance policy would be canceled. The result was an immediate conference with the head of the inspection and safety department of the Associated Companies, who presented to the owner

a detail report, with the main facts of which the mine manager concurred in substance, to the effect that explosive coal dust was found in large quantities throughout the entries, rooms, and old workings; gas in large quantities was given off in one entry to such an extent that it was in highly explosive quantities at points two or three hundred feet distant, passing rooms in which miners were working with open lights. The only warning to prevent the men from coming in contact with these accumulations of gas was an old railway tie marked "Danger" lying across the rails but a few feet from the beginning of the gas area and scarcely perceptible in the utter darkness of the mine, covered as it was with dust and coal. One miner was found to pass this with an open light, and asked if he knew of the danger, said, "Yes; fire boss told me to always watch and keep my lamp low." In another entry containing explosive gas there were no warning signs to keep out men with open lights. The men working in the gaseous area had safety lamps, but on examination two of these were found not locked and one in bad condition, so that all three were liable at any moment to have their flame come in contact with the gas. In this area the men were using such dangerous explosives as dynamite and pushing it into the borehole without tamping. In other cases inflammable coal slack was being used for tamping black powder, and squibs, which emit showers of sparks, were used in igniting the explosives. The explosive was so carelessly handled that dynamite, black powder, lamp oil, detonating caps, fuse, a file, old paper, and pieces of metal were found intermingled in one box.

The result was that orders were issued by the owner for the immediate removal of all workmen from the explosive district, and also that work be promptly begun to improve the ventilation, roof conditions, and methods of using powder, and otherwise place the mine in a safe condition, as recommended by the Associated Companies.

This condition is not uncommon in such regions. It is one which has caused disastrous explosions, killing in some instances hundreds of men. It is one to which the Federal Bureau of Mines has repeatedly called attention through its publications and its safety propaganda. The Bureau of Mines had, however, no jurisdiction and no influence to improve such conditions other than by attracting attention to them. The State mine inspection department had the lawful power to correct such conditions, but though they were known in this and other cases to the State inspectors, the latter found it impossible to effect improvement, partly due to conditions beyond their control. A State inspector can point out and suggest improvements, but he has no power to enforce them in case the owner makes an appeal to the courts, for it is usually almost impossible for the inspector to prove his case if his orders are contested. Even then

the State inspector can, as a rule, secure only the improvement of the most obviously dangerous conditions. Even when these are improved they remove only a portion of the accident causes, and the mine will yet remain a serious menace to the workmen as to minor injuries, due to generally bad conditions.

The power possessed by the inspectors of the Associated Companies is of two kinds: First, as concerns the immediate catastrophe hazard through the threat of cancellation of policy. The effect of such action is instantaneous in the many cases where a mine is mortgaged with some trust company. The demand of a trustee, that the danger be immediately removed and the opportunity for insurance made available or the mortgage will be canceled, is necessarily productive of prompt compliance. The second source of power to improve dangerous conditions, other than from catastrophe hazard and the threat of cancellation, consists in the high premium rate for insurance for an unsafe mine, which is developed by a schedule-rating inspection, and the consequent fact that the money earned by the mine owner in premium reduction on a large pay roll would frequently, in the first year alone, nearly pay for all the improvements demanded, and would at the same time place the mine in a more safe and efficient working condition.

Take, for example, an inspection report made shortly after the workmen's compensation act went into effect in one State, which showed for a group of mines employing nearly a thousand men an annual pay roll of half a million dollars and a premium rate on first inspection of nearly \$6 per hundred dollars of pay roll, or a total annual insurance premium of \$30,000. The improvements recommended would, if complied with, reduce this premium to less than \$3, and actually did so, with the resulting premium reduction from \$30,000 to \$15,000 per annum, a sum larger than was expended on all improvements made.

Let us examine in detail the condition of these same mines. The inspection charges are on a basis of 100 per cent perfect for each of the 12 groups of hazards in a mine. The surface charges were charged 25 demerits out of a possible 100, this for unguarded gears, dangerous railway crossings, bad floors, etc. Shaft hazards were charged 37 demerits; underground haulage system, 61 demerits; hazards from falls of roof, 51 demerits; use of explosives, 60; electricity, 50; mine gas, 63; coal dust, 77; mine fires, 65; miscellaneous underground hazards, 37 demerits. The human element, or moral hazard, was charged 90 demerits, and absence of safety organization 62 demerits, a total average for the whole mine of 70.6 demerits out of a possible 100, whereas the average number of demerits which corresponds with the average condition of a mine in the State was 25.

The easy, obvious, and safe thing for the insurance carrier to have done would have been to cancel the policy. This has, however, been done in no case out of 2,500 mines under the protection of the Associated Companies against workmen's compensation obligations, for the reason that the purpose of the law being the protection of the worker, a system of inspection and schedule rating has been devised which charges an average insurance rate adequate to protect the carrier against losses, however serious or extensive they may be in isolated cases. In this particular case, as in many others, the argument of reduction in premium to be paid on insurance was such that within four months a reinspection was requested by the assured on the ground that they had improved all of the conditions on which there were charges. The reinspection developed the fact, as shown above, that in all mines operated by this company this had been done to an extent represented by a total of 8.5 demerit charges revealed on reinspection as against 70.6 on first inspection and a reduction in premium rate from over \$6 per \$100 of pay roll to \$2.82 per \$100 of pay roll. This was equivalent to a saving of \$15,000 per annum in insurance premium, a sum more than sufficient to pay in one year for all the improvements made.

The reinspection of these mines developed the fact that nearly every hazard discovered within the mine had been removed, such as improving the ventilation and thus removing the gas by diluting it with large quantities of air, removal of all coal dust, use of only permissible explosives properly fired by shot firers with electric detonators, removal of all open lights and substitution therefor of permissible electric cap lamps, removal of inflammable material and sources of ignition, improvement of the haulage ways, guarding of all machinery, increase in the number of foremen, employment of inspector, organization of safety department, and other protective measures which have not only removed any immediate source of catastrophe, but all reasonable sources of minor accidents.

I regret that it is not possible for me to show what we believe to have been the improvements in conditions in terms of the saving of life and limb. Such data will not be available until the statistics are received resulting from the study of workmen's compensation settlements; it will probably be two or three years before we know where we stand in the matter. Wherefore, I have been compelled to show these improvements in data represented by the premium-rate reduction or charges entered on it.

That this condition is not an isolated one is evidenced by the fact that 774 mines inspected and schedule-rated in Pennsylvania, for which reinspection results are available for purposes of comparison, show an average premium rate on first inspection of \$3.78 per \$100 of pay roll and an average premium rate on reinspection of \$2.82.



These sums correspond with and are an index to the improvements made in the safety condition of the mines. They indicate a saving in premium to mine owners of nearly one-half million dollars, and they represent the power of that sum of money as a leverage to induce the mine operators to make the improvements represented by such great premium reductions, and the corresponding improvement to the safety of the workers in the mines concerned.

Evidence that the moral hazard is due to carelessness of the miners and the operators in about equal measure is furnished by statistics recently compiled from the records of the Department of Mines of the Union of South Africa. These indicate that about one-half of the fatalities in mines are due to the so-called hazard of the industry or what are sometimes called the dangers inherent to work or misadventure. Of 2,497 fatalities investigated, including over 200,000 employees, for a period of over two and one-half years, it was found that 17.5 per cent were due to disobedience of orders, carelessness, or ignorance of the operator; 17.1 per cent to those of the injured person; and 5.9 per cent through fault of others, including fellow workmen. The fault of the operator is evidenced by failure to give proper warning, failure to inspect, failure to furnish proper equipment, and neglect to comply with the recommendations of the inspector. That education and training of the mine operator as well as of the mine worker is essential to any material improvement in the safety of mining is beyond question, and the system of schedule-rating insurance premiums under workmen's compensation which has been adopted by the Associated Companies takes cognizance of this to the fullest possible extent.

As evidencing the attitude of the mine operators to workmen's compensation insurance thus administered by private stock insurance companies it is well to record that for the first several months of this inspection service it was a subject of opposition and criticism. Since inspections have been completed and reduced premium rates have been promulgated in many cases as a result of improved conditions, a much more friendly attitude has been shown.

I have a letter from a leading mine operator saying:

The operating officials at our different properties were first inclined to be a little skeptical and critical, believing that no inspector acting under State or insurance authority could tell them how to improve the condition of their mines. Since we have gone through it, however, it gives me great pleasure to say that we have found your inspection has been of great service to us. Your inspectors have disclosed conditions which have enabled us to remove hazards, so that our properties are not only in far better condition as regards safety, but the change we have made in our organization and our methods, itself, puts us in closer direct touch with our working force, with the result of increased efficiency and economy in operation. We will be more than repaid for the expense we have been put to in making the changes recommended.

Another operator, controlling over 30 mines, says:

We soon discovered, to our surprise, that with the actual correction and improvement of the various dangerous conditions that your inspector commented upon, our mine foreman became so enthusiastic, noting how it really improved the mines, that we had in some cases to restrain him. The result has been, we believe, not only cleaner, safer mines, but it has improved our general operating conditions to a notable degree.

The chief mine inspector of one of the greatest mining States was somewhat skeptical, as were others, as to the possibility of bringing about further improvements than were practicable through his department, as a result of workmen's compensation application and the cost of insurance thereunder, and he wrote that:

If all the suggestions contained in your safety standards are complied with, a marked reduction in accidents would no doubt result. I have found saying and doing are entirely different things, and if you can succeed in forcing compliance with these rules, you will accomplish what the State mining department has tried to accomplish for years, without complete success, and there should be a reduction of at least 50 per cent fewer accidents.

Since the suggestions contained in our standards have been very fully complied with in a majority of cases, it is fair to assume that his prediction will be in some measure fulfilled, and there will be a marked reduction in the number of accidents under the system adopted for the insurance protection of workmen's compensation obligations.

As evidencing the attitude of the State industrial boards and the State insurance departments toward this system of insurance and schedule-rating inspection by the Associated Companies, it is necessary to point only to the cordial relationship established in the three coal-mining States in which the law provides for compulsory workmen's compensation, coupled with a fair attitude toward an encouragement of private insurance for the obligation, viz, the States of Pennsylvania, Kentucky, and Colorado. In all three States the technical value of the safety standards and the system of inspection and of schedule rating the various hazards within the mine has received official approval, and has been adopted for all insurance carriers in those States. In the States of Pennsylvania and Kentucky, the department of inspection and safety of the Associated Companies has been authorized to act as a central inspection and schedule-rating bureau for all insurance carriers of coal-mine risks, with the result that in those two States over 90 per cent of the mines are insured either with the Associated Companies or the State fund, and are under the inspection and safety service of the Associated Companies, and that in consequence vast sums have been expended in the improving of safety conditions in the mines of those States.

## DISCUSSION.

LEWIS T. BRYANT, commissioner of labor, New Jersey. I have listened with a great deal of interest to the general discussion of the regulation of rates and especially with reference to granting reductions for specific improvements in physical conditions. Of course, I represent a branch of this movement which, in theory, would eliminate the necessity of rating reductions for special improvements. I know that in New Jersey, and I think in all other States of the Union where there is a comprehensive factory inspection, if all the regulations on the statute books were applied to the factories, of course a nearly perfect factory condition would be reached. However, to those who have had years of experience in obtaining these conditions in factories, we find that the human element is of the greatest assistance in securing these improvements. There seems to be an impression that the workmen's compensation acts in themselves have improved the morale of the factory management and have improved the physical conditions in factories. Personally I have never been able to see any particular relation between the enactment of the workmen's compensation schedules and factory conditions, except in so far as may be accomplished by the reduction in rates given to the manufacturer for any specific improvements that may obtain. I know there are two elements among the factory managers; a large number of factory managers are anxious to supply their operatives with every possible means of protection; then there is a small number who look upon the whole thing in a mercenary manner and want to get by as cheaply as possible. Now, as to this latter class, if they are covered by insurance, the inducement to make the improvements is removed, and they will be made only where the law compels the change. Now, I think that in nearly all the Eastern States and most of the Western States there is a very close affiliation between the operation of the workmen's compensation laws and the factory departments. Anything tending to the reduction of accidents is of far more importance than that which has to do with the compensation of workmen.

In our State we are at this moment confronted with the problem of the best practical use to be made of the statistics which are required under the operation of the compensation act. Some years

ago I had the privilege of studying factory conditions abroad, and while going through the Manchester district I was very much impressed with an English factory inspector and his methods. Later, I was fortunate enough to have him come over and spend some time in New Jersey and make inspections of the New Jersey factories, and thus was able to get his viewpoint of conditions as they exist in this country. The thing which impressed me more than anything else was the manner in which he went about the placing of exact hazards, unguarded belts, etc. While I do not mean to defend an unguarded belt, yet this inspector did not seem to consider that the most important hazard. His attention was called to an unguarded belt in one factory, but he said he wanted to show the statistics compiled in England on loom accidents, and showed a number of accidents in looms from a small unguarded shaft at the back of the loom about 6 or 8 inches from the floor and partially under the loom. The number of accidents occurring from that little shaft was way above the number occurring from the belts. In this very factory where he pointed out this condition and within a few months after the conversation, on account of a rule prohibiting combing the hair, a girl went around back of the loom to comb her hair and while combing it a lock blew under the shaft, got caught and the girl was scalped.

Now, I want to illustrate the fact that the real scientific use of statistics will be of the very greatest possible help in the prevention of accidents. New Jersey was the first State where a compensation schedule law was passed. I have in mind a manufacturer of linoleum who had been ordered by the factory inspector to put six fire escapes on a factory. He came to me and complained of the excessive number required. On analysis the factory did show rather a remarkable condition, but six seemed like a large number. Afterwards, when the inspector in question for this district was in my office, I asked him why he ordered so many fire escapes at this factory, and he explained conditions to me. In this factory they had no means of getting to the upper floor except by a vertical ladder placed at an opening in the floor, and the man was required to go up, hand over hand, on this ladder. Therefore he ordered the fire escapes on the outside of the building, being practically outside stairways, to be used not only as a means of egress in case of fire but as a method of getting from one floor to the next. The manufacturer complained about the amount of expense, because he had only one or two men employed there, but I recalled to him that when we went up there to inspect on the top floor we found the man sound asleep. "Now, in case of fire you will concede there will be a great deal of smoke in this building. What if the man slips in the smoke and falls down the hole? Would any insurance company carry your risk? Will you tell me what rates you have to

pay?" "Just the same as any other similar company in New Jersey." That was previous to any specific rates for penalizing any unusually bad conditions. Of course, we had the authority, which we exercised, of making the building safe; but how much easier it would have been to the executive force to have been able to say, "Now, put up these fire escapes and you will get a considerable reduction in your insurance rates," rather than simply to depend on the law.

ALFRED W. DONOVAN, chairman Massachusetts Board of Labor and Industries. The discussion this morning in reference to rating and prevention appears to be along the line of "what shall we do" or "how much shall we pay" for the loss after the man or woman is unfitted for daily work through loss of limb or for loss of life? It would appear to the Board of Labor and Industries of Massachusetts that the constant employment of men and women who are obliged to work is of greater importance than trying to find what we can do for the families or for the working man or woman after injury. Prevention of accident, to our mind, is the greatest possible work that confronts us to-day. The prevention of accidents will in a measure conserve the wonderful asset which this country has in the great amount of labor at our disposal at the present time. But even with that amount so large we find that, through the unexampled prosperity we are now enjoying, there is a job and a half for every man and that dead ones are not worth near as much to us as the real healthy workers. From our viewpoint and from our experience we firmly believe that the health of the worker is 66 $\frac{2}{3}$  per cent, at least, in importance. We have found that the health of the man or woman employee at the time an accident occurs is the great thing. Suppose that that woman or man is out of sorts or in ill health just at that moment. If that is the case, all of the preventive measures, such as safety appliances and the various things we are at work upon and which we are spending an enormous amount of time and money on in order to assist in this great work, may fail. Therefore we feel that the subjects of lighting and ventilation and sanitation are much more important—two to one—than any safety device. I know from a personal viewpoint and from my own experience as a manufacturer that the policyholder, or the man who pays the bill, is in a measure afraid of the policy or afraid of having particular places protected. I want to state for the manufacturer that we believe that it is money profit, if you please, in our pockets to fix every place that it is possible to fix so that an accident can be prevented. That is selfishness pure and simple. All we manufacturers want is the correct method; we want you to show us how to do it. I will assure you that the manufacturers will be only too glad because, as I stated, the greatest asset of all is the

worker. What could we do without good help? What can good help do without good places to work in?

There are two more suggestions: First, we must look out for the health of the worker; we must study that from every viewpoint. We must provide better places for the men and women in which to work. We must not pay all our attention to the office room. If it is toilets or wash rooms or anything of that sort, let us begin in the workroom. The office help and the managers can take an hour off if they wish, but the poor old worker gets a "call down" or gets docked if he goes away from the job. Let us figure as a practical proposition that for any effective improvement in the workshops we must have rest rooms, we must have health measures. When a man or woman is just below par—and you and I know from long experience that at certain times during the day accidents are more frequent—we know that at those times if a man or woman could go around through the plant 10 minutes before the fatal hour, and could say to those people, "Won't you go down to the rest room just a moment? Go and see the physician," many times these accidents might be avoided. Those are the facts I want to leave with you—the fact of health and the fact of prevention—health two, accident prevention one. With that view, if you work it out, there will not be very many deaths. Do you know or do you realize that it costs \$6,000 apiece to bring a man or woman to the age of 20 or 21? Do you know that after that time, after we have spent that money—either through his family, or the State or city, or some friend—that that man has only his thirty-odd years to earn his living? Now, let us give him an opportunity during that 30 years to earn the \$6,000. He is worth only \$5,000 dead anyway, but he is worth \$6,000 living plus the amount of profit he can earn, plus the amount of good he can do, plus the amount of example he can set by good living in the community. But the great asset is really the human element. It makes me wild when I see them forgetting that and protecting the insurance rates. Let us have an insurance company of some sort that will protect the health of the worker, so that the worker can have a dollar or two in the bank himself. Now, then, I believe it is a separate proposition when a man or woman is to be compensated. I believe the man who sits on a case of that sort should not be the man who inspects the proposition or who has to do with the safeguarding of life. The settlement of that particular matter is of so much importance to us and of such a wonderful importance to the State that it ought to take on—and I believe it will take on—the weight of a judge's decision. I believe that the man who administers any compensation decisions should be appointed by the governor of every State for a term of years or for good behavior, or even for life, and that this man should be a judge. Would we ask him to come

into the factory, mill, or mine to investigate? We would bring the facts to him and get the decision and judgment.

I speak for my commission. I believe it is our ideal, our hope, and our prayer that in the future the administration of the amount of compensation to our workers shall be, as it ought to be, by judges rather than by so-called commissioners. Give them the dignity of the judgeship—give them the cloak, if you please, so that we will know as workers and as manufacturers that there is a court; first, because we want more speed, we want more efficiency, we want the particular case settled instantly, if it is possible, or just as soon as we can have it done, so that the worker may know that if he is injured he will receive his compensation in a reasonable time. Do not make the time from 14 to 20 days or 3 weeks, or any amount, but make it just as near the time when he is injured as possible, so that we can plan upon continuous employment. In our State we have a crop, if we may speak of crops in this connection, of twelve and one-half billion human beings—twelve and one-half billion of workers in money value. We put a sentinel on the soft-coal pile of 150 or 200 tons to see that a neighbor does not steal it. We put a lock on the books, and it would not make any difference if the books were on top of the safe all night. But we do not attempt in any way to put the worker in the right frame of mind, and that frame of mind is simply this: To be in a condition and a position to be able to work the 6, 7, 8, 9, or 10 hours of the day. I do believe that a man or woman ought not to be allowed to work the day or the hour that he is unfit.

I trust that I have brought a message to you. It is the question of the health of the worker. We must do all in our power to improve the physical condition of the workers, and then we will not need so many safety devices.

Miss GERTRUDE BECKS, director of the welfare department of the National Civic Federation. I want to ask a question of Mr. Donovan, but first to call your attention to the fact that we have in New York City a welfare exhibit, which promotes "health through welfare"; that is the motto of the welfare department of the National Civic Federation, composed of 600 employers of the United States working for the improvement of wage earners. I urge you to find out how to reach more employers and make it plain to them that health is economically important to them. When we began this work in 1904 we were able to find only 25 employers who were doing anything at all in this line, and now we have 1,100 whose humanitarian activities are described in our welfare exhibit, on the thirty-fifth floor of the Metropolitan tower.

The question that I want to ask you, as practical men, and I address this question to Mr. Donovan and Mr. Beyer, is this: Do

you find that there is any special problem, or, rather, do our women wage earners present any special problem in accident prevention as distinguished from the safeguarding of workingmen? Now, I am not saying this as a woman particularly, but as one interested in society as a whole. I am not saying this as a suffragist, because I am not one; but it seems to me that present indications are that women are going more and more into industry, and at an appalling rate; that the home is absolutely threatened because of that, for I do not think a woman can be a wife, a home maker, a child bearer, and a worker at the same time without being a menace to the welfare of society, and I do think some of our practical men can give us some suggestions as to how improvements may be made in the condition of working women before they leave industry and marry. If there is anything particularly peculiar to the conditions of the working women to which there should be some especial attention given, it would be very pleasant to hear.

Prof. WILLARD C. FISHER, New York University. I wish to correct the statement which I have heard two or three times in this convention and have seen many times in print. It is that New Jersey was the first State to have a compensation law. Her law was passed in April, 1911, to go into effect July 1. The laws of Kansas and Washington were approved March 14, 1911, the Kansas law to go into effect January 1 following and the Washington law October 1 following. The Wisconsin law was passed in May, 1911, to go into effect immediately. As a matter of fact, the Wisconsin law was purely voluntary until September.

Mr. DONOVAN. I would like to answer that question that the young lady asked with reference to women in work. We have found from our experience in our factory that if we compel the woman worker to report to the rest room or the hospital, so called, before leaving on account of indisposition, and have her report to the physician in charge, that the doctor has been able, 90 per cent of the time, to give the particular woman the right sort of attention so that she has been able to return to work. Ten per cent of the time the woman ought to be at home, and she goes home. But just that sort of thing—asking them to report to the physician before going out and seeing that they get the proper attention—does relieve the situation and makes the woman worker nearly equal to a man, so far as daily attendance is concerned.

Miss BEEKS. Is there anything special in regard to protecting women workers different from men?

Mr. DONOVAN. We have found in our work—shoe manufacturing—that women are just as careful in employment as men; that they are just as watchful of their safety; they do not care to have their hair



orn off; and they are, as a rule, very intelligent. And I say it now, I would much rather have careful women workers in manufacturing shoes than I would a great many of the so-called intelligent men.

S. W. ASHE, General Electric Co. Replying to our friend's question, I think that anyone who has made very much of a study of accident prevention will find the accident rate of women is about one-third that of men; that is, men are hurt three times as frequently as women. Women are more alert and are naturally quicker than men, and will not take the chances that a man will. And I know in our case in Pittsfield, where we employ about 800 women, total number of employees being 6,500, there is with the women a much smaller percentage of accidents than with the men.

ROYAL MEEKER, United States Commissioner of Labor Statistics. Are the men and women employed in the same occupation or subjected to the same hazards?

Mr. ASHE. The occupations are diversified; but if you take men and women in the same department you will find the men get hurt about three times as frequently as women, with the same sort of risks.

Dr. MEEKER. Can you furnish me with any literature on the subject?

Mr. ASHE. Yes; in addition to our own data there is a publication, "Accidents Abroad," covering German conditions, and there you will find it appears that the tendency in the same class of work is for men to get injured three times as frequently as women.

Dr. MEEKER. Please send me everything you have bearing on this subject.

Mr. DONOVAN. In regard to the statement that men get injured three times as frequently as women, I think I am in a position to prove that, because I am chairman of the committee of safety and health of the National Association of Corporation Schools, and that is what I want to say a word about particularly. You have heard a great deal about insurance and about the installation of safeguards, but I want to put in a plea for education in the reduction of accidents. One thing that has been overlooked is the fact that the matter of labor turnover has more of a bearing on accidents than any other factor. In Pittsfield in three years, from 1913 to 1915, we reduced our casualty tariff \$15,000 a year, and we feel this is largely due to the intensive educational work. In the proceedings of the National Association of Corporation Schools you will find outlined systematic forms of safety educational work which can be carried on. Last summer in Buffalo we were taking up the subject of health and trying to outline a form of systematic health instruction in the industry that could be carried into the school by some means, and in which the local press

and newspapers would be interested. Thus preventive measures can be carried on all the time. I think that other speakers have brought that out, the importance of health protection work in the matter of accident prevention, and if you can make a study of that, coupled with the matter of labor turnover, improving on your systems of educational instruction for employees—first-aid methods, resuscitation, and in the matter of prevention, how to keep from catching colds, etc.—in such schools, you can do wonderful work. I know it can be done, because we have done it. But we have a great deal more to do, and we are going to do it. I think we will spend five or ten thousand dollars a year in safety devices, where we are going to spend only three or four thousand in educational work, when we ought to spend much more in educational work and still continue to spend the same amount in safety devices, because I think that is well spent, too. And if any of you are interested in this whole subject, we will be very glad to have you at our convention next summer at Buffalo, at which we hope to go into the matter of health more fully than is possible here.

Mr. BRYANT. I would like to say a word in regard to the attitude toward women workers. I think one of the fundamental principles of safety engineering is the prevention of loose flowing garments, long sleeves on the worker, and loose jumpers, or anything likely to get caught in the projecting machinery. Of course a woman's dress itself presents a peculiar hazard, and requires at times more safeguarding than would be required by a man. The loose hair on a woman also presents a special problem. In some cases we have had them wear something on their hair to keep it from flying. That was impressed on my mind in connection with the safeguarding of sewing machines in my early experience in accident prevention. I made inquiries from a number of women who had worked around the machines, and I could not find anyone who had had an accident other than getting a skirt torn off. But the English experience shows that many women have had their hair caught in the shaft of the machine through stooping to pick up something from under the machine. The fact, however, that I believe should be borne in mind in the employment of women is the question of requiring them to stand for long hours on their feet. Many of you who have read the brief presented to the Supreme Court by Mr. Brandeis in the State of Washington case, as to regulating the hours of employment for women, will be thoroughly convinced of the fact that the peculiar anatomy of woman makes it very harmful for her to stand for continuous long hours on her feet, particularly at certain periods of the month. I was much impressed with the possibilities of eliminating these conditions by the intelligent inspection of factories. In a factory in Nashville, Tenn., my attention was called to that fact by a woman inspector who brought to my notice a girl standing and

feeding a sort of printing press, and required to stand there for the entire 10-hour day, or whatever they worked in that State. One of the women inspectors said to me, "Don't you think it would be possible to arrange a seat swung from a certain part of the machine so it will permit this girl to sit down and feed the machine at the same time?" That is just one actual case. If scientific or intelligent factory inspection made it possible for that girl to be provided with a seat so that she could sit down the 10 hours there is no question but what the health of that girl would have been very much conserved.

I want to indorse everything said regarding certain phases of welfare work, as against ordinary accident prevention. I think the prevention of physical injuries is by comparison the least important of all the problems and responsibilities which rest upon those charged with the conservation of the health of factory operatives. But the so-called welfare work is nowhere near so important as the problem of providing proper air for the operatives to breathe while working. It is all right to have the welfare work, and I would not say a word against it, but after all is said and done, in a large number of factories, the number of cases you are going to have where a physician goes around among the workers to find those who need a little rest or toning up is going to be very few by comparison. But where they are required to work long hours, they have got to breathe the air that is there. The elimination of dust, whether harmful—all dust is harmful—whether poisonous, injurious, or harmless, is one of the problems which should be approached with very much more care. There is not only the question of the elimination of dust, but also the question of stagnant air. At one time I visited a shirt-waist factory, where the air was perfectly stagnant, which condition could very easily have been bettered by simply installing a fan to keep the air moving. Of course, it would be better if the stale air could be taken out and fresh air brought in. I think this is the welfare work which should receive the greatest attention.

The CHAIRMAN. I would respectfully call the attention of the members of the conference to the importance of the subjects to be discussed this afternoon. I know from personal acquaintance with the speakers that we will get the best thought in the United States to-day on these subjects. The meeting begins at 2 o'clock, and I wish you would all be present at that hour.

**WEDNESDAY, DECEMBER 6—AFTERNOON SESSION.**

**CHAIRMAN, F. SPENCER BALDWIN, MANAGER, NEW YORK STATE INSURANCE FUND.**

**VII. MEDICAL SERVICES AND MEDICAL AND HOSPITAL FEES  
UNDER WORKMEN'S COMPENSATION.**

The **CHAIRMAN**. The function of the chairman, as I understand it, is to hold the chair, precisely as the name implies, and, incidentally, to hold the watch on the speakers, and not to hold the floor himself. I shall, therefore, give the full time to the speakers of the afternoon.

**MEDICAL SERVICES AND MEDICAL AND HOSPITAL FEES UNDER  
WORKMEN'S COMPENSATION.**

**BY F. M. WILLIAMS, CHAIRMAN, WORKMEN'S COMPENSATION COMMISSION  
OF CONNECTICUT.**

When requested by Mr. Meeker to prepare a paper on this subject I realized that with the time limit necessarily enforced the paper would be exceedingly sketchy and incomplete.

After spending several days in an effort to gather up such facts and observations as might be interesting, the sketchiness and incompleteness of the result became still more apparent to me, and doubtless will be so to you.

Although the American States did not begin to pass workmen's compensation statutes until many years after the principle was recognized in Great Britain, such statutes now constitute an important part of what may be designated as distinctly American law, and in one very important respect the American States with very few exceptions have made a distinct advance on the British system.

No medical services seem to be provided for in the British act of 1906 except in the relatively unimportant case of a fatal accident to a person having no dependents, in which case the reasonable expenses of medical attendance and burial, not to exceed £10 [\$48.665], are payable by the employer. This is copied in part in some of the American States and doubtless can be justified on the grounds of public policy, on the theory that the industry generally was responsible for the injury resulting in death and should bear this expense rather than that it should be a burden on the general public.

Practically all of the American States which have legislation on the subject have taken a much higher ground. They have proceeded

on the broad theory that public policy demands that the industrial injury bound to come to the workman under modern conditions should be added to the cost of production, paid by the employer, and passed on to the general public as an added item of price in the finished product which each who uses it must help to bear.

It has been recognized by every thoughtful and fair-minded man whose attention has been directed to the subject to any material degree that the one class least able to bear the burden of industrial accidents is the industrial worker, whose only capital is his ability to labor.

So much is too elementary for discussion and too familiar to be even interesting to an assembly like this made up of specialists in this field of thought.

The main purpose of this and similar meetings, however, is to consider how the burden of unavoidable injuries, of apparently unpreventable accidents, may most justly and wisely be distributed. A workmen's compensation law, however carefully and liberally drafted, never has and never can prevent the heaviest part of this burden from lying where it falls—that is, on the shoulders of him who has met with personal injury, who has suffered bodily hurt. There is no payment that really and truly can be compensation for loss of limb, loss of sight, or loss of ability to labor. No one is striving to reach a goal whose attainment is known to be impossible, however desirable. No one has or probably ever will seriously consider the passage of a law providing for even complete pecuniary compensation for loss of earning power due to any serious permanent bodily injury.

Payments to injured employees or their dependents are based on a percentage of loss of earning power varying roughly from one-third to two-thirds and usually for a limited period of time. Any compensation act, however, is a distinct advance from the time-honored negligence suit with the common-law defenses and the attendant circumstances which had gradually come to surround this class of litigation.

It seems, on looking at the field broadly, that the two most beneficial features of the system of workmen's compensation laws, as existing in the great majority of American States to-day, are, first, their tendency to bind employers and employees closer together by the ties of a common interest to prevent accidents as deeply harmful to both sides, and, second, those wise and humane provisions in most of these statutes which deal with the subject of medical and surgical aid to the injured employee at the expense of the employer.

Before I commenced the preparation of this sketch I had necessarily from some years of experience on the subject a more or less

indefinite idea of the detail of the various American statutes, their points of resemblance, and their lines of difference. but, although having a pretty fair library on the subject, I found I had no treatise to which I could go for elementary authorities needed. Prof. Boyd's work was finished in December, 1912; the second edition of Mr. Bradbury's treatise was finished in April, 1914. Manifestly neither of these treatises could shed much light on the important legislation since those dates.

A third edition of Mr. Bradbury's book is in preparation, but it has not even reached that stage where I could borrow his manuscript. I had therefore to procure all these different statutes and examine their provisions. It took some time just to read them, and it has occurred to me that it might be convenient to make a brief summary of their provisions on the particular subject under discussion.

I do not dignify this by the name of digest, but it covers in a rough way all the statutes I could find up to date, and includes 35 different jurisdictions. This summary will be prepared as an appendix to this paper, and may save some one else who is interested some hours of time.

It will be seen that one State, Texas, provides for medical and surgical services during the term of 1 week; that one State, Wyoming, makes no provision for medical services; that 5 States, Alaska, Arizona, New Hampshire, Washington, and Kansas, have no provision for payment of medical services except in fatal cases where there are no dependents; that 10 States have a 2-week period, 2 States a 3-week period, 1 a 60-day period, 4 a 90-day period, 1 an 8-week period, 1 a 4-month period, and the United States statute for Federal employees and the Connecticut statute for all employees covered by it are the only ones that provide services unlimited both as to time and amount; 5 States provide services unlimited in time, but limited in amount.

Connecticut has in its statute a so-called "standard of living" clause, which reads as follows:

The pecuniary liability of the employer for the medical, surgical, or hospital services herein required shall be limited to such charges as prevail in the same community for similar treatment of injured persons of a like standard of living when such treatment is paid for by the injured person.

Several of the other States seem to have followed the language just quoted. Probably it would be interesting if I could tell you what that language means. Frankly, I don't know, and have been able to find no authoritative decision of any court of last resort that is conclusive on the subject. I have had occasion to express my views on the subject in one case, *Christophson v. Turner Construction Co.*, First Conn. Compensation Decisions, 591. In this case the hospital bill was \$259.36 for less than four weeks'

services to an injured employee earning slightly less than \$14 per week. The insurance carrier contended that the bill was manifestly in conflict with the standard-of-living clause. The facts were that the services were necessary to save the life of the patient, were without substantial pecuniary profit to the hospital, and would have been rendered precisely as they were, no matter what the patient's earning capacity had been. I allowed the claim in full, and stated that whatever the clause in question might mean, I did not believe that it imposed on a hospital or doctor an obligation to render services to an injured employee of a responsible employer or the insured of a responsible insurer at a financial loss or as a matter of charity.

I suppose it to mean that the hospital or physician can not in fixing a charge take into consideration the wealth of the employer or the insurer, and use this wealth as a means of raising the charges for the particular services, as is said to be customary in fixing the charge against private patients of large means. The opinion in *Milwaukee v. Miller* (4 N. & C. C. Ann. 156) is the authority most directly in point, and seems to support the view above indicated.

It is, of course, entirely impracticable to attempt any résumé of decisions of commissioners or industrial accident boards on this subject, and it is almost equally impracticable to attempt to digest the adjudged cases of last resort in any exhaustive or even thorough manner.

Perhaps no circumstance has more impressed my mind with the enormous growth of the workman's compensation law than this: Some three years since, I was requested to address the State Bar Association of Connecticut on the general subject of compensation law, and found it entirely possible to run through hastily all the leading cases in the country. To-day that can not be done.

On the direct subject of medical services and medical fees there seems to me to be two leading cases, one of which is *Panasuk's Case* (217 Mass. 589), where the court lays down in considerable detail what is fair notice to an employee of the course to be pursued by him if he is injured, and what will and will not operate to relieve the employer of his statutory duty to provide or furnish medical, surgical, and hospital services. This case should be carefully read by every insurance adjuster who has occasion to visit the factories of his company's assured, and by the responsible executive officers of every manufacturing company.

The other case which I have found most helpful in determining in a given instance whether an injured employee was justified in leaving the physician or surgeon provided by his employer and hiring one of his own choice, and which is also the leading authority from which to derive the general principle of what makes up the proper elements of charge in a doctor's or hospital's bill, is the

case of the City of Milwaukee *v.* Miller (144 N. W. 188; 4 N. & C. C. Ann. 149).

The elementary principles of law laid down by the courts in these two cases are applicable to the statutes of most of the States, and it would seem quite evident that in those States where they are not applicable the statutes need changing. One naturally believes in the propriety of the features of the particular act with which he is most familiar, and has a natural tendency to criticize the laws of other States in proportion as they differ from the laws of his State. The new Federal act has not yet been in force long enough to afford basis for comment. That is substantially the only law outside of the Connecticut statute providing for surgical and medical treatment of an injured employee at the expense of the employer or insurer, and making such service unlimited both as to the time and amount, the only limit being the reasonableness of the charge as fixed in the first instance by the administrative tribunal having original jurisdiction, subject, as is the case in all of our States, to review on appeal by the proper court. It is a matter of note that during the period since May 20, 1915, when this provision of the Connecticut statute became effective, no appeal has been taken to any court, so far as I am informed on this particular subject. Probably you would be interested in knowing something of the cost of unlimited medical and surgical services in this State. The only figures available for the entire State are those contained in pages 16 to 18, inclusive, of our second annual report. These are necessarily incomplete for a variety of reasons. Our act provides for permitting those concerns who make a proper financial showing to carry their own risks under the act, or to be, in common parlance, "self-insurers." These concerns keep us very fully informed of what they do and give us exact figures. It appears that the self-insurers, from the time when the law went into effect, on January 1, 1914, up to November 1, 1915, expended for compensation payments \$151,497.68, and for medical, surgical, and hospital bills, \$104,765.72. November 1, 1915, was the date to which figures were computed for our second annual report. The figures since then are not yet tabulated.

The insurance companies doing business in this State have during the same period paid out \$1,002,139.96, but owing to the fact that many of the insurance companies keep no separate figures for the two classes of payments, it is not possible for us to say how much of this represents medical and surgical services and how much direct compensation payments.

Our best estimate at the time this report was prepared was that the former amount would be about one-third of the entire amount expended. In considering these figures, however, two additional



factors must be borne in mind, namely, that up to May 20, 1915, we had a 14-day waiting period and a 30-day period for medical and surgical aid, and it is only since that date that we have had a 10-day waiting period and the provision for unlimited medical and surgical services.

We have had very few, if any, complaints about these amendments, and so far as we are informed no effort is likely to be made by any employer or insurance company to curtail the period for rendering such service. It has been said in some jurisdictions that a pronounced effect of the compensation law is to eliminate shyster lawyers and substitute for them shyster doctors. Such has not been our experience. The number of disputed doctors' bills submitted to us for determination is small numerically and relatively insignificant. One experience in submitting an extortionate charge is usually enough for any given practitioner, for two reasons, first, his bill is cut down to a proper figure by the commissioner having jurisdiction, and, second, the doctor making such a charge is given to understand that if he desires this class of work he must take it at a fair and reasonable figure. This does not mean that cheap doctors are employed—quite the contrary.

For the reason so aptly laid down by the Wisconsin court in the Miller Case, "It is to the interest of the employer to furnish the very best medical and surgical treatment so as to minimize the result of the injury."

Our experience has been that in each community those persons who are employed to do the greater part of the work of attendance on employees injured in the course of their employment are among the leaders of their profession. Especially is this true of self-insurers. These concerns are necessarily limited in number and, broadly speaking, will include the largest and most successful manufacturers. It is also noticeable that these are the concerns that are most particular in providing medical and surgical services for injuries no matter how slight. Perhaps some figures illustrating what has been done by one concern which may be called typical of self-insurers would be more illuminating than any amount of generalities.

These figures cover the experience from January 1 to October 1, 1916, all of which time was under the law as it now stands. The concern had during this time an average of 11,500 employees. It paid in straight compensation payments to injured employees, or the dependents of those fatally injured, the sum of \$12,138.70. It paid out for the benefit of injured employees during this time, exclusive of direct compensation payments, \$15,142.03. This company maintains a fully equipped emergency hospital on the premises. There are two or more trained nurses constantly in attendance during the entire 24 hours. A first-class surgeon visits the hospital at fixed hours each

day for the purpose of making needed surgical dressings and is on call for any emergency case. All cases which require any treatment which can not properly be given in the company's emergency hospital are promptly sent to a general hospital for such time as is indicated.

The figures last given include all those items of expense other than straight compensation payments, but do not include any item of charge for use of building and equipment, easily worth \$15,000 to \$20,000. They do include, however, an item of \$547.50 for medical and surgical services not really called for by the law. This means that employees receiving injuries outside the factory or suffering from some illness not connected with the employment were voluntarily cared for.

There is also included in these figures an item of \$889.31 for transportation. No separation of items is made in this total between charges for carrying patients so injured that they could not walk and charges where some one was sent out to find some man who had been told to report at the hospital for treatment and had failed to do so. A large part of the transportation charge is for the latter class of work. The company was not obliged to do this. It could very likely have successfully resisted claims made by the workman who refused or neglected needed treatment. It preferred, however, to have its injured employees properly cared for, even if, like the man who had prepared the feast, it had to go out into the highways and hedges and compel them to come in.

In conversation with the executive officers of this company they are careful to state that they regard all these expenditures as justified by economic and not philanthropic considerations.

The company whose statistical experience is given above is one of the largest in its line, and also, so far as we have occasion to know, has conducted its business with as large a percentage of profit as any of them during the period covered by these figures. It would perhaps be idle to speculate as to whether there was any connection between the large profit and the liberal treatment of workmen. We believe, however, that if there be a basis of fact in the old adage that a satisfied customer is the best advertisement there is just as much basis for the statement that a group of satisfied employees is one of the best assets of a manufacturing concern.

Men who are convinced that they are receiving fair treatment will produce results that are entirely different from those produced by a group of workmen who feel that they are being treated with scant consideration and that there is a constant effort to stop just short of what is fair.

By the courtesy of one of the great insurance companies their experience under the Connecticut compensation act as to the relative

cost of compensation payments and statutory medical-aid payments is given here:

EXPERIENCE UNDER WORKMEN'S COMPENSATION ACT OF A LARGE INSURANCE COMPANY IN CONNECTICUT.

Year of issue.	Amount paid up to June 30, 1916, for—		Ratio statutory medical aid to indemnity (per cent).
	Indemnity.	Statutory medical aid.	
1914.....	\$170,054	\$85,061	50.0
1915.....	132,182	76,004	57.5
1916.....	33,847	32,121	94.9

This company is uniformly fair in its treatment of its assured and their employees, and the volume of its business and the market value of its stock indicates that it finds that course of conduct profitable.

In the long run people who have occasion to purchase compensation policies will learn with a great deal of accuracy whether what they have paid for results in prompt and fair treatment of those injured employees as to whom no circumstance of doubt exists, and prompt efforts to find out the facts and act fairly in those cases where the circumstances do leave a doubt as to what ought to be done, or whether, on the other hand, the policy they have bought provides merely an opportunity to have a legal controversy in every case of substantial injury.

I do not know if it is expected or desired that general suggestions for amendments to or criticisms of existing State laws should be offered in this paper. I can not, however, refrain from expressing briefly certain beliefs which seem to me well founded: First, as to those jurisdictions which make provision for medical or surgical services only in the case of fatal injuries where there are no dependents:

It seems obvious that such a provision can only be justified for two reasons:

(a) It serves to save the public treasury from expense.

(b) It may be that some serious cases would not receive proper attention except for such a provision, although this hardly seems possible in any civilized American community.

The objections to such a provision are obvious. A person who has a family dependent upon him becomes the victim of an industrial accident, perhaps suffers a long illness, and then dies as the result of the injury. It seems impossible to show the propriety on either humanitarian or economic grounds of making his dependents pay the expenses of his sickness, which is the practical effect of such a statute.

Still more impossible to justify, from either a humanitarian or economic standpoint, are those statutes which either make no provision or an entirely inadequate provision for medical and surgical treatment of the injured employee whose injuries are not fatal.

If the injured employee is ignorant, illiterate, or a foreigner unacquainted with the English language, he is very apt when left to his own devices either to receive no treatment or to become the prey of a totally incompetent practitioner.

Even if, as is often the case in States making no adequate provision for medical aid, a larger percentage of wages is given as compensation, this money is apt to be wasted or worse than wasted if it is left to the injured employee to select his own physician.

As is so aptly said in the case of *Milwaukee v. Miller*, the employer is ordinarily best qualified to select the physician or surgeon and has a direct pecuniary motive to select the best available talent.

It is, of course, advisable and so far as examination has shown has been universally provided that the charge made by the physician or surgeon should be subject to the supervision of the tribunal—either administrative or judicial—charged with administering the law.

With such provision there is little, if any, danger of abuse by excessive charges. Without reasonably adequate means for compulsory medical and surgical aid to an injured employee at the expense in the first instance of the employer, or some insurer or fund representing him, it is impossible to carry out in any proper way the fundamental ideas which are the well-known basis of the general system of workmen's compensation law as embodied in the various statutes. The burden thus placed on the employer does not ultimately rest there. It is finally shared by the public.

I have nowhere seen what may be called the conclusion of the whole matter better expressed than by Justice Marshall, of the Wisconsin supreme court, in that portion of the opinion in the *Miller Case* which I take pleasure in quoting:

The right to have the employer regarded as an agency to make payment to the employee and absorb the same as an expense of the industry, regardless of whether the loss is attributable to any human fault, is a legislative creation within the constitutional exercise of the police power to legislate for the public welfare. It is not a charity but the recognition of a moral duty and the erection of it into a legal obligation of the public, not of the mere employer, to compensate, reasonably, those who are injured while in the employment of others as a part of the natural, necessary cost of production, that obligation being discharged through the agency of the employer.

#### APPENDIX.

In this appendix there are collected the several compensation laws now in force, with the official description of each act, the place where

it can be found, and a brief outline of its provisions as to medical, surgical, and hospital services.

1. **FEDERAL ACT.**—Effective September, 1916. House resolution 15816, Sixty-fourth Congress, section 9: Government must furnish to the injured employee reasonable medical, surgical, and hospital services and supplies, without limit as to time or amount, and, if necessary, transportation of injured employee to the place where he can be properly treated.

The States and Territories having statutes on this subject are arranged alphabetically.

2. **ALASKA.**—Effective July 28, 1915. Chapter 71, Laws of 1915, section 1 (G): In fatal cases where deceased left no dependents, funeral expenses not to exceed \$150 and other expenses, if any, arising after injury and before death not to exceed further sum of \$150.

3. **ARIZONA.**—Effective October 1, 1913. Title 14, chapter 7, Revised Statutes of 1913, originally enacted as chapter 14, Laws of 1912, special session, codified by chapter 7, senate bill No. 70, fourth session, Laws of 1913, section 3170 (3): Reasonable expenses for medical attendance and burial in fatal cases where deceased leaves no dependents.

4. **CALIFORNIA.**—Effective as amended August 7, 1915. Chapter 176, Laws of 1913, as amended by chapters 541, 607, 662, Laws of 1915, section 15: A reasonable medical, surgical, and hospital treatment, including nursing, supplies, and apparatus for a period of 90 days, with provision that the time may be extended in the discretion of the commission. Reasonable burial fee, not over \$100.

5. **COLORADO.**—Effective August 1, 1915. Senate bill 99, session of 1915, sections 50 and 52: Medical, surgical, and hospital treatment, medicines and apparatus as may be reasonably needed, but not to exceed 30 days or \$100 in value. Burial fee for fatal cases where no dependents, not exceeding \$100. Special provision in case of hernia for special operating fee, not to exceed \$50.

6. **CONNECTICUT.**—Chapter 138, Public Acts of 1913, as amended by chapter 288, Public Acts of 1915, effective May 20, 1915, part B, section 7: Medical and surgical aid and hospital services as the injury requires, without limit as to time and amount. Section 9 provides in fatal cases for burial fee, \$100. There is also the usual provision that the commissioner having jurisdiction may pass upon the reasonableness of medical and surgical bills.

7. **HAWAII.**—Effective July 1, 1915. Act 221, session of 1915, section 12: Medical and surgical services during first 14 days not exceeding \$50 in amount. Standard-of-living clause. Burial fee not to exceed \$100.

8. **ILLINOIS.**—Effective July 1, 1915. House bill 841, session of 1913, as amended by senate bill 66, session of 1915, section 8A: Necessary medical, surgical, and hospital services for a period not longer than eight weeks and not to exceed in amount the sum of \$200.

9. **INDIANA.**—Effective September 1, 1915. Chapter 106, Laws of 1915, section 25: Medical services during 30 days. Section 28: Containing standard-of-living clause. There is also a provision for not to exceed \$100 burial fee in fatal cases.

10. **IOWA.**—Title 12, Ch. 8A, Iowa Code, 1913 supplement, section 2477-m9 (b): Services during the first 14 days of incapacity, not exceeding \$100 in amount. Also in fatal cases expense of last sickness and burial not to exceed \$100.

11. KANSAS.—Chapter 218, Laws of 1911, as amended by chapter 216, Laws of 1913, section 11 (a): No provision for medical services except, in fatal cases where the deceased leaves no dependents, reasonable expense of medical attendance and burial not exceeding \$100.

12. KENTUCKY.—Effective August 1, 1916. Senate bill 46, Laws of 1916, sections 4-6: Reasonable medical, surgical, and hospital treatment for not to exceed 90 days in time or \$100 in amount, with special provision in case of hernia operations. Standard-of-living clause.

13. LOUISIANA.—Effective as amended August 11, 1916. Act 20, Session Acts of 1914, as amended by act 243, Session Acts of 1916, section 8(4): Reasonable medical, surgical, and hospital services, unlimited as to time, not to exceed \$150 in value and in fatal cases reasonable expense of last sickness and burial, not to exceed \$100.

14. MAINE.—Effective January 1, 1916. Chapter 295, Laws of 1915, section 10: Reasonable medical and hospital services during the first two weeks, not to exceed \$30 except in cases of major surgical operations, with special provision in fatal cases where there are no dependents for expenses of last sickness and burial not exceeding \$200.

15. MARYLAND.—Effective 1916 with amendments. Article 101, Annotated Code of Maryland, volume 3, Bagby's edition, section 37: Such medical and surgical services, etc., as required by the commission—unlimited as to time—not to exceed \$150 in amount. Further provision for funeral expenses in fatal cases where deceased left no dependents unless he left sufficient estate to bury him.

16. MASSACHUSETTS.—Chapter 751, Acts of 1911, as amended by chapters 172 and 571, Acts of 1912; chapters 445, 448, 568, 969, and 746, Acts of 1913; chapters 338 and 708, Acts of 1914; and chapters 123, 275, and 314, Acts of 1915, part 2, section 5: Reasonable medical and hospital services during first two weeks after injury or incapacity, with further provision that in fatal cases where there are no dependents reasonable expenses of last sickness and burial, not to exceed \$200, shall be paid.

17. MICHIGAN.—Effective as revised August, 1915. Act 10, Public Acts of 1912; first extra session as amended by acts 50, 79, 156, and 256, Public Acts of 1913, and by house bills 298, 342, 345, and senate bill 268, Public Acts of 1915, part 2, section 4: Reasonable medical and hospital services during first three weeks after injury. If no dependents, reasonable expense of last sickness and burial, not to exceed \$200.

18. MINNESOTA.—Effective as amended April 20 and July 1, 1915. Chapter 467, Laws of 1913, as amended by chapters 193 and 209, Laws of 1915, section 18: Medical and surgical treatment, etc., for not to exceed 90 days in time or \$100 in value, with special provision that board may order such services for not to exceed 100 days in time or \$200 in value. Standard-of-living clause. In fatal cases burial fee and expenses of last sickness, not to exceed \$100.

19. MONTANA.—Effective July 1, 1915. Senate bill 157, section 14: Various provisions for mutual contracts as to hospital benefits, etc., subject to supervision of the board. General provision, section 16 (f), medical and hospital services during first two weeks not to exceed \$50 in value, and in fatal cases burial fee not to exceed \$75.

20. NEBRASKA.—Effective, by referendum vote, December 1, 1914. Chapter 198, Acts of 1913, section 20: Medical and hospital services during 21 days after injury, not to exceed \$200 in value. In fatal cases, reasonable expenses of last sickness and burial not to exceed \$100.

21. NEVADA.—Chapter 111, Laws of 1913, as amended by chapter 190, Laws of 1915, section 21 (c): Reasonable medical, surgical, and hospital aid as may be required not to exceed four months, with provision for medical and hospital agreements and assessments. In all fatal cases burial expense not to exceed \$125.

22. NEW HAMPSHIRE.—Effective January 1, 1912. Chapter 163, aLws of 1911, section 6, subdivision 1 (c): No provision for medical and surgical aid except in fatal cases where deceased leaves no dependents, in which event expenses of medical attendance and burial not to exceed \$100.

23. NEW JERSEY.—Chapter 95, Laws of 1911, as amended by chapter 174, Laws of 1913; and chapter 244, Laws of 1914, section 14: Medical and hospital services during the first two weeks after injury not to exceed \$50 in value. Expense of last sickness and burial in fatal cases not to exceed \$100.

24. NEW YORK.—Chapter 816, Laws of 1913, as reenacted by chapter 41, Laws of 1914, and amended by chapter 316, Laws of 1914; and further amended by chapters 167, 168, 615, and 674, Laws of 1915, section 13: Medical and surgical services and attendance during 60 days after injury, with standard-of-living clause. In fatal cases reasonable funeral expense not to exceed \$100.

25. OHIO.—Senate bill 137, Acts of 1913, as amended by senate bill 296, Acts of 1913, and amended by senate bill 28, Acts of 1914, sections 1465-1489, Ohio Code: Medical and hospital services in discretion of commission, unlimited as to time, and not to exceed \$200 in amount. In fatal cases reasonable funeral expenses not to exceed \$150.

26. OKLAHOMA.—Effective September 1, 1915. House bill No. 106, Laws of 1915, article 2, section 4: Necessary medical, surgical, and hospital services during 15 days after injury. Standard-of-living clause. This statute does not apply to death cases.

27. OREGON.—Chapter 112, Laws of 1913, as amended by chapter 271, Laws of 1915, section 23: Medical and surgical attendance with hospital accommodations and transportation, if necessary, in the discretion of the commission, unlimited as to time, limited to \$250 in amount. In fatal cases burial expense not to exceed \$100.

28. PENNSYLVANIA.—Effective January 1, 1916. Act 338, Laws of 1915, section 306 (e): Reasonable surgical, medical, and hospital expenses limited to 14 days and \$25, unless major surgical operation is required, in which event cost not to exceed \$75. In fatal cases reasonable expenses of last sickness and burial not to exceed \$100.

29. RHODE ISLAND.—Effective as amended July 1, 1915. Chapter 831, Laws of 1912, amended by chapters 936 and 937, Laws of 1913, and chapter 1268, Laws of 1915, article 2, section 5: Reasonable medical and hospital services during first two weeks after injury; in case of death without dependents expense of last sickness and burial not to exceed \$200.

30. TEXAS.—Effective September 1, 1913. Chapter 179, Laws of 1913, part 1, section 7: Reasonable medical aid and hospital services, etc., during first week of injury. In fatal cases where deceased leaves no dependents or creditors expense of last sickness and funeral expenses not to exceed \$100.

31. VERMONT.—Effective July 1, 1915. Chapter 164, Laws of 1915, section 14: Reasonable surgical, medical, and hospital services during the first 14 days, not exceeding \$75. Standard-of-living clause. In fatal cases burial expense not to exceed \$75.

32. WASHINGTON.—Chapter 74, Laws of 1911, as amended by chapter 148, Laws of 1913, and chapter 188, Laws of 1915: No provision for medical and surgical aid. Burial expenses not to exceed \$75.

33. WEST VIRGINIA.—Chapter 10, Laws of 1913, as amended by chapter 9, regular session of 1915, and chapter 1, extra session of 1915, sections 27 and 54: Reasonable medical, surgical, and hospital treatment in discretion of commission. Unlimited as to time, limited in amount to \$150, with provision for funeral expenses in fatal cases not to exceed \$75. Special provision that if operation and further treatment are necessary, not to exceed \$300 may be ordered.

34. WISCONSIN.—Chapter 50, Laws of 1911, reenacted as chapter 599, Laws of 1913, section 2394-9 (1), Wisconsin Statutes, as amended by chapters 369 and 378, Laws of 1915: Reasonable medical, surgical, and hospital treatment, etc., not to exceed 90 days. In fatal cases where no dependents reasonable burial fees not to exceed \$100.

35. WYOMING.—Effective April 1, 1915. Chapter 124, Laws of 1915: This statute contains no direct provision as to who must pay for medical treatment, but provides in section 20 for forfeiture by injured employees who refuse to submit to reasonable medical treatment and in fatal cases for burial fee not to exceed \$50



## **MEDICAL SERVICES AND MEDICAL AND HOSPITAL FEES UNDER WORKMEN'S COMPENSATION.**

BY DR. FRANCIS D. DONOGHUE, MEDICAL ADVISER, INDUSTRIAL ACCIDENT  
BOARD OF MASSACHUSETTS.

There is a principle in socio-economics known as the economy of human energy. In its broadest sense this term applies to the science of coordinating all the forces of production and distribution in such manner that all forms of waste will be reduced to the very lowest terms possible, and the potential forces, human and material, will be developed to the greatest efficiency. The result to be accomplished is the raising of the sum total of human happiness morally, physically, and economically to as high a degree as possible and in such manner as to make the distribution conform to the best rules of altruistic justice. The principles in this theory touch upon all forms of human activity, but will be generally applied to the entire social organism only through a long process of education or to a considerable degree perhaps through the effect of some great awakening, such as the problems which have been brought to light by the present terrible but educative European war. Already signs are apparent that there has been a quickening of the public conscience to the many chances for improvement in our economic structure, and this in itself is an extremely important step in the right direction.

The subject of industrial injuries is small compared with the entire solution of all national and international problems, but is, however, of vast consequence as one of the interdependent problems of the principle of economizing human energy. Industrial injuries, properly viewed, form part of the cost of production and distribution and are a burden upon the employee, the employer, and all persons combined. A compensation act narrowly viewed has to do with the payment of money to these employees and with the payment for certain medical expenses which must be taken care of in some manner. This in itself is a big improvement over the old system, but why stop there when there is presented the opportunity for accomplishing results permanent in value?

In dealing with a workmen's compensation act or acts we are dealing with compensation to the injured employee, in which an attempt has been made to eliminate the source of waste which came

from lawyers and litigation, and the question arises whether this should not apply equally to the medical profession. Considering the subject from the standpoint that compensation means adequate medical treatment and rehabilitation, with money payments as a stop-gap while the treatment and rehabilitation are going on, the medical aspects of compensation have not yet been fully developed either to their greatest extent or to their maximum efficiency.

While our experiences with this form of conservation have been limited in time, through the intensive study which has come from the opportunity to consider large numbers of cases more or less under one central supervision, certain essential facts have clearly demonstrated themselves. If the amount of money that industry is called upon to pay were to be handled and distributed in the old way, where the employer insured himself against lawsuit and where the injured employee settled his case on the most favorable terms that he could make, with very little reference to the accident or duration of his disability, industry might well look askance at further developments in the compensation field.

The curtailment of immigration, due to the war in Europe, and the increased demand for workmen, brought about by our unexampled industrial activity, have led to a readjustment of industrial vision, so that the value of the man to the community and to the industry appears in a different light from that heretofore.

What I have to say is not based upon any philanthropic or socialistic theory, but is a matter of common sense applied to the medical problem. In view of Mr. Williams's paper, I will start by saying that any compensation scheme which does not make medical provision for the preservation and care of the workmen from the medical standpoint is a joke.

Adequate medical service must be a leading feature of workmen's compensation, if not the most important feature of compensation for the living workman. In return for the waiting period, generally provided in compensation laws where no monetary consideration is paid, provision is made for medical and hospital services and medicines when required.

That the injured workman has accepted any waiting period would seem to imply that he is willing to forego some of his rights if the seriousness of his accident can be minimized and his period of disability shortened.

Since most cases in Massachusetts, as in other States, do not last long enough to be paid compensation in the form of money, we should scrutinize carefully any substitute for the best medical services that it is possible to offer. Further than this, with the administration of various laws, a better correlated system of treatment than the ones in vogue hitherto may be developed.

A completely efficient hospital for the proper care, treatment, reeducation, and readjustment by personal study of an injured employee has yet to be constructed and maintained. The charitable idea underlying the establishment of hospitals still prevails, and the appeal to the heart is much stronger in the case of the crippled child than it is in the case of the crippled adult, even though he has depending upon him a number of children who may become crippled by reason of lack of nutrition or the invasion of disease if the breadwinner of the family is partially or totally disabled for work for a considerable period.

An appointment on the medical or surgical staff in a general hospital is a big asset to the man appointed. The medical profession itself is not at all deceived by what is given and what is received by men on hospital staffs, and the reason hospital progress has been so slow is because hospitals as a rule are run by laymen who have neither the knowledge, experience, nor the desire to exact that "strict accountability" from the staff members treating the ordinary run of cases that they would exact if the patient treated was one of their own family. Many a hospital trustee, eminent in altruistic effort and burning with zeal for uplift, is too proud to fight for an injured workman.

There is a general feeling in the medical profession that general hospitals should not care for a person able to pay for private service, and they feel that an insured person comes within that category. The public, up to a comparatively recent time, were afraid of hospitals, and were encouraged to remain away from them until compelled by necessity to go. The modern hospital with its elaborate and complicated methods of diagnosis and treatment has become a competitor for public favor. It is still in a state of evolution. The advanced type of hospital has operating physicians and surgeons who are paid for full-time work which they perform in connection with the medical teaching at some institution. There is the type of hospital in which the experience and prestige serves in lieu of other direct rewards and in which no man unless of the staff is permitted to treat patients. There is another type where there is a regular staff, but to which outside doctors not on the staff are permitted to send patients and perform their own operations. Then there is the private hospital under private control.

I am inclined to believe with Dr. E. A. Codman, Boston, whose studies of hospital efficiency are second to none, "that the time has come when hospitals should advertise the ability of their staffs by printing truthful reports which they have obtained of cases, and this should also be true of medical as well as surgical work and not by the presentation of only favorable results. Compare the reported results of bone plating with what we see as results."

Constant supervision and treatment may partake too strongly of paternalism, but it is the paramount duty of the industrial accident boards to insist upon methods of persistent precision. It is important to remember that the weak points in our whole scheme of medical care have as much influence upon final results as the most elaborate details of special treatment for a short time even under the most favorable conditions.

If it were possible, every injured workman should be kept under medical supervision from the time he is injured until able to resume his work. Such supervision should not and need not be of such type as to be unduly expensive, and if properly carried out would save much time to the worker as well as to the employer of labor. It would have the additional advantage that the injured man would be in contact with encouragement and sympathetic treatment; when left to his own devices he might not make his best effort, or he might not make his best effort at the opportune time. Early return to work is greatly helped by the assurance given by the doctor that it is safe. That does not mean within 2 weeks or 30 days, but it means at the time he is able to make an effort.

The loosening up and increasing flexibility of injured members could be aided by proper treatment. Even after return to work a man should be provided the opportunity to drop in and see a doctor if the work seems too hard or increases his pain. The man will stick it out better if the doctor in whom he has confidence advises him of the significance of pain, or perhaps the doctor might indicate means of relieving his discomfort while the man still remains at work. Intelligent handling of injuries requires a great deal of skill and experience not only in regard to the specific trouble under observation but in the treatment of the man as a physical whole and the man as a unit in the scheme of employment.

Care and judgment are not so much needed in regard to the first treatment, which can be and is more or less standardized, as in the later handling of the case. It is evident, for instance, that with a fracture of the lower leg, for a certain period of time hospital care is required. Hospital care is good, but the minute the man is able to get from his bed to crutches, more careful supervision is required than when he is under the direct care which comes from hospital discipline. The orthopedist must complement the surgeon.

Treatment should not be attempted in a routine manner, because it is impossible to estimate accurately by ordinary clinical examination the necessary treatment. For instance, an acutely irritated back should not be irritated further by additional massage and exercise, but rest is needed first, followed later, after acute symptoms have begun to abate, by other forms of treatment, to reinforce weakened muscles or to change weight-bearing balance. Backs can be baked

too long and frequently so as to become harmfully hypersensitive to heat. They may be massaged too often and vigorously, or they may be protected too continuously and to such a degree that weakness from disuse increases.

In many cases it is necessary for patients to receive both local and general treatment. While substantially all require some local form of treatment or protection to the injured part, cure is often retarded by the lack of proper hygienic regulations or surroundings. While every form of joint or back injury requires some local form of protection, massage, or baking, they are all entitled to have their recovery hastened by simple hygienic regulations which are known to be beneficial.

Unless some amount of compensation is paid before the twenty-first or even the seventeenth day, as it will be in Massachusetts after January 1, 1917, I am convinced that clinics for industrial accidents would procure better results if in addition to the medical and surgical treatment offered to the man he were to be fed at the same time and place that he received his treatment. If this were done, we might feel sure that he would have at least one meal a day. At present I often have doubts that he has even that one. A 10-cent plate of soup applied to the lining membrane of the stomach will take a man farther on the road to recovery than 50 cents' worth of a patented preparation applied to his knee.

Many cities of Massachusetts at the last election passed by referendum vote upon the proposition of vocational schools. One such school to be established in Lynn, one of the largest shoemaking cities in the world, will train both boys and girls to enter the shoe industry, giving a four-year course for the boys and a two-year course for the girls.

If this development of vocational schools becomes widespread, as it should, or if the present school courses are supplemented by vocational night schools, these vocational schools might be used for the reeducation of men injured in the particular industry. Trained instructors serving outside their ordinary working hours for the training and reeducation of injured employees, in conjunction with continuing medical treatment, will bring results.

In States which have a large urban population, with the natural congestion that must necessarily arise in cities, the development of industrial farms would afford adequate outdoor exercise for injured employees during rehabilitation. It would provide a certain amount of regular régime, with regular food and sleep, and it would take the injured or crippled employee away from that destroyer of morals and stamina—the city saloon. The person who called the saloon the poor man's club neglected to state which end of the club was passed to the workman.

The commission appointed in Massachusetts to investigate the subject of workmen's compensation and report a bill was headed by Hon. James A. Lowell. Mr. Joseph A. Parks was a member of the subcommittee of two of the commission which drafted the present law. The latter's services were utilized by the Commonwealth by his appointment to membership on the accident board. The commission indicated the lines along which the new law when enacted must develop, as follows:

The controversies under the act will relate largely to the extent and duration of the injury. The successful administration of the act requires the assistance of skillful physicians and surgeons of the highest integrity. This phase of the situation has occasioned difficulty in other countries. The details of this subject must be determined by the industrial accident board as they arise in actual practice. The emphasis will be laid *not* as heretofore *on the lawyer, but on the doctor.* [Italics are mine.]

The medical profession of this country had very little to say about the passage of workmen's compensation laws, and the rights of the medical profession were neither carefully considered nor conserved in most of this legislation.

It is to the credit of the medical profession that they were not early upon the legislative scene asking for their pound of flesh before carrying out the broad humanitarian principles underlying workmen's compensation.

*Hospital fees.*—We have met the situation of hospital fees in Massachusetts by the establishment of a few simple fundamentals brought about by a committee representing two great medical societies in the State working in conjunction with three medical men appointed by the industrial accident board. The basis for medical fees is as follows:

“That fees paid by the companies should not be less than the average minimum fee in the locality in which the service is rendered.”

This refers to fees paid to doctors, not to contracts between doctors and the insurance companies. This took into account that many medical and surgical fee tables established by local medical societies had perhaps been based upon the average income of the so-called better classes and were not generally applicable to workingmen, who form such a large part of the free hospital and dispensary service or who turn to fraternal organizations or hospital associations.

“That charges up to \$50 for major operations are not excessive.”

This did not fix a maximum but made possible other payments based upon circumstances.

“That services rendered by lodge physicians be paid for, provided it is not inconsistent with the rules of the order.”

The status of the lodge physician is a very difficult one upon which to pass, but, as the choice of lodge physicians to which a member is

obliged to go is somewhat similar to the insurance company providing a man to whom the employee might be obliged to go, the committee left the matter open.

“That specialists, established and recognized by the profession as such, may receive special rates for their work, provided the case requires special skill.”

In a discussion of what is reasonable hospital care it is extremely difficult to lay down a hard and fast rule which will operate in all territories with the utmost effectiveness. In the administration of the law in Massachusetts an effort has been made to utilize existing medical institutions as they stand without insisting upon costly duplication at the expense of the insuring companies.

The hospitals are allowed to charge the insuring companies for the care of an injured patient the same rate that they would charge to an employee of a man not insured. Perhaps that works a hardship in many instances. Perhaps better service might be obtained by paying more money, but ultimately the payments to hospitals must be based upon what they give in return.

In a general way the payment for hospital services is based upon the rule that for the first two weeks' services \$15 per week will be allowed, provided that \$15 is not a higher rate than is charged to the uninsured employee of the public at large, and for subsequent weeks in unusual cases it is felt that some concession should be made by the hospitals, and many of them make concessions from this rate, even if the rate does not fully cover the actual cost.

Reasonable extras are allowed—a fee for the taking of X-ray plates; ambulance fee; fee for plaster of Paris casts; fees for special nurses, not exceeding \$4 per day; and fees for private rooms, not exceeding \$25 per week, when the condition of the patient or the character of the injury is such that he needs isolation.

The question of adequate fees for services rendered under the varying conditions which obtain in a State like Massachusetts and the question whether the man is better served by doctors of the employer's choice or of his own, are still open ones. The theory that if the employer represented by the insuring company were given the choice of physicians the most skillful man would be employed has not been fully borne out by experience. On the other hand, it is for the medical profession to demonstrate that the free and untrammelled choice of physicians has not elements of weakness which will impair the full usefulness of the compensation act.

Perhaps the Boston Medical and Surgical Journal in an editorial in its issue of September 21, 1916, indicates the line along which we might proceed:

It should be remembered in considering new legislation that unrestricted choice of physicians by employees will probably result in the establishment of a

State-wide fee table. Such fee tables are in effect in other States and, of course, are much below the standard of fees now being paid under the "average minimum" approval standard of the present workmen's compensation act. It may be also that absolute free choice will tend to eliminate competition between the present 27 insurance companies and bring about the concentration of all the compensation business under one insurance company, with whom all would be required to transact business under direct State supervision. There is a possibility that the problem may be solved by the combination of "free choice" under a supervising consultant, agreeable to and appointed by the insurance companies.

Dr. Emmet Rixford, of San Francisco, at the last meeting of the American Medical Association (Journal American Medical Association, Sept. 30, 1916) indicates another difficulty:

The friendly societies or fraternal organizations or lodges which have increased so prolifically during the last 50 years are organized largely to afford medical and surgical services at such cost as to be within the reach of the laboring classes, the monthly due providing the means for the employment of community physicians. Many such, however, extend their membership to include people in much more comfortable circumstances, who join for the purpose of securing cheap medical and surgical service.

The medical profession, therefore, finds itself opposed to what it considers exploitation of the profession. While from the standpoint of cheapness this scheme works well enough for the members of the societies, it often—in fact, generally—fails to secure to the patient competent medical service. Investigation has shown that in these societies the payment to the doctor is far less than \$1 a visit on the average, and in some cases as low as 25 cents. The members paying monthly dues and not so much per visit run to this doctor on the most trivial excuse, thereby unduly multiplying the number of visits. Some of these lodge doctors see 40 patients a day, receiving therefor from \$100 to \$150 a month. It is no wonder, then, that the medical work done is, as a rule, of the most perfunctory sort.

Under workmen's compensation and compulsory industrial accident insurance practically the whole of traumatic surgery is taken from the lodges; and if insurance against illness of workmen becomes a fact in this country, as it has in England and Germany, the *raison d'être* of most of these associations will have disappeared. England and Germany, however, instead of destroying these societies, have utilized those of them which are financially sound, and have in fact commissioned them to take care of accident and illness of members but under strict governmental supervision.

If we have unlimited free choice, how can we get patients into hospitals from institutions?

Germany before the war started a propaganda which is being carried out under war conditions which is proving that workmen with one leg and with no legs, with one arm and no arms, with one eye and no vision at all, with shortened limbs due to serious injuries other than amputations, can be furnished with employment suitable to their condition in life. The saving to industry of skilled workmen, men who have followed industrial pursuits all of their lives, can not be estimated.



Perhaps I have gone far afield from the subject assigned me, but as I feel that early, adequate, and continuing medical care is necessary to preserve our trained men, I make no apology.

Cure is better than controversy.

Fee tables are simply makeshifts. The great principle underlying all of compensation is adequate treatment from start to finish, and the measure of medical services should not be the measure of the medical costs but the measure of medical results.

I am not yet convinced that State medicine is to be the cure of our medical evils. A medical trust, no matter how euphemistically disguised, is still a medical monopoly. To-day's medicine is still in the control of a profession which has ideals and traditions of professional conduct and morals, men who up to date have not measured their services by what they have taken from the community but by what they were able to give.

The CHAIRMAN. In view of the close connection between the subject of the papers just read and those immediately following, the discussion will be deferred until after the presentation of the latter.

The second subject on the program for the afternoon, "Physical examination and medical supervision of employees," will be first presented by Mr. William Green, secretary-treasurer of the United Mine Workers of America, in the absence of Mr. J. P. White, president of that organization.

## VIII. PHYSICAL EXAMINATION AND MEDICAL SUPERVISION OF EMPLOYEES.

### COMPULSORY PHYSICAL EXAMINATION.

BY JOHN P. WHITE, PRESIDENT, UNITED MINE WORKERS OF AMERICA.

[Read by William Green, secretary-treasurer, United Mine Workers of America.]

Compulsory physical examination, whether of employees in industry or of any other class of citizens, involves an interference with the personal life of the individual so serious that it should be undertaken only on the assurance that the public welfare demands it and that the results are worth the sacrifice of that personal sanctity which our institutions have thrown about the individual.

This, in my judgment, is another way of saying that the State, not the employer, should undertake such examination, assuming always that public policy demands compulsory examination at all. I am not prepared to admit even this. Our well-to-do class manages to maintain a fairly high standard of health, and it has become a universal custom among well-to-do people to consult the doctor and the dentist on frequent occasions.

Compulsory physical examination is being urged only for wage earners. The reason is not far to seek. For the disinterested physician or scientist it is a short cut to remedying a condition which is due to the fact that wages are too low to permit wage earners, as a class, to spare the means for doing what otherwise they would do voluntarily and without prompting from any authority; that is, to consult the physician as frequently as necessary.

If we are to assume that insufficient wages, and the ignorance and helplessness attendant on low wages, are to remain with us always, then we can proceed with a program of paternalism and justify it. 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.

Of course, in some occupations, such as that of locomotive engineer, certain physical tests are so necessary, on the ground of public safety, that no objection can be raised. But, with industry organized for private profit, the weeding out of men not physically perfect, by physical examinations, means only that those who pass the test will be subjected to greater strain than previously. The late Prof. Hoxie, of Chicago University, after conducting a thorough

investigation of scientific management, expressed the opinion that the greatest danger now threatening the American wage earner is the speeding up of industry and the consequent physical strain imposed upon the worker.

If Prof. Hoxie and other economists and students of industrial problems are correct, as I believe they are, then we must regard the entrance of a number of physically unfit men into industry as a blessing, if it serves to check the tendency toward more speed and greater strain.

As many modern industries are organized to-day, the rejection of unfit men means not the protection of those who are accepted but license to increase the strain upon them, so that eventually they, too, or their descendants, will be added to the class of the unfit. In this respect the fate of the physically fit is like that of the flower of European manhood, maimed and slaughtered on the battle field.

"They will scrap the whole human race if they keep on," said Andrew Furuseth, in referring to the increase in efficiency devices, so called. We are in great danger of losing entirely the human equation in industry, and with it the freedom of the individual. This is not only inhuman and intolerable from a humane standpoint, but it is not efficient. Human nature is too complex to measure men with a yardstick. Some of the greatest inventors and mechanics, not to mention statesmen and even soldiers, have been men who could never have passed the rigid physical tests imposed by some of our modern industrial corporations whose managers have gone mad over "efficiency." Many a young man who might later invent a device which would revolutionize that particular industry, would be rejected and discouraged, probably turned aside from what should have been his life work.

If physical examination of all persons is demanded on the broad grounds of social welfare, then let it be administered by the State.

Better still, let our scientists and wise men cease regarding the great mass of workers as densely ignorant and hopeless wards over whom they must watch and care. Let them instead join with organized labor in demanding a fair wage, and then, take my word for it, the very men for whom they are now so solicitous will be found taking the best of care of themselves.

It is certainly putting the cart before the horse to demand the weeding out of all save the physically perfect, while at the same time we permit low wages and poverty to continue to make physical fitness difficult or impossible to achieve.

I should like the advocates of compulsory physical examinations to read what was written by Mr. Gilbert Chesterton, the English writer, when it was proposed by the health authorities of London to require the hair of all poor children to be cut short in order to rid

them of vermin. In a classic passage Mr. Chesterton points out that the true remedy would be to give the little child a leisured mother, and, therefore, to give the father a living wage and freedom from the extortions of the landlord.

"Rather than that one hair on the head of a street urchin be touched," concludes Mr. Chesterton, "we shall have a revolution."

It is always easy to experiment with the poor and humble and defenseless, rather than to attack the source of the problem, when that source lies in strongly entrenched privileges enjoyed by the few at the expense of the many.

WM. GREEN, secretary-treasurer United Mine Workers of America. The paper that I have just read reflects the views and sentiments of Mr. White, president of the United Mine Workers of America, regarding compulsory physical examination, etc. I have been advised by the chairman that I have just a moment to speak a word myself. I am glad to take advantage of this occasion just to say one or two words in connection with this very important subject.

In considering physical examination and medical supervision of employees it is all important that the primary purpose of said physical examination and medical supervision should be understood. If the primary purpose of physical examination is to promote the general welfare, to ascertain for what position the examined employee is best fitted, if it is for the purpose of building up the broken body or the diseased individual, then it certainly must be commended, because that is a praiseworthy purpose. If medical supervision is for the purpose of maintaining the physical standard of the employee at the highest possible point; if it is for the purpose of keeping him well and strong, of guarding and watching his health, then that is praiseworthy, and I know that the laboring people generally will have no objection to such physical examination and such medical supervision. But if the primary purpose of physical examination is to exclude the physically unfit, then the wage earners are unalterably opposed to such physical examination. It would be inhuman and uncivilized to adopt a policy of ascertaining who the physically unfit were for the mere purpose of closing the door of opportunity to them. Even the savage would not do that, and surely in this twentieth-century, highly developed civilization we are not attempting to foster a policy that is going to throw upon the scrap heap as helpless the physically unfit. They must be taken care of in some manner.

I merely wanted to add this to what Mr. White has said. Labor has no objection to physical examination or to medical supervision when the purpose of it all is praiseworthy, as I have stated, but they will oppose a policy that has for its purpose the exclusion of him who may be diseased or physically deformed.

## PHYSICAL EXAMINATION AND MEDICAL SUPERVISION OF FACTORY EMPLOYEES.

BY W. IRVING CLARK, M. D., MEDICAL DIRECTOR, NORTON CO., WORCESTER,  
MASS.

### PHYSICAL EXAMINATION OF EMPLOYEES.

**HISTORY OF DEVELOPMENT.**—The physical examination of factory employees is a comparatively new undertaking. Previous to five years ago, except in Chicago, there was, so far as I know, no physical examination of employees by any factory in the United States. About 1910 an antituberculosis society of Chicago, under the efficient management of Dr. Sachs, succeeded in interesting a group of employers in the physical examination of their employees for tuberculosis. Following this work other factories began considering the advisability of establishing examinations, with the point of view of increasing the efficiency of their force and assisting in the tuberculosis movement, which at that time was sweeping the country. In 1911 the Norton Co. at Worcester, Mass., started examining its employees, examination being complete and not confined only to the chest. About this time Dr. Harry Mock, of Chicago, was doing practically the same work at Sears, Roebuck Co., and I am inclined to think that he anticipated the Norton Co. by one or two years and is entitled to the position of the first to establish complete examinations. In 1913 a number of firms had taken to the idea and during the last three years the movement has spread through many of the large factories in the country.

Mr. Magnus W. Alexander, of the General Electric Co., West Lynn, in a personal letter states that after sending a questionnaire to 300 large firms in the United States, he received definite information that 35 firms were making physical examinations, as well as attending to the injuries of their employees. It is therefore evident that although the movement is spreading it is still very much in the air and has not reached large proportions through the United States.

### REASONS IN FAVOR OF PHYSICAL EXAMINATIONS.

**ADVANTAGE TO THE EMPLOYER.**—A complete examination of every employee, while expensive, is undoubtedly of great advantage to the

employer. First, because it enables him to put a man at the work to which he is best physically fitted. Second, because it enables the doctor who makes the examination to instruct and advise the employee of any defects which he may have and of which he is not aware, and, by enlisting his cooperation, to enable the man to overcome these defects where possible, and thus to increase his physical efficiency. Third, it prevents the introduction into the factory of men who are undesirable because of severe defects. Fourth, it prevents contagious diseases entering the factory and becoming established there.

**ADVANTAGE TO THE EMPLOYEE.**—First, while passing through his complete examination he is informed of any defects which he may have, and is assisted in obtaining relief. Second, he is not put at work for which he is not physically fitted. Third, he knows that every other man in the shop has had a similar examination and readily appreciates the fact that he will be thrown in contact with men from whom he can not contract contagious diseases. Fourth, he feels that the factory is taking a personal interest in his condition and that he can go to the doctor for further advice if he considers it necessary. This is of very real importance to the average shop employee, who frequently moves from place to place and who has no family physician. Such a man feels pretty sure that the factory is not employing a man who is not perfectly competent to handle any condition in which he may be.

#### **OBJECTIONS TO PHYSICAL EXAMINATIONS.**

Objections have been made, by labor organizations, to the theory of physical examinations on the grounds that, first, it infringes upon the liberty of the individual; second, that it gives the employer an opportunity to reject a man, on account of physical defects, whom he would otherwise employ; third, that it might enable groups of employers by an exchange of information to practically blacklist a man who had a serious physical defect; fourth, that a factory, by having a complete record of the man's physical condition, would have information which would be of a professional nature and therefore would not belong in a business institution. These objections can be met by the following arguments:

First. That no man is forced to subject himself to a physical examination, as he can go elsewhere for his work.

Second. That the precedent has been established by the United States Government by the physical examination of recruits for the Army, Navy, and civil service, and a similar examination is made at many colleges.

Third. Examination is used definitely to help the factory find proper work for the individual, so that it is for his advantage to be examined.

Fourth. That the effort of the manufacturer is not to turn labor away but to secure it while he makes every effort in his power to utilize every group of labor which can be utilized.

Fifth. Examinations are made by registered physicians, assisted by registered nurses, and the records are kept with the same secrecy which is maintained in a hospital or in a doctor's private office.

Sixth. That men having serious defects are frequently placed in other factories where their defects can be assisted or remedied, which would never occur unless physical examinations were made.

Seventh. A factory is totally unable to care for the physical condition of its employees scientifically unless a basic knowledge of the employee's condition at the time of hiring is on file for the doctor's reference.

#### COMPLETENESS OF EXAMINATION.

The physical examination of the prospective employee should be as complete as that made for first-class life insurance. The eyes and the ears should be tested, the teeth examined carefully, and the entire body put through the same examination which would be given a patient at a general hospital. Blood pressure should be taken on all cases by the auscultatory method and a urinalysis should be made in all cases over 40 years of age, and whenever the blood pressure indicates possible kidney trouble. If possible a urinalysis should be made in all cases in order to determine cases of diabetes. Employees having defects of a serious nature should be reexamined after a certain period of time and should be instructed to report regularly at the shop hospital.

#### LINKING THE EMPLOYMENT DEPARTMENT WITH THE HEALTH DEPARTMENT THROUGH PHYSICAL EXAMINATIONS.

The employment department of a factory is in very close touch with the health department. It examines the men mentally, just as the health department examines men physically. The employment department, having determined that the man is mentally fitted for a certain type of work, turns the prospective employee over to the health department to determine whether he is physically capable of handling the work. If the health department approves after examining the applicant, every possible effort has been made to select the right man for the right position. This is of obvious value to the factory, but it is also of great value to the employee, because he is placed in a position where every advantage is given him to do the

best work of which he is capable and from which he has more opportunity to rise than if in a department or position to which he is unsuited. So close is the connection between the two departments at Norton Co. that, with the safety engineering department, a triad is formed which has a biweekly conference upon matters where the three departments come in touch. The smooth and intelligent cooperation between these three departments produces almost ideal handling of the problems of the employee.

#### TECHNIQUE OF EMPLOYMENT AT NORTON CO.

As this method is probably the same used in many other factories, we will cite it in order to show the way in which the prospective employee is handled. The applicant finds himself in a waiting room, well lighted and heated, and where he has a comfortable chair to sit in. When his turn comes he is taken to another room where he is given a seat at the desk of the interviewer. This interviewer takes his history, talks with the man of his past work, and endeavors to gauge his ability to fill any of the positions which are open. Decision having been made as to what position the man is best fitted for, and his card having been filled out, he is taken and personally introduced to the doctor who will examine him. The examination is made with every care not to offend in the slightest degree. The man is shown to a dressing room where he removes the upper part of his clothes and then steps into the examining room, where he has the same privacy that he would have in a doctor's office. The examination is made with rapidity but with great thoroughness, and the results are printed upon the physical examination card of the applicant. Before the examination is over the applicant has been completely examined from the top of his head to the soles of his feet. He is then told to return to his dressing room and dress. His physical examination card and the card filled out by the interviewer in the employment department are gone over together by the doctor, and the man is approved or disapproved for the work for which he is examined. If disapproved an effort is made to find another position in which he can be employed. In questionable cases the matter is taken up to the employment manager, who has the final decision. Whenever an employee is transferred from one department to another, when such transfer involves a change of work, another examination is made in order to determine whether any defects have developed as a result of the work he has been doing, and to make sure that he is fitted for the work to which he is then assigned. All examinations are entered on special cards, which are kept constantly on file, files being cleared as fast as men are discharged. There is no elimination of the man—it is simply an effort



to see that a man is properly placed when he is transferred from one department to another.

#### ATTITUDE OF EMPLOYEE TOWARD EXAMINATIONS.

The attitude of the employee toward examinations is distinctly favorable. In discussing this matter with a number of physicians in industrial practice, I find that there is little or no objection to the examination, if the applicant is given to understand clearly its advantage to himself and its necessity for his intelligent aftersupervision.

During the last year we have made over 5,000 examinations of applicants at Norton Co. with only two refusals. These men stated they were seeking only temporary work and did not consider it necessary.

I believe that with increasing knowledge of its value there will be little or no objection by applicants, all objections which I have encountered having been due to suspicion and lack of information.

#### EXPENSE.

The expense varies very greatly, depending upon the size of the factory and the completeness of general supervisory work done. Roughly speaking, the expense of examinations is about one-third of the total cost of running a medical or health department.

M. W. Alexander has recently compiled an expense chart which after an analysis of 41 large factories having medical supervision shows that the total expense of all medical service, exclusive of compensation for injuries, and all overhead expenses for 223,416 employees amounts to \$1.88 per employee per year. This would make the cost of physical examinations \$0.626 per employee. At Norton Co. we find that the expense of examining amounts to \$1 per year per position in factory.

#### REJECTIONS.

So much of the objection to physical examinations is based on the rejection of physically defective men that I think the matter is worthy of some discussion. In the first place the number of seriously defective men who apply for work is extremely small. The majority of these men are too old for the work for which they apply, or they have defects which are curable.

In regard to age you will note that I state "too old for the work for which they apply." By that is not meant too old to work. There are often positions with good pay open to these men, but we admit frankly that to reject a man because of his age and the multiple defects arising from it seems unfair. As long as the man is anxious to work, employment should be provided in some form of industry.

There are several solutions to this problem, such as pensions and special industries where there is less danger in the work, but these matters belong more to other sections of this meeting.

In regard to rejections for remediable defects, it is evident that it is for the good of the man directly that he should not be permitted to injure himself working when a simple operation or the fitting of proper glasses will not only remove all danger but greatly increase his efficiency.

In these days of free hospitals and clinics, poverty is no excuse for not attending to these matters when they have been pointed out.

At Norton Co. the restrictive list of defects is rather severe, because of the heavy nature of the work, but the per cent of rejections even there is only 3.5 and many of these men are later accepted after their defects have been repaired.<sup>1</sup> In a number of factories all applicants for work passed by the employment department are accepted regardless of their physical condition, the work of the medical department being simply to note the defects found and endeavor to remedy the same.

#### GENERAL CONSIDERATIONS.

The above, briefly outlined, is the present status of physical examinations among the larger factories. In consideration of the obvious benefits to both employer and employee it seems that the cost is justified and that the idea will spread. Dr. Hayhurst has developed a method by which groups of small factories can employ between them a physician so that the advantages of the idea are possible to all.

There are some broader possibilities in the universal adoption of physical examinations than at first appear.

The most difficult cases coming to a general hospital are those where the individual has ignored his physical condition or treated himself. Very many pathological conditions, if discovered early, can be cured outright and many held in check.

The average worker calls in a doctor only when he is seriously sick. A very large proportion, I should say roughly over 60 per cent, have no family physician but call in the nearest physician. The majority of men if they are told of a physical defect and how it may be relieved or cured follow the doctor's advice at least for a time, especially if that advice is consistent with their regular work. From this it will be seen that physical examinations have a strong tendency to increase the health of the community, to make workmen more efficient, and to prevent absolute martyrdom in many cases.

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<sup>1</sup> It is interesting to note that, of this 3.5 per cent, many would be acceptable in a less hazardous occupation, and that whereas the health department rejects 3.5 per cent because of physical defects, the employment department rejects a much larger proportion of the applicants for work for other reasons.

Prevention is the present slogan of medicine. But prevention, to be of any value, must begin with the individual. Much can be done by education through the schools; much can be done by popular articles in papers and magazines, but on final analysis the only way to really accomplish preventive medicine is by personal contact with the individual. Thus every man examined, as I have outlined above, knows either that he is sound or that he has defects, and if the latter what he should do to remedy them; he knows the type of work for which he is best physically fitted; and, finally, he knows what a thorough examination is.

When we consider the possibility of all the workers in the country having this knowledge, each one being examined and reexamined as he passes from department to department and factory to factory, we see a possibility of preventive medicine affecting the entire country and one perfectly possible of realization.

#### MEDICAL SUPERVISION.

Medical supervision begins as soon as an applicant for position becomes a member of the factory force. As we have pointed out, it begins during his physical examination and it continues until he leaves the employ of the company.

Medical supervision consists in—

- I. Reexamination of defective workmen at varying intervals.
- II. Reexamination of workmen transferred from one department to another.
- III. Examination and advice with simple treatment in all cases of sickness.
- IV. Prevention of contagious disease by its immediate isolation when discovered and by prophylactic inoculations and other measures.
- V. Immediate treatment of all cases of accident occurring in the factory.
- VI. Subsequent treatment of all accidents occurring both in and out of the factory until the patient is able to resume his duties.
- VII. Supervision of sanitation.
- VIII. Health publicity through monthly leaflets distributed in the pay envelopes.

Medical supervision can therefore be divided into the care and supervision of the sick, the care and supervision of the injured, and preventive measures.

The care of the sick is most important to the employer, employee, and the community. Very satisfactory results are possible by a well-organized health department.

The majority of sickness is preventable or can be ameliorated by prompt recognition, advice, and attention. There are undoubtedly

many acute ailments to which this does not apply, but the majority fall into this category.

By careful reexamination, considered diagnosis, and thorough detailed advice the patient is given every opportunity for a quick recovery. Many minor conditions are treated specifically with simple drugs. These conditions are those for which the employee would not seek an outside doctor's advice but which, if not cared for intelligently, materially reduce the working capacity of the individual and may in time lead to more serious conditions.

The opportunity for more careful clinical study of the beginning of many pathological conditions is greater in the health department of a large factory than in any clinic, while the daily presence of the employee at the works gives the best "follow-up" facilities possible.

The industrial physician should, however, treat no case needing careful, constant medical attendance, nor should he attempt to treat men having sickness severe enough to incapacitate them for work.

For such conditions the patient should be sent at once to his family physician with all the data on the case the factory has been able to obtain.

In this way physicians will not only get their patients early in their sickness, but they will get information from the health department which may materially aid their diagnosis of the case.

As I have said before, I like to consider the purely medical function of the factory health department as a diagnostic clearing house.

#### SUMMARY.

The medical supervision of the sick should therefore be preventive, not curative. Its advantage to the employee is that sickness can be lessened, physical efficiency increased, contagious disease prevented, and absence due to sickness materially reduced.

Its advantage to the employee is obvious. When we realize that the proportion of time lost from sickness is from seven to ten times that lost by accident, the importance of reducing this to a minimum is evident.

#### CARE OF INJURED.

The care and supervision of the injured is so universal in the industrial world that there is now hardly a factory in the country which does not make some provision for its injured employees.

This very satisfactory condition of affairs has been brought about partly by the voluntary assumption of the obligation and partly by the workman's compensation act.

This care in many cases is limited to that provided by insurance companies, but in large factories it forms a part of the supervision and is considered as belonging to this work. To a surgeon who has

worked in out-patient clinics for years, treating the many cases of sepsis arising from untreated accidents, which result in loss of time, loss of limbs, and sometimes of life, the results of the immediate treatment of injuries occurring at a factory are nothing short of marvelous. Hundreds of consecutive injuries have been treated in factory hospitals without a case of infection, and when infection does occur it is handled so promptly and efficiently that the condition is stopped before it has a chance to become established. Moreover, in factory hospitals, treatment is not confined to the legal limit of two weeks. The patient is treated until he is able to resume work, and in this way much time is saved to patient and factory by the constant attention to the injury and the encouragement the patient receives.

Thus the one great weakness of the workman's compensation act, which limits the expense of medical treatment to two weeks, is overcome. Could anything be more thoughtless than a law which gives a man with, say, a broken arm two weeks' medical attendance free, and then, at the one time when he needs careful supervision most, to throw him on his own resources, necessarily reduced because of his lack of two weeks' wages.

#### PREVENTIVE MEDICINE.

Preventive medicine presents tremendous possibilities in hygiene and sanitation, but even greater possibilities in the promptness by which contagious disease is discovered, reported to the board of health, and isolated.

It is hardly necessary to point out the advantage to the community and individual of the early recognition of pulmonary tuberculosis, while actual prevention of typhoid fever can be obtained by the administration of vaccine. In no way can industrial disease be studied and measures for its prevention established but by medical supervision of the factory health department.

At Norton Co. and in many factories a continuous campaign of health publicity is maintained by the publication of leaflets written in clear, simple language, illustrated when possible, upon subjects of health preservation and the symptoms of the more common diseases, coupled with simple advice as to their prevention.

#### COST.

The expense of maintaining such a health department in a factory varies with the extent and thoroughness of its activity. At present at Norton Co. it amounts to \$3 per position in the factory per year. A careful digest of this question, with statistics, has recently been published in the *Iron Age* by Mr. Alexander.

**SUMMARY.**

And now let us consider briefly what all this means. It means first that by a comparatively small expenditure the factory obtains men physically fitted for their work, men supervised medically, so that they are kept in the best physical condition, men who will be absent from work for a minimum time when injured or sick.

It means contented workers who realize that the factory takes a personal interest in their health and well-being.

It means a reduction of sickness in the community.

It means a minimum of permanent disability and rapid return to work after accident.

It means a quick prevention of the spread of contagious disease.

It means better and more hygienic working conditions.

It means a reduction and prevention of occupational disease.

It means a constantly increasing knowledge by workers of simple rules of health and prevention of disease.

If universally adopted, it would mean a physically and mentally better country. The sinews of production ever strengthened and guarded, the factory would cease to be considered a consumer of human lives, but would be considered rather as an educator and supervisor of health.

Preparedness is the watchword of the day. Can we better prepare for our industrial future than by urging the medical supervision of factory employees?

## PHYSICAL EXAMINATION AND MEDICAL SUPERVISION OF EMPLOYEES.

BY W. H. WHITE, M. D., CHIEF MEDICAL EXAMINER, INDUSTRIAL COMMISSION OF OHIO.

The proposition of health insurance for wage earners under State supervision is of comparatively recent origin in this country. A number of methods of providing insurance against illness, such as establishment funds, mutual benefit funds, commercial health insurance, fraternal insurance, and trade-union benefit funds have been tried in this country. Up to this time no compulsory health insurance act has been passed by any of the States.

European countries have taken the lead, apparently, in workmen's compensation and medical care of employees. The first compensation law was enacted in Germany on July 6, 1884. This law was amended and expanded from time to time until the year 1911, when all the provisions of the various laws were unified into an act which was intended to take effect January 1, 1912. Owing to the administrative changes involved in the construction of the various parts of the social insurance laws, the actual taking effect of the code of July 6, 1911, was postponed to January 1, 1913.

The British compensation act was adopted in 1897. This act was amended several times, notably in 1900 and 1906. A bill for compulsory health insurance, embracing all workers, was introduced in Parliament in May, 1911, was passed the following December, and came into operation in July of 1912. Several other European countries encourage health insurance among workingmen by subsidizing societies formed for that purpose. This system is carried on in Belgium, Denmark, France, and Switzerland. The German plan of compulsory health insurance is quite different from that of England and is unlike the present systems of health insurance in any of the American States. There are three general divisions in the German law. They are sickness insurance, accident insurance, and disability insurance. Contributions by the workingmen themselves play an important part. Employees are covered for the first 13 weeks of sickness and are cared for by what is known as a sickness fund, which is supported by the workmen contributing two-thirds and the employers one-third. Where the disability lasts more than 13 weeks the accident fund becomes responsible. The disability insurance takes care of the superannuated workmen and covers others forms of dis-

ability which are not provided for in the other subdivisions of the statute. Workmen contribute about one-half of the money necessary to support the disability fund.

In Great Britain all persons between 16 and 70 employed for remuneration under any form of contract, if engaged in manual labor or if the rate of their annual earnings is less than \$800, come within the national health-insurance law. Those coming within the meaning of the act insured during the first year (1912) numbered 13,472,000, or 30 per cent of the total population. The benefits to which they are entitled include medical care, sanatorium treatment if attacked by tuberculosis, cash benefit at the time of childbirth, a weekly payment during 26 weeks of illness in a year, and a smaller weekly sum during prolonged disability. The medical benefit guaranty to each person insured for this period consists of medical treatment, medicines, and specified appliances. This benefit is administered by insurance committees which are appointed for definite areas to represent insured persons, doctors, and the local government of the administrative district. These committees arrange for the medical care of the insured workmen in accordance with the regulation of the central administrative body or insurance commission, and then draw up a list of physicians who have agreed to the terms. Such arrangement includes two fundamental conditions: First, the right of every duly qualified physician who wishes to serve upon the panel to be placed upon it, provided he is not proven injurious to the service; second, the right of each insured person to select his physician from among those on the panel. Under these conditions some 20,000 doctors in England, Scotland, and Wales have undertaken insurance practice. This in various districts represents from 70 to 100 per cent of the medical profession practicing among the industrial population.

Sanatorium benefit for the tuberculous insured is provided through the insurance committees. A weekly sick benefit for 25 weeks in the year is granted each insured person under 70 years of age who has paid 26 contributions and who produces a certificate from his panel doctor that he is incapable of working.

Many methods have been devised for providing insurance for the protection of the wage earner from illness other than compulsory health insurance. Among them we find the work of charitable institutions and other similar organizations, establishment funds, commercial health insurance, fraternal insurance, trade-union benefits, and voluntary subsidized insurance. For a number of various reasons such methods have not been successful. Benefits are not received by those who can not afford to carry insurance of this nature and those who need assistance most are left without help. The cost is more than the ordinary workman can afford. Medical attention is insufficient



and unsystematized. Furthermore, the exceptional workman who may carry health insurance in a fraternal society, for instance, can not be sure that he has lasting protection. Financial difficulties may arise with such organizations and his protection be swept away in such catastrophe. This has been the experience in European countries as well as our own.

Perhaps one of the best methods for protection for wage earners is the compulsory insurance plan. There seems to be no question in regard to the necessary advantages and benefits to be derived from the establishment of such an act. It may be interesting to note at this time something in regard to the history of the workmen's compensation laws and the fundamental reasons why such acts have been created. Bradbury has the following to say in regard to workmen's compensation laws:

The declaration that the employer shall be responsible for injuries to his workmen, whether or not the master is at fault, has very recently in most parts of the United States met with almost instant opposition whenever it has been made. Nevertheless the compensation principle when carefully analyzed undoubtedly rests on sound, economic, legal, and moral foundations. Testimony from foreign countries and the rapidly increasing fund of evidence from many States of the Union prove that it is not taking part of the employer's property without due process of law to compel him to pay compensation to an injured workman when the injury is due to a risk which is necessarily incident to the business. The amount paid in compensation to injured workmen will be added to the cost of the article produced and the expense will be borne by the community generally. The expense or burden on the community will be less under the compensation laws than through public and private charity for taking care of the injured workmen and the dependents of those who are killed. That the widows and young children of the workmen are dependent upon the community there is no denying. It is often more difficult for the families of injured workmen to get along while the father is seriously injured and requires medical and other attention than it would be had the father been killed. This condition is an expense to the community, not only directly but indirectly. Equitable compensation laws tend to make workmen more contented with the knowledge that in any event they will not have to meet starvation for themselves and their families should they be victims of inevitable industrial accidents. This is an important factor in the effort to secure the greatest industrial efficiency. The common-law defense which has played an important part in former English and American laws is thus done away with, so that the employee assumes no risk when in the course of his employment, either through neglect on the part of the employer or employee.

The doctrine of assumption of risk has received much legislative attention in recent years. It has been modified from time to time by courts of our various States. The fellow-servant doctrine dates from 1837, when it was established in England, where the doctrine was applied with great vigor. In this country this doctrine was never applied uniformly. Our compensation laws abolish these burdens of proof by starting with the assumption that neither party was guilty of negligence and that the injury was the inevitable result of the occupation in which the employee was engaged. This being true, the law placed the burden of compensating injured workmen, or the dependents of those who were killed,

upon the employer according to a specified schedule of benefits depending, as a rule, upon the amount which the workman was earning at the time of the injury. To this amount has been added in certain instances an allowance for medical and surgical attention and funeral benefits.

Certain exceptions have been made in these laws providing that under particular circumstances compensation shall not be paid. These exceptions are generally that if the accident is due to a willful act and in some cases to the intoxication of the employee, then all compensation is denied. The usual proof to be determined is only in regard to whether or not the claimant was in the course of his employment at the time of the injury.

Thus it is shown clearly that dependency rests in industrial accidents upon the employer. In regard to illness contracted while in the course of employment or illness caused by contributory factors, the dependency upon the employer is unquestioned. This has been recognized by Germany and Great Britain in their compensation laws and is covered in much the same manner as disability due to injury under our own laws. The economic basis upon which sickness insurance is founded involves the same principles as accident insurance, for in the first place the economic loss to society in general is just as great whether the workman's disability is caused by illness or whether it is caused by an accidental injury. In the second place the loss to the family of the wage earner is equally as great where caused by illness as where caused by an accidental injury, and of course the loss to the workman is the same. Furthermore, the employer has the same control over the sanitary regulation of his factory or business place as he has over the regulation, manipulation, and protection of his machinery, so that he has the same opportunity to protect himself and his employees against disease as he has against accidental injury, and his liability is just as great no matter from what source disability of his workmen comes. Furthermore, looking to the employer's interest, it is just as much for his protection that his working force be not depleted and disorganized by absence of his workmen from illness as it is from accidental injury. Looking now to the legal phase of the question, it can not be controverted that the State has within the wide scope of authority known as the police power of the State the right to make provision looking to the protection of the life, health, safety, and morals of its people, so that the same authority which supports accident insurance likewise provides for sickness insurance. In fact, it is written in our constitution that the legislature now has power to provide for disability which results from occupational disease, and the legislature will no doubt, within a short time, make salutary provisions for such cases.

A community sickness survey conducted by the Metropolitan Life Insurance Co. showed that in each 1,000 males, 15 years and over,

23.2 were unable to work; that in each 1,000 women, 15 years and over, 25.7 were unable to work.<sup>1</sup> This means for men an average yearly loss of about 7 days and for women about 8 days. In 1901 the Federal investigation of 25,440 workmen's families showed that 11.2 per cent of the heads of the families were idle during the year, solely on account of sickness, for an average period of 7.71 weeks, or an average for all the heads of families of about 5 days.<sup>2</sup>

For the country as a whole an estimate based upon German experience indicates that among the 33,500,000 occupied men and women there occur annually 13,400,000 cases of illness, causing 284,750,000 days of disability, or an average of 8½ days per person. The amount of destitution due to accidents is only one-seventh as great as that caused by illness, according to the Federal Commission on Industrial Relations.

The American Labor Legislation Review classifies the movement for health insurance on the following six recognized points: First, high sickness and death rates are prevalent among American wage earners; second, more extended provision for medical care among wage earners is necessary; third, more effective methods are needed for meeting the wage loss due to illness; fourth, additional efforts to prevent sickness are necessary; fifth, existing agencies can not meet these needs; sixth, compulsory contributory health insurance providing medical and cash benefits is an appropriate method of securing the results desired. This classification seems to cover the subject thoroughly. A great many medical conditions arise for consideration in this line of work, some of which are the care of patients suffering from tuberculosis, arsenic poisoning, brass, copper, zinc, carbon disulphide, carbon monoxide, and lead poisoning, mercury poisoning, magnesia poisoning, anthrax, compressed-air illness or caisson disease, diseases of the lungs, diseases of the circulatory system, diseases of the kidneys, fatigue, occupational neurosis, affections of the nose, mouth, and throat, glassworkers' catarrh, occupational affections of the skin, cancer, electrical injuries, infectious diseases, sanitary conditions, and many other kindred ailments and conditions.

Medical care and examination of employees are highly important, but this work has only been carried on to a limited extent within the past few years by manufacturers and employers of labor. The necessity of this work is being brought to the attention of the industrial world more and more each year. The beneficial results to the employer and the employee from this line of work are shown by recent reports from manufacturers throughout the country. The early diagnosis of disease among employees tends to lessen the period of disability or time lost and is an indirect saving to the community

<sup>1</sup> U. S. Public Health Service, Reprint No. 326, p. 5.

<sup>2</sup> U. S. Bureau of Labor, 18th Annual Report, p. 45.

in the actual expense of caring for the illness of the employee. It is thus also of vast importance to the disabled wage earner and those dependent upon him. The efficiency of the workman is greatly increased and his earning capacity receives a material stimulus. Under the old system of commercial insurance, fraternal insurance, and trade-union benefits the medical care of those insured was inadequate in a great many ways. This line of work is of vast importance in the field of preventive medicine. In the present-day campaigns against tuberculosis, cancer, and degenerative diseases an early diagnosis is essential. Periodical examination is one of the best methods of combating diseases. An early opportunity is thus had to detect disease in the incipient stage. Many industrial workers can not afford a physician's care when in ill health and are much less likely to consult one when their health is apparently normal. However, disease may be creeping upon them unaware. Periodical physical examinations are now being conducted for employees in most of the leading manufacturing establishments of the country, which is a step in the right direction. The objection to medical examinations and care conducted by physicians hired by employers seems to be disappearing where it has been carried on systematically and by scientific men. How medical care and physical examination of employees may benefit the field of preventive medicine is well illustrated in the conditions which have developed in the domain of accident surgery under the workmen's compensation act. Within the past few years accident surgery has been placed upon a higher and better plane. The profession at large has come to understand that this branch of surgery is a specialty in itself, and in order to carry on this work to the best advantage and give the best service to employees they must devote almost their entire time to this line of work and make a special study of it in order to be efficient.

Employers are no longer using inexperienced physicians or allowing careless professional service in the care of their employees, but are securing the services of the best physicians possible. These conditions have been brought about largely by the establishment of the workmen's compensation act. Better fees are being allowed physicians for the care of industrial workers than ever before, and further improvement can no doubt be made along this line, thus securing better physicians for this work. These matters in the past have been sadly neglected and as a result much unnecessary suffering has resulted among employees. The loss of service on account of ill health to employers will be lessened and an increase in the total yearly wage to the employee will be had when an opportunity for quicker recovery has been secured by the system of compulsory health insurance and physical examination for every workingman. Discrimination against workmen who are ill is less likely to develop

when employers are brought to realize the economy and the increase in efficiency by furnishing trained physicians and thus returning the men quickly to work. The burden of insurance is borne not by each employer separately but by all in a group, so that he indirectly continues to contribute to the fund as long as any man is employed by a member of the fund. This has been clearly demonstrated in Great Britain and Germany, where adequate medical work has been done for the past years for the prevention of disease. Germany, for instance, according to investigations in 1896 and 1899, found that tuberculosis of the lungs holds third position as the primary cause of invalidity among men and second position as the primary cause of invalidity among women. These facts have led the German insurance fund to take an active part in the anti-tuberculosis work. This same theory holds good in regard to other similar diseases. Statistics bearing out the statement of the increase in efficiency of workmen due to examination and medical care are being compiled from time to time by various corporations and large manufacturing plants throughout our country which have already established this system, showing that the total amount of work accomplished by an employee in the year can be greatly increased by looking after the physical condition of the wage earner. It is also shown that the total income of the employer is correspondingly increased, and that the medical care and supervision of employees are not an expense to the employer, but an actual saving of great importance.

Benefits derived by the employee are numerous and far-reaching. The wealth of an employee, or his chief asset, is his ability to perform certain labor and to accomplish certain work, the amount of which depends upon his physical condition and fitness, his knowledge of the work, experience, and, not to be forgotten, his mental condition—whether or not he is a man situated so that he is in a happy state of mind both while inside and outside of the shop. The sanitary condition of the shop and its surroundings in regard to heat, light, drinking water, and other equipment of this character also have a bearing upon his efficiency. Thus we note that a wage earner's earning capacity can be affected in a great many different ways—not only by injury which he may receive but by occupational diseases, social conditions, personal habits, and many other influences. Health insurance places, therefore, a cash value upon a wage earner's health. It is only reasonable to suppose that this must be protected just as much as personal property is protected by fire insurance, or workmen are protected from physical injury. Physical examination and medical care of employees in Ohio is being carried on by some of our leading manufacturing plants in connection with the workmen's compensation act. This is done voluntarily, which is

another excellent proof that there is merit in such work. A decided increase in sentiment along this line of work during the past two or three years has taken place. It is being agitated by those interested in this work, organizations for its promotion have been effected, and laboring men, employers, and medical associations are taking an active interest in the work. There seems to be a universal demand that something be done for the care of workmen outside of the workmen's compensation law as it now stands. It therefore behooves those interested in this work to consider seriously this subject which so vitally affects the health of the industrial world. The forerunner of health insurance—the workmen's compensation law—has already been established for some four and a half years in our State. Other States have enacted similar laws, all of which have been established within the last six years. Some of our States cover occupational diseases in connection with workmen's compensation for injuries, which is an advance over our own law. The days of ambulance-chasing methods and fake lawyers have almost passed. The workman is gradually coming to realize that those administering the compensation laws are his friends and that it is not necessary for him to appeal to anyone else for just and equitable payment of compensation.

## DISCUSSION.

The CHAIRMAN. We will open the discussion of the papers just presented which will be led by Dr. J. W. Schereschewsky.

Dr. J. W. SCHERESCHEWSKY, surgeon, U. S. Public Health Service. I have only a few words to say in regard to the question of physical examinations and medical supervision in the endeavor to contribute in a small measure to the crystallization of our views on this matter. We have to thank the previous speakers for having ably presented both sides of this topic to us, both from the standpoint of the manufacturer and of organized labor. It is evident that they have left but little additional ground for me to go over. There are, however, one or two points which I wish to emphasize.

We have perhaps made a fetish of the word "efficiency" in our modern industrial practice without analyzing so far as possible the true basis of industrial efficiency. In the past we have made mere production the god; we have striven to that end with every means at our command, such as the introduction of automatic machinery, the speeding up of industrial processes, and the like. In a similar fashion there is no doubt that physical examinations have been used as a means of increasing the efficiency of the personnel in an industrial establishment by selecting only those of superior physique as employees.

It is needless to say that this is a shortsighted economic policy, because the large group of persons rejected by these standards are branded as "unemployable"; whereas any consideration of social economics demands that all social units shall be self-sustaining throughout the greatest possible number of years. On the other hand when we proceed to analyze the basis upon which true industrial efficiency rests, it is evident that the worker himself is the most precious asset of industry; that in the last analysis his utility both to himself and to society at large is dependent upon the maintenance on his part of a continuous condition of health in order that his years of industrial productivity shall be a maximum. It follows that if we institute a means for conserving continuously the health of industrial workers we increase thereby, in a true sense, very materially the efficiency of that industry.

Therefore, when it comes to a question of physical examination, we must say that physical examinations alone without additional measures and facilities for the conservation of health—physical ex-

amination applied with any other idea than the conservation of the health of workers engaged in the industry—are not in line with progressive industrial development. Conversely, wherever physical examinations are associated with efficient methods of medical supervision and health conservation, when physical examinations are used for conservation, then we must regard such physical examinations as a progressive measure. Therefore, any system of physical examination which is applied must have as a necessary appendage an efficient method of medical supervision.

In addition to the true conservation of the health of workers, such systems of medical supervision add very materially to our source of knowledge, because of the constantly growing fund of information thereby derived as to the effects of the occupation and the adverse conditions of the social and economic status of the individual upon health. That we may expect large additions to our knowledge of the cause and prevention of industrial diseases by widespread development of systems of medical supervision in industries is shown by the fact that when the Public Health Service took up the question of investigating occupational diseases, the only methods which we could easily devise for obtaining information as to the relation of occupation to disease lay in making physical examinations of large groups of workers. This is the method that we are pursuing to-day in our endeavor to find out the relation of disease to occupation. There can be no doubt that this method which has proved of such value to us would be a fruitful source of valuable additions to our present knowledge, if generally applied, because of the published observations of the data collected by physicians making such examinations.

From a scientific standpoint, therefore, we are to regard such physical examinations as valuable aids in deriving accurate knowledge of the effects of occupations upon the health of workers and of the relation of occupations to disease, which is somewhat a different matter from occupational diseases, because this relation includes not only the effect upon the health of the worker of the environment in the shop, but also the effect upon him of his environment outside the shop, his habits, housing, and other factors which are not concerned in a purely occupational disease.

It is not enough, however, to rely merely on physical examination. What we must insist on is that, if physical examinations be employed, the necessary preventive machinery be applied to enable us to avail ourselves in a preventive way of the knowledge derived from physical examinations, so that both the worker and the industry will receive a full measure of benefit. Especially I call attention to the opportunity this offers for fitting the workman to his job, so that the kind of work done falls within the "elastic limit of the individual,"



and every man, so far as possible, maintains without overstrain the full limit of his productive capacity.

Dr. DAVID L. EDSELL, Massachusetts General Hospital, Boston, Mass. I have very little to say in this discussion. I will only emphasize the need of medical supervision brought out just now by Dr. Schereschewsky and by Dr. Clark, particularly. Looked at from the standpoint of the doctor who has only the interest of patients, the interest of health, at heart, the thing that has been borne in upon me more and more as I have seen year after year the records in hospitals (in hospital experience in Massachusetts I have seen many thousands of working people), is the need of having some method of supervising those people in order to prevent what I shall speak of to-night.

It is a very unhappy thing to me to see these cases constantly and to think of their occurrence when they might have been prevented. So many of them are capable of being prevented in their early stages. There is no satisfactory way of meeting them at all unless you wait for the effects of the disease and then compensate the man or try to patch him up as well as you can. There should be some way of knowing what is happening to people in industry in the course of their work. I think the only satisfactory method that can be devised is that they should be subject to physical examination and should be subjected continuously to physical control—not at all from the standpoint of increasing the efficiency of the industry, but from the standpoint of conserving and increasing the period of productivity and the happiness and efficiency of the working people themselves.

We see thousands of cases a year in which I am perfectly sure that there is some effect of industry upon health. Most of those effects could be prevented. The great importance of this is in connection with young persons going into industry. I could cite case after case in which it is clear that the individual has drifted into an industry, choosing it as we all choose our occupation in life, partly because of circumstances, partly because of family interests, but rarely because we are particularly fitted for that industry. The working people do that just as we do, and we see case after case in which young persons have comparatively recently gone into industry with apparently more or less severe results which might easily have been prevented. In a great many cases harmful results may be prevented if before the persons go into the industry they are given a careful physical examination and have some consideration given to the character of the work into which they are going. The absence of such precautions may mean a tremendous loss to health, and a

tremendous financial loss to them, because it so frequently means that a person becoming sick in an industry becomes totally unfit for the work that he has taken up.

Dr. OTTO P. GEIER, director employees' service department, Cincinnati Milling Machine Co. I can not help but refer to Mr. Green's remarks, who spoke for Mr. White, and say that his statement is one of the fairest I have heard in reference to physical examination of men. He says let us look upon the purpose of physical examination and medical supervision in determining whether labor shall stand for and be willing to get behind a movement for the physical examination of men. I surely am opposed, as much as labor, to the misuse of the medical department, and every decent medical man is opposed to that misuse. In fact, he must sell his soul almost if he is misused in this way, and I doubt whether the good medical men of the country are going to give themselves to this sort of abuse and misuse. I was deeply interested in Dr. Clark's paper and must coincide with everything he said. One thing particularly concerns me as one interested in public health. He said the time lost from illness had been reduced to seven-eighths of what it originally was before the introduction of medical supervision and care of employees. That would mean, in final analysis, if applied generally to industry, an annual saving to the industrial worker of about 2 per cent of his wages, or an increase of 2 per cent to every man's wage, which is certainly a considerable sum. If the Health Department of Worcester should attempt to do for the industrial worker what the Norton Co. and other companies might do for the industrial workers it certainly would cost relatively 10 or 15 times the amount to attain that same result. I can see that the industrial hygiene departments in industry may become the strongest arm of our health departments. Physical examination and medical supervision promises something that we have not considered possible so far—an evolution of the health department to an extent where by it we could raise the physical-efficiency standards of men and of the community health to a point which we hardly have yet conceived. I believe that the time is coming, when we all understand each other better and are perfectly fair about this matter, that the community or Government will require of industry that it conduct industrial hygiene departments directly for the purpose that these shall protect the worker and shall help raise the standard of community health. We can not believe that we are to-day organized properly to raise the standard of community health. I know of nothing which might be made such a direct contribution to the health and welfare of a nation as the rapid extension of hygiene departments in all industries. Under that plan 100 per cent of the

workers would receive this very beneficent assistance. I can also foresee that we might keep a lot of workers from going into blind alleys. The blind-alley employment would be largely diminished by the employment of an intelligent physician to keep the man out of a particular job for which he applies and for which he is not fit. I want to refer to one objection raised by Mr. Green through Mr. White's paper. He believes that by the elimination of the unfit we necessarily speed up the shop. My answer to that, and it is the same that was made in reference to the misuse of the physician earlier in my talk, is this: If industry takes up this work on the level, if it proposes to do it intelligently, it must do it solely for the purpose of conserving the worker. It would not have this desired effect if, after selecting men carefully so as to reduce the turnover, industry on the other hand would so speed up the worker that they would have to scrap him out after a short time.

Dr. Meeker is responsible, I believe, for the statement that the labor turnover is responsible for the greatest loss in industry. I think he even estimated that it is greater than the loss from sickness. I think we all agree to that. I believe there is nothing that is going to reduce labor turnover so much as the universal introduction of medical supervision and care of employees, including physical examination. The preventable loss from the wasteful hiring and firing of men is alone a considerable item to be added to the wages of the workers—the system does discover the physically unfit workman. But let us be frank about this matter.

Industry now takes on a certain number of the physically unfit. Society at large is carrying a lot of the physically unfit. Is it not better that society should know definitely what this load is? This system is a method of getting it out in the open where it will do society some good, and where we can see what this load is and what produces the unfit. Knowledge of these things is the first step toward finding a remedy for preventing those conditions that produce the unfit worker.

Dr. S. M. McCurdy, Youngstown Sheet & Tube Co. The whole field has been so beautifully covered that there is hardly any necessity for me to say more. I have had some practical experience with the physical examination of workingmen, comprising some 30,000 examinations, for which I have been responsible, and a large percentage of which I have done. Out of that experience I have learned some very interesting facts, and I hope they will prove—a few of them—interesting to you. When I went into this work I had no idea the workingman of to-day is in as poor physical condition as he is. It was an absolute revelation to me. I expected to find more sound men than physically poor men. Yet, take the grand total,

and I can safely say that for no other reason than teeth, 90 per cent of our men would not be acceptable to the United States Army. Just because of teeth alone. Our records show that the teeth of 92 per cent would have to be classed as fair or bad. This is a layman doctor's judgment, and not a dentist's. We discovered as we went along that the amount of tuberculosis, unknown to the individual, ran between 1 and 2 per cent, and I do not think we discovered it all. These men were applying for work. Under the old system they would have been hired and scrapped later, when their opportunity for a cure was lost. Under our system we believe that we are able to diagnose those cases earlier and thus afford them the opportunity to become well. Certainly by keeping out of our working force anywhere from 1 to 2 per cent of tuberculosis we have limited the danger of infection to the rest of our workers and have already done something for preventive medicine.

I was astonished at the small amount of syphilis that we met that could be recognized without a Wasserman, and I mean in the primary or secondary stages, and tertiary lesions that might be in the mouth, which could be communicated to other workmen. I was equally thunderstruck with the small amount of acute gonorrhoea. No attempt was made to make a scientific laboratory diagnosis. Our records show that about 10 per cent of our men have some form of organic heart lesion, which is certainly a handicap to every man who possesses it, especially if he is to compete with a man with a sound heart. I might throw in that we discovered  $2\frac{1}{2}$  to  $3\frac{1}{2}$  per cent of hernia.

Employers, as a rule, felt that this was the cause of many fake claims, but I think hernia is doing the least damage of anything that we meet. We found another curious thing in the course of our inspection. We were having railroad accidents within the plant due to men being color-blind, who had been refused by the standard-gauge roads, and who had sifted into industrial organizations. We took them in, examined their vision, and that class of accidents practically disappeared. Certainly it was a good thing to stop smashing up the property, as well as to stop the opportunity for others to be seriously hurt. I might go on, but these are some of the defects that we found and some of the reasons why it seems to me that it is eminently fair that society assume the burden of examining these workmen and find out exactly what physical condition they are in. Unless we expose the facts to public gaze we are never going to get anywhere with preventive medicine. I admit that upon some of the workers it is a hardship, but it does not hurt my feelings that a few have to bear a hardship to demonstrate a principle, because there seems to be no other way in which to bring it forcibly to the public. This is why I believe in the physical examination of workmen, but only if it is

honestly done. I can not conceive, if examinations are honest, made, that they have one single drawback to any class of society, but they have absolute value for all of society.

ARTHUR E. HOLDER, of the American Federation of Labor. Probably this practice of physical examinations of workingmen is one of the most interesting of modern questions. It may also be added that it is one of the most complex. It is a new feature and it is an addition to the "terrors of the unknown" that have been used to make workingmen sometimes resentful and always suspicious.

If physical examinations by representative physicians or examiners engaged by private employers could be carried out with the same beautiful spirit as that of the papers which have been presented to this conference, I question whether there would be any hesitancy on the part of any worker to comply readily and gladly. They would feel that they were contributing their share to the general and common good. But from reports which have reached me and from experience which I have obtained in the great field of industry for many years and in a variety of occupations, I have found and I have had reported to me that the spirit evidenced here to-day is not practiced. I think it is my duty, Mr. Chairman, to at least make this a feature of my objection to a general indorsement of physical examination of workingmen.

One of the most popular, one of the best informed, one of the most vigorous trade-unionists in the United States said to me only a couple of weeks ago, when I asked him to give some assistance toward securing a workmen's compensation law in a State which has none yet, "Holder, I have come to the conclusion that workmen's compensation laws are in the same class with cold-storage institutions. They were designed for the purpose of blessing the human race and they have turned out to be a curse." Cold-storage plants have raised the cost of living, while conserving the means of living.

Workmen's compensation laws have been used in some States, and are being used to-day, for the purpose of putting into practice the physical examination of workingmen so that those who dare to stand upon their civil, personal rights are weeded out and thrown into the industrial scrap heap. If that practice is going to continue, I think it will not be very long before we will commence an agitation to wipe the statute books clear of all laws of that character.

I do not want to shock you, gentlemen, after hearing all these pretty expressions and sentiments, but it usually falls to the duty of the trade-unionist to show some of the ugly features of industry. There are millions of people employed in the large manufactories where the organizations of labor are not permitted or tolerated, and where physical examinations now run amuck. If the doctors who conduct these examinations would tell all the truth I believe they

would report a constantly increasing percentage of nervous disorders. People applying for employment who have reached the dangerous age of 40—and of course it is always possible to find something physically wrong with them—find no opportunity for employment, unless there is an abnormal state of business such as now exists. Enough evidence can readily be found to prove that such applicants are not physically fit, and then the individual families or society as a whole have to care for them.

Reports have come to us that the examinations of the women workers—and I touch a very, very delicate question here—have not been conducted with the greatest delicacy, and I am going to plead for the rights of women as well as for the rights of men. They are entitled to all the personal protection their sex commands, especially in view of the fact that they are important units and factors in industry. You can depend upon it the trade-unionists are going to do all they possibly can to protect the woman worker when she is applying for employment.

I hope that this thought will remain with you gentlemen when you return to your homes, so that if you counsel physical examination for employment you will at least do what you possibly can to prevent periodical examinations every 3 or 6 or 12 months, because that system can be used as a form of espionage and a lash of persecution against trade-unionists and free men from which there is no redress or protection.

In some industries in the United States it is still the practice, although we have been able to eliminate it from some employments, that where a man has been found physically imperfect to some small degree but mentally and physically active in behalf of his fellows for better wages, shorter hours, and better working conditions, the great fundamentals, my friends, that make for health, that make for life, that make for prosperity, that make for citizenship, that make for liberty, that make for the original American freedom for which our flag stands, such men have been followed and persecuted from pillar to post in these United States, and they have been unable to obtain employment at their occupation, and, because of their convictions, insidious efforts have been made to lash them into silence. I hope that you will be careful with everything that you do on this proposition of enforced physical examinations of working people.

Capt. WM. P. WHITE, United States Navy, retired, treasurer and general manager, Lowell Paper Tube Corporation. I have had to be subjected to physical examination periodically all through my life, for I am a captain in the Navy, and, although I am on the retired list, I periodically am examined physically to find out what my condition is. My principal occupation while I was in the service

was the enlistment of men. We used to enlist them from 14 up to 45. We stopped the enlistment of boys from 14 to 18, because after they entered the Navy they were subject still to disease, and it took too much money to get out the unavailable.

I hold that the physical examinations of employees should not only begin when they go into employment, but should begin at an earlier stage, and many of the ills that workmen now suffer are due not to their employment but to the physical conditions of their early environment and their ignorance of things that should be of common knowledge. The conditions of life in some of our cities that have been brought about by improper housing are such as require immediate remedial attention. Can you get it? Do you get it? The board of health, appealed to in the city of Lowell to remedy certain evident conditions, fails to do its duty because the owners of the property are voters who have some political power. It is essential for the worker to go to his work in a healthy condition, and anything that we can bring about to better his physical condition will increase his capacity as a wage earner. Part of the low wages are due to physical defects; physical defects of which the laborer himself is ignorant and of which his employer is likewise ignorant. His employer can only determine his capacity for labor by the amount of work that he turns out. We have been talking about the employer of labor, and the employer of labor has been figured as a big corporation, but I believe that the employer of labor in the larger term is not the big corporation. He is many headed, and these men who may be rejected by the larger corporations because they are unfit for that work have to seek employment elsewhere, and the smaller employer has no opportunity, has not the means, has not the organization, to bring about the necessary examination to determine whether the workman is fit for his particular employment or how that defect may be remedied for the workman's benefit.

As an examiner of men for employment I came in contact with that great mass of floater employees, the one who causes this great turnover of labor, the one who goes from one place to another seeking employment, is employed for a few days, and then, for some reason or other, goes out into the field to seek new employment. Many of these we reject simply on the story that they tell. Nine-tenths of them we reject physically. Sometimes the percentage is greater than that for defects which should have been remedied and could have been remedied at an earlier time—defects of sight, defects of teeth, other physical defects which are due to the unfortunate habits of the individual, and his sometime unfortunate occupation. I remember a man of about 26 years of age who had flat feet and varicose

veins of such a character that I doubt if he has survived the few years that have elapsed from that time to this. Some of the defects are remediable and some of them are not. We want to find out which may be remedied and how they may be remedied, so as to improve the condition of our working people and improve their wage-earning capacity. When society puts up some panacea and says that this is going to help the workman, it is time to wait and investigate. Let us find out first what is the matter with the workman; and if we can not cure him or his sickness, then it is high time to talk about sickness insurance.

Dr. White, in his statement in regard to sickness insurance, which does not come at this time, has said, for instance, the compensation for accidents in industry is due to causes which were a part of the industry. The accidents which occur in industry are not necessarily due to industry. They are due to accidental causes over which the workman may have control and over which, for some reason or other, he has, for a minute, lost his control. My oldest and most able and most intelligent employee sawed his thumb one day. The saw was protected. Every care had been taken, but he was doing something out of the usual. He had been working with saws for a great many years, and from his mere familiarity with that saw, he did not think the saw would come quite as far as it did. In an accident of that kind the workman himself now shares part of the penalty. He is not paid immediately after the accident occurs, but he is paid after a certain time has elapsed, a time that is sufficient ordinarily in the majority of accidents to cause the injury to heal, so that he may go on with his industry.

Dr. White cites as an analogy to this that sickness of the employee is on the same basis—sickness that comes out of the result of the particular phase of employment—the peculiar kind of sickness that is due to that employment. This or other illness may or may not result from his employment, and 99 per cent of the cases, or I might say even more than that, do not come out of his employment, but of conditions outside of his employment and for which his employer is not responsible, any more than any other member of society.

Now, if you will clear your minds of the kind of sickness that is involved and let us pay for the sickness that is dependent upon the industry, why, then we have gone a step in the right direction, but when you start advocating a pension as panacea for all illness of the workman I say that a pension may sometimes induce a man to be ill who is not so.

The CHAIRMAN. In view of the interest in this subject which has developed in the course of discussion, it is suggested that we eliminate the discussion scheduled to follow the last paper of the afternoon and give opportunity to some who have expressed a desire to par-



ticipate in the present discussion. Up to the present time we have not had the viewpoint of the employer. I have called upon Mr. Dudley R. Kennedy, of the B. F. Goodrich Co., Akron, Ohio, to speak on this side of the question.

Capt. WHITE. I want to correct that statement; I appear as a representative of the Associated Industries of Massachusetts.

DUDLEY R. KENNEDY, director labor department, B. F. Goodrich Co., Akron, Ohio. I thank you for calling on me so that I did not have to announce myself or ask for a place in this discussion.

I will try to be as brief as I can and try to be perfectly fair and try not to stir up any such hornets' nest as we had yesterday, but I certainly can not remain silent under the lash of certain statements that have been made here this afternoon. I am pretty blunt naturally and I do not hand out undue compliments, but I wish we had more Mr. Greens in the labor movement. I am sorry Mr. Holder has gone, for I would not say anything behind his back that I would not say to his face.

Mr. Green in his own remarks stated my view exactly. I want to thank him personally for saving me that time and trouble. I have known Mr. Green personally for some time, and I know that he means what he says. I do not want to be misunderstood in what I am to say, not wishing to get any undue publicity or any free advertising whatever for what the B. F. Goodrich Co. is doing. The very fact that you who are interested in this thing are ignorant of what we are doing is enough argument that we are not advertising it or exploiting our people for free advertising purposes. I simply state it as a matter of fact to show what one of many concerns is doing along this line of which we are talking this week. I probably am anticipating somewhat the program of to-morrow and the next day, but I must in fairness to the people who are heart and soul in this thing but who are on the level about it.

We have had in actual operation for over a year health insurance, life insurance, and pensions—voluntary—but we are glad to do it, because we have seen the vision a little before the mass has seen the vision. We ask no credit in that we had voluntary workmen's compensation, but it came because we had men at the head of the company to see it before the masses saw it and before it was forced upon us by legislation, and so we have seen the vision of health insurance. Our provisions are more ample than those of the proposed bill for which Mr. Andrews is responsible. Mr. Andrews, I believe, is the chairman of the American Association for Labor Legislation.

We have 9 full-time physicians and 22 full-time nurses. We have 15,000 wage earners, 20,000 total employees. We have district visiting nurses, each equipped with a Ford coupelet and a driver. We have dependent upon our industry almost one-half of the total popu-

lation of Akron, if you figure three people to a wage earner. We are doing preventive medicine, and we have to have physical examination to do preventive medicine, and we have to have medical examination before we can issue a life-insurance policy. Without going into detail, briefly, each employee automatically gets a policy for \$500 with the Equitable Life Assurance Society when he enters the employ of the company. That is augmented \$100 per year for service. If he is sick or disabled for any cause whatever outside of the workmen's compensation act itself, he automatically receives two-thirds of his weekly wage during his disability up to 52 weeks' full disability. We have four hospitals or dispensaries in the plant itself. We have a tubercular dispensary outside of the plant, and we are about to establish a venereal-disease dispensary which I believe will be the first in the United States of its kind. We do not ask any credit for these things, because it is just a plain horse-sense business proposition. We will get it all back, but organized labor or any other body of men have no right to kick when they are getting something for nothing, and I defy any man to stand on this floor and say that it is any hardship on the workman. A lot of this talk about the poor, downtrodden worker is a lot of bunk.

There is hardly a man in this room that has not carried a dinner bucket sometime in his life and has not worked hard. Those of us who have been in this game and who are looking to the front and are trying to look this thing in the face must stand up here and talk, and talk facts. I have been coming here for seven or eight years, and I am tired of listening to a lot of guff, and I have only said these things straight from the shoulder to show you that there are a lot of employers who are looking out for the good of their employees. There are a lot of companies in this country which are looking forward and have seen this vision and who have sense enough to know from the business standpoint that it is an investment, and that is why we do it. If we can make our plant the most attractive plant in the county—in the State, in the United States—we are going to get the very best men to work for us, and the best product, the best prices, the best wages, and the best dividends, and if there is anything else that is wanted I would like to know what it is.

Capt. WHITE. Are you able to influence the local health authorities in Akron to take care of the housing conditions that go to make a good city?

Mr. KENNEDY. I do not want to be accused of mutual admiration society tactics, but we have not been able to get the cooperation that we wished, because they hadn't the money. But the manufacturers in Akron got together and collected a very considerable sum, which they turned over to the city to build up a very unusual health department. They went out of town to get an expert, brought him there,

and made him health director of the city, and the institutions there, including our own, by private subscription are not only meeting the deficit but supplying the funds to assist us in carrying out this work which we have started. Industry has got to inspect—industry has got to approve this before society is ready for it, and we think it is part of our job, and we are fortunate in having a man or a set of men with vision broad enough to see these things and philanthropy enough to pay the freight while we are making the test and experiment.

Dr. GEORGE M. PRICE, director of the joint board of sanitary control in the dress and waist industry. When physical examinations are compulsory and arbitrary they are naturally opposed by and objected to by the workman. When physical examinations are used as a whip and a menace against the older workers naturally they are objected to. When physical examinations were made of the workers by those whom they trust we found no opposition; in fact, we found nothing but cooperation. We have had no difficulty at all to furnish in three months 3,100 workers for Dr. J. W. Schereschewsky in the summer of 1913, because we have educated them and we have told them what it is for. Our institution is peculiar in this respect, in that it is not run by employers alone. Although employers, organized employers, are part of the joint contributors, the workers as well as the employers are represented in the board, and we have been able in the last six years to gain the confidence of the workers, and that is much to say of the garment workers, who are the most suspicious class of workers to get along with.

We have made over 16,000 examinations during the last four years, all voluntary examinations. They all come forward without any compulsion. They simply come because it is explained to them that it is for their own benefit, that they will have advice given to them which is necessary and well to follow. When physical examinations will be held by the corporations and by general organized industry, so as to have the workers represented in the board which governs them, when it is explained to them what it is for and how good it is for them, there will be no objection and no opposition to it.

## **IX. PERMANENTLY DISABLED WORKERS.**

### **THE PROBLEM OF THE HANDICAPPED MAN.**

**BY DUDLEY M. HOLMAN, PRESIDENT, INTERNATIONAL ASSOCIATION OF INDUSTRIAL ACCIDENT BOARDS AND COMMISSIONS.**

What to do with the worker handicapped by disablement through accident or disease is one of the big economic problems that are being most seriously considered in industrial life to-day. For years we have been regardless of the handicapped workers, and as a general proposition they have been thrown on the scrap heap and left to work out their own salvation. To-day we are gaining a new viewpoint and learning that if we are to retain our commercial supremacy we must utilize in industry and commerce the handicapped man or woman—teach them how to readjust themselves to their new conditions and get back into industry with whatever of earning and producing capacity they may have.

Several forces have been at work to bring to our attention the great need of an adequate solution of this problem.

Among these forces are the operation of the workmen's compensation acts, the pressing demands for workers of all kinds brought about by the wonderful increase in our manufactured products, the great world war which is producing the crippled by the hundreds of thousands, and the industrial waste which results from taking the trained workers crippled by industry from their accustomed place at the bench or machine and throwing them into the ranks of the non-producing consumers.

It is a very conservative estimate to state that annually 250,000 workers are, under present conditions, permanently thrown out of employment through accident or preventable disease in the United States alone. These men and women must be supported somehow. Part of them receive whole or partial support under the provisions of the workmen's compensation acts, and while this solves in whole or in part their individual problem of existence, it does so in most States only for a limited period, and after 6 or 10 years of idleness, when their compensation ceases, they are left in a most pitiable condition.

Yet there are few of these men and women who could not be put back into industry and have a place found for them where they could support themselves in part at least.

This economic waste caused by the apparently enforced idleness of this vast army of men and women exceeds \$100,000,000 a year of added burden, and amounts to not less than half a billion dollars annually, a figure that is constantly being increased by the addition of a quarter of a million cripples each year.

Much of this burden is primarily borne by the insurance companies, but they pass it along so that in the end the burden falls on society in general. This waste is a by-product of industrial inefficiency, for by prevention of accidents and disease 50 per cent of these men and women would never become disabled.

With this phase at this moment, however, we have nothing to do while considering the problem of the handicapped, for they have been disabled. They are with us, and what can we do with them and how can we do it?

If the great war teaches no other lesson than the value to a nation of its men, it will have contributed its part in human development. To-day we see all over Europe nations trying to regenerate, reeducate, and rehabilitate the pitiful wrecks who come from the battlefield with arms gone, legs gone, eyes gone, with all the other physical impairments that scientific modern warfare inflicts. Germany, France, England, and Italy are spending hundreds of thousands of dollars to make these cripples into efficient producers able to contribute their share to the prosperity of the country, and to earn their own support. The human repair shops of these warring nations challenge the admiration of the world. These handicapped men will not, as with us, be a drag on industry, nor a tax on their families, but will even contribute to the welfare and prosperity of the country. And the nations of Europe are wisely solving a problem which we in America—maiming and crippling our men and women by the hundreds of thousands annually—must also solve; else the very weight of the drag on our resources for the support of our crippled in industry for whom we do nothing in the way of such a restoration to wage-earning capacity will so handicap us in the race for commercial supremacy that we shall lag behind. It has been a common charge that we care for the machines of wood and iron in our factories, and have high-paid experts to repair them or keep them in order, but throw on the scrap heap the human machines which operate them when they become injured through accident, or fall sick, or when the infirmities of advancing years so impair their productivity that they are no longer regarded as profitable. The best medical skill in the world is doing up the wounds and caring for the broken bodies of the wounded in the war abroad, but the wounds of the injured in industry in the United States are too frequently either neglected or left to the tender care of the contract doctor.

We must change all this in the United States. We must in the future consider all legislation from a different standpoint. We must think in terms of man values hereafter. In this great business world of ours the return on the investment of money capital will depend entirely upon the return on the investment of human capital.

The better the physical, moral, and mental condition of the human capital the greater will be the return to the money capital.

In this new industrialism to which we are rapidly coming, with these better concepts of our obligations to our fellow man, we shall bring about a spirit of cooperation between capital labor and capital money that will mean a newer humanity and a closer brotherhood among men.

The age-old controversy between those who employ and those who work is nearing its end, because the world to-day is realizing that the two are inseparable. The closest bonds of partnership exist between them.

Legislation in the future must be for better conditions of living, for shorter hours of labor, for adequate medical treatment and service, for wages that will remove the gaunt specter of poverty from the doors of those who toil, and give to them a part of the day for rest and recreation in order to repair the bodily wastes that sap the energy and consequently reduce the output through fatigue and overwork.

The day of relegating men and women to the scrap heap is rapidly passing.

It is interesting to note how the nations of Europe are leading us in this restoration of the crippled to active industrial life. If we had a man so crippled in industry that both his legs were off above his knees and both arms gone above the elbow, we would consider that man hopelessly incapacitated, and would never dream of even trying to find a place for him as a worker.

Yet Germany took just such a man, equipped him with artificial legs and arms, reeducated him to his new condition, and to-day the man is doing a full day's work in a machine shop and earning good pay. He is happier and more self-respecting than if he were idle, his mind is on his work, not on his mutilated self, and the result is a tribute to a humane method of restoring men to active participation in industrial life. This is only one instance and I could give you hundreds equally as remarkable. France has started and has in successful operation these human repair shops. I was very much interested in an article descriptive of the way in which France is meeting this problem, and Mr. Barton Blake, the author of it, has made a study of these "schools of reeducation." "Hospitals mend men's bodies. The special type of hospitals I have been visiting," he says, "ministers to men's souls as well as to their bodies, for it

equips them to reconquer a place in society, in the market place; a place to be filled bravely, proudly, and without submission to anyone's patronage or charity. This special type of hospital is the so-called 'school of professional reeducation.' The patients are really not patients at all—they are scholars. They are learning life over again, these soldiers who, having survived one war, in losing the capacity of continuing to share in its battles, must begin this second and for them this even graver war. These brave men must not become 'victims,' says France; they must remain victors, even in their loss of limbs. And France is full of schools of reeducation, whose object it is to show the victorious way." Their lives—yes; that is the question which remains. What will they do with their lives, these men who lack legs or arms, or who are paralyzed? What does the future hold for them beyond an insufficient pension, and, it may be, a priceless decoration?

France set itself to answer this question and the schools of reeducation is its solution. The school of the Grand Palais in Paris has been busy with its task of salvaging the wrecks of heroism only since May 21 of the present year (1916), but its work is none the less a great one. There are 176 soldiers of France studying at the Grand Palais how to carve out a future for themselves, a future wherein they shall be neither beggars nor charges upon the State nor loads upon other folks' benevolence.

"At Tourvielle, where the city of Lyons happened to own an old farm, purchased some time before with a view of inaugurating certain municipal improvements, with an old château standing amid fields which had been permitted to 'run down' by their last owners—at Tourvielle one sees only the *mutilés* who are crippled in the legs. Many of the men there are of mature years, coming from all sections of France. Probably the greater number were, before the war, agriculturists; no longer capable of earning their living at unskilled labor, they are learning to be tailors, carpenters, cabinetmakers, shoemakers, gardeners, wireless telegraphers. They have made great progress already in the few months they have been at it. In the workrooms, arranged in little separate wooden outbuildings—lighted by electricity when daylight fails—one may see for himself that the shoemakers can already turn out shapely shoes for man, woman, or child. Some of the workers are learning how to manufacture wooden legs for their own use at a lower cost than the shops charge for wooden legs." They are paid wages while learning and their pay is advanced as they become proficient. Dr. Vallie finds that an increase in his wages heartens a man and quickens his interest in his task, and his physical condition reacts favorably to this stimulation. Others are learning typewriting and stenography. Some of these pupils of the

peaceful trades who have proved their devotion will in the future earn more money than they ever earned before—for at the Grand Palais at Lyons men are being taught more useful work than they could ever before perform. Some of them will, in spite of their maimed bodies, be more valuable to their country, economically, than they were in the peace years before 1914.

This reeducation in Germany, France, England, and other warring nations gives us an idea how we can help solve the problem of those who have lost certain members of their body; and what can be done abroad can be duplicated here, particularly as we lead the world in the manufacture and construction of artificial limbs.

But this is only a part of the problem, and as to the remainder we must to a certain extent blaze our own trail. There are those suffering from occupational diseases, a very large class. There are those suffering from neurosis, like the cigar makers; the neurasthenics who constitute a very puzzling problem as well as a very large class of the disabled. Again, there is the class who having undergone some form of hospital treatment are surgically cured, but not physically restored to wage-earning capacity. They must get out of the hospital as soon as possible, because places are needed for others. They are generally returned to their homes where they can not receive adequate treatment; nor are they placed under conditions which conduce to speedy recovery, hence the period of convalescence is greatly prolonged, and in many cases postponed altogether for lack of the care which should be given them. Our hospital out-patient treatment is absolutely inadequate in the case of the great majority of our large hospitals.

I will not take up the matter of hospital administration, but I want to say right here that these injured men and women who go to hospitals as compensation cases frequently do not receive the treatment they should receive. And I can cite some cases of broken backs wrongly diagnosed in Massachusetts hospitals, and a number of fractured-skull cases that were treated for almost everything save the real trouble. There will have to be a reform in hospital treatment and care if we are to get rid of a certain large part of this burden.

But in a way these are minor matters, viewing the situation as a whole. How shall we get these people back to a wage-earning basis? This, I feel, is largely a problem to be solved by the States themselves, or at any rate settled within State lines either by the State or by some private agency, and I am inclined to think that the latter course would be the most efficient in dealing with this problem, for I am not enamored with State methods of dealing with such problems. When membership in accident boards and commissions—boards dealing with the rights of the workers, administering the provisions of the act, as semijudicial bodies requiring specialized knowledge—is



considered by governors who have the appointing power as so many places to be handed out to political lieutenants, as has happened not only in my own State but in Washington, Wisconsin, Michigan, and other States, there is no place that would be safe from the intrusion of politics, and as a result inefficiency and waste are bound to follow.

As the insurance companies in most States are deeply interested because they have thousands of these men and women on their pay roll, it seems to me proper that the major part of the burden of returning these people to work should fall upon them and be regarded by them as a money-saving proposition which they can afford to back to the limit. If they have a thousand men under compensation payment drawing on an average \$8 per week, or a total of \$8,000, and on return to work they only draw \$5 a week, or \$5,000 total, they have saved \$3,000 a week. And as these payments are continuous—this \$3,000 a week this year becomes \$6,000 a week next year (for other thousands are hurt each incoming year) and \$9,000 a week the year after—you can readily see what the saving would be, stretched over a decade.

To my mind, therefore, we must start work with the insurance companies as a basis. I was recently asked by a committee of the Claim Adjusters' Association, in Massachusetts, to undertake to work out this problem and suggest a way to establish an employment agency through which this could be accomplished. No one knows better than I the difficulty of getting these crippled and disabled back to work. You have to overcome several big obstacles. In the first place, when the insurance company tries to have a man go to work, the man thinks he is being imposed upon and that this big insurance company is trying to compel him, a cripple, to go to work in order that the company may save a few dollars a week. Then there is the opposition of organized labor, which insists that men holding union cards must get full union pay, and regard any attempt to have disabled men work for less than the scale as an attempt to break down the wage scale. This opposition, I feel sure, will vanish when the plan is presented to organized labor in a perfected form, for it means much to the men and women who work, and will present a welcome relief from the drains that are now placed upon the treasury of every labor organization.

Next, employers whose insurance premiums depend upon accident experience do not wish to employ a cripple—say a man who has lost an arm, to be specific—lest he again be injured and become permanently incapacitated; nor do they want a man who has lost one eye charged to them as totally incapacitated if he loses the other when they are responsible for the loss of only one eye. There are other obstacles to be overcome, but these are the principal ones. They

can all be met, and met satisfactorily; but in order to meet them it will be necessary to make certain legislation in some cases and do much educational work in all cases. And this costs money, so that without large financial backing this work will fail, because as a business proposition it involves too large an expenditure to be undertaken as a private commercial enterprise.

The whole community is interested, for in the last analysis the burden falls upon society in general. But the solution is not impossible, nor is it too difficult if approached in the right way. To start such a bureau involves first a survey of the field. We will call it a vocation bureau.

I have outlined roughly a plan which I know is workable and which can be carried on successfully. As time is short and my paper is limited to 15 minutes, I can give only the outline, or a skeleton of the plan itself, which can, of course, be elaborated upon and made more workable.

I do not pretend that it is the best solution of the problem, but I do feel that it is a step in the right direction; and if I have done nothing more than draw your attention to this problem and to the necessity for its solution I shall have done my share.

**SPECIFICATIONS FOR STUDY FOR REEMPLOYMENT OF CRIPPLES FROM INJURIES ARISING OUT OF INDUSTRY.**

1. To compile and classify statistics, number of cripples in classes; that is, by character of impairment; by age; by education and general training; by industry, trade, occupation, and earning capacity in each class.

2. To compile and classify statistics as to industries and trades and occupations in which the different kinds of impairments will be no handicap, and the amount of wages which should be earned by the different classes of cripples in the different employments. This study should be limited to Massachusetts, but should aim at securing the names and addresses of employees, the number of employees in each place of business who do not need all their faculties or members, in what occupations persons with one hand can be employed, persons with one foot, and so on through the list of different impairments, with the approximate number of persons who could be so employed by each employer. The more definite and exact this information is, the more valuable will be the results.

3. To compile and classify statistics as to the method of education and training which may be adopted to prepare cripples with different impairments for new occupations adapted to the impairment, or for a return to their old employments.

4. To compile and classify statistics as to industries which may be organized and adapted to efficient employment of cripples.

5. To institute immediately a campaign for interesting and enlisting employers in the employment of the handicapped, and to place at work in the different industries cripples referred by the insurance companies. This work will involve arrangements with the labor unions whereby cripples can work at a less wage, if necessary, than persons without such handicap.

The primary and essential purpose of the whole effort being to return cripples to industry as efficient members of society as soon as practicable after the injury, definite information as to actual positions open to cripples, and successful efforts in placing the cripples at work in such positions are essential for saving immediate financial loss to the injured employee and the insurance companies and the ultimate loss to the State representing the community at large. The prolonged dependence upon weekly compensation by cripples dulls their industry, creates a habit of idleness which reacts upon themselves and the insurance companies and after a few years upon the Commonwealth.

#### EMPLOYMENT BUREAU.

(A) Reabsorption in industry of men partially incapacitated but willing and anxious to work.

(B) Compelling need of food and shelter will operate in leading men to accept offered jobs.

(C) Work for which the man is physically fit may enable him later on to take his old job.

(D) Reeducation of the crippled along new lines.

#### THE LABOR EXCHANGE.

(a) Active indorsement and cooperation of organized labor and the employers in recognizing the need for helping the partially incapacitated and that they can render a work equivalent for their pay.

(b) Not a charity or an attempt to force the misfits on the employer.

#### METHODS.

Registry with complete facts as to industrial accident.

1. Cause and nature of incapacity.
2. Period of nonemployment.
3. Nature of previous occupation.
4. Sex; age; nationality; dependents.
5. Ability to speak English.
6. Length of time in previous jobs.
7. Need for outdoor job.
8. Kind of part-time work that is suitable.
9. Health certificate from insurance company doctor or from the bureau's doctor.
10. Certificate from the bureau a guaranty and recommendation.

#### KINDS OF OCCUPATIONS.

1. Watchmen, night.
2. Policing of yards, premises, and plants.
3. Messenger.
4. Peddlers (country trade, c. f. aluminum outfit).
5. Combinations for small businesses.
6. Reeducation in other lines.

(A) Through union affiliations these can be opened up locally: (1) Delicatessen; (2) cigars and fruit; (3) newspapers; (4) other small stores.

(B) Through former employer and at the suggestions from the labor bureau, the creation of subagencies (c. f. a business for promoting the sale of the manufacturers' product). This can be done in combination with A.

7. A certain amount of training to fit men for their new jobs (a man incapacitated from using his legs must learn the first principles of a trade at which he can sit or to use his arms or artificial limbs which will enable him to do his old work or enter new work).

8. For women with one or two children, positions with families in the country, where lodge keepers can be used, seamstresses, maids, housekeepers, mothers' assistants, or by reeducation in other lines, as clerks or factory employees.

9. A rudimentary training in cooking and the primary essentials of household work should open up certain trades, waitresses.

10. For women with broken arches, adequate treatment, change of work to one where standing is unnecessary, retraining in other lines where impairment will not be a handicap.

(A) The success of the bureau is absolutely dependent on the intelligence and loyal cooperation of the (1) employer (organization); (2) labor unions; (3) the individual.

(B) Accurate statements as to the exact wage-earning capacity of the individual.

#### COOPERATING AGENCIES.

1. Rural organizations, such as granges, benevolent and fraternal orders, State free employment agencies, employers' associations, women's clubs, patriotic societies.

2. Urban organizations, such as boards of trade, men's clubs.

#### REPARATIVE AGENCIES.

(a) Convalescents' homes in country.

(b) Artificial limbs (c. f. the variety of effort worked out on the battle field by France, England, and Germany). Reeducation based on their use.

(c) Primers (Mother Goose style) with suggestions for regaining the former wage-earning capacity as near 100 per cent as possible.

Under the head of reparative agencies I name convalescents' homes in the country. These should be located near large centers of population and to them should be sent those who, discharged from the hospitals, are yet not able to return to work. The stay of the patient here would depend upon the nature of the accident, the physical condition of the patient, and his or her mental attitude. Every care should be taken in these homes to instill into the mind of the injured person a desire for return to active life. They should be shown kindly and tactfully how necessary this is for their future well-being, and every effort made to build them up physically and mentally.

From this convalescents' home those who need reeducation in order to get back to employment should go to these reeducational institutions such as exist to-day all over Europe. Here men who have only done hard manual work should be taught lighter grades of work and the stay here would depend quite largely upon the individual himself.

There are thousands of cigar makers in the United States who can no longer do a full day's work, or if able to work all day, who can no longer turn out enough cigars to make it profitable for any employer to hire them. Yet each can in a week turn out enough cigars to earn a fair week's pay, which, together with his compensation, will enable him to be self-supporting. A cooperative factory where each man might do his best would solve a large part of this trouble, and give men employment at their own trade where now they are barred for reasons already advanced.

I cite this one example because I happen to know what can be done along this line, and feel certain that such an attempt would meet with success.

These human repair shops and reeducational schools can be as well worked out here as in Europe, and the results will be equally gratifying.

But best of all is the prevention of these conditions, and the stopping of this waste at its source. The prevention of accidents is not only possible but is being done. The prevention of occupational diseases, and they are more numerous than we generally admit, is largely a matter of education, while industrial hygiene will prevent much physical impairment and sickness that is now looked upon as an ordinary incident in business life. This all means education, and I would like to discuss it from this standpoint exhaustively, but time forbids.

**WEDNESDAY, DECEMBER 6—NIGHT SESSION.**

**CHAIRMAN, FREDERIC M. WILLIAMS, WORKMEN'S COMPENSATION COMMISSION  
OF CONNECTICUT.**

**X. DEFECTS AND SUGGESTED CHANGES IN WORKMEN'S  
COMPENSATION LAWS.**

The **CHAIRMAN**. At the suggestion of Dr. Meeker, a slight change will be made in the program as it is printed. That is, immediately following Prof. Fisher's paper we will have the pleasure of listening to Dr. Edsall, and following him, Mr. Hoffman. Then we will have the discussion which you see upon the program.

## **SOME DEFECTS AND SUGGESTED CHANGES IN WORKMEN'S COMPENSATION LAWS.**

BY PROF. WILLARD C. FISHER, NEW YORK UNIVERSITY.

The subject assigned me, "Defects and suggested changes in workmen's compensation laws," fairly construed, implies a license to speak at great length. For none can doubt that there are many defects, imperfections, in the present laws; and certainly there have been a great many suggestions of change. Even among us here, who may be presumed to have examined carefully the laws now in force in Canada and the United States and to be conservative rather than radical in temper, there would be general agreement as to the reality of certain defects. Most of us, for example, would pronounce any compensation statute imperfect which is left to be enforced through the ordinary courts of law, or which does not require from private employers any insurance or guaranty of their liabilities. And everyone here must have marked scores of defects, great or small, in the schedules of awards, in the provisions for the curative treatment of the injured, or in other portions of the acts.

But all of these topics could not be discussed adequately in a single paper of reasonable length. Moreover, the most important of them are assured suitable treatment at other points in the program of this conference. Accordingly, I shall quite ignore all of the defects of which a hint has just been given, highly important though some of them are, and ask your attention only to defects of scope, of range or extent of application of our compensation laws. And even within limits thus narrowed I shall not attempt to bring up everything which might be made to appear as a defect. It will be better to focus attention upon defects which are reasonably clear, somewhat common, and of considerable practical consequence.

The wide and rapid spread of compensation legislation in all quarters of the world often has been cited as proof of a universal approval of the principles upon which it rests. In particular, we in the United States have declared with something of pride and joy that within the brief space of five or six years compensation laws have been enacted for two-thirds of the States containing three-fourths of our population and industry.

But it would be a gross error to suppose that three-fourths of our employees, or anything like so many, are covered by our compensation laws—that three-fourths of those injured at their em-

ployment within the United States stand to receive what we euphemistically call compensation. This moment is not the time to decide, nor even to ask, whether American compensation statutes have been enacted with satisfactory rapidity of succession or whether their provisions are reasonably adequate to the need. But we can not be too prompt in ridding our minds of any belief that three-fourths of the American wage earners who are disabled at their tasks are entitled to payments on account of their injuries and losses. But a small percentage of those who are disabled by industrial accidents, even within the so-called compensation States, can secure any indemnities whatever under the compensation laws. The great majority either are not affected in the least by the laws, have only the poor privilege of suing their employers with somewhat better prospects of winning damages, or have more or less adequate medical care at the employer's expense, with no possibility of securing either indemnities for lost earnings or payments on account of pain and suffering.

Mr. Frederick L. Hoffman's estimates of the numbers of industrial injuries suffered in the United States are admittedly rough, with no claim of close accuracy. Nevertheless they are much used as being the best comprehensive estimates there are—one might perhaps say the only ones. Such as they are, they may serve as the basis for some suggestive rough computations. Mr. Hoffman estimates that there are some 25,000 fatal industrial accidents a year in the country and about 700,000 nonfatal injuries disabling for more than four weeks.<sup>1</sup> In Massachusetts, in the administrative year 1913-14, the industrial accident board had reports of 96,382 nonfatal injuries. Of these, 55,113 disabled the sufferers for more than one day; and of these, in turn, 11,836, or 21.5 per cent, disabled for more than four weeks.<sup>2</sup> If the same relative durations of disabilities as in Massachusetts hold for the country as a whole, then we have each year some 3,255,800 nonfatal industrial accidents disabling for more than one day and no less than 5,690,000 reportable accidents.<sup>3</sup>

If, now, these grand—and awful—totals, 25,000 fatalities and 3,255,800 nonfatal injuries disabling for more than one day, be apportioned to the States according to their several populations, and if, then, account be taken of the numbers of compensation awards actually made in each, a rough indication can be had as to the extent

<sup>1</sup> Bulletin of the United States Bureau of Labor Statistics, No. 157, p. 6.

<sup>2</sup> Second Annual Report Industrial Accident Board, Massachusetts, July 1, 1913, to June 30, 1914, p. 23.

<sup>3</sup> These figures, terribly high as they are, are rather supported than denied by a careful comparison with the returns to and from American industrial commissions. In the first seven months of operation of the New York compensation act there were 130,723 notices of injury filed by employers. In the first ten months of the Pennsylvania act 2,113 fatal accidents were reported to the department of labor and industry.



to which industrial disabilities are, in fact, compensated in the so-called compensation States. In 1910 Michigan had 3.1 per cent of the population of continental United States, and both in percentage of population gainfully occupied and in their distribution in the great classes of occupation Michigan was fairly typical of the entire country.<sup>1</sup> If Michigan has 3.1 per cent of the estimated industrial accidents of the country, she has yearly 775 fatal injuries and 100,900 nonfatal disabling for more than one day. Yet in 1915 the total number of compensations awarded, aside from medical care, was 13,492, or 13.3 per cent of her conjectural quota of disabling injuries.

No other State corresponds so closely to the country as a whole in distribution of occupations. For this reason, as well as because the States have gained population at different rates since 1910, and for still other reasons, further comparisons of the numbers of compensation awards with the presumptive numbers of disabled workers are but very rough indications of the situations in particular States. But, for what they are worth, a number of such comparisons may be given:

	Per cent.		Per cent.
California, 1914.....	18	New Jersey, 1915.....	7
Connecticut, 1915-16.....	16.3	New York, 1914-15.....	6
Maryland, 1915.....	7	Ohio, 1914-15.....	18.7
Massachusetts, 1913-14.....	18	Oregon, 1914-15.....	11.6
Montana, 1915-16.....	10.9	Texas, 1914.....	3
Nebraska, 1914-15.....	1.4	Washington, 1914-15.....	28
New Hampshire, 1914.....	3.6	Wisconsin, 1914-15.....	13.9

There are more possibilities of minor error in these data and in the methods of their present use than it is worth while now to enumerate; but the broad general meaning of the table is unmistakable. Present American compensation laws afford their nominal benefits to only a small part of our disabled workers. The wide differences among the States are to be explained not only by the varying provisions of the statutes as to scope, method of administration, waiting period, and the like, to which specific attention must be turned presently, but also

<sup>1</sup> The percent of population in gainful occupations in the United States and in Michigan, as well as the distribution of persons 10 years of age and over in gainful occupations, is shown by industry groups in the following table:

	Per cent of total population in gainful occupations.	Per cent of occupied persons 10 years of age and over engaged in—								
		Agriculture.	Mining.	Manufacturing.	Transportation.	Trade.	Public service.	Professional service.	Domestic service.	Clerical occupations.
United States.....	41.5	33.2	2.5	27.9	6.9	9.5	1.2	4.4	9.9	4.6
Michigan.....	39.6	30.2	3.3	32.6	6.3	9.4	1.0	4.6	8.2	4.4

by the comparative newness of the compensation systems in one State and another. The data for Maryland, Montana, Nebraska, New York, Oregon, and Texas are for the first periods of the laws' validity in those States; and it is not to be expected that the full normal extent of compensation will be realized at once. At the beginning not all injuries will be reported and made the basis of claims; and of those which are reported some will be carried over into a later period as unsettled cases. But in California, Connecticut, Massachusetts, New Hampshire, New Jersey, Ohio, Washington, and Wisconsin the compensation systems had been established long enough to have approximated their normal effects. And in these States together it appears that existing laws do not, in fact, secure compensation to more than one-fifth of those who suffer appreciable loss through disabling injuries; while in some of them the proportion of actual beneficiaries is much less than one-fifth. In Nebraska, a State with a million and a quarter of people, there were but 605 compensation awards in the year ending November 30, 1915,<sup>1</sup> and in Kansas, with a million and three-quarters of people, there were not more than 863 in the year 1914, the third year of the operation of the compensation law.<sup>2</sup>

The reasons for the narrowly limited practical beneficence of the American compensation statutes are several. In most of the States the acts do not apply at all to certain employments, even to some of the most important. In only a quarter of the States is compensation compulsory by simple virtue of the statutes and without regard to the wishes of employer or employee. In nearly all, no compensations are payable except for disabilities continuing through and beyond a specified "waiting period," which commonly is two weeks. And in all of the States certain disabilities are denied compensation for one or another reason connected with their origins, characters, or consequences. It is not easy—probably it is not possible—to determine with any approach to accuracy the extent to which each of these several reasons accounts for the shortened effective reach of the laws of the different States. But it is not only possible but easy to see in a general way what the various limitations, exceptions, and exclusions mean and to judge how seriously defective they make the compensation systems.

It is not unreasonable to start with the presumption that an adequate compensation statute should afford indemnities for all disabling industrial injuries. Very likely a close examination may discover conditions under which injuries should be left uncompensated; but the first provisional assumption must be that all should be covered.

<sup>1</sup> Report of Department of Labor on the Operation of the Workmen's Compensation Law for the year ending Nov. 30, 1915, p. 12.

<sup>2</sup> Thirtieth Annual Report of Department of Labor and Industry for 1914, p. 239.

And exceptions are to be justified only by positive and specific reasons. What is unquestionably wise policy touching many or most injuries must be counted as of general wisdom until there appear good reasons for a different judgment. It remains, therefore, to examine the grounds for the chief limitations of the scope of the American compensation statutes.

As everybody here knows full well, the lawmakers often attempt or profess to limit their statutes to especially dangerous employments, sometimes by the enumeration of certain employments which alone are to be affected, as in a dozen or more of the American States and most of the Canadian Provinces, sometimes by excluding those persons who are employed below certain minimum numbers together or by limiting their application to those occupied at mechanical tasks, and sometimes by other devices. Yet it is entirely clear that from the standpoint of the injured employee there is not the slightest reason for distinguishing between the more and the less dangerous employments. The pain, the later suffering, the loss of earnings, and the consequent need of compensation depend in no respect whatever upon the degree of hazard in the occupation in which the injury may have been received. Nor is there reason to assume that those to whom injuries come seldom will be in better financial condition than others to endure them and the loss of earnings which they entail. For the employer the case is even simpler. The less often injuries occur in his service the less he has to pay, either in direct compensation or in insurance premiums. And for society and the State the significant fact is in the number of accidents, not in the number of persons among whom they occur. The direct and indirect losses are the same, whether a hundred men and producers are killed in a trade with a million members or in one with only a hundred thousand. And the costs of administering a compensation system are measured rather by the numbers injured than by the numbers covered.

For the American States there is some historical explanation of this professed limitation to hazardous employments: When compensation laws first were being framed in this country there was real doubt, among lawyers and some others, as to whether any such laws could stand the tests of constitutionality; and there was reason for believing that a limitation to hazardous trades, even a professed limitation, might afford some assurance of approval in the courts. But this excuse for the limitation has vanished since the wide adoption of the device of the optional law and the repeated decisions of the highest State courts that such laws are entirely constitutional.

Moreover, the legislative policy of dubbing a long and varied list of employments "dangerous," or "hazardous," or what not, as a preliminary to bringing them under a compensation act is a transparent

sham. Comparative occupational hazards, in America at least, are not known with any exactness even now; still less were they known when our legislative enumerations and distinctions were made. The repeated readjustments of compensation insurance premiums, both by the State funds and by the stock companies, as public and private insurance slowly accumulates experience, are proof enough of the incorrectness of the relative hazards which were assumed at the beginning. And it is not likely that any man here, even the one with the longest and broadest experience, will venture to affirm that his office has yet a satisfactory comparative rating.

Even more may be said. Such vague and uncertain knowledge as there was and is has been disregarded generally in drawing up the lists of "hazardous" employments. With some not unimportant reservations, it may be stated that the practice of most legislatures has been to attempt an enumeration of all work in mining, construction, transportation, manufacturing, and closely related industries, and none other. And while it is undoubtedly true that most work—not all—in mining, construction, and transportation is more than ordinarily dangerous for workers, the same can not be said of manufacturing generally. Many forms of manufacturing, especially in textiles and in similar lines, are probably of much less than average hazard. Yet these are everywhere included, even where, as in New Hampshire, the dangerous heavy construction trades and rock and earth work are not included. And agriculture, which is decidedly dangerous in its modern phase, is excluded, largely or wholly, by one device or another in every State except New Jersey and Hawaii, and, perhaps one might say, Louisiana. But the general exclusion of agriculture is another story.

Nearly half of the American States and some of the Canadian Provinces exclude from compensation such persons as are in a common employment in less than certain specified minimum numbers—from 3 in Oklahoma to 11 in Vermont. For this exclusion there are a number of explanations, mostly not openly avowed. It is, indeed, openly alleged that there is less danger where only a few are working together, both because the few can better be on guard against each other and because, in the nature of the case, they can not often be engaged about powerful and dangerous machines. But if degrees of hazard in the nature of the occupation can not as matter of principle be counted good ground for inclusion or exclusion in compensation laws, no more can differences of hazard due to the size of the business.

Moreover, in practice again there is no general indication that the numbers in common employment are really taken seriously as a measure of occupational hazards. Only 5 of the 13 States which

profess to limit their laws to dangerous trades take any account of the numbers employed; and of the 16 States which have numerical exemptions only the same 5 profess generally to distinguish between hazardous and nonhazardous trades. Yet if degrees of hazard are to be distinguished at all, they should be measured in both ways, by nature of occupation and by numbers employed together.<sup>1</sup> For hazard is a function of at least two variables, nature of occupation and size of establishment; and if there were a degree of hazard above which alone compensation is needed, at least this degree would not be reached in the same size of the establishment in all trades.

Aside from questions of greater or less danger, there are at least two covert explanations of the numerical exemptions. The insurance of compensation liabilities, which is eminently wise for all employers except those whose large businesses may enable them to carry their own distributed risks and which is required by the laws of most States, is of vital importance to the small employer. Yet for him the common and necessary minimum premium charge makes insurance, and so compensation, relatively more costly than for the employer of larger numbers. Then, too, the exemption of the small employer is a more or less subtle method of granting exemptions to the farmer and the householder.

On the whole, notwithstanding the one relevant objection of high cost, the well-pondered conclusion probably must be that there are no adequate reasons for excluding from compensation those who happen to be at work with few mates. Maiming and loss of earnings are the same for them as for those who work in the largest mills.

In half of the States no compensation is provided for any person employed otherwise than for the employer's business or gain. And thus alone are shut out something like 10 or 12 per cent of all employees in the compensation States—domestic and personal servants, the employees of educational, religious, social, charitable, and similar bodies, in some States public employees, and everywhere a small but appreciable number engaged in construction. If the employer can shift his expenses of compensation to others, as industrial employers do, there is no reason whatever for distinguishing nonindustrial from industrial employments. If the nonindustrial employer can not shift his costs, as perhaps in domestic service, at least the costs will be small in most cases, except where the employing many servants proves ability to carry large costs. It is indeed a strange suggestion that educational, charitable, and religious bodies,

<sup>1</sup> Manifestly it is the number employed together, in one place, that is significant, and not the number in the service of a common employer. Yet in but few of the States is the distinction thus properly made; more often it rests upon the quite insignificant fact of service of a common employer.

all supposedly philanthropic in spirit and character, should have a subsidy in the woes and uncompensated losses of their humble servants.

The two classes of employees who are most widely denied the benefits of compensation are agricultural laborers and domestic servants. By omission from the enumerated lists, by specific exclusions in direct terms, by the numerical exemptions, or by the exclusion of those not employed for profit, these two classes are cut out nearly everywhere. Only in New Jersey are domestic servants covered equally with other employees; in Connecticut they are covered where five or more may be in common service. Nowhere else in the United States are they affected by either compulsory or optional statutes. Agricultural laborers are but little better off. Only in New Jersey and Hawaii are they covered equally with other employees. In Wisconsin they are covered where four or more work together; in Connecticut and Ohio where five or more work for the same employer; while in Vermont they are covered wherever at least eleven may be working regularly for the same employer. In these two classes there can not be less than 3,000,000 employees within the so-called compensation States who are wholly deprived of the compensation benefits which most other employees are granted.

Domestic servants make much the greater part of those employed otherwise than for the employer's gain, a general class already considered; but they are best judged by themselves, because of the particular circumstances of their employment. If neither the low hazard of their occupation, the small numbers in which usually they are employed together, nor the fact of their service not being directly profitable to their employers can justify their exclusion from compensation, can any other circumstances of their situation? No other has been suggested except an intimacy of personal relations between employer and employed which has been thought to afford some guaranty that the injured employee will be cared for out of the voluntary good will of the employer. Doubtless such voluntary care of some sort, partial if not complete, can be counted upon in many cases, especially in cases of slight and brief disabilities. But there is no warrant in experience for supposing that even trifling injuries will be cared for and compensated generally through the good will and bounty of employers; and few employers of domestic or personal servants will possess both the will and the ability to make adequate compensation to such as are seriously and permanently injured in their service. And wherever spontaneous good will and sufficient means may be present, the existence of a general compensation coverage need not hinder their free exercise.

As for farm laborers, they usually have been excluded from compensation on the more or less plainly indicated ground that they are

not engaged in a dangerous occupation. It need not be shown again that a low occupational hazard is not good ground for exemption from the compensation law. But it is not true that modern farm labor is nonhazardous. Data for industrial injuries in this country are generally inadequate for definite conclusions as to comparative trade hazards, but they are especially inadequate to show the dangers of farm labor. Farm accidents, for many reasons, are much less fully reported than accidents in urban industry. Even since workmen's compensation laws and industrial commissions have started an inflow of returns for industrial accidents generally, farm accidents have been very incompletely reported, partly because the general exclusion of farming from the field of compensation makes it of little practical importance to anybody to recognize and record them, and partly because of the physical and other circumstances of their occurrence.

Such data as are available, in the experience of industrial commissions and insurance companies, tend to confirm for this country the judgments which most of us were inclined to make for American agriculture upon the basis both of European experience and of known dangers here, dangers from animals, machinery, blasting, and similar sources. While doubtless American agriculture is less dangerous than our industries as a whole, and much less dangerous than mining, construction, and transportation, it quite certainly is more dangerous than manufacturing employments generally, which are covered by every American compensation law without exception.<sup>1</sup>

It has been suggested, and possibly seriously by some, that the same intimacy of personal relations to which reference has been made as the domestic servant's assurance of voluntary care and indemnity may protect the injured farm laborer also. Perhaps, in rare cases and within narrow limits; but such spontaneous and adequately financed good will is even less likely to abound among farmers than among householders.

The real reasons for the exemption of farm laborers are political, nothing else. Farm laborers are not organized into unions, nor have they other means of bringing their wishes to the respectful attention of legislators and political managers. Even more to the point is the fact that agricultural employers generally have been opposed to compensation legislation. What their reasons may have been and how nearly unanimous they may have been are important questions; but the great fact stands clear that the farmers' influence usually and gen-

<sup>1</sup> Mr. Hoffman's estimated annual rates of fatal injuries per 1,000 employed are: All occupations, 0.73; agriculture, 0.35; general manufacturing, 0.25. Of the 60,241 temporary injuries in 1914 analyzed by the California Industrial Accident Commission 2,107 were in agriculture, although the compensation act applies only to such farmers as voluntarily accept it. The commission could not tell how many agricultural employees were covered.

erally has been against the compensation acts or at least against such bills as might include themselves. The same may be said also of householders as such, in their capacity of employers of domestic laborers.

Undoubtedly the general exclusion of farm laborers and domestic servants is a great defect in our compensation laws. And yet it may be a grave question how soon, by what means, and how energetically we ought to work for the elimination of this defect. There are States in which no compensation bill covering farmers could have been passed; probably there are States in which no such bill could be passed now, after some years of happy American experience with workmen's compensation in other industries. In such States practical political wisdom—real wisdom at that—dictates the exception of agriculture. From half to three-quarters of a loaf is much better than no bread. In other States, where more comprehensive statutes might be forced through, against the wishes of the farmers and their political allies in the cities, the wise choice between force and slower education must turn upon the particular circumstances of the individual States.

The persons employed in interstate commerce by rail, and foreign commerce also, are in a somewhat uncertain position. Before the date of the earliest valid State compensation acts Congress had begun to legislate upon the liabilities of employers engaged in interstate and foreign commerce by rail; and this Federal legislation culminated in the Employers' Liability Act of 1908. The framers of the State acts have not been of one mind as to whether the existence of this Federal act, fixing liabilities only in cases of employers' fault and so not properly a compensation law, must be taken as excluding railroad men in interstate commerce from the scope of the State laws. Generally, they left the decision to the courts, by referring to interstate commerce in such terms as left undetermined the lines between State and Federal jurisdiction.

And courts and commissions have taken opposite grounds. With direct reference to the Federal act, and since the State compensation laws have been well established in their operation, the United States Supreme Court has declared that "since Congress, by the act of 1908, took possession of the field of the employer's liability to employees in interstate transportation by rail, all State laws upon the subject are superseded."<sup>1</sup> But even in this late decision there is a regrettable ambiguity. Just what is "the subject"? Is it employer's liability in the narrower sense of liability for his own fault or is it liability with or without fault, such as is established in one way or another in the State compensation acts, whether compulsory or optional?

<sup>1</sup> Seaboard Air Line Railway Co. v. Horton, Apr. 27, 1914, 233 U. S. 501.



Upon this sharply defined question, which is of vital importance in the premises, State courts have divided. In California and Illinois the State courts of last resort have held that the Federal liability act covers the same subject as the State compensation act, and that, therefore, railway employees in interstate commerce can not have compensation.<sup>1</sup>

There is, however, a greater weight of similar authority for the principle that, as the Federal legislation applies only to liabilities arising from the employer's fault, it does not touch the question of compensation regardless of fault, and that, therefore, the State compensation acts do reach even to interstate commerce, in the present absence of any Federal legislation as to liabilities without fault.<sup>2</sup> As there is no Federal liability for interstate carriers by water, it appears to be settled that for those engaged in such interstate commerce the State laws may have full application.<sup>3</sup>

Certainly it is a defect of American compensation legislation that a million and a quarter of employees in interstate commerce should not be definitely and undoubtedly covered. But, in view of the principle that Federal authority is supreme over interstate commerce, it can not be said that the defect is clearly in the State acts. In most cases these go as far as they can go constitutionally, by attempting to make their laws apply to intrastate railroading, when and in so far as it can be distinguished, and to interstate work as far as congressional legislation and judicial interpretation may permit.

For the elimination of this defect much might be done by a congressional enactment or an authoritative Federal decision that the Federal liability act does not interfere with State compensation legislation for interstate and foreign commerce. Better still would be an adequate Federal compensation act for all interstate commerce. So long, however, as there may continue two different laws, the Federal and the State, which both bear in important ways upon the liabilities or the compensation in railroading, there must continue to be difficulties in determining both jurisdiction and rights or liabilities.

<sup>1</sup> *Southern Pacific Co. v. Industrial Accident Commission*, Aug. 7, 1915, 170 Cal. 782; *Staley v. Illinois Central Railway Co.*, June 24, 1915, 268 Ill. 356; *Chicago, Rock Island & Pacific Railway Co. v. Industrial Board*, June 26, 1916, 273 Ill. 528.

<sup>2</sup> *Winfield v. Erie Railway Co.*, New Jersey Court of Errors and Appeals, Jan. 6, 1916, 96 Atl. 394; *Winfield v. New York Central & Hudson River Railway Co.*, New York Court of Appeals, Nov. 23, 1915, 216 N. Y. 284. In what perhaps must be considered an obiter the Connecticut Supreme Court has taken the same position in the *Kennerson* and *Marsdale* cases, mentioned in the next note.

<sup>3</sup> *Stoll v. Pacific Coast Steamship Co.*, United States District Court, western district, Washington, Apr. 28, 1913, 205 Fed. 169; in same court, Oct. 20, 1913, *The Fred E. Sander*, 208 Fed. 724; *Kennerson v. Thames Towboat Co.* and *Marsdale v. Same*, Connecticut Supreme Court, June 10, 1915, 80 Conn. 367; *Lindstrom v. Mutual Steamship Co.*, Minnesota Supreme Court, 156 N. W. 669.

Provisions as to the extraterritorial reach of the acts are not generally adequate. In the earlier laws, except in Ohio, where compensation was provided for injuries "wheresoever such injuries have occurred," there were no express statements as to extraterritoriality, while a considerable number of references to administration and enforcement by the State authorities implied a restriction to accidents within the State.<sup>1</sup> There were, however, in some States other implications, or even express statements, which outweighed these and gave extraterritorial effect to the laws. As experience has brought to attention the importance of questions of extraterritoriality, later legislation has taken definite account of them, and, while a few States<sup>2</sup> have limited their acts to injuries received within the State boundaries, a larger number have adopted a more liberal policy.<sup>3</sup> There are practical difficulties which can not be removed by any probable action among the States. Methods of insurance, whether in State funds or in stock companies, must be considered; and there is a difference between going beyond the State boundaries for a brief and incidental service, as of a day or an hour, and going there for long-continued service.

One simple arrangement will do much to simplify the difficulties and problems of extraterritorial jurisdiction. In their essential nature compensation awards are a part of the pay for service, a part of the servant's wages, and it is a simple matter to assimilate them to wages in their legal relation or status. And if that be done, there will be no more difficulty about the securing of compensation for injuries received in a foreign State than there is about securing wages for services rendered there. Just this was the arrangement made in the Connecticut act of 1913, and it has availed to counteract some careless implications of a limitation to injuries received within the State.

There are a number of other employments, or classes of employees, which more or less widely are excluded from the reach of the compensation laws; but most of these are of minor practical importance. Several States deny compensation to higher grades of employees, to elected public officials, general officers in corporations, or employees of any sort who have more than certain specified pay. Few of these, however, are likely to suffer great hardships because of their exclusion.

Casual laborers are not very numerous, as the term "casual" commonly is construed; but their need of compensation when injured is likely to be even greater than the need of regular employees. And the

<sup>1</sup> This principle was early established in the well-known Massachusetts case of William S. Gaynor, 215 Mass. 480.

<sup>2</sup> Pennsylvania and West Virginia, and Maryland as to employment wholly outside the State.

<sup>3</sup> California, Hawaii, Indiana, Kentucky, Maine, Nevada, Vermont.

determination whether this or that injured employee was or was not in casual employment has consumed an appreciable part of the time and energies of commissions and courts. Although the brief term and consequently small pay of casual engagements of service make administrative costs, insurance premiums, and the like a rather high percentage of the wages, still the gain, both for justice and for simplicity in the statutes, may outweigh a small increase of costs. The fact that more than half of the American statutes do cover casual labor is, perhaps, proof that there is no vast difficulty in covering it.

The chief practical objection raised against the optional compensation statute, as such, is that in its actual operation it will be found not to apply as widely as its terms might appear to indicate, since some employers or employees will elect not to come under its provisions. In so far, therefore, as this objection is well grounded, a narrowness of scope is the chief defect of the optional statute as such. To be sure there are other objections. Certainly there would be some gain in the way of simplicity and general intelligibility, perhaps also in cheapness of administration, if requirements of compensation were made directly without the necessity of any procedure in making and recording elections. And most people, not all, believe that it is generally best to go to chosen objectives by straightaway courses rather than by devious ways.

But, these not unimportant objections aside, it does appear that the optional character of a compensation act often narrows greatly its practical scope. It is scarcely correct to speak of an optional compensation law as covering the employments and employees to whom nominally it applies; its scope is shown rather by the extent to which it is actually elected. Data as to elections are very fragmentary. In States in which an acceptance of the act is presumed, in the absence of notice to the contrary, commissions are likely to have figures for the number of employers rejecting the acts; and sometimes they make estimates of the numbers of employees affected. The numbers of rejections are never high, and therefore in most of these States substantially all employees whom the acts appear to cover may be said to be within the compensation systems.<sup>1</sup> In States where election must be by the employer's positive action, as filing notice or taking out insurance, it is easy to have somewhat reliable figures for the employers within the system, and, together with these,

<sup>1</sup> In Nebraska in 1915 but 37 employers had rejected the act. (Report upon the Operation of the Workmen's Compensation Law, pp. 33-37.) In Illinois in 1916 881 had rejected. (Third Annual Report of Industrial Board, p. 29.) In Wisconsin in 1915 employers to the number of 551, with employees estimated at not more than 3,000, had rejected. (Fourth Annual Report of Industrial Commission on Workmen's Compensation, p. 1.) Bulletin No. 203 of the United States Bureau of Labor Statistics puts the number of rejections in Connecticut in 1915 at 7.

rather less reliable estimates of the numbers of their employees.<sup>1</sup> At first, when employers apparently were uncertain as to the advantages of compensation, positive elections were not numerous;<sup>2</sup> but of recent years elections have become much more general. By the free use of data from the Federal Census of 1910 on "Occupation statistics," and from Bulletin No. 203 of the United States Bureau of Labor Statistics, I have prepared the following table of very rough estimates as to the percentages of all employees nominally covered by the acts of several States who are actually covered by the positive elections of their employers. It must be admitted that the percentages are not in all cases as high as those claimed by the State commissions.

	Per cent.		Per cent.
Massachusetts.....	80	Oregon.....	80-85
Michigan.....	85	Rhode Island.....	91
Montana.....	80	Texas.....	43
Nevada.....	45	West Virginia.....	78
New Hampshire.....	29		

This table, after all due allowances for its possibilities of error, shows a regrettable narrowing from the nominal scope of the acts. The differences from State to State are not all easily explicable, and yet there are some partial explanations which are manifestly relevant. In New Hampshire elections must be by the positive action of employers; and New Hampshire is the State in which non-assenting employers preserve more fully than in any other their former defenses in suits for damages. In this State the defense of contributory negligence is not abolished outright, but remains, with the burden of proof upon the employer. Moreover, the defense of assumed risks is abolished only as to risks due to the employer's fault; whatever may be the practical possibilities of its successful use in court, the defense of the assumption of the "inherent" risks of the industry remains. While in Texas the defenses are all taken away in the familiar manner, yet here, as in no other of the States, the act makes it unmistakably clear, even to the layman, that no action for a personal injury will lie against the nonassenting employer except upon the proved negligence of himself or one of his representatives. Yet we are perplexed by the fact that a very high percentage of elections, estimated as somewhere near 99 per cent by

<sup>1</sup> Figures and estimates of these kinds have been brought together in Bulletin No. 203 of the United States Bureau of Labor Statistics and in the First Annual Report of the Montana Industrial Accident Board, p. 229. The figures of these two authorities are not in full agreement.

<sup>2</sup> In California at the close of 1913, after more than two years of experience under the optional Roseberry Act, with its requirements of positive election, there had been but 1,160 acceptances, carrying 75,000 employees (Report of Industrial Accident Commission, 1913, p. 5), or perhaps some 12 per cent of all those to whom the act nominally applied.

the industrial commission, is found in Wisconsin, another of the five States which do not abrogate the defense of the assumption of inherent risks of industry.

Out of all these facts and others emerges the strong probability that the defective scope of the optional act, as such, may be removed very largely by the devices of presumed election and the complete abrogation of all three of the old common-law defenses.

Sometimes, as perhaps now, there is a certain convenience in holding that the employments to which a compensation act applies indicate its field. Then within this field the scope of the act, in a special sense of the term, is shown in the character of the injuries or disabilities for which compensation is provided. Hitherto, then, I have spoken of defects of field. But there may be defects of scope, in the narrower sense, in that certain injuries suffered within the field entitle to no compensation. For every such limitation of scope is presumptively a defect, and must be counted as such unless positive and specific reason can be found to justify it.

In the great majority of the States it was the evident purpose of the legislatures to follow the preponderating foreign precedent and limit the scope of their statutes to injuries received by accident; while in several of the minority the same limitation has been effected by the courts or commissions without unmistakable requirement or authorization from the lawmakers.<sup>1</sup> The nonaccidental injuries which thus may be shut off from compensation are of two or three classes. Industrial diseases, or, more properly, occupational diseases, have had most attention. Then there are general diseases and a considerable number of such injuries as freezings, sun or heat strokes, chafings, and many others less frequent, of which compensation commissioners have not altogether comfortable knowledge.

It is entirely clear that neither on grounds of general and sound principle nor from the side of the injured employee is there the slightest reason for making any discrimination between industrial injuries which come accidentally and those which come in any other manner. It is enough that the injury is fairly due to the employment. Nor can the employer complain fairly if he is required to pay on account of all injuries which are suffered in his service.

There are, however, certain practical difficulties in the just administration of compensation for other than accidental injuries, and these must not be ignored, whether or not they finally are reckoned as serious enough to justify the narrowing of the scope of the acts. It is not quite fair to charge the latest employer with compensation for an occupational disease which may have been caused chiefly by earlier employment under another, nor is it easy to appor-

<sup>1</sup> So it has been in Connecticut, Michigan, Ohio, and Texas.

tion the responsibility for a slowly developed disease to the succession of employers in whose service it may have been caused. There are possibilities of deception, even self-deception, and of conscious fraud, if payments are to be had for injuries which need not be traced to definite and sharp experiences such as accidents are. And it often may be a nice question to decide whether exposures to cold and heat or to other adverse conditions of nature are occupational exposures.

But such practical difficulties, one and all, probably do not warrant the restriction of compensation to accidental injuries. The problem of slowly developing occupational diseases has been solved reasonably well, not only in foreign jurisdictions but also in the American State of Massachusetts. General diseases and other nonaccidental causes of disability are not likely to be charged against the employment except for good and sufficient reasons; and there may be such. Exposure in a cold ditch or in a blizzard may not be an accident. It may not be an accident to blister one's hands or to be burned by concrete or lime or to be poisoned by fumes or noxious dust; but when these experiences come as an incident of employment and result in disability there is good and sufficient reason for compensating the sufferer.

The numbers of nonaccidental injuries in industry are small in comparison with the accidental. In 1913-14 there were 96,891 industrial injuries reported to the Massachusetts Industrial Accident Board, but only 364 cases of injury by disease, 354 of them non-fatal, and not all of these serious enough to entitle to compensation. In Wisconsin in 1914-15 there were but 42 claims for compensation rejected by the industrial commission as not based on accidental injuries. In Washington in 1913-14 there were but 197 similar rejections. To include nonaccidental disabilities, therefore, would not add much to the costs of compensation. It is better, too, that there should be a few cases of compensation unjustly, even fraudulently, obtained than that some hundreds of American employees each year should be disabled by their employments and yet have no indemnities because their injuries did not come by what may be called accidents.

It is the waiting period which cuts off much the greatest number of injured workmen from the benefits of the compensation laws. The returns from the different States are not closely comparable, but, taken all together, they support the generalization that the most common waiting period, two weeks, prevents from half to two-thirds of those who are disabled by their injuries from having any compensation. Percentages of these disabled by their injuries and recovering within two weeks have been reported as follows: Massachusetts, 1913-14, 63; Wisconsin, 1914-15, 72; Ohio, January

1, 1914—June 30, 1915, 70; Washington, 1915, 42; and of 10,000 iron and steel workers reported by United States Bureau of Labor Statistics, 60.

As to the general desirability of saving the injured workman and his family every unnecessary loss of income through injury and suspension of wages, there can be no doubt whatever. The Federal Census of 1910 showed adult male wage earners in manufacturing industry generally receiving less than \$600 a year; and Mr. I. M. Rubinow's study of real wages through 1912 shows a marked decline in the latest of his years. It is not improbable that the recent great rise of prices has made it harder than before for the average American employee to take care of himself and his family. Under such conditions every suspension of earnings, even for one week, is likely to be a genuine hardship for the workman and his dependents.

Undoubtedly to reduce the waiting period generally to one week would add something to the costs of administering the laws and no small sum to the amounts paid by way of compensation. Unfortunately there are no data to support close estimates of either of these added costs; at least, I know of none. I am so much at a loss as to data for the increase of administrative expenses that I shall attempt nothing that might even be called a rough estimate. Doubtless there are commissioners here who are able to make estimates for their own jurisdictions. Evidently the increase can not begin to be proportional to the increase in the number of cases compensated.

As to the probable increase in compensation payments, it is possible to make some very rough estimates, or at least to present some relevant data. In Wisconsin, where the waiting period is one week, the cases of disability in 1914-15 ending within the second week were 3,836 out of a total of 10,606 compensated cases of temporary total disability; so that the maintenance of the waiting period at one week made the number of cases 57 per cent greater than it would have been with the more common period of two weeks. In Massachusetts in 1913-14, when the waiting period in that State was still two weeks, the industrial accident board found that the average duration of compensation for temporary total disabilities among 18,118 insured cases was 4.75 weeks. Hence a reduction of the term to one week would have added about 21 per cent to the compensation of those already covered. Moreover, the shortened waiting period would have added in that year 9,755, or 46.3 per cent, to the total number of compensable cases. Upon the conservative assumption that these last would have averaged to recover at the end of the eleventh day, it works out that the shorter waiting period would have increased the Massachusetts payments on account of

temporary total disabilities almost exactly 25 per cent. Since, however, in the State the costs for temporary total disabilities were but about 35 per cent of the total compensation payments, medical expenses included, it would appear that to halve the waiting period in Massachusetts might have entailed an increase of some 8 or 9 per cent in the total of compensation payments. It is, however, clear that the cost of compensation insurance would not increase so much as that.

There is not, therefore, any serious financial objection to the reduction of the waiting period to at least as low as one week. Nor does it appear that other objections are conclusive. There is significance in the facts that a considerable number of American States and Canadian Provinces already are living happily under the shorter waiting period, that half of the foreign countries have less than one week, and that several of these, and one or two American States as well, have no waiting period whatever.

Although the administration of the compensation system by the ordinary courts of law is not nominally or apparently a limitation of scope, and although a general discussion of that method of administration is not to be undertaken in this connection, yet it is not irrelevant to note here how greatly court administration reduces the effective scope of the acts. New Jersey may serve as an illustration. In this State the optional law applies to all employments except the casual, which may not be more than 1 per cent of all, and the law has been accepted for some 75 per cent of all employees. The waiting period is two weeks, and the hazards of employment may be a trifle less in New Jersey than in the country as a whole. If now, again, Hoffman's estimates of the numbers of industrial accidents and the duration of disabilities as shown in Massachusetts in 1913-14 be accepted, and if account be taken of the several features of the New Jersey act and of New Jersey industry to which reference just now has been made, it would appear that there should be within the State some 25,000 compensable injuries annually. In fact, there were 6,202 compensations awarded in 1915.

It will be remembered that Kansas, Nebraska, and New Hampshire are among the States which administer their compensation laws through the courts. In those States compensations have been made in recent years as follows: Kansas (1914), 806; Nebraska (1915), 605; New Hampshire (1914), 404. Can it fairly be said that these States have compensation systems?

Maryland, however, may best be compared with New Jersey. Maryland has approximately half as many people as New Jersey, and her compensation law, compulsory though it is, does not apply to more than half of the employees within the State. The waiting periods are the same in the two States, so that one might expect not



more than one-third as many awards in Maryland as in New Jersey. Yet, in Maryland, where there is an industrial accident board to administer the law, there were well over half as many awards in the first year of compensation as there were in New Jersey after more than four years—3,256 as against 6,202.

Massachusetts is considerably more populous than New Jersey, yet her exclusion of certain classes from the benefits of compensation and the failure of many employers to accept her act make the numbers of employees actually under the system not far different in the two States. In 1913-14 the waiting period was the same as it was and is in New Jersey. Yet in Massachusetts, under the administration of the industrial accident board, there were 21,566 compensations in 1913-14, as against 6,202 in New Jersey in 1915.

Comparisons for other States serve generally to support the proposition that, aside from any other provisions of the acts, merely to intrust the enforcement of the compensation to the initiative of the injured employees through the law courts reduces by half or more, perhaps by much more, the practically effective scope of the compensation system. And this is accomplished by cutting off those whose financial weakness, a sure index of their need, disqualifies them from pursuing vigorously their nominal rights. This great fact, together with other facts, of expense, delay, and of the employees' well-grounded aversion to lawsuits, makes the provision for court administration a vital defect wherever it may be found in a compensation law.

There are still other defects of scope or field which might be pointed out in many of the American compensation statutes; but quite enough have been mentioned already. Others are much less important. Most of them, too, are not widely found.

Let me conclude with two statements. I have no idea that I have proved all of my propositions, in this brief paper; rather I have stated them. And the statistical methods and the statistical conclusions of this paper would be open to the severest criticism, if they were presented as close demonstrations of narrow differences; they do stand as rough indications of great differences.

[“Omission of occupational diseases as a defect in workmen's compensation laws” was the title of a paper read at this time by Dr. David L. Edsall, Massachusetts General Hospital, Boston, Mass. It was not possible to obtain the manuscript of this paper in time for publication in this bulletin.]

Mr. FREDERICK L. HOFFMAN, statistician, Prudential Insurance Co. If Dr. Edsall had kept on talking for 10 minutes more, he would have said about all that I am going to say.

I am reminded of the story of a lawyer in Massachusetts who had lost his case in the lower court, and when he went to argue the case in the higher court he took with him all the elementary textbooks of the law. When he made his argument he began to read some very simple and fundamental rules of law, and soon the chief justice leaned over and said, "Do you not think the Massachusetts Supreme Court has sufficient knowledge of the elementary rules of law that govern this case, so that it will not be necessary to read them all?" The lawyer said, "Your honor, that is exactly what I was fooled on in the lower court, and I am not going to get fooled again." So, if much that Dr. Edsall has said is covered by my own remarks, these are matters that will bear repetition.

When I had my choice of a subject on which to speak, I deliberately selected this rather neglected phase of a great problem. However small may be the number of men who are affected with anthrax or with lead poisoning, or with other forms of occupational disease, in comparison with the number of men who are killed or injured by accident, it is none the less important to them and to those dependent upon them that they shall not be ostracized or discriminated against, the same as in any other matter which conflicts with the constitutional principle that all men have an equal standing before the law. As Dr. Edsall has said, those who suffer from lead poisoning which comes to them in the course of their employment are suffering from an occupational disease; and if it can be said that they are not injured in the course of their occupation, within the same meaning and in the same sense as if they had met with an accident through fortuitous events in the ordinary course of their employment, then there is no meaning in the English language, and there is no general conception of public morals. To the painter who contracts lead poisoning, and to his family who are deprived of his support, the result is the same whether he dies of lead poisoning suffered in the course of his pursuit, or whether he falls from a ladder and breaks his neck, and no legal technicalities or difficulties should stand in the way of doing justice to him and his. In brief, I make a plea here as strong as I can make it for the inclusion of occupational disease, in the broad sense of the term, within the meaning of every compensation act in the United States. I appeal to your common sense and to your sense of justice, that the evil and injustice which now prevail in regard to this matter shall be done away with. It is an insult to our common sense, it is an insult to our intelligence to say that we can not find a way out of the difficulty just because the road is a hard one to travel.

No one denies that there is a fundamental difference between occupational diseases and occupational accidents as regards the method by which they are to be determined. Anyone who knows anything

about a case of fibroid phthisis knows perfectly well that it is difficult to establish precise legal liability, as compared to the ease with which it is possible to establish the legal liability for a mine accident in the ordinary course of mine operation; but that difficulty should not stand in the way of seeing that that man and his dependents receive common justice; because you know and I know that fibroid phthisis is not common to the population at large, but is inherent in the metal-mining industry and comes to the miner as a result of the dust which he inhales. At the present time very few of our States provide for occupational injuries in the broadest sense of the term. Massachusetts is once more a notable exception in the matter of enlightened, broad-minded legislation, and the language of the Massachusetts act is as broad as English words can make it, that the injury which the man sustains shall be the ground for compensation, and it is left to the accident board to decide what that injury is. If the injury comes in the form of disease, the compensation is paid just as promptly and with just as little difficulty as when the injury is received as the result of an accident, in the ordinary sense of a fortuitous event. And the records of the Massachusetts Industrial Accident Board prove that in the two or three years of its experience it has not been such a difficult matter to administer that provision which it has been said can not be carried out without a serious injustice to the industries on the one hand and a serious encouragement to malingering on the other. Experience in Massachusetts proves the contrary.

When the English Workmen's Compensation Act of 1897 went into operation occupational diseases were not included. Ten years later it provided for certain specified occupational diseases, and since then that list has been constantly enlarged, until there are now 24 occupational diseases which are specifically enumerated.

In an address which I made some six or seven years ago I accepted that alternative, and I pleaded for the adoption of that principle. The experience of Massachusetts, however, has proved that it is not necessary to limit yourself in that way, and to include specifically any class of injured employees. I now believe that the Massachusetts act is the better way out of the difficulty and that it meets all the reasonable requirements of social justice.

Of the 24 occupational diseases scheduled under the British act, lead poisoning is one of the most important. In this country, as Dr. Edsall has shown, if you seek carefully enough you will find many more cases than you had any idea of; and as has been shown we have in our population in this country more lead poisoning than there is in the population of England, where the conditions economically and socially are unfortunately worse. Lately I contributed a

monograph on miner's nystagmus, which is a miner's eye disease that is probably rare in this country. One of the journals referred to this monograph as being utterly superfluous, because the disease did not exist. That is no answer to the proposition that we should know what these diseases are, for it is surprising what you find out when you seek for it, and I am satisfied that we do have miner's nystagmus.

Some years ago it was believed we had no miner's worm diseases until a doctor in San Francisco began investigating and found mine after mine badly infected. We make ourselves believe a great many things because we are too busily engaged in some other direction to investigate. Now that we are waking up to poliomyelitis we find that in all probability we have had much more of the disease in years gone by than we dreamed of; and the same conclusion applies to pellagra, which also suddenly dawned upon us as a new affliction, probably because it was not thoroughly recognized in the past. I may also refer to leprosy, of which we probably have many more cases than the public at large is aware of.

We are by no means thoroughly informed as to our actual industrial conditions, and to no phase of our industrial life does that so thoroughly apply as to the question of industrial occupational disease. There has just been published a new report of the New York Department of Labor on anthrax, which is a notable contribution to a neglected phase of public hygiene. A few months ago the State of New York woke up to the fact that they had much more anthrax than they thought they had or had ever supposed. That is a strictly occupational disease and one of the most loathsome that can afflict a man. No man injured by anthrax receives compensation, although the injury is unfortunately worse than most accidents which could possibly injure him in the happening of a fortuitous event.

It is said that miner's fibroid lung disease can not be compensated for, because it is a chronic disease and stretches over many years, and that you can not fix the liability specifically upon the last employer, which is unquestionably true. Dr. Edgar L. Collis gives a very excellent illustration of that in his lecture on dust diseases, where he gives the picture of a lung which shows the infiltration of the dust throughout the entire lung in the case of a man who had for the last eight years been a life insurance agent but for 10 years before that had been a gold miner in the Transvaal.<sup>1</sup> Obviously these cases are difficult, but the problem is not solved by ignoring it. Some day, when we have a real industrial medicine, some day when we have a real medical supervision of industry, some day when we realize that health is the basis of wealth and that sound physical health is the best industrial

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<sup>1</sup> Industrial pneumoconiosis with special reference to dust phthisis, by Edgar L. Collis, H. M. Medical Inspector of Factories. Millroy Lectures (1915). 41 pp. Reprinted from Public Health, the official organ of the Society of Medical Officers of Health.

efficiency, we shall not reject the suggestion just because it may mean the exclusion, for a time at least, of some men from some occupations where they have no place, anyhow. We may have to insist upon a change from one occupation to another for the improvement of health or the prevention of disease. It may mean that we will not permit young persons to engage in occupations which unquestionably predispose to early death. All that may be a hindrance to industry, but when the problem is solved it will be an enormous advantage to industrial welfare at large.

I know that objections will be raised. They were raised in South Africa, where the mining industry is the predominating one and exceedingly powerful; but after the chamber of mines investigated the matter it unanimously agreed to let the bill pass. Thus in South Africa miner's phthisis is compensated for by a special board, miner's sanatoria are provided, and the miners are receiving what they are entitled to, and so are their dependents, to the enormous advantage of themselves and to the humanitarian improvement of the industry itself.

In Montana, where the act specifically provides that industrial diseases shall not be compensated for, it is estimated that there are at least 1,000 deaths a year due to occupational diseases. If 1,000 men, according to the official report of the Montana board, lost their lives last year because of industrial injuries in the way of occupational disease, is it right or fair to the dependents of those people that they be allowed to become burdens upon the State, to become paupers or criminals, just because the State refuses to do its simple and obvious duty and to face the problem squarely, as it should? What would it cost to pay for those 1,000 cases compared to the cost of neglect? As long as there is neglect the miner's phthisis problem in Montana will not be solved. As long as there is neglect and no compensation the death roll in Butte, which I myself have had examined for the last 10 years, will continually show an alarming mortality from miner's phthisis. Once you fix compensation, once you make these diseases a matter of penalty upon the industry, you will find that the dust problem and the spraying problem will be solved, as they can be solved within the limits of our intelligence and by our attention to the facts. Dr. Osler, years ago in an address at Baltimore, said, "It is apathy and apathy and apathy that lies at the root of nearly all our evils." While perhaps this matter is not the concern of the people at large, but rather the special concern of a relatively small group, though for aught we know larger than we suspect, as Dr. Edsall has said, if it has no other pleader, I believe that if all of you who are here will combine in your efforts toward the adoption of statutes throughout the country this injustice and hardship will be done away with.

The maximum cost has been estimated at about 13 cents per \$100 of pay roll. I do not stand for that estimate, but that is the one qualified actuarial statement which has been published in the last proceedings of the Casualty Actuarial and Statistical Society of America, Whether it is 13 cents per \$100 of pay roll or whether it is 25 cents or 10 cents, is immaterial. It is not a matter of cost; it is a matter of simple social justice that these people who are injured because of the conditions under which they work, in the enlightened judgment of the State of Massachusetts—which should be the enlightened judgment of the United States at large, and which I am proud to say is the enlightened judgment of the Federal Compensation Act—should be compensated directly and indirectly, that is, for fatal and nonfatal cases, as much as if they were injured under the narrow definition of an accident as a fortuitous event.

[The formal paper submitted by Mr. Hoffman follows.]

## OMISSION OF OCCUPATIONAL DISEASES AS A DEFECT IN WORKMEN'S COMPENSATION LAWS.

BY FREDERICK L. HOFFMAN, STATISTICIAN, PRUDENTIAL INSURANCE CO.

The noncompensation of wage earners on account of industrial or occupational diseases is on a par with the elementary injustice of the employers' liability legislation of a bygone period. Any and every attempt to exclude specifically or by implication the principle of compensation for industrial disease from acts intended to provide compensation for industrial injuries must be considered makeshift legislation, which it is a foregone conclusion will be repealed or radically modified in due course of time. It is only 10 years since the British Workmen's Compensation Act of 1897 was made to include compensation for industrial or occupational diseases, and it has been well said in this connection by one of the leading authorities on the subject, Edward Thornton Hill Lawes: "Once the principle was admitted that workmen should be compensated by their employers for injury by accident arising out of and in the course of their employment it appeared only consistent that injuries or incapacity caused by disease due to the employment should also be included." Thus far only a very few States of the United States have followed this wise and just precedent, but the time can not be far distant when the principle of workmen's compensation for industrial disease as an elementary consideration of social justice will be as generally adopted as the principle of workmen's compensation for industrial accidents in the more restricted sense of the term.

It is, of course, essential to the rational administration of the workman's compensation law that the language of the act shall be specific and by inference make litigation unnecessary. Express definitions are essential to secure certainty and uniformity of administration. As said by Downey in his interesting History of Work Accident Indemnity in Iowa, "Want of similar explicitness in the earlier English acts caused a large amount of litigation and much highly technical construction." The usual procedure, to state expressly that the term "accident" or "injury" shall not include a disease, except as such disease may be the result of an accidental injury, is sufficient evidence of the obvious intent in the statute that industrial or occupational diseases shall not be the basis for pecuniary compensation to the workmen injured in the course of their em-

in which protest against the payment of compensation was filed by the insurance company on the ground "that claimant's incapacity was not due to an accidental injury but was caused by the contraction of a disease (multiple neuritis) alleged to have resulted from work in charging batteries." The case is discussed in the first annual report of the Industrial Accident Board of Montana, and among other important facts it is stated that, according to section 6 (q) the act provides "that 'injury' or 'injured' refers only to an injury resulting from a fortuitous event as distinguished from the contraction of disease." And that it is therefore evident that the language of the act "not only clearly fails to include but positively excludes from the operation of the law diseases of all kinds, either occupational or ordinary, and that the act therefore specifically applies only to injuries caused by accidents." It is said, in continuation, that, according to the authorities referred to, "occupational diseases have never at common law been the subject of an action for damages, and if the words and terms employed in the compensation act are to be used in their ordinary sense and meaning, then the words 'personal injury received by accident' would not convey to the ordinary understanding that same related in any wise to the contraction of disease of any kind, whether occupational or ordinary." This point, moreover, is, broadly speaking, in conformity to the decision of the courts in nearly all of the States operating under workmen's compensation laws and in which a specific provision has not been made for compensation for occupational or industrial disease. The most notable exception to this conclusion, however, is the compensation act of the States of Massachusetts, the language of which, in fact, permits the use of the word "injury" as construed in the modern medical and industrial sense of the term. It is pointed out in the Montana report, in reference to an opinion of the Massachusetts Supreme Court, that in characterizing personal injuries the element of accident was not intended to be incorporated in the Massachusetts act. Reference is made to a bulletin of the United States Bureau of Labor Statistics issued in 1914, according to which, out of 40 foreign countries operating under workmen's compensation laws, 27 specifically limit liability to "injuries accidentally sustained," while 9 use the word "injury" without qualification, and 4 expressly mention both injuries and disease, while 4 others have separate acts providing for workmen's sickness insurance. In the United States, however, according to a statement issued by the Workmen's Compensation Publicity Bureau of New York City there are 31 States and 2 Territories in which compensation acts are in force in addition to a congressional act covering employees of the United States Government, and of these 20 are expressly limited to accidental injuries, while 14 use the



term "personal injuries" without qualification; but of these 14, 4 expressly exclude diseases of any kind. In not a single case does a workmen's compensation act expressly include occupational diseases. It may therefore be said that the legislation which has thus far been enacted with reference to workmen's compensation has excluded, by implication at least, compensation for industrial diseases. The most notable exception is the Massachusetts act in which the word "injuries" is used in the modern sense of the term, compatible with sound conceptions of social welfare and public policy. It is not necessary for the end in view to prove that occupational diseases or occupational injuries resulting in disease are sufficiently common to prove a serious economic burden upon those afflicted by their occurrence. It is sufficient to prove that a serious injustice is done to the individuals directly concerned by the exclusion of one group of occupational injuries obviously and directly attributable to fortuitous events and the exclusion of another group of occupational injuries in the form of disease more or less obscure, but nevertheless conclusively known to be a direct resultant of the occupation or industry followed. It has been pointed out in this connection in the report of the Industrial Accident Board of Montana that the cost of including diseases in the Montana act, which contains no special provision on the subject, could hardly be estimated, but it is authoritatively stated that upward of a thousand workmen lose their lives in that State alone from the occupational diseases of lead poisoning, arsenical poisoning, and miner's consumption. It is difficult to conceive upon what moral and economic grounds a legislature refuses to provide adequate compensation for one class of injured employees while so providing for another, even though the ascertainment of the nature and occurrence of the injury in the one case may be, as it unquestionably is, decidedly less difficult than in the other. It will unquestionably prove a difficult administrative problem to provide proper compensation for all occupational or industrial diseases without a concise definition of or such a specific enumeration of diseases as occurs in the British Workmen's Compensation Law. The experience which has thus far been had under the Massachusetts statute, which does not attempt such a concise definition or specific enumeration, has conclusively shown that the problem admits of an equitable and otherwise satisfactory practical solution. In the procedure of the Industrial Accident Board of Massachusetts the term "personal injury," as used in the workmen's compensation act, is defined "as any injury or damage or harm or disease which arises out of and in the course of employment which causes incapacity for work"; and as a concise illustration of the application of the ruling to practical

administrative questions of procedure, the following are of interest, and, in fact, of far-reaching importance:

*Frostbite.*—In *Doherty v. Employers' Liability Assurance Corporation (Ltd.)* it was held that frostbite, resulting from exposure in shoveling of coal on a very cold day, was covered under the statute.

*Vaccination.*—In *Fewore v. Employers' Liability Assurance Corporation (Ltd.)* the workman was allowed compensation for infection resulting from vaccination. Although vaccination is not an occupational disease this case shows the elasticity of the law. The vaccination was required by the board of health.

*Diabetes.*—*Gacuzzi v. Employers' Liability Assurance Corporation (Ltd.)*. It was held there was no relation between the injury sustained and diabetes.

*Cancer.*—*McElligot v. Frankfort General Insurance Co.* Condition of cancer from which employee died held to have no relation to injuries received while in employment.

*Fibroid tuberculosis.*—*Ralanquin v. Travelers*. "Stone-grinder's phthisis," caused by the inhaling of small particles of stone and dust, was held to be a personal injury arising out of and in the course of the employment.

*Occupational neurosis.*—A cigar maker was awarded compensation for the unusual degree of strain upon certain muscles for a long time.

These cases show that in actual practice it was not found difficult to differentiate conclusively between true occupational injuries in the form of disease, diseased bodily conditions, and diseases not directly attributable to or connected with the employment, such, for illustration, as the cases of diabetes and cancer, which were not considered to be entitled to compensation. With reference to diabetes, however, which is a proper illustration, it may be said that it is well known that in the mortality of railway engineers the frequency of diabetes is distinctly above the average, and that as a matter of practical certainty there is some direct though rather obscure relation between the employment and the increased liability to this disease. With reference to cancer, it may be said that there are several well-known employments in which malignant disease is unquestionably a direct and easily ascertainable occupational injury, such, for illustration, as X-ray dermatitis and the cancerous afflictions common to anilin dye workers, pitch and tar workers, etc. In other words, a specific disease in one occupation may not have any connection whatever with the industrial functions performed in another. It may be, and frequently is, the direct resultant of the employment.

The relative importance of occupational disease is not as yet a matter of sufficient general knowledge, because of the neglect in medical and administrative sanitary practice to improve and perfect the

vast and promising field of industrial hygiene. Most of the really useful information on the subject of occupational diseases is the result of research work of recent years. As evidence of the growing importance of this phase of modern life and its relation to administrative and other efforts in behalf of health conservation in industry, attention may be directed to, among others, the work on Diseases of Occupational and Vocational Hygiene, by Kober and Hansen (New York, 1916); Industrial Health Hazards and Occupational Diseases in Ohio, by E. R. Hayhurst (Columbus, 1915); The Occupational Diseases, by W. Gilman Thompson (New York, 1914); Diseases of Occupation, by Sir Thomas Oliver (London, 1908); and Dangerous Trades, by Sir Thomas Oliver (London, 1902). In addition, a number of exceedingly interesting and valuable special reports have been published by the United States Bureau of Labor Statistics on such subjects as the potteries, with special reference to lead poisoning; the manufacture of rubber; the painters' trade; occupational anthrax, etc. All of these general and special investigations sustain the conclusion that occupational diseases are much more common than has generally been assumed to be the case; and the practice of workmen's compensation boards tends strongly in the direction of an assembling of additional evidence proving the serious economic aspects of an evil heretofore recognized only in part, if at all, even by those directly concerned. The best illustration is to be found in pulmonary tuberculosis, which in its relation to industrial processes unquestionably assumes special and frequently decidedly more serious aspects than in relation to the population at large. The term "miner's phthisis," for illustration, as a matter of practical certainty, has reference rather to a nontuberculous lung disease than to a disease in its incipiency caused by the inhalation of the tubercle bacillus. In all the so-called dusty trades the mortality from pulmonary tuberculosis is distinctly above the average and is invariably in excess of the corresponding proportionate mortality common to employment carried on outdoors or in an atmosphere relatively free from injurious dust, whether organic, inorganic, or mixed, as the case may be.

In the experience of the State of Massachusetts during the fiscal year ending June 30, 1914, 364 cases of personal injury other than industrial accidents, within the common definition of the term, were reported upon in some detail. Only 10 of the 364 cases were fatalities. The cases are grouped in three divisions, as to (1) harmful substances causing constitutional disturbances; (2) diseases due to harmful conditions; and (3) diseases due to irritant fluids and substances resulting in local affections. In the first group, out of 36 nonfatal cases 19 were cases of lead poisoning, 6 were cases of anthrax, 2 were caused by dusty trades, 8 by gases and fumes, and 1 by arsenical

poisoning. Aside from 5 deaths, of which 1 was caused by lead poisoning, 2 by anthrax, 1 by mercurial poisoning, and 1 occurred in the pursuit of a dusty occupation, the total loss, in days' labor, on account of the 36 nonfatal cases was 2,013; the total loss in wages was \$4,325. In the second group of cases due to diseases attributable to harmful conditions, and including exposure to the elements, injury to muscles, nerves and bones, etc., there were 153 nonfatal cases, of which 125 were attributable to extreme cold, 20 to extreme heat, and 8 to miscellaneous causes. There were 5 fatal cases in this group, of which 2 were attributable to the first cause and 3 to the second. The total number of days' labor lost on account of the nonfatal cases was 3,588; and total wages lost was \$7,036.

In the third group there were 165 nonfatal cases and no fatal injuries. In this group the injuries resulting from the nature of the material used in the occupation, etc., were exceptionally varied, including 3 cases of brass poisoning; 25 cases of chrome poisoning, chiefly in connection with tanneries, leather works, and dye works; 6 cases of cyanide poisoning, which were chiefly in the jewelry industry and wire and metal works; 16 cases due to injurious dyes in widely varying industries; 15 cases of hide infection, chiefly in tanneries and leather works; 6 cases of injury by lime, also chiefly in tanneries and leather works; 6 cases of injury by oil, chiefly in steel and miscellaneous industries; 4 cases of injury by paint, chiefly due to lead poisoning; 7 by poisonous vines, chiefly in the case of laborers probably working outdoors at road work, but also carpenters, etc.; 11 cases, probably chiefly anthrax, caused by the handling of raw wool; 6 injuries in connection with washing and cleansing fluids in textile works; 17 cases of local irritations, in various industries; and 43 miscellaneous injuries received in various industries, too varied to permit of a useful classification. The total number of days' labor lost in this group was 2,533; wages lost amounted to \$4,221.

Combining all three groups it is shown that the 354 nonfatal cases involved a labor loss of 8,134 days, and a wage loss of \$15,582. This does not, of course, include the expense sustained on account of medical treatment and other economic consequences resulting from loss of work.

The Massachusetts experience thus far is therefore quite conclusive that as a matter of actual procedure the difficulties arising out of an elastic definition of the term "injury" in a broad and rational sense of the term can be overcome without serious detriment and to the very considerable social and economic advantage of those directly concerned.

The cases of occupational diseases in the State of Massachusetts which have required adjudication by the supreme judicial court have

been briefly reviewed by the United States Public Health Service, covering the period May, 1913, to December 31, 1915. The cases may be briefly summarized as follows:

1. *Lead poisoning* is defined by the court as a personal injury within the meaning of the Massachusetts act providing for compensation to workmen for injuries arising out of and in the course of their employment, as construed to include any injury or disease which arises out of and in the course of the employment which causes incapacity for work and thereby impairs the ability of the employee for earning wages.

2. *Blindness* resulting from an acute attack of optic neuritis induced by poisonous coal-tar gases is defined by the court as a "personal injury arising out of and in the course of" the employment within the meaning of the Massachusetts law providing for compensation for injuries to workmen.

3. *Death resulting from heavy lifting.* In the opinion of the medical examiner death resulted from dilatation of the heart caused by the abrupt lifting of a heavy load. There was also evidence showing that the deceased had "heart disease of the valvular type." The court held that the evidence was sufficient to sustain a finding that the injury to the employee arose out of and in the course of his employment. It is of special significance in this case that, although evidence was produced tending to show that the deceased had during the course of his employment suffered from organic impairment of the heart function, it was nevertheless considered right and proper that compensation should be awarded, unquestionably upon the assumption that in the case of the employment followed the disease was increased in severity and that the fatal termination was made to occur at an earlier date than would probably have been the case if the occupation had not been followed.

4. *Suicide resulting from insanity caused by injury.* The deceased committed suicide while suffering from insanity which was caused by an injury received in the course of his employment. The court held that his dependents were entitled to compensation under the Massachusetts compensation act. In the decision a reference is made to the ruling established in *Daniels v. New York, New Haven & Hartford Railroad*, which applies to cases arising under the workmen's compensation act, and which is to the effect that where there follows, as the direct result of injury, insanity of such violence as to cause the victim to take his own life through an uncontrollable impulse or in a delirium of frenzy, "without conscious wish to produce death, having knowledge of the physical consequences of the act," then there is a direct and unbroken causal connection between the physical injury and the death. But where the

resulting insanity is such as to cause suicide through a voluntary, willful choice determined by a moderately intelligent mental power which knows the purpose and the physical effect of the suicidal act. even though choice is dominated and ruled by a disordered mind, then there is a new and independent agency which breaks the chain of causation arising from the injury. The industrial accident board was therefore held to have been in error in instructing itself "that the rule laid down in the Daniels case is not the rule to be followed under the workmen's compensation act. In other words, the question is not whether the consequence is a reasonable and probable one, but whether the consequence resulted from the injury." The court held that no question of negligence in its common-law sense or of reasonable and probable consequence was involved or discussed in the Daniels case. In the case under consideration the court said that "the obligation to pay compensation under the workmen's compensation act equally is absolute when the fact is established that the injury has arisen 'out of and in the course of' the employment. It is of no significance whether the precise physical harm was the natural and probable or the abnormal and inconceivable consequence of the employment. The single inquiry is whether in truth it did arise out of and in the course of that employment. If death ensues, it is immaterial whether that was the reasonable and likely consequence or not; the only question is whether in fact death 'results from the injury.' When that is established as the cause, then the right to compensation is made out." The final conclusion was therefore that "what has been said disposes of all the requests for rulings presented by the insurer. It does not appear that the board misdirected itself in any matter of law material to its decision on the facts found." The decree was therefore affirmed.

5. *Heart disease.* The deceased was employed as a cook on a lighter and suffered from heart disease, which, aggravated by excitement when the lighter sank and by his exertions in saving his personal effects, caused his death. The court held that his death was caused by an injury within the meaning of the Massachusetts Workmen's Compensation Act.

All of these decisions are in conformity to the general understanding of the Massachusetts law that the term "injury" is intended to be construed in a broad and comprehensive sense of the term compatible with modern conceptions of social justice and public policy. Court decisions opposed to the Massachusetts rulings rest, of course, upon a totally different basis of law, as expressed in the precise language of local statutes. Occupational diseases in Michigan, for illustration, are not included under the Michigan Workmen's Compensation Act, and in the well-known case of *Adams v. Acme White Lead & Color Works* it was decided by the court that "it was not the

intention of the legislature to provide compensation for industrial or occupational diseases, but for injuries arising from accidents alone." Any and every attempt, therefore, to bring about compensation for occupational and industrial diseases by a broader construction of acts which do not specifically provide for such compensation, or by indirection, as in the case of the terminology used in the Massachusetts act, must prove futile, and rightly so. It is for the legislature of any and every State to commit itself to the doctrine that compensation should be made for injuries arising out of or in the course of an occupation and not to shift the burden upon the court for broadening the construction of legal terms which by many years of usage and experience have become the law of the land.

An industrial accident in the strict sense of the term does not comprehend all industrial injuries involving physiological or pathological consequences of one kind or another. If, therefore, modern conceptions of social justice and public policy in the relations of the employee to the industry in which he is employed shall prevail, it is absolutely essential and incontrovertibly a paramount duty of every legislature to so amend existing statutes which provide for compensation for industrial accidents that the terms in unmistakable language shall provide compensation for injuries of every kind arising out of and in the course of the employment. A serious injustice is at present being done to many thousands of workmen who are injured in the course of their employment through the occurrence of occupational diseases, in the broadest sense of the term, and as shown by the Massachusetts experience the wage loss, even in the case of a State where such occupational diseases are not of exceptional frequency, is of sufficient importance to demand consideration. It is obviously unjust to deprive a workman or his dependents of the right to compensation by a narrow definition of the term "injury," or, in other words, by limiting such injuries to accidents in the long-established and strictly legal sense of the term. Thus, for illustration, an applicant for compensation in the State of California claiming such compensation for disability on account of lead poisoning resulting from the immersion of the hands and arms in a chemical glaze was held to be not entitled to compensation on the ground that the disability complained of was not caused by an industrial accident. In another case in California an applicant was denied compensation on the ground that, although he had suffered an almost complete loss of vision by wood-alcohol poisoning, "the California statute did not have in mind the inclusion under industrial accidents of the well-known and generally recognized list of occupational diseases such as lead poisoning, tuberculosis," etc.

Such incongruities, it is self-evident, can not possibly endure for any considerable length of time. As observed in a decision of the

Connecticut Supreme Court of Errors, "It has often been remarked that the purpose of the compensation acts was to lift the burden of industrial accidents from the worker and place it upon production." This in principle is no doubt correct, but the expression does not go far enough. It should have read "and placed it upon the production responsible for the injury." This language is used in the case of *Miller v. American Steel & Wire Co.*, in connection with which it is said that it must be conceded that the term "injury" is, perhaps, broad enough to include disease and differs materially from the term "accident," which has been fairly accurately defined as involving something fortuitous and unexpected, and in continuation it is pointed out that, "Occupational disease, on the other hand, is not fortuitous but is a gradual process in many cases requiring years to reach the stage where inability to work commences." To require the employer, and that employer alone in whose service the diseased workman happens to be at the time of this total disability, to pay the whole compensation is grossly unfair. It may be that not only was that employer not responsible for the result, but even that branch of the industry was incapable of causing the disease. The conclusion is therefore advanced that "There is only one reasonable method of including occupational disease in our compensation laws, and that is to schedule the diseases against the trades or occupations which are known to cause them and render not only the last employer but every employer of the injured workman over a given fairly lengthy period of time precedent to the disability responsible for that disability." This is the practice in England and the English colonies, and it has, it is said, stood the test of time without any serious complaint or substantial injustice.

At first it would seem that this procedure would meet all reasonable requirements. English experience, however, has conclusively shown that a considerable amount of injustice is absolutely unavoidable, since it is practically impossible to schedule precisely all of the numerous occupational diseases and define exactly the conditions of their occurrence. A much more satisfactory compromise would seem to be the language of the Massachusetts act. Under the English act of 1906, and as subsequently amended, 24 specific diseases are scheduled, of which the most important are anthrax, lead poisoning, mercury poisoning, phosphorus poisoning, arsenic poisoning, ankylostomiasis, eczematous ulceration, epitheliomatous cancer, chimney-sweep's cancer, nystagmus, glanders, compressed-air illness, heat knee and heat elbow, common to the mining industries, glassworker's cataract, and telegrapher's cramp. The most important group of occupational diseases—that is, such as are increased in severity, though not as a rule directly caused by industrial processes—is dis-



eases of the respiratory system, chiefly phthisis, pulmonary fibrosis, bronchitis, and pneumonia. These diseases are generally of a chronic nature and extend over some years, so that the true incidence of their occurrence becomes obscure and the specific liability of any particular employer or industry may be unascertainable. An excellent illustration of this fact is a case of lung fibrosis cited by Collis in a discussion of pneumoconiosis or dust phthisis, in which a life insurance agent after eight years of experience died of the disease. This man had a previous record of a number of years' experience in the mining industry in South Africa and England, in which the disease had unquestionably been contracted. These practical difficulties are unquestionably very serious and it would certainly be unfair to any given industry or employer to place the burden of expense upon processes or conditions not directly or even remotely connected with their occurrence in a particular case terminating seriously or fatally and requiring compensation or legal adjudication. As observed in the language of the Connecticut decision, "A fairly lengthy period of time should be made the basis of ascertainment as regards specific liability," and as suggested in the uniform occupational diseases act proposed by the committee on reporting and prevention of occupational diseases and industrial accidents to the twenty-sixth annual meeting of the National Conference of Commissioners on Uniform State Laws, "If the disease is of such a nature as to be contracted by a gradual process, any other employers who during the preceding 12 months employed the workman in any process to the nature of which the disease was due shall be liable to the workman for their respective pro rata shares of the compensation due him, such pro rata shares to be determined in the proceedings for settling the amount of the compensation, having regard to the respective lengths of such employments and the rates of wages in each." This qualification may prove of difficult application in actual practice, but it is certainly a useful suggestion in the right direction as regards the required agreement as to some fixed period of individual or joint liability for the conditions precedent to the occurrence of a chronic occupational disease. In neither the English nor the Massachusetts experience has this difficulty proven a serious obstacle to the equitable administration of the law.

The tendency in American legislation is in the direction of a modification in the narrow construction of workmen's compensation law as to industrial accidents and toward a broadening of the term to include occupational or industrial diseases, subject to more or less conservative qualifications. It certainly is of as much importance that no encouragement shall be given to malingering and fraud and that unjust burdens upon individual employers or the industry on the

## DISCUSSION.

Prof. JOHN R. COMMONS, University of Wisconsin. For two days we have been listening mainly to officials of workmen's compensation boards and officials of casualty insurance companies. We find both classes of officials devoting their time largely to praising themselves and showing the rest of us how good they are as compared with the other. It seems to fall to the professors to do the critical act.

I think Prof. Fisher has done us a decided service in pointing out how really backward we are in our compensation laws in this country. It might be worth while also for the professor to join in with the casualty companies and say that the worst feature and the one feature that threatens compensation laws in this country is the interference of political partisanship.

No matter what kind of an ideal scheme we may get up, no matter how Dr. Edsall or Mr. Hoffman may point out the evils to be remedied and show us the way in which they should be remedied, if our governors and our political parties are going to change the heads of these commissions as soon as they have learned their jobs, as soon as they have learned what Dr. Edsall and Mr. Hoffman know about this work, then it will be impossible for the States to keep up with the game, and it will have to be turned over to the private casualty companies to do the best they can.

I will not specify necessarily those States which have gone the downward road of practical politics. I will only call attention to my own State. We had a very competent chairman of our industrial commission administering our workman's compensation law, a man whose reappointment was urged upon the governor by the great majority of the employers of the State and by the practically unanimous opinion of the trades-unions and labor element of the State. But when the governor came to make the appointment to that vacancy, instead of appointing this man who had seen four years' service and had piloted the commission through the pioneer stages, instead of reappointing this man as requested by the unanimous opinion and petition of employers and employees of the State, he appointed a member of the legislature who had assisted him in enacting laws which he desired to have enacted. Presumably this commissioner has his position now, not because of his knowledge of workman's compensation but because of the aid he gave to the governor in carrying through his partisan legislation.

Are our industrial conditions, in this great struggle of capital and labor in this country to be settled in that way? Are we going to be able to bring together these clashing interests of employer and employee when, at the very critical time, after we have spent the money of the State to train a man so that he can bring harmony into these relations, through our political machinery we turn about and appoint a person who must learn the job over again, no matter how competent he may be in other directions?

That is the first thing. It is not worth while talking about these other measures unless we can first keep the proper people in office who are to administer them. The most impressive thing that has happened in these sessions of two days is the testimony of the commissioner administering the workman's compensation laws of the Province of Ontario, who stated to us that in Ontario the commissioners are not appointed for a definite term but are appointed to serve during good behavior. They have a life position—as long as they are efficient—like the judges of our Federal and supreme courts.

There is another thing which we should think about in this country; not simply whether we should make these positions permanent civil-service positions, similar to other positions under the civil service, but whether we should not also provide that appointments to vacancies should be made by promotion from the subordinates in the staffs. You have heard some very capable young men speak before you who hold subordinate positions in some of these industrial compensation boards. It would be a great privilege if the State could attract them to its service and keep them there. But the experience of many of these commissions is that when a young man has achieved some name as a good statistician, or actuary, or safety inspector, when he has reached the point where he is competent to cope with the very able men who represent the casualty insurance companies and to meet them on their own ground—as I certainly must compliment Mr. Baldwin, of New York, upon having done to-day or yesterday—he is induced to leave. When a man reaches that stage, why should he not be promoted to the next vacancy which occurs in the commission, instead of the State running the risk that these casualty companies whom the State commissions are so often fighting will offer him a bigger salary and take him away from the State?

I would make this business of administering compensation laws a great profession, as highly dignified and permanent as any of the professions which have any standing in our country. If we can do that, we will then be meeting seriously this question of how we can deal with these relations of capital and labor. We will then be seriously considering that here is perhaps as great, as important, as vital a problem as we have; not merely the technicalities of this question but

the question of how to get and keep the right men in positions where they can deal with these complex problems.

The CHAIRMAN. You have one minute remaining.

Prof. COMMONS. I was intending to say a few words about the reason why farmers also play politics, why we never could put this thing across for the farm laborer, except in New Jersey. I have wondered how the public-spirited men of New Jersey ever got it by the farmers in that State. I have a theory in the matter as to how it may be done in other States. But my time has expired. I will reserve it for the next issue.

The CHAIRMAN. We will give you leave to print.

F. H. BOHLEN, consulting attorney, Pennsylvania Bureau of Workmen's Compensation, Department of Labor and Industry. There are, I understand, many advocates of an amendment to provide that no paid counsel be permitted to represent either claimant or defendant in compensation cases. This is based upon the fear that a part of the compensation will be unnecessarily diverted to the pockets of attorneys and that the persons intended to be benefited will thus be deprived of a considerable part of the relief intended. Admittedly, one of the primary objects of the compensation act is to eliminate the waste entailed in litigation; but, on the other hand, there may be deductions from the compensation which are not waste but necessary charges upon it.

I have given considerable attention to the question as to whether or not it is possible completely to eliminate the service of lawyers, and I have come to the conclusion that there is no practical method of doing so. The claimants are, in many cases, ignorant both of their rights under the law and of the necessary machinery for proving their claims. It is therefore necessary that they have some expert advice. A great deal of advice as to the rights of claimants can be properly given by the authorities charged with the administration of compensation laws. For instance, under the Pennsylvania system the referees and their clerks are constantly advising injured workmen and the dependents of those who are killed as to whether they have an apparent right to compensation, and in the offices in the Pittsburgh and Philadelphia districts, where the largest number of compensation cases arise, there are clerks whose principal duty it is to give this sort of information. But when it comes to the actual trial of the case it seems to me impracticable for the referee to act both as counsel for the plaintiff and as judge in the dispute between him and his employer. It is practically impossible for human beings to take part as advocates in a case up to a certain point and then to divest their minds of the prejudice of this attitude of partisanship and act with strict impartiality in a decision of the very matter in

which they have engaged as advocates. In addition, if the referees or members of the board who hear and decide the cases are required to act as attorneys for the claimants, their decisions, no matter how just, will not be accepted by the defendants as impartial.

It may be suggested that an attorney or attorneys should be employed by the State to assist claimants in this class of case without charge. Apart from the very doubtful constitutionality of such a procedure, there seems to be no more reason for appointing such attorneys in compensation cases than for the appointment of similar attorneys to see to it that the poor and ignorant have justice in other fields. If such attorneys are appointed, they should undoubtedly be entirely dissociated from the control of or from any official contact with the referees and the board which pass upon the compensation claims.

To prohibit either side from being represented by counsel and requiring the referee to act, as it were, as counsel for both sides, would not meet the situation. In the first place a great majority of employers are insured, and even if the insurance companies were prohibited from employing counsel to present their cases before board, commission, or referee, their cases would be prepared by trained adjusters. And even if the adjuster were prevented from bringing before the referee the expert preparation of the defense, as compared with the very imperfect preparation which the average employee would make of his own claim, it would militate very severely against the employee in those cases in which the facts were at all complicated or the law obscure.

It is even more impossible to prevent the participation of counsel in appeals which lie to the common-law courts. The referees and board, from their constant dealing with such questions, may acquire a knowledge of the act and a familiarity with the questions of fact which arise under it which may enable them to see that justice is done even though neither side be represented by counsel. But the compensation appeals are only a small part of the business of a common-law court, and the individual judges have given little or no study to the acts which are framed upon principles based on social conceptions which are, on the whole, repugnant to the ideas of the legal profession. If appeals are not properly argued there is grave danger that the construction of compensation acts by appellate courts will be far from satisfactory. As I see it, it is therefore quite impossible to attempt to prohibit the participation of lawyers in compensation cases, nor would it be wise for the State to provide a corps of lawyers paid by it to represent claimants.

I do, however, believe that the lawyer's fees should be under the control of some board, commission, or other State authority; that the fees allowed should be moderate; and that wherever it is apparent

that the services of an attorney are not required by the obscurity of the claimant's legal rights or the complexity of the facts or the difficulty of proving them, and it becomes clear that the lawyer is attempting to inject himself into a case where his services are not needed, at most a merely nominal fee should be allowed. If the board conscientiously and rigorously exercises its power over fees, the legal profession will soon come to realize that it does not pay to press their services upon injured workmen unless those services are really needed.

I would further suggest that in addition to giving the members of the commission power to pass on the fees and disbursements before such fees can be collected by suit, it should be provided expressly that all sums payable under compensation acts should be paid directly to the persons entitled thereto and not to any agent or attorney, unless the board shall expressly order the compensation paid to such agent or attorney, and that it shall be expressly declared to be illegal to demand or receive any sum for legal services or expenses unless such sum has been approved by the board or commission. It should be furthermore provided that double the sum so received shall be recoverable in an action at law.

These provisions, I believe, if properly carried out, will effectively check any effort on the part of less scrupulous members of the bar to exploit workmen under the compensation act, and until this has been tried and found wanting it would, in my opinion, be most unwise to prevent the participation of lawyers in the trial of compensation cases and in the argument of compensation appeals.

The CHAIRMAN. The last name on the list is that of Mr. Bradbury, mentioned here as counselor at law, but I think better known to most of you as the author of perhaps the most elaborate American textbook on the subject of workmen's compensation.

H. B. BRADBURY, counselor at law, New York City. When these compensation laws were first proposed and adopted, it was hoped and really assumed that they would practically do away with litigation. This hope has not been entirely realized. Looking over the litigation in a broad field, it almost seems that a very large portion of it, to say the least, is due either to defects in the acts which might easily be cured or to an element of real injustice. Very recently I had occasion to review all the reported decisions of all the courts of Great Britain, of Canada, and of the United States, as well as the decisions of all the boards, workmen's compensation commissions, or what not that were reported and many that were not reported. That review leads me to believe, or rather it shows conclusively upon the face of it, that there are two questions arising under these workmen's compensation acts about which there has been more litigation than about all the other questions arising under the acts. It is obvious

that these two questions must be of extreme importance—and they are—and they are easily divided. The first one is, To whom does a particular act apply? The second one is, What is an injury, or an accidental injury, arising out of and in the course of the employment? The second question can easily be subdivided again, although the two subdivisions are linked together more or less. What is an injury, or an accidental injury, within the meaning of the act? is one subdivision. When does it arise out of and in the course of employment? is the other.

The second subdivision of the act is the most troublesome one in itself. It seems almost impossible to formulate any act or any plan of compensation by which the difficulties of that question can be entirely eliminated; and, as this is a discussion of proposed changes or the curing of defects of workmen's compensation acts, I am going to eliminate that, because I have not time to discuss it, and I am going to go back to the questions, namely, To whom does the act apply? and What is an injury or an accidental injury, within the meaning of these acts?

I want to repeat what I said a moment ago, that, in relation to the first one, it is perfectly obvious that the great volume of litigation concerning that feature of the act arises from the defects in the act, or an element of real injustice in the act. To illustrate, I think only one act applies to all occupations. That is the New Jersey act; even that excludes casual employment. In all the other acts an attempt has been made to classify employment for the purpose of the application of workmen's compensation acts, and that has appeared to be a most difficult job. In almost every instance the first question which the courts are called upon to determine is who comes under the act. And when you attempt to sit down and write out the various so-called hazardous or extrahazardous employments in a particular State no man or set of men, in a week or a month or a year, can find words to express all of them. It was tried in New York after a long discussion, and what was the result? We had an act there in 1910, and it was declared to be unconstitutional. Thereafter we had a general discussion in the newspapers; and I do not suppose there was any place in the United States where the question was quite so acute and where it received so much attention or discussion as it did in New York. They finally passed an act which was supposed to cover hazardous employment, but one of the first things that became apparent was that a telephone operator in a hotel, for example, came within the provisions of the act while the man who carried the baggage, the man who ran the elevator, and the man who climbed outside of skyscrapers and washed windows did not come within the provisions of the act. The courts had very great difficulty in determining those questions right from the start.

While we have a classic constitutional case in New York, generally known as the Ives case, I think we also have a new classic, generally known as the Bargy case, or the macaroni case. The reason it is called the Bargy case is because that was the name of the man who was killed, and the reason it is called the macaroni case is because it occurred in a macaroni factory. Bargy was a carpenter who was engaged in reconstructing a portion of the building where the macaroni factory was located. Owing to an injury in that employment he was killed. Under the New York act at that time the reconstruction and repairs of buildings came under the act. The manufacture of macaroni also came under the act. I have little doubt that when Mrs. Bargy received a message stating that her husband had been killed instead of coming home to supper as usual, she felt reasonably certain that he was under the act, and she had a right to feel that. I will not tell you the history of all the decisions which were made in that case as it wended its way up to the court of appeals, but finally the court of appeals made this decision: It said that Bargy's widow was not entitled to compensation for these reasons, as expressed by the court: Bargy was not engaged in a hazardous employment, because he was not engaged in the manufacture of macaroni, which was his employers' occupation, and his employers were not engaged in reconstructing a building for pecuniary profit, the New York law containing a provision that no occupation shall be brought within it unless that occupation is for pecuniary profit. The language I have used is the language of the court. I should not like to criticize the court unduly. If I were inclined to do so, I might answer, I think, that Bargy was engaged in a concededly hazardous employment under the act; that his employers were not engaged in any pastime in making these alterations. They were not building a hospital; they were not building a home; they were not building anything of that kind; and it might be assumed that they were causing this reconstruction of the building for the purpose of pecuniary profit. But yet, there is the decision.

A great many of the cases have arisen under laws with just such defects, which might easily be cured. Take one case of so-called casual employment. That is a phrase which was attempted to be adopted from the English statute, but they did not adopt it. The English statute says in effect that it shall not cover employments which are casual and not in the regular course of the employment of the employer. Very carelessly they tried to copy that phrase. Very many of them put the conjunction "or" in the place of "and," apparently thinking it did not amount to anything. What is the result of that? The English act excludes only casual employees who are not engaged in the man's business—such people as boot-blacks. If you hire a boy to carry your satchel down to the train



or something like that, such employees are casual employees. But if you put the word "or" in there, it means all kinds of casual employment, whether they are engaged in the employers' employment or not, and all kinds of people who are not engaged in the employment of the man's business. They have wrestled over that and actually have tried to apply the British decisions to those provisions of certain acts and of course they have utterly failed, because the British decisions do not fit.

There are many other features of these acts which I wish I could go into, but I can not. I only want to turn to the other question, and I am glad that I can have the privilege of saying amen to what has been said here in relation to the injuries or accidental injuries for which compensation is paid. The English act first used the words "accidental injuries." The courts over there said that this expression did not apply to occupational diseases. Shortly after that decision Parliament amended the act so as specifically to include occupational diseases, specifying a number of them and giving certain public officials the right to include other occupational diseases when it was found that they were occupational diseases. In this country there were very few of the acts which excluded the word "accident." Massachusetts excluded it. Massachusetts merely said "personal injuries," and in Massachusetts they have held that that includes occupational diseases, because it does not say "accident." In Michigan they excluded the word "accident," but the court there said the act did not include occupational diseases. The Federal statute did not have the word "accident" in it and for a number of years the Federal authorities excluded occupational diseases. But within the last two or three years the authorities have reversed themselves and have said that it does include occupational diseases. In California they first had the word "accident" in the act, but they took it out last year, so now the California act does include occupational diseases. But there are occupational diseases such as we have had described here to-night, the results of which are much worse injuries than the average work accidents, and there seems to be really no justice in excluding occupational diseases. If we are going to carry out the rule that each occupation should carry its own losses, it surely should carry those losses which are worse than accidental injuries and which really and absolutely are the result of the occupation.

CHAS. H. VERRILL, expert, United States Bureau of Labor Statistics. After the very thorough discussion of the defects of the various compensation acts to which you have listened, it is hardly possible to add anything without a certain measure of duplication. All that I shall attempt to do is to present the results of an effort by the Bureau of Labor Statistics to make an estimate of the number of

employees covered or not covered by the various compensation acts. The reason for the attempt at such an estimate is the difficulty, with which I am sure many of you are familiar, of securing any information as to the exact application of the acts in the various States, meaning by that the number of persons actually protected by these laws. In making this estimate it is necessary to go to the census figures of 1910 for the number of employees. Such a procedure will necessarily not state accurately the number covered or not covered by the acts at the present time, but there is no other source of information, for in scarcely any State are we able to find a record of the number of persons employed in the various industries.

Another defect of our estimate is that it is necessary to use, not the effective scope of the act, but the theoretical scope, meaning by that the number of persons who would be covered by the act if all employers entitled to make election should elect to come in under the act.

Of the exemptions in the compensation acts of the 35 States and Territories which have enacted such laws, agriculture is the most important, being exempted either directly or indirectly in 33 States. Next comes domestic and personal service, which is exempted in 34 of the 35 States. A third class, the small employers, made up of employers with less than a specified number of employees, varying from less than 3 in Oklahoma to less than 11 in Vermont, is exempted in 16 States. Further than this, we have "nonhazardous" employments excluded in 13 States, public employees excluded in 8 States, casual employees or those not for the employer's business in 25 States, employees not for gain excluded in 11 States, highly paid employees excluded in 6 States, and finally, the great group of interstate railway employees in all of the States, a group of 1,300,000 employees.

Now, to get at the number of employees, we find the total number of exclusions in 35 States and Territories to be 6,265,000 persons, or 32 per cent of the total number of employees in those States. Of these employees the agricultural exclusions account for nearly 11 per cent; the domestic and personal service exclusions nearly 10 per cent, the numerical exclusions nearly 2 per cent, while the exclusions of public employees, casual employees, employees not for the employer's business and those not for gain, and certain miscellaneous exclusions make up the remainder. In the 17 States and Territories not covered by any compensation act we find 6,358,000 employees not covered by any compensation act. The total number, then, of employees not covered by any compensation insurance is 13,923,000. But there is another class among those reported by the census as gainfully employed, not covered by any compensation act, which class should not be entirely ignored. These are the small employers, examples of which are the farmers, independent workers, etc. These number in the 35 States and Territories which have compensation

acts 8,309,000, and in the 17 noncompensation States 2,786,000, making a total of some 11,095,000 in this class. Now whether these should be included, not under compensation acts if you please, because many of them are not employed but are independent, but under a system of insurance which should be similar, is a question that might be discussed.

The number covered by the compensation acts in the 35 States and Territories may be estimated as 13,307,000. This estimate, however, is correct only in case all employers entitled to elect to come under the provisions of the act do so elect, and it is, therefore, at the present time greatly in excess of the number actually protected by the laws.

The table submitted herewith gives for each State the estimates of employees excluded under the terms of the compensation acts:

**ESTIMATED NUMBER OF EMPLOYEES EXCLUDED UNDER COMPENSATION ACTS AND PER CENT OF SUCH EXCLUDED EMPLOYERS WHO ARE EXCLUDED BECAUSE OF EMPLOYMENT IN AGRICULTURE, DOMESTIC SERVICE, NONHAZARDOUS EMPLOYMENTS, ETC.**

[The estimates of employees excluded used in this table are made on the assumption that all elections provided for by law have been made. Owing to lack of definite information, no estimates have been made of employees unprotected because of failure of employers to elect under elective acts.]

State.	Total employees excluded.		Of total employees excluded, per cent excluded by—				Of total employees, per cent excluded by—		
	Number.	Per cent.	Agriculture.	Domestic service.	Numerical exemptions. <sup>1</sup>	Nonhazardous and other exemptions.	Agriculture.	Domestic service.	Numerical exemptions.
Alaska . . . . .	23,067	68.8	19.0	19.5	0.2	61.3	13.0	13.4	0.2
Ariz. . . . .	29,519	47.6	41.9	18.6	.....	39.5	20.0	8.9	.....
Cal. . . . .	192,061	23.8	62.5	37.5	.....	.....	14.9	8.9	.....
Colo. . . . .	89,215	36.9	40.4	29.5	30.1	.....	14.9	10.9	11.1
Conn. . . . .	71,402	18.1	33.6	49.5	19.9	.....	5.6	8.9	3.6
Hawaii . . . . .	6,424	7.4	.....	63.4	.....	6.6	.....	7.5	.....
Ill. . . . .	722,784	45.9	18.5	24.8	.....	56.7	8.5	11.4	.....
Ind. . . . .	130,093	20.6	68.5	31.5	.....	.....	14.1	6.5	.....
Iowa . . . . .	158,716	37.3	62.4	19.4	.....	26.2	19.5	9.4	.....
Kans. . . . .	184,654	63.1	25.0	17.3	9.0	48.6	15.8	10.9	5.3
Ky. . . . .	190,272	45.3	45.1	34.6	20.3	.....	20.5	15.7	9.1
La. . . . .	259,053	64.8	45.7	27.4	.....	23.9	31.6	17.6	.....
Ma. . . . .	65,708	27.1	41.8	37.4	20.3	.....	11.3	10.1	5.7
Md. . . . .	217,376	54.1	26.9	31.5	.....	41.6	14.2	18.9	.....
Minn. . . . .	153,237	12.2	23.9	57.3	.....	18.8	2.9	6.9	.....
Mich. . . . .	121,648	16.9	64.6	35.4	.....	.....	10.9	6.0	.....
Minn. . . . .	100,449	21.0	57.6	40.6	.....	1.8	12.1	8.3	.....
Mont. . . . .	54,636	49.1	41.7	22.2	.....	36.1	20.3	10.9	.....
Nebr. . . . .	86,309	41.7	48.5	27.5	29.0	.....	18.1	11.5	12.1
Nev. . . . .	7,735	23.8	69.0	31.0	.....	.....	18.4	7.4	.....
N. H. . . . .	62,522	44.0	32.7	23.1	3.4	51.8	10.0	9.7	1.5
N. J. . . . .	2,000	2.2	.....	.....	.....	100.0	.....	.....	.....
N. Y. . . . .	1,377,484	44.1	10.9	30.9	.....	58.2	4.8	13.6	.....
Ohio . . . . .	312,842	22.7	34.6	41.7	23.7	.....	8.2	9.9	5.6
Okla. . . . .	159,533	65.4	37.6	17.7	4.4	40.3	24.6	11.6	2.8
Oreg. . . . .	110,360	55.6	27.4	18.3	.....	54.3	18.2	10.1	.....
Pa. . . . .	299,318	11.2	42.7	57.3	.....	.....	4.8	6.4	.....
P. R. . . . .	270,828	81.6	74.5	17.9	6.0	7	60.8	14.9	5.0
R. I. . . . .	41,604	30.0	18.0	42.1	24.4	16.5	3.2	8.6	4.9
Tex. . . . .	368,243	67.5	49.9	28.1	18.0	6.0	28.7	15.0	10.4
Vt. . . . .	41,279	44.8	36.3	30.2	28.2	.....	17.8	13.5	12.6
Wash. . . . .	180,056	48.5	28.5	20.3	.....	51.2	13.8	9.8	.....
W. Va. . . . .	62,451	25.3	55.4	26.9	.....	17.7	13.0	6.3	.....
Wis. . . . .	135,388	25.3	45.6	41.1	12.3	.....	11.8	10.4	3.1
Wyo. . . . .	26,739	60.0	47.3	16.6	7.0	26.1	28.4	10.0	4.2
Total . . . . .	6,264,573	32.0	32.8	30.8	5.4	30.0	16.8	9.8	1.7

<sup>1</sup> Does not include agriculture or domestic service.

Examples of two classes of employees not covered by any compensation act are found right here in the city of Washington, one group made up of the employees of the District of Columbia, and these are practically employees of the Federal Government, and the other of those in private employment in the District of Columbia. What this means among persons in private employment with reference to fatal accidents I am enabled to say from an investigation just made by the United States Bureau of Labor Statistics. There is no law requiring the reporting of occupational accidents in the District of Columbia. There is therefore no record of any kind of the nonfatal accidents, and the number of fatal accidents is obtainable only from the records of the coroner's office. Whether those are absolutely complete I can not say. Of course the health department and the coroner's office will assure one that burial is impossible without a certificate and that a certificate is not issued in case of accidental death until after an investigation by the coroner. I am convinced, however, from the difficulty of securing the information desired that it is just possible that some accidents the causes of which were occupational have been overlooked, for we did not find in the certificates in the health office, as a rule, any record showing whether an accident was occupational or nonoccupational. It was necessary in practically every case to go to the coroner's office, and even there we found several cases where there was doubt until the home of the deceased was visited.

An examination of the coroner's records shows that 36 occupational accidents resulting in death occurred between January 1 and November 25 of the present year (1916), equivalent to 40 deaths for the entire year. The number of persons employed in the District of Columbia during the present year is unknown; but we may use the figures of the census for 1910 as an approximation. Upon this basis these 40 fatalities give a rate of 0.28 per 1,000, corresponding to what is believed to be a conservative estimate of the rate for the manufacturing industries of the country as a whole. If the number of nonfatal accidents bears the same relation to the number of fatal accidents in Washington as has been found to prevail in industry generally, these fatalities indicate the occurrence also of more than 500 nonfatal occupational accidents to Washington wage earners causing a disability of over four weeks. It is worthy of note that the so-called nonhazardous employments appear conspicuously in this table, domestic service contributing three deaths, while railroads contributed seven and construction eight. The construction group would probably be increased materially if full information was available as to the miscellaneous employments, which contributed 13 of the accidents. I need hardly add that none of these occupational fatalities was covered by any workmen's compensa-

tion act, as the only employees who are so protected in the District of Columbia are Federal Government employees, and none of these deaths occurred among Government employees.

The details as to these accidents are given in the following table:

OCCUPATIONAL ACCIDENTS RESULTING IN DEATH, WASHINGTON, D. C., JANUARY 1 TO NOVEMBER 25, 1916.

Industry and occupation.	Cause of accident.	Age.	Sex.	Race.	Con'n-gal condition.
<b>Construction:</b>					
Tile setter.....	Caught in elevator.....	51	M.	W.	M.
Ironworker.....	Fall from building.....	56	M.	W.	W.
Carpenter.....	do.....	52	M.	W.	M.
Laborer.....	do.....	43	M.	W.	S.
Do.....	Struck by piece of iron.....	38	M.	C.	M.
Do.....	Struck by piece of metal.....	50	M.	C.	M.
Do.....	Struck by piece of timber.....	41	M.	W.	M.
Do.....	do.....	35	M.	C.	M.
<b>Transportation:</b>					
Engineer, railroad.....	Fall from engine.....	55	M.	W.	M.
Fireman, railroad.....	Run over by engine.....	27	M.	W.	S.
Do.....	Run over by train.....	30	M.	W.	M.
Brakeman, railroad.....	do.....	21	M.	W.	S.
Laborer.....	Jumped from engine.....	50	M.	W.	W.
Do.....	Struck by engine.....	26	M.	W.	S.
Clerk.....	Struck by auto truck (Washington Terminal). .....	24	M.	W.	S.
<b>Manufacturing:</b>					
Printing press.....	Caught under press while cleaning it.....	17	M.	W.	S.
Oilier.....	Caught in machinery.....	23	M.	W.	S.
Laborer.....	Struck by plank while operating saw.....	31	M.	W.	S.
<b>Trade:</b>					
Salesman.....	Fall on floor.....	47	M.	W.	S.
Clerk.....	Ammonia poisoning (explosion of tank). .....	35	M.	W.	M.
<b>Service, domestic:</b>					
Domestic.....	Explosion of coal-oil stove (filling when lighted). .....	45	F.	C.	M.
Waitress.....	Fall down steps.....	36	F.	C.	M.
Waiter.....	Struck in abdomen by broom handle in own hands. .....	58	M.	C.	M.
<b>Miscellaneous:</b>					
Watchman.....	Fall from ladder.....	47	M.	W.	M.
Do.....	Asphyxia (defective gas stove).....	72	M.	W.	S.
Gas-meter inspector.....	Asphyxia (accumulation of gas in pit).....	26	M.	W.	M.
Lineman, telegraph.....	Shock and fall from pole.....	22	M.	W.	S.
Subscription agent, newspaper.....	Thrown from automobile.....	37	M.	W.	M.
Laborer.....	Caving in of sand bank (digging trench). .....	43	M.	C.	M.
Do.....	Fall down elevator shaft.....	15	M.	W.	S.
Do.....	Fall from dredge (drowned).....	40	M.	C.	W.
Do.....	Fall from cart.....	16	M.	C.	S.
Do.....	Fall from wagon.....	42	M.	C.	M.
Do.....	Fall under auto truck.....	25	M.	C.	S.
Do.....	Run over by auto truck.....	27	M.	C.	M.
Do.....	Kicked by mule.....	46	M.	C.	M.

Mr. HAL H. SMITH, counsel of the Michigan Workmen's Compensation Mutual. I am sure you will appreciate the embarrassment of one who feels so deeply moved by what has been said at this conference that he sends up his name and asks the opportunity of participating in it for a few moments. I would not have done so if I did not feel that there had been one or two things that had occurred or had not occurred that justified this suggestion.

One is that in Prof. Fisher's paper he dignified the State of Michigan—and very properly so, I think—by making it the typical Commonwealth in the United States so far as workmen's compensation is concerned.

The other thing to which I wish to call attention is that in all of the meetings of this conference I find, if I am rightly informed, that up to the time I rise to address you no representative has presented his opinion who can suggest to you how this question appeals to one who contributes to the payment of the workmen's compensation to the worker. I have that honor or privilege, and I would not attempt adequately to represent those of my class; but if you will pardon the personal reference, I do have the privilege of contributing as a stockholder and officer of corporations that employ a substantial number of men, and my name from time to time, unfortunately for me, goes upon the back of bankable paper, so that I pledge all my worldly goods to meet the pay rolls for the workmen in our shops. For some years I had the privilege of watching my corporations, without any dividends whatever, multiply their contributions to their workmen every year under the workmen's compensation act. I hope you will pardon that personal reference.

I think my position is not an incompatible one, but of course if I am honest with you, as I want to be, I ought to state exactly my personal bias. I think that will not be found incompatible with the deep interest in workmen's compensation. As I look at the names upon the program I think that so far as length of experience in this subject is concerned, I can compete with most of you. I began my service in workmen's compensation in 1910, and in the succeeding year I had the privilege and honor, under the nomination of the governor of my State, to serve as chairman of the board that framed the Michigan compensation law. When I took that position I knew fully as much about workmen's compensation as many of those do to-day who have not had practical experience with the working of the law and who have not seen their theories crumple from time to time when the test of the experience of the workmen and the employer came up against them. Since that time I have watched the progress of a mutual company that is a purely mutual company operated in Michigan without any hope or chance of profit, that maintains the best equipped hospital in the city of Detroit, and has upon its list 800 employers, a great many of the most important ones in that great industrial center which now has nearly 1,000,000 inhabitants.

I want only another moment in which to refer to two or three things in Prof. Fisher's paper that I think should be corrected, because there is a certain authenticity in these proceedings which when they are published will go out to instruct laborers in this great field of workmen's compensation.

I challenge most emphatically Prof. Fisher's statistics, so far as the State of Michigan is concerned. If you consult the Industrial Accident Board of Michigan you will find that 99 per cent of the em-

ployers in industrial pursuits have elected to come under our Michigan law. There is only one employer of any consequence who has refused its terms, and if you eliminate the retail stores, I know of no other substantial employer who has refused to come under the law. So much for an optional law that has worked great benefit because it had behind it the cooperation of employers who put the law upon the statute books against the opposition of the unions of the State after a strong fight in the legislature.

There is one other thing, referred to by Prof. Commons, that I think ought to be most emphatically challenged here, and that is his reference to agricultural employment. The State of Michigan, through its commission, which I had the honor of serving upon, made a careful investigation of that subject. Six young men selected from our university investigated for six months the question of agricultural accidents in the State of Michigan and when we had completed our investigation we found that there was no statistical data that would justify the extension of the workmen's compensation act to farm laborers. So that was left out of the law, not because of the farmers' vote in the legislature—many of them suggested that it be extended to agricultural employments—but because no sufficient statistical data were available to justify it.

The CHAIRMAN. You have one minute remaining.

Mr. SMITH. I did not know my time was so limited. If another conference of this kind should be called, let me urge that earnest consideration be given to the suggestion that there be invited to participate in the conference those who pay the bills of workmen's compensation.

A MEMBER. In view of the fact that Mr. Smith represents a State that has not been heard from, I move that his time be extended.

The CHAIRMAN. If there be no objection, Mr. Smith's time will be extended.

Mr. SMITH. I am very much indebted to you, ladies and gentlemen. Let me then in the few remaining moments refer to one or two other matters which otherwise I would be compelled to omit. I have spoken about the optional provision of the Michigan law, which was inserted because at that time great doubt existed as to the constitutionality of the act, but which has preserved its place in the law because of the great cooperation it has brought about on the part of the employers, who have almost unanimously and enthusiastically supported the act.

I have spoken about the agricultural workers. The casual worker is an interesting subject. I fully concur that so far as he is a member of any efficient industry he ought to be compensated if he is injured, but four years ago the difficulties in the way of compensating

him seemed almost insurmountable, and I think are still insurmountable. Suppose a man with a small retail store brings in an itinerant hobo from the street to wash his windows, and because of his drunkenness the hobo falls from a ladder and gets hurt. Shall the proprietor of that small retail store pay compensation to that man as if he was an efficient and continual member of that industry? The theory of compensation has always been that the industry should bear the burden of the accident, yet here is a man who has no place in industry. If it be designed to form a charitable, eleemosynary plan to assist in providing subsistence for all members of society, then the casual worker has his place, and perhaps he may have some place where his status can be more properly defined.

I agree with all that has been said about occupational diseases. I must disagree, however, with what has been said as to the Michigan act. The Supreme Court of Michigan distinctly said that occupational diseases were not included in the Michigan act, because the title of the act said that it applied only to personal injuries by accidents, and, following the decisions in the House of Lords, they eliminated occupational diseases. It was exactly the discussion and conclusion and finding of the commission that put those words in the title to the act, and those who run may read in that decision just how that came about.

Now, let me suggest that while it has found a place upon your program the great purpose of workmen's compensation has not been sufficiently emphasized. I regretted to hear one of your speakers who served upon a State commission say that his commission had secured for those injured in his State a great sum of money. I applaud the decisions of a court or a State commission or judicial body that finds for the plaintiff and allows the claimant the sum allotted by the statute; but the real purpose of workmen's compensation is not to procure pecuniary reward or pecuniary compensation for the injured. The real purpose of compensation is to prevent the injury. And while you have discussed how best to prevent that injury you have not yet put sufficient emphasis upon the provisions of the act that shall encourage both the employer and the employee to destroy the opportunity for injury. A single life saved among the workmen of any single State is worth \$500,000 awarded to the injured at the hands of any board. Let me urge upon you that as you increase the schedules of compensation you destroy to a degree the incentive for care upon the part of the workman, and you likewise discourage the employer. If at your next conference you invite here with you representatives of the employers who pay this compensation, you will find—I say this in the kindest spirit and without any idea of criticism—that they far outstrip you or any similar body of men in the personal and financial sacrifices they are making and are pre-



pared to make for those who by modern society have been intrusted to their care, who labor in their factories and cooperate with them in creating a commonwealth that can support all of those who work to further the best interests of society.

The CHAIRMAN. The next name is that of Mr. George E. Beers, of the New Haven bar, and a member of the faculty of Yale Law School and also a member of the Connecticut Compensation Commission.

GEO. E. BEERS, member, Connecticut Workmen's Compensation Commission. I listened with a great deal of interest to the address of Mr. Bohlen on the subject of the lawyer before the commission. That is a subject upon which our own Connecticut board has taken a position which is not entirely in accord with that taken by some of the other boards of the country, but we believe it is the proper position. A hearing before a commissioner is after all but one form of trial. My brother Chandler from our own State has emphasized the necessity of promptness of proceedings and promptness of decision; but underlying that in my own opinion, and far more important than that, is the question of justice. This trial may take money from one man's pocket and put it into another's. It is not a matter of sentiment; it is a matter of justice, and it is of the highest importance that the trial should be so conducted that, with the formalities and the technicalities aside, the substantial justice of the case shall be preserved. It is, in every practical sense of the word, a judicial proceeding. Now this does not mean that it is to be loaded up with all of the formalities and technicalities of a different system. It does not mean that the commissioners are all to be lawyers. I should be very sorry to see that. It does, however, mean that all cases shall be fairly presented. I myself have no serious doubt that when the facts are presented, the commissioner, or whatever he may be called, who is familiar with the decisions and with the spirit of the act and with the law of the case, will apply the law with a fair degree of accuracy. If he does not, correction is easily made in whatever court reviews his action. But the question of getting ready, the question of getting witnesses, the question of getting the proper documentary evidence is one which can not be performed by the commissioner. In the first place, if he could perform it, it would put him in the wrong frame of mind to hear the case and decide it judicially; and it is in every real sense of the term a judicial action. But in the second place, he can not leave his office for the purpose of preparing cases. It would not be proper or possible for him to look up the evidence, and therefore in our State we welcome the interposition of the lawyer in cases that are at all difficult. We are given as full authority to pass upon the fees as in any one of the other States mentioned. I

may say, also, that in our State legal fees have not been to any extent a scandal or even a source of criticism. In a case the other day a man was charged a fee which seemed to me might be exorbitant. On my suggestion he promptly came and paid the money into my hands, and I put it in a special account, so that it is safe, and in due course of time the claim for fee will be heard and the matter ironed out.

I was very glad indeed to hear this question presented by Mr. Bohlen, and I can certainly emphasize what he said, with the added thought that the real trouble is in getting the case ready. The statement of the case before the commissioner and even the examination of the witnesses is a comparatively simple matter, but the preparation of the case can be made only by those who are acting for the man, not necessarily lawyers, either, but persons who understand the law. In other words, we need men to assist in preparing cases who are lawyers in the sense that they are in a position to render real assistance. Whether they are members of the bar is not the vital question. In our own State a gentleman appeared before one of the judges of our superior court. It was the divorce calendar, and the title of the case was, we will say, Jones against Jones. The judge turned to Mr. Jones, the lawyer, and said, "Mr. Jones, who is the plaintiff?" Mr. Jones said, "I have the honor, sir, of being the plaintiff." The judge said, "Who is his counsel?" Mr. Jones said, "Your honor, I have the honor of being his counsel." The judge said, "Who is your principal witness?" He said, "I, sir, am the principal witness." The judge, getting a little nettled, turned to him and said, "Mr. Jones, I do not think the case had better be heard this morning, and we will continue it for a week; and in the meantime, get a member of the bar, preferably a lawyer, to try your case for you."

Now, the important thing is not to get a lawyer in the strict and narrow sense of the term or get a member of the bar, but it is to get a lawyer in the sense of a man who understands the compensation act, who has gumption enough to go around and get the witnesses, and who will look out for the interests of a man who can not look out for himself. That applies not only to the employee but to the employer, because we have in our State, as in all others, a good many intelligent workers and unintelligent employers.

RALPH H. BLANCHARD, of the University of Pennsylvania. When I read the printed copy of Prof. Fisher's address it occurred to me that one point was not touched. Prof. Fisher has spoken of the waiting-period limitation by which payments are cut off at the beginning. It seems to me very much more important that they should not be cut off at the end, as they are in a great many States.

Most of the States have some limitation on the length of time that payments may run, not based on the extent of the injury but a limitation of the number of weeks. In one case, I think, it is as low as 52 weeks. Sometimes it is 200 weeks, sometimes 300; and, if I remember right, the largest number of weeks that is set as a limit is 500. This seems to me entirely illogical; it is much more desirable that the compensation should run for the length of time that the injury lasts than that it should begin a week earlier. Those cases in which the injury lasts for a long time are far more important than the cases in which it lasts for only a short time. The same principles apply both to payments on account of fatal cases and to cases of either permanent or long-continued temporary disability.

NATHAN B. WILLIAMS, associate editor, *The Lawyer and Banker*, Washington, D. C. I had really not intended to say a word, because only recently have I become particularly and pointedly interested in the subject of workmen's compensation; but I feel that I can scarcely omit this opportunity to express to this meeting what a tremendous amount of inspiration and information I have received from attending these sessions.

Through the discussions that I have heard—and particularly this evening—I have received a few notions that I may later change. One of them relates to the proposition of the commissioner acting in his judicial capacity and also in the position of counsel for the claimant. That reminds me of an event which occurred in the town in which I lived a few years ago. We had there the office of mayor. This mayor, by virtue of his office, was also police judge. There was brought before him one day a darkey charged with some infraction of the city ordinances. This darkey had counsel, and, when the witnesses for the city were presented, the mayor, in his capacity as police judge and city attorney as well, proceeded to examine the witnesses, the city not being represented by counsel. Counsel for the defendant made objection to the questions that were being asked, and then the mayor, in his capacity as police judge, promptly overruled those objections. This grew rather irksome, so after a little while the attorney for the darkey said, "Your honor, I would like very much indeed to know at just what point you are city attorney and at just what point you are police judge." "What do you want to know that for?" asked the mayor. "In order that I may have the opportunity, if your honor please, to say to the city attorney what a damned fool I think the police judge is." That is the situation which any man is liable to get into who attempts to act in these dual capacities. Of course, friendly offices are not of that character.

There is another observation, and that is as to the praise, which I have heard and which I have read in some of the documents I have



**THURSDAY, DECEMBER 7—MORNING SESSION.**

**CHAIRMAN, DR. WILLIAM J. KERBY, PROFESSOR OF SOCIOLOGY, CATHOLIC UNIVERSITY, WASHINGTON, D. C.**

**SICKNESS (HEALTH) BENEFITS AND INSURANCE.**

**I. EXISTING AGENCIES.**

The CHAIRMAN. This conference on social insurance is one episode in the process of changing certain fundamental social principles and institutions. All deliberations should be conducted with full understanding of the political and economic traditions which society is surrendering and of the newer fundamental principles of social responsibility and justice which are coming rapidly to expression. Differences of opinion will occur here as in all processes of social change. This is not only expected but also desired. It is primarily the purpose of this conference, as of all conferences whatsoever, to call forth the matured views of experts, and to seek the reconciliation among them that may be organized into our institutions to point the way to social justice and peace.

Our conception of the function of the State is changing. Relations between individual and community are being modified rapidly. In proportion as social life becomes more complex and the individual is less able to dominate situations, both the need and the justification of social or of State intervention become manifest. This social insurance conference is dealing with some of the lamentable failures of our old individualism. Your deliberations occur because the weaker economic and social classes are a charge on the resources and the conscience of the community as never before. The well-being or ill-being of the individual is now looked upon as a social asset or liability and not simply as a matter of personal concern alone to the individual. A new social idealism is now in process. It is changing our conception of the State and of the function of law. Sympathy urges us onward, but experience with human nature and with lawmaking, together with some knowledge of history, bids us to go slowly. While different points of view are contending one with another as is the case in this conference, insight and caution are developed in the public mind. In this way we find our safest approach to those fundamental changes which now appear inevitable.

We are dealing also with a changing conception of the rights of property in respect of the weaker class, and of the responsibilities of property as regards the stronger class. The genius of social insur-

ance is now seeking a safe pathway through the complexities of social life toward devices which will place new responsibilities upon property without undue cost to it, and new guaranties to the weaker classes without harm to them.

We are dealing with changing conceptions of personal rights. We are setting aside many political and social assumptions that are overturned by the facts of life and we are trying to formulate a new declaration of the rights of man which will offer protection to the weaker class at the exact point where they are menaced and helpless. Legal protection must follow the pathway of definition. Rights can be safeguarded by the State only as they are defined. Public opinion, scholarship, property owners themselves, have much greater latitude in defining rights for the weaker class and in offering protection to them. Law, public opinion, and property owners are called upon to contribute thought and advice in this whole process.

If this conference is to do its work wisely, it must take account of these larger bearings no less than of the technicalities with which we are more or less familiar. None of your work should be done, I care not how technical it is, without due attention to the tendencies that lie behind every measure, and to the limitations that are inherent in all social endeavor. You are working on a supplementary social constitution which, taken in conjunction with the fundamentals of the social order, aims to bring us nearer to social justice. If the wider bearings of your work are kept in mind at all times, it should not be difficult to find those reasonable compromises which represent the best that can now be done. The meeting is now open.

## GROUP INSURANCE.

BY WILLIAM A. DAY, PRESIDENT, THE EQUITABLE LIFE ASSURANCE SOCIETY  
OF THE UNITED STATES.

Permit me at the outset to make acknowledgment of the honor conferred upon me by the invitation to participate in this conference, which, by its timely examination of essentials, may be of far-reaching effectiveness in the social-welfare development of our country.

Dr. Meeker stated in his letter he thought group insurance such an admirable insurance device that it had a place on this program; that as the company with which I am identified had invented group insurance it was appropriate that I should prepare and present a paper on the subject. When I received that letter, in view of this statement, it seemed to me that I could not decline the invitation, although I might not be able to treat the subject in a manner that would be entertaining to you.

Let me say that, in my opinion, the principles of social insurance find practical exposition in group insurance as it has been and is being woven into the fabric of our industrial and commercial life.

Group insurance is the name given to a comparatively new development in American life insurance. Its object is to enable the employer who has under him a large number of workers to increase the efficiency and stimulate the loyalty of these workers by rendering them a genuine service, the aim and the result of which is to strengthen mutual good will and make the business relations between employer and employee closer and more permanent.

The employer accomplishes this by giving to each employee a moderate amount of life insurance for the protection of his dependent family. Let us consider this plan more in detail:

Every life earning a pay check has a definite insurable value. The ultimate aim of group insurance is to cover these values. It is a plan for insurance at its source under which the employer provides the life insurance to protect the pay check. It brings life insurance to a large number of unprotected families who but for this plan would continue unprotected.

Group insurance is based on the principle of cooperation between the employer and the employee, for the benefit of both alike. The insurance is at the expense of the employer only in the sense that the employer pays the premium cost of the same. Experience indicates that increased efficiency on the part of the employee in response

to constructive efforts in his behalf fully justifies the cost of the insurance. Group insurance may be viewed as a practical application of social-insurance principles in strict accord with our American ideals of individualism. In my judgment, the group-insurance principle, by means of which the employer assists the employee in protecting himself against distress in various relations, suggests a solution of many of the problems now involved in industrial relationship.

We have passed through an epoch of industrial organization in which the human element has been more or less neglected. Corporations and combinations of corporations have supplanted the small business of more intimate human associations, and systematized much of the red blood out of the worker in establishing a new efficiency by use of machinery. The employer and the employee are the same kind of men as before, but lack of close contact causes misunderstandings between them. In industry some systematic substitute for the individual care and good will which formerly flowed from the employer to the employee must be found to go with the advantages of the era of machinery and centralized work in big units. Cooperation paid in those days and pays to-day. In addition to receiving a full pay envelope, the employee must feel an interest in his work to make it pleasurable and profitable.

To recount the items of vital concern to the well-being of the worker, we begin with the job itself. The job is of such overwhelming importance that, broadly viewed, a man with work at fair wages is considered well off—and no worker is well off without this. The employer who supplies fairly paid work under proper conditions is rendering a service that makes him a public benefactor. The size of the wage is important. It is the first item of importance after the job. But it is not the only item. Magnifying the importance of the wage to the exclusion of other considerations and relationships mutually desirable between employer and employee tends to dehumanize the work and logically leads to the point where the employee would do the least possible amount of work for the largest standardized wage. A misconception of this kind must inevitably impair national efficiency and subtracts from the well-being of the employer and of the employee alike.

After the work at fair wage comes the protection of that wage from loss. Such loss may be due to death, disability, or superannuation.

The measures effective to prevent these forms of distress are, in order: Life-insurance protection against the loss of the wage through death; health and accident insurance protection against the loss of the wage through temporary or permanent disability; pensions, or saving system, against the loss of the wage through inability to work because of old-age incapacity.



So far as these plans or any of them can be made to serve, on the theory of justifying such additional expenditures by the employer because of additional efforts on the part of the employee, the plans are economically sound.

Group life insurance approaches the labor problem by recognizing that, irrespective of the size of the pay envelope, large classes of people will remain who through thoughtlessness or lack of urging, or physical inability, do not themselves provide life insurance for the protection of their dependents. A careful study of our claim figures indicates that perhaps as high as 50 per cent of the wage earners have no life insurance. Life insurance is purchased only because of persuasion by an agent. Unless the agent has the opportunity to point out the necessity for life insurance to an individual, this individual views his obligation in the abstract and fails to make unsolicited application for insurance. Then again there is a certain percentage of those applying for life insurance who do not measure up to the required standards of insurability. If such men applied individually for insurance they would be rejected.

The group insurance plan contemplates the inclusion of the weaker lives by supporting them by the larger percentage of the stronger lives. Hence, insurable classes are obtained by having the insurance embrace all the employees of any single employer who has proper regard for the selection of his employees and for surrounding them with safeguards to health and limb. Thus the employees may be insured according to the rating for age, occupation, and industry without reference to the individual insurability of any particular employee. By this means, the group plan becomes universal throughout the little dominion of one employer.

A group contract is made with this employer, setting forth the terms, conditions, and rates under which the insurance will be continued. Each employee is given a supplementary insurance certificate written in the name of the employee, stating the amount of the insurance, and giving the name of the beneficiary designated by the employee to receive the insurance if death occurs during continuance in the employ.

This means the elimination in that particular establishment of any necessity for "passing the hat" among fellow employees, to care for the survivor of some employee who has died unprotected. It means that a certain sum of insurance will be available in the home on the death of a worker so covered, to supply the money immediately necessary for the funeral, and enough more to serve as a substitute for the wage check during a reasonable period in which to adjust the affairs of the family to the new conditions.

The amount of the insurance is usually based on one year's wage or salary, with a maximum limit of \$3,000 to those receiving more

than that sum. In other cases the amount of the insurance is some flat sum such as \$1,000 to each. A third plan is that of graded insurance, such as \$500 or \$1,000, to be increased by \$100 insurance per year for each additional year of service up to a fixed maximum. These plans are variously adapted to fit the views of an employer as to the needs of his employees, and the ability of his business to provide the premium costs of group insurance to fill these needs.

That some life insurance is a vital need of the worker, to protect his dependents, is abundantly testified to by statements from employees and from their beneficiaries. One large automobile company carrying group insurance has kept close record of the conditions in the homes to which these group policies were paid. Out of the first 50 claims that were paid, it was reported that there had been only one case in which the claim money was not urgently needed to prevent immediate distress. In the one case which was an exception the money was used to advantage in paying off a mortgage on the home. Another large employer studied the effect of the claim moneys in over 100 homes with practically the same result.

In many of the cases in which these claims were paid, the employees were highly skilled, commanding relatively large pay. Conditions were found to be much the same among the highly skilled and among the lower grades of labor, each class living up to its full income and apparently not finding a place in their budget for a proper amount of life insurance.

Time will not permit me to reproduce statements from individual beneficiaries, but the following, which was sent from the sales manager of a large oil company to the insurance company in reference to a group claim, illustrates the good which group insurance does. I will say I am referring to the experience of my own company, and I have the documentary evidence to substantiate what I am saying and have said. This letter is in part as follows:

The case of Mrs. ——— and her two daughters is the most deplorable one that the writer has ever come in contact with. All three of them are in the last stages of consumption, with not a penny in the house, and the \$1,000 I handed them was really the most valuable sum of money, I believe, that ever went into the State of Oregon. If our president and directors who, in their wisdom, decided to carry insurance for the employees of the ——— Oil Co. could have been with me when I delivered the check, they would have, I am sure, realized to the full the result of their action. I am satisfied that could this picture be placed before the employees of the ——— Oil Co. their loyalty would be increased a hundredfold.

Group insurance is not a substitute for individual insurance. It simply supplements it. It is meant to provide some insurance to those not otherwise protected by it, and to be a substantial addition

to the individual insurance which all are encouraged to provide for themselves. The plan has been found to work best only as it is operated on an inclusive basis, namely, to include everybody employed, or all those in the class for whose benefit insurance is desired.

Any attempt to leave the choice with the employee whether he should secure this protection or not defeats in some degree at least the object of the insurance in its attempt to be universal throughout one group. For this reason it has not been found satisfactory to have the employees pay for the insurance either in whole or in part. Any proposal for payment from the employees entails the refusal of the insurance by some employees, which destroys in the first place the universality of the protection, and in the second place impairs the averages requisite in an insurance transaction, because those who would stay out would be as a rule the stronger lives not feeling the immediate need of the insurance.

Where the employer pays the entire premium and obtains from the employees better service, increased productiveness, and increased persistency, the employer's outlay in premiums is fully compensated for by such improvements, and is thus fully, although indirectly, paid for by the employee. The fact is well attested in practice by statements from establishments in which the plan is in operation. One large company, manufacturing machinery, testifies: "We have no hesitation in saying that the insurance has cost us nothing, and that the good will of the men has been secured. We have seen direct results in increase of output which we attribute in part to our spirit in giving the men insurance free of cost."

Another organization, controlling a chain of public-utility properties, "covering" several thousand lives, says: "We think that the benefits derived from the proposition warrant the expenditure, and are very glad that we made the arrangement, both from a humanitarian standpoint and from the fact that it increased the satisfactory relations between the men and the company. We have had a number of cases in which the insurance was all that was left to the family of a deceased employee, and the other employees have realized the value of the insurance from these cases."

That these conditions are true, alike for the wage and the salaried worker, is further indicated by the expression of one of the largest banks in our country, successfully operating group insurance. The president of this bank goes to the heart of the subject when he says:

The banking business is a business of dealing with men. To conserve the human unit is the most important phase of our business. You get what you give. If a bank gives its business attention to the personal business of its employees, such as providing for them against preventable distress, the bank can count on the employee giving added personal attention to the business of the bank.

I heartily approve of group insurance for employees of banks and trust companies and commend it for its low cost and simple method of extending life insurance without medical examination throughout the institution.

Perhaps from the point of view of greater results for greater benefits, the validity of the insurance has its greatest strain in connection with the least skilled labor, mainly foreign. The following pertinent statement was made by one of the earliest patrons of group insurance, the head of a great manufacturing plant:

At first this insurance system did not seem to affect much this class of labor. I may say that the class of labor we can get generally in the town of Passaic is not of a skilled or high order, being very largely a foreign element—Hungarians, Poles, etc. I think, however, the lack of effect was perhaps due to the fact that the men did not understand what the benefits were, and as for some time after it was installed we had no claims, they had no means of learning its benefits, but after two or three cases occurred where the benefits began to accrue, I assume that it formed a topic of conversation among the men, and in the last six months I have noticed a material change for the better in the tendency of the men to remain in the employ. While we still have many changes these are due to discharges for inefficiency, unsteadiness or other causes, very few now leaving of their own accord.

These quotations from letters have been diversified to include industrial establishments, utility properties, and banking institutions, and to go from the highest order of salaried employee to the humblest wageworker. If time permitted they could be multiplied to include representative employers from practically every branch of business activity. Their statements are all to the same general effect that the premium cost of group insurance justifies itself when given voluntarily in supplement to the wage and other benefits given by the employer, and never as a substitute for pay, or by the curtailment of other privileges.

While there are employers who may be looking for ways and means of curtailing expenditures for the employee, and of lessening his wage, they are, of course, not the type of employers to whom group insurance would appeal.

It has been urged at times that group insurance might be used to keep down wages or to keep men from freedom of action in changing their employment. This is an erroneous conclusion. Any effort to use group insurance in this direction would defeat its aims and make the expenditure an utterly wasteful one, because it would fail to improve the industrial relationship on the basis of getting more by giving more.

One employer, already quoted, goes beyond the mere subject of group life insurance by including in his establishment other forms of protection for the employee, and states: "I have always believed that the great problem of the employee's unrest must be met more by voluntary act of employers in removing causes of unrest than through

the compulsion of legislation, and that it would create a far more beneficial result in the attitude of labor toward capital if employers generally should extend these benefits voluntarily without waiting for compulsory legislation."

It is interesting to note how closely this reference is related to the whole subject of social insurance. It is also interesting to note that this employer now providing voluntarily for his employees group life insurance and also group disability insurance in larger ways than have been proposed in any system of compulsory social insurance comes to the conclusion that the distress of the employee must be met, and that the only alternatives are either for the employer to relieve this distress voluntarily or for the State to compel him to do so.

It is obvious that the employer is recognizing more and more his obligations to his employees beyond the mere pay envelope, but it is probably too much to expect that the appreciation of this fact will become universal within any short period unless some form of compulsory social insurance is enforced. If such compulsory social insurance comes, it will come only in a restricted form as to disability benefits. It will provide only a nominal amount of life insurance, equal, perhaps, to supplying the plainest form of funeral. Such social insurance would therefore fall far short of the provisions for life insurance now made voluntarily by employers adopting some group plan, and there would remain the whole field for voluntary action on the part of the employer.

The social service of group insurance is self-evident, and it is being rapidly extended. It is also clear that social insurance would be but a minor application of relief principles which are now advocated and are achieving increasing vogue through the work of group insurance. Far from competing with such principles, social insurance would probably stimulate the further application of group insurance. It may be said that the adoption of workmen's compensation insurance was the most important single item in opening up the field for group life insurance. The workmen's compensation laws have done more than stimulate group life insurance. These laws have also brought into being group health and accident insurance, supplementing the compensation laws by voluntarily providing compensation benefits over hours not covered by these laws and otherwise extending benefits to classes of salary workers excluded entirely from compensation laws.

It is also important to note that group insurance has stimulated the study of the subject of old-age pensions by institutions not yet granting pensions and has had a strong influence in effecting improvements in existing pension systems. The condition of many pension funds

and pension systems foreshadows future disappointment and distress. To find a pension fund well planned, well managed, and actuarially solvent is the exception rather than the rule. In the past the advice and services which the insurance companies are able to render have not been utilized to any large extent in perfecting the pension systems adopted by our large establishments, associations of school-teachers, public servants of various kinds, and even foundations organized for pension philanthropies. The pension systems operated in this country are almost all actuarially insolvent or in the way to become so unless radically readjusted. Independent of the financing of the pension the plan under which these pensions have been organized and granted has not always been one that commends itself for justice, simplicity, and the complete protection of the pensioner. Group insurance has done much to call attention to the pension subject as a related provision for protecting the employee and has placed the equipment of experts at the disposal of those concerned.

Group insurance is no longer an experiment. It is an accomplished fact. It is carrying to the employer a sound principle and the conviction that he can, with advantage to himself, to the employee, and to humanity, cooperate better to protect the worker in ways which bring returns commensurate to both and to society at large.

It enables the institution of life insurance greatly to extend its service to the public. It not only carries the idea and the lesson of insurance protection to thousands of people who have given them virtually no thought, but it carries protection to the helpless, without cash outlay on the part of the breadwinner. It promises to become a very important factor in the great humanizing movement, one form of which finds expression in the purpose of this social insurance conference.

The CHAIRMAN. The next speaker will be Mr. Edgar Sydenstricker, who will present a paper on "Existing agencies for health insurance."

Mr. EDGAR SYDENSTRICKER, public health statistician, Public Health Service. It is impossible to cover properly the whole field of existing agencies in 20 minutes. There are two points which I would like to impress in regard to the data on existing agencies. One is that we have overlooked in the literature on the subject some of the most important existing agencies in the immigrant beneficial societies. In the paper which I have prepared I have tried to present some data on that kind of existing agencies. The other point is that the process of gathering information as to the character and extent and as to the limitations of existing agencies for health insurance is now being carried forward by several important agencies. I may mention particularly the Federal Bureau of Labor Statistics, which is making inquiries into various kinds of establishment funds and trade-union benefits, etc., and the United States Public Health Service, which is conducting an investigation of certain phases of existing agencies. The

paper which I have prepared is in the nature of a progress report on the available data, and includes a brief and tentative statement of the preliminary statistics on establishment funds which have been obtained in the last few months. The lack of time forbids my reading anything more than a small portion of the paper which has been prepared; perhaps the subject may best be reviewed by presenting what appear to be the limitations of existing agencies.

## EXISTING AGENCIES FOR HEALTH INSURANCE IN THE UNITED STATES.<sup>1</sup>

BY EDGAR SYDENSTRICKER, PUBLIC HEALTH STATISTICIAN, UNITED STATES PUBLIC HEALTH SERVICE.

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A survey of existing agencies for health insurance in the United States must necessarily be incomplete at this time. The available data on any of the various groups or types of the numerous agencies are extremely inadequate, especially as to the extent to which they provide health insurance for the wageworking population. As a recent study of existing agencies in New York City pointed out, "there exist in this great cosmopolitan city literally thousands of petty health insurance funds";<sup>2</sup> several studies of wage earners and wage earners' families have also shown that even in the smaller industrial localities there are many varieties of funds providing sick benefits. While the condition is clearly shown by all data that many wage earners are not availing themselves of the facilities which existing agencies afford, we are unable to estimate even approximately the proportion of the wageworking population which is insured in any of these funds, not only for the country as a whole but for any industry or locality. Studies of typical sick-benefit funds have given us some insight into the methods of their management and into the character of the insurance they provide, and are valuable in suggesting their limitations; but we are not yet in a position to appreciate fully and accurately their value and their weaknesses from the standpoint of coordinating them into a comprehensive system of health insurance, such as exists in Germany and Great Britain,

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<sup>1</sup> For original material presented in this paper acknowledgments are made to a large number of officials of establishments and unions and of sick-benefit funds, who have willingly cooperated with the Federal Bureau of the Public Health Service and of Labor Statistics in their studies of existing funds, as well as to other individuals who have assisted by affording information. The author desires particularly to express his acknowledgments to the United States Bureau of Labor Statistics for new material turned over to him for use in this paper and for editorial, clerical, and other assistance in its preparation.

<sup>2</sup> Anna Kalet: "Voluntary health insurance in New York City," *American Labor Legislation Review*, June, 1916, p. 142.



and of correlating them with our public health agencies and with the great movement for disease prevention.

The recently kindled interest in health insurance in this country, however, has prompted a number of fresh studies of health insurance as it now exists. These studies are now in the process of being made, and this paper, in so far as it has been found practicable to include new material, must be considered somewhat in the nature of a progress report. Especial mention should be made of the investigations now being conducted by the Federal Bureau of Labor Statistics, of the inquiries being made into certain phases of existing agencies by the United States Public Health Service, of the material recently published by the American Association for Labor Legislation, and of the work of State social insurance commissions, and of committees of various interested organizations, notable among which is the social insurance committee of the American Medical Association. The results of these studies have been utilized as far as practicable in this paper; where new data were not available, recourse has been had to various reports, such as the Twenty-third Annual Report of the Commissioner of Labor, and other valuable sources of information now slightly out of date.

It is purposed to present these data in a rapid survey under the following heads:

- I. The extent of health insurance in the United States;
- II. The character of existing agencies for health insurance; and
- III. The limitations of existing health insurance agencies, with especial reference to the prevention of disease.

#### I. THE EXTENT OF HEALTH INSURANCE IN THE UNITED STATES.

The only statement as to the extent of health insurance in the United States which seems warranted at the present stage of our knowledge of existing agencies is that such health insurance as we now have is far from being universal among the wageworking population. There are no statistical bases for even a rough estimate of the number of wage earners insured. Fragmentary data for some of the various agencies suggest in a general way the number of wage earners who are insured in these agencies, but for the most important health insurance agencies among the wageworking population there is as yet no complete information. The actual membership in trade-union sick-benefit funds is unknown. While possibly more is known regarding establishment sick-benefit funds, the data are not yet complete enough to justify any conclusion. The membership of fraternal organizations providing sick-benefit features has never been even approximately determined, much less the proportion of their membership which is drawn from the wageworking population, and fraternal organizations appear to be the most important agencies, in point of view of the number insured, of health insurance in the

United States. No inquiry as to health insurance has been included in any census of wage earners and their families.

Some of the data obtained in budgetary and other investigations of wage earners, however, are suggestive. The recent inquiry into health insurance among wage earners in New York City, to which reference has already been made, estimates the number of persons in that city carrying health insurance in 36 funds especially studied at approximately 170,000.<sup>1</sup> The several studies of budgets of workingmen's families, unfortunately, do not always include data as to expenditures for health insurance. For example, the detailed statistics of expenditures of 2,567 families, which were considered representative of the 24,440 families studied by the Federal Bureau of Labor in 1901, showed that approximately two-thirds (65.8 per cent) had expenditures for life insurance, and that the average expenditure of those families having life insurance was \$29.55 per annum, as compared with an average expenditure of \$26.78 as the cost of sickness and death. These families, however, had an average annual expenditure of \$10.52 for labor organizations and of \$11.84 for other organizations, exclusive of church and charity dues, which very probably included some sick-benefit dues. It should be remembered that over 60 per cent of these families were native American and that less than 5 per cent were of the newer immigration, the immigrant families being almost entirely from Great Britain and Germany and from Scandinavian countries. It may also be noted that their average annual income was over \$800, a sum which 15 years ago represented at least \$200 more in real family wage than it does now. Over one-third (36.8 per cent) of the family heads belonged to labor unions and nearly one-half (48.7 per cent) belonged to other organizations in addition to religious and charitable societies.<sup>2</sup> It thus appears that they can not be considered representative of the great mass of workingmen's families, either from the standpoint of race or the standpoint of economic status, as constituted at present.

Reference may also be made to the budgetary studies by Chapin, More, Byington, and others which included small groups of representative families. Prof. Chapin found that the majority of the 318 families included in his New York City study carried insurance

<sup>1</sup>Anna Kalet: *Op. cit.*, p. 143. Miss Kalet's estimate in detail of membership in the various funds studied was as follows:

14 fraternal societies.....	104, 000
11 trade-unions.....	20, 000
7 mutual assessment societies.....	32, 000
2 stock companies.....	8, 000
2 establishment funds.....	6, 000
<b>Total.....</b>	<b>170, 000</b>

Preliminary inquiries into establishment sick-benefit funds in New York City have shown that in 26 such funds alone there is a membership of not less than 43,600.

<sup>2</sup>Eighteenth Annual Report of the United States Commissioner of Labor, pp. 75, 506, 508, 507, 509.

of some sort, the most of which was life insurance on the industrial plan. Only 18 per cent of the families had policies of \$500 or over, and "in general," he said, "the insurance is not a provision for a rainy day, but a provision for meeting a single contingent expense, viz, the cost of burying the dead."<sup>1</sup> Insurance against sickness was provided for by membership in benefit societies, but only 69 of the 318 families, or less than 22 per cent, reported such membership. Of these 39, or more than half, were Russian and Austrian Hebrew families.<sup>2</sup> The fear of the potter's field caused even the poorest families to provide against the contingency of charity or public burial; the percentage of total family expenditures which was spent for this meager death insurance was practically the same in families of all ranges of income.<sup>3</sup> Mrs. More's budgets of 200 Greenwich Village families showed that 174, or over 85 per cent, carried insurance; but, as she remarked, "the insurance invariably goes to meet the expenses of the funeral or of the last illness."<sup>4</sup> Probably more typical of wage-earning families in a purely industrial locality was the study of Homestead by Miss Byington. Her investigation included 90 families which were considered representative. It was found that 43 per cent of the men were insured in commercial companies and 58 per cent were insured in lodges. Nearly 86 per cent of the families were carrying insurance of some sort.<sup>5</sup> The amount of weekly expenditures for premiums varied from 51 cents to \$1.86, somewhat according to the expenditure group (economic status) of the family<sup>6</sup> as indicated in the following table:

AVERAGE WEEKLY EXPENDITURES FOR INSURANCE IN EACH CLASSIFIED EXPENDITURE GROUP OF WORKINGMEN'S FAMILIES IN HOMESTEAD.

Expenditure group (weekly).	Number of families.	Average total weekly expenditures.	Average weekly expenditures for insurance.
Under \$12.....	32	\$9. 17	\$0. 70
\$12 and under \$15.....	16	13. 32	. 51
\$15 and under \$20.....	23	17. 59	1. 06
\$20 and over.....	19	25. 50	1. 86

<sup>1</sup> R. C. Chapin: *The Standard of Living in New York City*, Russell Sage Foundation publication, p. 192.

<sup>2</sup> *Idem*, p. 103.

<sup>3</sup> This percentage ranged from 2 to 2.5 in the various income groups. "It is very evident," said Prof. Chapin, "from our data that provision for the expenses of the last sickness constitutes an essential part of the American standard of living, and that most families will go without many comforts in order to keep up their insurance."—*Idem*, p. 194.

<sup>4</sup> Louise B. More: *Wage-earners' Budgets*, p. 43. "That is," as Prof. Seager comments, "industrial insurance among families she studied was, as a rule, merely another name for burial insurance." (H. K. Seager: *Social Insurance*, p. 12.)

<sup>5</sup> Margaret F. Byington: "Homestead: The households of a mill town," *Pittsburgh Survey* (1910), p. 91.

<sup>6</sup> *Idem*, p. 84.

A large portion of the expenditures for insurance went for life insurance, and much of it for accident insurance. Just how much was for health insurance was not indicated. It is interesting to note, however, that nearly all of the Slav families carried insurance in their racial fraternal organizations which had sick-benefit features, while most of the native-born workers who were insured had policies in commercial companies which provided for only life and accident insurance.

It is probably true that a larger proportion of the workers of the newer immigrant group are insured in agencies and organizations providing health insurance than native and older immigrant workers. This, as will be suggested in presenting some data on the character of existing agencies, appears to be due to the fact that immigrant fraternal and beneficial societies are closely connected with religious and racial organizations among the newer immigrant population, which exercise a considerable influence for religious and racial solidarity. The results of the Federal Immigration Commission's investigations, which will be referred to later, afforded some illuminating information on this point as well as on the extent and character of immigrant sick-benefit agencies.

The Federal report on woman and child wage earners (1911) showed that of a total of 2,626 silk workers in New Jersey and Pennsylvania about one-half carried insurance of some sort. Of 2,531 families 52.5 per cent had insured members, and of 295 males 44.4 per cent were insured. The report stated:<sup>1</sup>

In the main the policies represent small amounts which are intended merely as a provision for burial. In many families all the children, whether employed or at home, are insured. This custom is regarded as an evidence of thrift in providing for a time and emergency when expenses will be greater than the current income can cover. Comparatively few of the silk workers carry sick-benefit insurance, so that the insurance against death is expected to cancel all the debts contracted by the last illness and by the funeral. The effort to keep up the payments means at times deprivation, particularly where there are a number of children insured.

It was pointed out that the majority of the policies were carried by industrial companies, and a few were in religious or fraternal societies. It will be remembered that the majority of these employees (73 per cent) were native born and of the older immigrant group (Dutch, English, German, Irish, and Welsh).<sup>2</sup> The same report showed that among woman and child workers in the men's clothing trade in Chicago, Rochester, New York, Philadelphia, and Baltimore, about one-third of the children reporting and about 22 per cent of the women reporting were insured. The insurance was

<sup>1</sup> Report on Condition of Woman and Child Wage Earners in the United States. Vol. IV, p. 803.

<sup>2</sup> *Idem*, p. 63.

for life exclusively, the children's policies averaging about \$140 and those of the women \$258.<sup>1</sup>

The proportion of women workers in factories and stores in New York State paying dues on insurance premiums was found by the New York Factory Investigating Commission to be large. Over 20 per cent of the women in New York City stores, nearly half of the women in factories in New York City, and over half of the women in up-State stores, were paying dues on insurance of some sort. The amount of contribution was 50 cents a month in New York City stores. It averaged 22 cents a month for all employees in the New York City factories and up-State factories who reported and 50 cents a month in up-State factories. The proportion paying dues was largest in the stores because of the prevalence of mutual benefit associations, membership in which was often compulsory. Of 462 women employed in New York City stores who had expenditures for dues, 328 paid dues to mutual aid societies and 162 to insurance companies (for industrial insurance principally).<sup>2</sup>

Among wage-earning women in department stores in several large cities the Federal investigation of woman and child wage earners found that—

many department stores as well as some of the larger manufacturing establishments have organized benefit associations, membership in which is usually compulsory. By the retention of a certain small part of the earnings each pay day a fund is created by the establishment, which may be drawn upon in case of sickness or death. The dues range from 10 to 25 cents per month, and in case of sickness the benefits may amount to one-half the salary, but limited usually to \$5, and the weekly payments may be continued for six weeks if necessary. In case of death the benefits paid range from \$25 to \$100. Sometimes dues and benefits are higher, but the ratio is the same. The retention of the dues, when compulsory, has been complained of by the young and healthy, particularly because the benefits are not available until after from three to six months' employment in an establishment. There are many who have not steady work in one establishment, and to them it is considered a hardship.<sup>3</sup>

In the department stores in Philadelphia, for example, it was ascertained that\*—

women reporting payment of sick-benefit dues each month were many, but those collecting sick benefits were very few. Either the sickness was of only a few days' duration, for which no benefit is allowed, or they had neglected to comply with the rules requiring a certificate from the employer's physician. In some cases they disliked to ask for the benefit. A few cases, however, came under notice of a generous employer who paid the wage to faithful employees during long illness.

<sup>1</sup> Report on Condition of Women and Child Wage Earners in the United States, Vol. II, p. 410.

<sup>2</sup> Fourth Report of the New York Factory Investigating Commission, 1915, Vol. IV, p. 1572.

<sup>3</sup> Op. cit., Vol. V, p. 48.

<sup>4</sup> Idem, p. 166.

The same investigation found that in New York City benefit associations existed in many department stores, the funds of which were composed of money collected for fines and from membership dues. Membership was compulsory after a certain period of employment, usually six months. The report said:<sup>1</sup>

It necessitates a monthly payment of from 10 to 40 cents, according to wage, and entitles a member to half pay during sickness. None of the department or other retail store women employees visited reported any cash receipt from the benefit associations. Several of them had been sick for a few days or a week, but had been advised by older employees not to "bother with the sick benefit." The difficulty arises in having to summon a physician, since a certificate is necessary in order to draw the benefit. Where the illness is not serious and a doctor not necessary the cost of calling him is sometimes more than the amount to be received.

From such data as the foregoing is afforded a general impression as to the extent, and some idea as to the character, of health insurance among wage earners and their families. The absence of comprehensive data is so great a handicap to a thorough understanding of the whole question of health insurance, not only from the point of view of remedial effort, but from the point of view of the wage earners themselves, that the need for further and more complete studies along these lines would seem to be of vital importance.

The character of the health insurance we now have may be suggested by an examination of certain data relating to the existing agencies themselves.

## II. CHARACTER OF EXISTING AGENCIES FOR HEALTH INSURANCE.

Existing agencies for health insurance in the United States are usually classified as follows: (1) Commercial, (2) fraternal, (3) establishment, and (4) trade-union. A fifth type seems to be discernible in the industrial benefit societies which are patterned closely after European models but which have never attained any considerable growth in this country. These societies, however, are very similar to establishment and trade-union benefit organizations in their methods and differ from them principally in the scope of their membership, being confined neither to any one trade or industry nor to any one establishment.

In the following pages the attempt has been made to present some of the most salient characteristics of these types of health insurance agencies, using such data as are available from the most recent and authoritative sources. It has been found impracticable at this time to discuss commercial health insurance in any detail, and the absence of statistical data has made it impossible to con-

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<sup>1</sup> Fourth Report of the New York Factory Investigating Commission, 1915, Vol. V, p. 147.

struct anything like a complete picture of the other types. Lack of space in a brief paper prevents the presentation of even a summary of all of the data relating to many points, and the effort has been made to confine the consideration of existing agencies to certain fundamental characteristics which will suggest comparisons with those standards of health insurance which are being evolved in recent discussions of proposed measures in the United States.

### 1. COMMERCIAL HEALTH INSURANCE.

At least two general classes of companies selling health insurance may be mentioned: (1) The so-called industrial health insurance companies, and (2) the casualty insurance companies doing a health insurance business. The large life insurance companies having what are commonly called "industrial insurance" departments are engaged principally in "burial" insurance and will be referred to incidentally.

Of industrial health insurance enterprises there appear to be legion. Probably the great majority of them are purely local affairs, and many of these do not seem to be listed in the standard insurance publications. A number of them conduct business over considerable territory. Anyone who is familiar with conditions of negro life in the Southern States, for example, is aware of the great amount of business done by enterprises of this character among the negro servants, industrial workers, and other negro residents of Southern towns and cities, but it is impossible to form any statistical estimate of their extent. In 1911 one authority placed the proportion of total accident and health insurance done among wageworkers at 20 per cent and the number of wageworkers with health insurance of this variety at 200,000.<sup>1</sup> This estimate, based as it was on such statistics as were available, seems entirely too small. In the District of Columbia alone, according to figures presented recently by Mr. Charles F. Nesbit, superintendent of insurance, approximately \$500,000 annually is spent by wage earners for industrial health insurance, which at the prevailing premium rates would indicate that something like 40,000 wage earners are insured.

Some insight into the character of the industrial accident and health insurance business is afforded by the results of an investigation a few years ago,<sup>2</sup> but it is not purposed to go into details on this point in a brief paper. No recent study of agencies of this type has been made. In the Insurance Yearbook for 1916 the names of 116 industrial insurance agencies of a commercial kind were given as operating in 1915. Statistics of 29 are presented. These show that

<sup>1</sup> I. M. Rubinow: *Social Insurance*, p. 296.

<sup>2</sup> The results of this investigation are published in the Proceedings of the National Convention of Insurance Commissioners for 1911, Part II, as referred to by Dr. Rubinow in his discussion of sickness insurance in the United States.

their total income was \$5,392,203. Of this amount \$2,855,309, or slightly over 50 per cent, was paid to members in the form of claims and other payments to members; \$1,285,075, or about 23 per cent, was paid to agents and medical examiners; and \$929,457, or approximately 17 per cent, was paid for expenses of management. The payments to agents, medical examiners, and for expenses of management thus totaled about 40 per cent of the gross income. According to the most complete statistics available, the total membership of these mutual societies is about 1,500,000.<sup>1</sup> It is probable that if purely local associations could be included in these statistics, the number of members would be considerably larger.

There are indications that the rate of lapse is very great in mutual benefit associations.<sup>2</sup> The statistics for such associations show that the number of certificates in force at the end of each year is very nearly the same as the number of certificates written during the year. In fact, in some years the number of certificates in force at the end of the year was even less than the number of certificates written during the year. This was the case in 1901, for instance. The statistics for the past five years are as follows: <sup>3</sup>

NUMBER OF MUTUAL BENEFIT ASSOCIATIONS AND NUMBER OF CERTIFICATES WRITTEN DURING EACH YEAR AND IN FORCE AT END OF EACH YEAR, 1911 TO 1915.

Year.	Number of companies.	Number of certificates written during year.	Number of certificates in force at end of year.
1911.....	88	735,426	893,915
1912.....	80	770,367	796,249
1913.....	91	1,464,228	1,563,065
1914.....	123	935,230	1,072,864
1915.....	116	416,964	633,990

An illustration of the character and extent of the business done by companies of this kind in one city is afforded in statistics compiled by Mr. Nesbit. In a recent statement he said that of approximately \$500,000 paid annually by wage earners in Washington for sickness policies, about \$200,000 was annually received by the policyholders in the form of benefits. Referring to the relatively small proportion received, Mr. Nesbit said: <sup>4</sup>

<sup>1</sup> The Insurance Yearbook, 1916, shows that in 1913 the total number of certificates in force at the end of the year was 1,563,065. It should be remembered that the statistics given in the Insurance Yearbook vary from year to year, because statistics of operation are obtained from a varying number of associations.

<sup>2</sup> "Brief for health insurance," American Labor Legislation Review, June, 1916, p. 183.

<sup>3</sup> Insurance Yearbook, 1916, p. A-385.

<sup>4</sup> Hearings before Committee on Labor, Sixty-fourth Congress, first session (H. Res. 159), pp. 104, 105, and 107.



Without going into the question of whether these people (the insurance companies) are as honest as other people or not—I think they are as fair as others—I will say that every time you collect \$100,000 from the poorest citizens of this territory it costs you \$60,000 to collect it, and \$40,000 is all that is paid back. They say it can not be done for less; it costs that much money. That much money is taken away from our people here who are on the verge of going over the brink into the direst poverty. What is the net result? That they get 40 cents back out of a dollar of the hardest kind of earned money they give up. \* \* \* The expenses are high, because the premiums are collected in small amounts of 10, 15, and 25 cents a week. \* \* \* Another thing in connection with the present system is the cost of collecting the benefits. Each claim has to be looked into. There are two or three doctors who see a patient. First, the patient's own doctor comes and sees him, and signs a certificate, which is sent to the company; the company sends out a doctor to see whether the patient is really sick.

The following table, compiled from statistics furnished by Mr. Nesbit, shows the amount of premiums paid by and the amount paid to policyholders and beneficiaries in the District of Columbia in 1914 by companies of this kind:

PREMIUMS PAID BY AND AMOUNT PAID TO POLICYHOLDERS IN THE DISTRICT OF COLUMBIA BY MUTUAL BENEFIT ASSOCIATIONS.

Name of company.	Paid by policyholders.	Paid to policyholders.
American Temperance Life.....	\$1,017.32	.....
Merchants' Life.....	3,242.66	.....
Capital City Benefit.....	42,080.64	\$16,960.94
National Benefit.....	39,903.91	10,123.17
People's Mutual Benefit.....	209,909.38	62,466.56
Provident Relief.....	111,539.68	46,678.89
Home Beneficial.....	42,268.11	14,532.31
Richmond Beneficial.....	11,129.47	3,678.15
Continental Life.....	10,518.88	3,526.35
Total.....	471,593.07	178,866.37

In the District of Columbia the majority of the policyholders in companies such as these are Negroes employed as servants, laborers, and drivers. This type of insurance has also become popular in Maryland, Virginia, the Carolinas, and somewhat in Tennessee.

The development of health insurance commercially managed by casualty, surety, and miscellaneous companies has been very recent in the United States, but this kind of health insurance constitutes a not unimportant part of the existing commercial facilities for sickness insurance. These companies in 1915 received \$7,891,030 in premiums and paid out \$3,705,713 in losses, or 46.9 per cent of the

premiums received. The following statistics are furnished by the Insurance Yearbook:<sup>1</sup>

CASUALTY, SURETY, AND MISCELLANEOUS HEALTH INSURANCE PREMIUMS AND LOSSES, 1911 TO 1915.

Year.	Premiums received.	Losses paid.	Percentage losses paid are of premiums received.
1911.....	\$7,101,666	\$3,314,301	46.6
1912.....	8,339,406	3,126,160	49.3
1913.....	8,928,735	3,256,227	47.0
1914.....	7,200,867	3,342,553	46.4
1915.....	7,891,090	3,706,713	46.9

The total premiums received in the five years 1901 to 1905 was \$7,157,396, as contrasted with \$35,461,204 in the five years 1911 to 1915.

The fact that the premium for the usual policy of this kind (\$60 for the least exposed occupations) is high as compared with the dues in sick-benefit organizations suggests that only the better-paid class of wage earners can avail themselves of this kind of insurance. Furthermore, the premiums are usually paid quarterly, necessitating a relatively large payment at each time, which the average wage earner who is the head of a family manifestly can not meet. Again, the premiums are adjusted according to occupation rather than according to age, and the insurance is much more expensive to workers in industrial occupations than to salaried workers in clerical and similar occupations. As the above statistics suggest, the proportion of losses paid to premiums received is quite low. The average for the 15 years from 1901 to 1915 was 44 per cent, and for 1915 was 46.9.

Aside from the high cost of commercially managed insurance when considered in relation to the amount of cash benefits provided is its expensiveness when considered in relation to the dearth of other benefits provided. Medical service, which is so generally insisted upon as necessary to adequate health insurance, is rarely, if ever, furnished. As has been pointed out, the lack of such provisions is almost inevitable because of administrative difficulties; it "is extremely hard, if not impossible, if a few members live in one village, a larger group in a second town, many members in a city, and isolated members on farms."<sup>2</sup> Preventive activities, if attempted at all, are so gigantic an undertaking that it is not to be wondered at if no effectual attempts have been made by commercial health insurance companies to remove disease-causing conditions, except so far as the individual policyholder is concerned. Effective prevention of sick-

<sup>1</sup> Insurance Yearbook, 1916, p. A-165.

<sup>2</sup> "Brief for health insurance," American Labor Legislation Review, June, 1916, p. 200.

ness is in its very nature a task of social magnitude which the public alone is capable of undertaking in connection with a governmental system of health insurance.

Industrial insurance, which, according to John F. Dryden, is burial insurance,<sup>1</sup> has shown an astounding growth in the United States.

In 1915 there were 33,370,638 policies in force, averaging about \$135 each, an increase of approximately 100 per cent in 10 years. The following table presents the available statistics for various years from 1876 to 1915:<sup>2</sup>

INDUSTRIAL INSURANCE IN THE UNITED STATES.

Year.	Number of companies.	Insurance written.	Insurance policies in force.	
			Number.	Amount.
1876	1	\$727,168	4,816	\$413,072
1886	3	132,674,180	1,764,158	196,694,876
1896	11	360,852,458	7,375,688	886,494,869
1906	19	631,417,760	17,829,046	2,461,177,221
1911	32	785,902,210	24,706,499	3,423,790,536
1915	25	999,079,322	33,370,638	4,431,754,866

As Dr. Rubinow has pointed out, the annual amount spent in industrial insurance premiums in 1911 almost equaled the entire cost of the German social insurance system. "Thus," he said, "the American working class pays for funeral insurance as much as is contributed in Germany by all three parties concerned, the wageworkers, the employers, and the State, for (1) accident insurance, (2) sickness insurance, (3) funeral insurance, (4) maternity insurance, (5) invalidity insurance, and (6) old-age insurance combined."<sup>3</sup> The total cost of premiums in 1915 approximated a quarter of a billion dollars, or nearly \$8 per annum per insured person for funeral insurance. The high cost of this insurance, which is seen in the fact that the expenses of administration are about 40 per cent of the income, is in sharp contrast to the limited character of the benefit received.

#### 2. FRATERNAL SOCIETIES AND SICK-BENEFIT FUNDS.

The members of the larger fraternal orders are in all walks of life, and no classification has been made of their occupational

<sup>1</sup> "To provide \* \* \* for the most simple needs of the mass of the population at the hour of death \* \* \* the problem reduces itself to the necessity that the burial of the father or the child must be paid for. \* \* \* The poor have their standards of life \* \* \* and however humble their station they prefer the burial of their dead at their own expense in a manner which to them represents the common decencies of life." (Quoted from Prof. Zartman's article on life insurance in *Yale Readings in Insurance*, by I. M. Rubinow, *Social Insurance*, p. 419.)

<sup>2</sup> *Insurance Yearbook*, 1916, p. 273.

<sup>3</sup> I. M. Rubinow *Social Insurance*, p. 420.

or economic status. There are certain orders and organizations, however, which are known to be composed almost exclusively of wage earners, such as some of the immigrant national societies. Only a minority of the national orders provide for health insurance, while a large proportion of the local branches of some of the exclusively wage earners' orders have sick-benefit features. The Insurance Yearbook (1916) lists 472 organizations under the head of fraternal orders, but 1915 statistics were available for only about 200 of these. Under this head were included not only some commercially managed "mutual" societies also listed under another head but such organizations as the Brotherhood of Locomotive Firemen and Enginemen. According to Statistics of Fraternal Societies, issued by the Fraternal Monitor, there were on January 1, 1915, 179 fraternal associations. Thirty of these, which were national organizations, paid benefits for sickness in 1914. It has been pointed out that the membership of these 30 societies was given as 820,000, but that not all of the members carried health insurance, as appears evident from the fact that only \$1,100,000 was paid out for sickness and accident claims.<sup>1</sup> At the same time the prevalence of sick-benefit features in local branches of such organizations as the National Croatian Society, the National Slovak Society, the Verhovay Aid Association, the Polish National Union, and other immigrant societies suggests that a very much larger number of members have sick-benefit insurance than that indicated by these figures for national organizations. The whole situation as regards membership and health insurance is so vague that it can not be presented statistically because of the lack of even approximately accurate records.

Some idea of the extent of fraternal organizations and of the character of their sick-benefit features, however, may be gained from the results of investigations made in 1908-9 by agents of the Federal Immigration Commission in typical industrial localities where immigrants were largely employed as wage earners. These data were published in 1911 in studies of community conditions and are scattered through the 12 volumes of the commission's report on Immigrants in Industries. Because of the absence of any reference to them in the literature on health insurance, the salient facts have been briefly summarized in the following pages, with such illustrative statistics and descriptions as appear pertinent. The significance of the data obtained in the course of the Immigration Commission's investigation is enhanced by the fact that the sick-benefit organizations were studied in communities where there were very few, if any, trade-union organizations or establishment funds. They present, therefore,

<sup>1</sup> Statistics of Fraternal Societies, 1915, pp. 197-199. See also "Brief for health insurance," American Labor Legislation Review, June, 1916, p. 184.

a series of pictures of the sick-benefit facilities afforded in representative communities where the wage earners did not have the advantages of either of these health insurance agencies.

It was found that workers of the older immigration—the English, Scotch, Welsh, German, French, and Irish—belonged, for the most part, to the same fraternal organizations as native white workers. Exception may possibly be made of the Irish, with their Ancient Order of Hibernians, and of the group of more recent German immigrants. These groups of native and older immigrant workers, it appeared, should be considered as a single group so far as their fraternal society affiliations are concerned. They belonged—so far as the American wage earner usually does belong—to the distinctly American organizations. It is perhaps not without significance that this general group was found to be composed largely of skilled workers whose earnings were considerably above the average, and very much greater than the earnings of workers of the newer races. The newer immigrant workers, on the other hand, appeared to belong to benefit societies organized along racial and religious lines. Among workers of each of the principal races there seemed to be one or two large national organizations with branches in many industrial localities, as well as many local societies in the various localities unaffiliated with national organizations. Unfortunately, the available data relating to benefit societies among this group of immigrant workers do not afford any basis for even an estimate of their extent. From such information as is available it would appear that some form of health insurance exists in practically every industrial community where there are considerable numbers of immigrant workers of any one race and religious denomination. The usual local dues in these newer immigrant societies were found to be 50 cents a month, which usually entitled insured persons to \$5 a week during sickness for a period varying from 12 weeks to 9 months. If the local society was a branch of a national organization, there were additional dues ranging from \$1 to \$2 and even more, which entitled insured members to a death benefit of \$800 or \$1,000, and to accident benefits varying in amounts. It appeared to be a more or less prevalent practice for the local societies, whether they were independent organizations or branches of parent organizations, to engage principally in health insurance, and for the national organizations to engage in life and accident insurance. Exceptions were found, of course.

The character of these societies may perhaps be best illustrated from the results of a brief study made by the writer a few years ago of immigrant benefit societies in Johnstown, Pa. It was found that out of something like 12,000 or 14,000 immigrant wage earners, approximately 5,000 were members of benefit societies having sick-

benefit features. The situation in this community was believed to be representative of industrial communities in the United States where immigrants constituted a large proportion of the wage-earning population.<sup>1</sup> Fourteen benefit societies were found to be operating. Their names, race and number of members, dues, and amount and character of benefits are set forth in the following table:<sup>2</sup>

FRATERNAL AND OTHER BENEFIT ORGANIZATIONS AMONG IMMIGRANTS, JOHNSTOWN, PA., 1906.

Name.	Race of members.	Number of members.	Dues.	Benefits.
German Beneficial Union	German.....	100	\$2.50 per month.....	\$10 per week for 5 weeks' sickness; \$600 at death with 6 per cent at end of 10 years.
Hungarian Musical Society.	Magyar.....	50	26 cents per month.....	\$2 per week sickness.
Hungarian Reformed Society.	.....do.....	50	50 cents per month and assessments.	\$5 per week sickness; \$60 for funeral expenses.
Italian Fraternal Society	Italian.....	250	50 cents per month.....	\$5 a week and doctor's attendance; funeral expenses.
Polish Benefit Society...	Polish.....	300	50 cents per month and assessments.	\$5 per week sickness; \$1 assessed each member for funeral expenses.
Rochen Männer Benefit Society.	German.....	100	50 cents per month.....	\$5 per week sickness.
St. Joseph's Benefit Society.	Slovak.....	700	Assessment averaging about \$30 per annum.	\$5 per week sickness; \$1,000 at death.
St. Laslo Benefit Society	Magyar.....	700	Assessment \$25 on an average per annum.	Do.
St. Mary's Society (female).	.....do.....	50	25 cents per month; 50 cents assessment on death of members.	\$1.50 per week sickness; \$25 funeral expenses, each member contributing 50 cents.
St. Michael Society (branch line).	.....do.....	60	50 cents per month; \$1 assessment on death of members.	\$5 per week sickness; \$60 for funeral expenses, each member contributing \$1.
St. Nichola Croatian Society.	Croatian.....	800	Assessment \$1.50, \$2 per month, and \$1 on death of every member.	\$5 per week sickness; \$800 at death, depending on the number of members.
St. Rocus Croatian Society.	.....do.....	100	Assessment \$1 to \$2 per month.	\$5 per week sickness; funeral expenses and \$800.
St. Stephen's Benefit Society.	Slovak.....	750	Assessment about \$25 per annum.	\$5 per week for sickness; \$1,000 in case of death.
Verhovay (Benefit, Life, and Death Insurance Society).	Magyar.....	800	\$1.35 per month for men; 65 cents for women.	\$5 per week sickness; \$800 at death for both men and women; loss of eye or limb, \$300.

As the foregoing tabulation suggests, there was a strong tendency toward racial distinctions in the membership of the various societies. In few instances was it found that immigrants belonged to societies controlled by any other race than their own. These instances occurred in cases where immigrants of long residence in the United States and of close association with another race joined the society of that other race. For example, a Magyar in the principal foreign section of the town, having been intimately associated with the Germans living there, joined the German Beneficial Union. He also belonged to the Verhovay, the society of his own race.

<sup>1</sup> Jenks and Lauck: The Immigration Problem (3d ed.), p. 122.

<sup>2</sup> Published in the Reports of the Immigration Commission, vol. 8, p. 468, and in The Immigration Problem (3d ed.), by Jenks and Lauck, p. 123.

The membership of the benefit societies did not by any means include all of the population of any particular race. The large majority of each race does not belong to its benefit organization. The nonmembers gave two reasons: (1) That they could not afford it and (2) that they already were insured against accident or death in the steel company's mutual benefit association. It was a significant fact that the membership of the racial societies was composed almost entirely of those who had resided in the locality for some time and who expected to remain permanently in the United States.

Another peculiar mark of immigrant benefit societies, as seen in this locality, was the fact that their existence was closely bound up with the church to which their members belonged. Thus the names, St. Rocus, St. Stephen's, Hungarian Reformed, etc., indicated that their members were members of the immigrant churches of the same name and denomination as well as race. Frequently it was the case that the priest was the treasurer, or that the president of the church organization was also the head of the benefit association. It seemed clear, after careful questioning, that often the church and the society were cooperating even in a financial way, although by no means as a means of extending charity. In nearly every case the society was started contemporaneously with or very soon after the organization of the church. Not only did this close interrelation of church and benefit society occur locally, but in large societies extending over the whole race in the United States. The Serbian Orthodox Society, for example, is a national organization with a strong branch among the Serbians of Johnstown. The chief financial supporter of the local church was the treasurer of the national benefit society.

The Welsh, Swedish, and English immigrants had no local societies. The Irish belonged to the Ancient Order of Hibernians, and the nonassimilated German immigrants, as well as the Welsh, Swedish, and English, were insured in the American life insurance companies.

Nearly all of the immigrant benefit societies were conducted on the assessment plan with certain variations. The different methods might be classified as follows:

(1) Mutual benefit societies.

(a) Societies paying sick and death benefits in fixed sums, the rate of assessments being determined by the number of members and the nature of the benefit.

(b) Societies having fixed assessments for paying death benefits, usually for funeral expenses, the amount of the benefit being determined by the number of members.

(2) Insurance societies having fixed premiums and fixed benefits.

The simplest form is the first mentioned. A good example is the Hungarian Reformed Benefit Society in Johnstown. The members numbered only 50, and were required to pay regular dues of 50 cents per month for the payment of sick benefits and expenses of management. In case of the death of a member every other member had to contribute \$1 to defray his funeral expenses. As the total regular income would be only \$25 this call was frequently made, and it was stated that members were assessed for more than the regular dues in order to cover the cost of paying the \$5 per week benefit to sick members. The expenses of operation were small in this instance; one man doing in his leisure time all the managerial work and receiving a salary of \$5 per month. There were no medical examinations, but new members were admitted by vote of the society, and due consideration was given, it was claimed, to age and physical condition.

The German Beneficial Union was patterned somewhat after American insurance companies. The members numbered 160 and paid \$2.50 per month for each \$600 policy. The benefits were \$10 per week for sickness, limited to five weeks within a single year, and death benefits of \$60 for each year in which premiums had been paid. Sick benefits were deducted from final settlements by the Union, and the total amount of premiums paid in, less the deductions, were paid to the policyholder at the end of a stipulated time (10, 15, 20 or more years) with 6 per cent interest. Medical examinations were made and age limits fixed, although a flat premium rate was charged according to the length of the time the policy was to continue.

The honesty with which immigrant benefit associations are managed depends, of course, on the honesty of the officers, especially the treasurer, as no bond is required of him. It is not surprising, therefore, to find that instances of dishonesty and even fraud occur. For example, in Johnstown a benefit society, based on the simpler form described above, failed because the treasurer disappeared with the surplus. In this instance the surplus amounted to only \$30. The case of another society was an example on a larger scale. When an investigation of the financial affairs of the society was instituted it was found that the treasurer, a prominent immigrant banker, had embezzled or had allowed to be embezzled not less than \$30,000 of its funds. These were two recent examples at the time of the study, and others were stated by immigrant residents to have occurred in past years.

A study of benefit societies among steel workers in a steel manufacturing town in central Pennsylvania showed that out of 17 benefit organizations among the immigrants 12 were branches of national



societies. The following tabulation presents some of the principal facts relating to race and size of membership, and dues and benefits of these societies:<sup>1</sup>

**BENEFIT SOCIETIES AMONG THE STEEL WORKERS OF A PENNSYLVANIA TOWN, BY MEMBERSHIP, DUES, AND AMOUNT OF BENEFITS PAID.**

Name.	Race of members.	Number of local members.	Monthly dues.		Benefits.	
			Local.	National.	Local society.	National organization.
St. Mark's Croatian. <sup>1</sup>	Croatian.....	24	\$0.50	\$1.50 to \$2...	\$5 per week for sickness, 36 weeks.	\$300 death; \$100 to \$300 for accident.
St. John's Croatian. <sup>1</sup>	.....do.....	30	.50	Vary <sup>2</sup> .....	\$5 per week for sickness, 9 months.	Do.
St. Lawrence Croatian. <sup>1</sup>	.....do.....	115	\$.50	.....do.....	\$5 per week for sickness, 36 weeks. <sup>4</sup>	Do.
St. Anna Croatian. <sup>1</sup>	Croatian and Slovenian.	42	.50	.....do.....	.....do.....	Do.
St. Nicholas Croatian. <sup>1</sup>	Croatian	24	.50	.....do.....	do	Do.
St. Michael's Italian.	Italian.....	80	\$.50	None.....	\$5 per week for sickness for 14 weeks. <sup>7</sup>	None.
Alleman's German Conclave. <sup>3</sup>	Hungarian-Germans.	90	.50	Vary <sup>2</sup> .....	\$5 per week for sickness, 20 weeks.	Vary. <sup>3</sup>
St. John's German.	.....do.....	40	\$.70	None.....	\$5 per week, sickness; \$100 death.	None.
St. John's Slovak <sup>1</sup>	Slovak.....	18	.50	\$1 to \$1.25	\$5 per week for sickness, 9 months.	\$1,000 death; vary for accidents.
Christo Talleff Bulgarian.	Bulgarian....	100	\$.25	None.....	\$5 per week, sickness; death, funeral and relief of family.	None.
Jewish Ladies' Aid.	Hebrew.....	40	.20	.....do.....	Relief, in cases of need, with money, work, medicines.	Do.
St. Nicholas' Serbian. <sup>1</sup>	Slavic.....	40	.50	\$1.35 to \$1.90.	\$5 per week for sickness.	\$300 death; \$200 accident.
St. Stephen's Serbian. <sup>1</sup>	Serbian.....	30	.50	.....do.....	\$5 per week for sickness for 9 months.	Do.
St. Louis' Slovenian. <sup>1</sup>	Slovenian....	75	.50	Vary <sup>2</sup> .....	\$3 per week for sickness for 12 months; death, \$500 and \$1,000.	Vary. <sup>2</sup>
St. George's Slovenian.	.....do.....	35	\$.100	None.....	\$5 per week indefinitely; death \$200; of wife or child, \$50.	None.
St. Nicholas' Slovenian. <sup>1</sup>	.....do.....	32	.50	Vary <sup>2</sup> .....	\$5 per week for 9 months.	\$1,000 death; accident, \$150 to \$1,000.
St. Mary's Slovenian. <sup>10</sup>	.....do.....	20	.50	.....do.....	do.....	Do.

<sup>1</sup> Branch of national society.

<sup>2</sup> According to amount of insurance carried.

<sup>3</sup> 25 cents for wives.

<sup>4</sup> \$2.50 for wives.

<sup>5</sup> Affiliated with National Croatian Society and Grand Carniolan Society; for women.

<sup>6</sup> \$1 assessment at death or serious accident of insured person, and 25 cents at death of member of insured person's family.

<sup>7</sup> \$100 at death and \$1 from each member; \$100 for loss of eye or limb.

<sup>8</sup> Improved Order of Heptasopha, branch of national organization.

<sup>9</sup> And special assessments.

<sup>10</sup> Branch of national society; women only.

It was pointed out also in the report on this particular community that the older German immigrants, as well as the English,

Welsh, Scotch, and Irish, were well represented in the American fraternal orders, although the Irish maintained a local chapter of the Ancient Order of Hibernians. But, "unlike these older races," says the report, "the Italian and Austro-Hungarian immigrants are not yet affiliated with the fraternal orders. They are represented by only a handful of members in the various benefit societies maintained by the employees of the steel company. There are five organizations of this sort—one for clerical employees both of the steel company and of other establishments of the town, one for skilled mechanics and helpers, one for the railroad employees of the steel company, one for the employees of the frog and switch department, and one for employees of the steel company generally."

Statistics of benefit societies obtained by the writer in the course of a study of benefit organizations among workers in a glass-manufacturing town in western Pennsylvania whose wage-earning population is composed largely of Slovaks, Russians, and Italians are interesting because several societies are shown for each racial group. They are summarized in the following table:<sup>1</sup>

BENEFIT SOCIETIES AMONG GLASSWORKERS OF A PENNSYLVANIA TOWN, BY MEMBERSHIP, DUES, AND BENEFITS PAID.

Name.	Race of Members.	Denomination.	Number of members.	Monthly dues.	Weekly sick benefit.	Death benefit.
St. Alois.....	Slovak.....	Greek Catholic.....	15	\$0.50	\$5.00	\$400.00
St. Andrew.....	do.....	do.....	80	.50	5.00	1,000.00
St. Catherine.....	do.....	do.....	50	.50	2.50	700.00
St. Cyrill and St. Methodius.....	do.....	do.....	44	.50	5.00	1,000.00
St. Peter and St. Paul.....	do.....	do.....	10	.50	5.00	1,000.00
Slavish Evangelical Lutheran Union.....	do.....	Lutheran.....	150	1.50	5.00	750.00
Slovak Gymnasium Society.....	do.....	do.....	18	1.50	5.00	600.00
Slovak National Society.....	do.....	do.....	20	1.50	5.00	1,000.00
Holy Virgin Mary.....	Russian.....	Orthodox Greek Catholic.....	100	1.50	5.00	1,000.00
St. Eugenie.....	do.....	do.....	25	1.50	5.00	1,000.00
St. Julius.....	do.....	do.....	80	1.50	5.00	1,000.00
Sta. Peter and Paul.....	do.....	do.....	20	1.50	5.00	1,000.00
Blessed Sacrament.....	Italian.....	Roman Catholic.....	78	.25	5.00	.....
Blessed Virgin.....	do.....	do.....	32	.25	5.00	.....
Holy Rosary.....	do.....	do.....	56	.25	5.00	.....
St. Aloysius.....	do.....	do.....	36	.25	5.00	.....
St. Joseph.....	do.....	do.....	64	.25	5.00	.....
St. Sojerdinovich.....	Russian.....	Union Greek Catholic.....	25	1.50	5.00	1,000.00
Rochdale Benefit.....	French.....	None.....	318	.....	(1)	(2)

<sup>1</sup> Only allowed to shareholders purchasing \$100 or more during year prior to sickness.

<sup>2</sup> Granted, but plans undecided at time of investigation.

It may be noted that all of the societies mentioned in the above table were branches of national or other societies, with the exception of the Rochdale Fund. The Russian Orthodox Greek Catholic societies were branches of, or closely affiliated with, the Russian Orthodox Catholic Mutual Aid Society; the Slovak societies were all connected

with the National Slavic Society; while the other societies were under a similar control. Definite reasons for the large number of different organizations existing in the community could not be secured; but the differences among the immigrants in religious beliefs, and those arising from internal and racial quarrels, have no doubt been largely instrumental in creating the conditions. It was stated by the Roman Catholic Italian and the Russian Orthodox Greek Catholic priests that the benefit societies in operation in their parishes were directly connected with their respective churches. On the other hand, the societies operated among the Russian Union Greek Catholics and the Slovak Lutherans, according to the statements of their respective ministers and priests, had no direct connection with the churches. The Rochdale Benefit Fund mentioned in the table was operated in connection with the Belgian cooperative store. Only shareholders of the store who purchased not less than \$100 worth of commodities during the year previous were allowed to receive benefits for sickness or accidents. The weekly benefits were equal to one-half of the weekly average of purchases during the year preceding date of beginning of benefit payments. The benefit payments were made out of a reserve fund which was provided for out of the profits of the store, one-fifth of the dividends for each quarter being placed in this reserve. It had been decided to pay death benefits, but at the time of this investigation their exact nature had not been determined. This benefit fund is limited to no race or creed.

Miss Byington's study of Homestead in 1908 presented some interesting data relating to fraternal organizations among the steel workers. "In one day's paper," she said, "50 meetings of fraternal orders were scheduled for one week. Facts were secured concerning 23 out of a total of perhaps half a hundred lodges. The 23 had a membership in 1907 of 3,663; of these 3,400 were men. Almost all the organizations include both social and benefit features."<sup>1</sup> These included the Elks, the Protected Home Circle, the Royal Arcanum, and other American fraternal societies. The membership of these was composed of native Americans and of older immigrant workers. Among the newer immigrant workers, however, there were a number of organizations whose membership was distinct along racial and religious lines. "The Slavs," said Byington, "have developed a system of benefit organizations which fill a large rôle in the life of this isolated portion of the community. While it was difficult to secure comprehensive data, I learned of at least 26 lodges in Homestead. Twenty-two of these had a total membership of 2,108, 1,765 of whom were men. The Slovaks, Croatians, Poles, Hunga-

<sup>1</sup> Margaret F. Byington: "Homestead: The households of a mill town," Pittsburgh Survey (1910), p. 118.

rians, and Lithuanians have their independent societies, and intermingling among these groups is rare."<sup>1</sup> Nearly all of these have sick-benefit features, the character of which is outlined in the following table which has been compiled from data secured by Miss Byington:

MEMBERSHIP, DUES, AND BENEFITS OF SLAVIC SOCIETIES IN HOMESTEAD, PA., 1908.

Name.	Race of member.	Number of members.	Age limits.	Dues (3 months).	Benefits.
Greek Catholic Union....	Russian...	431	16-45	\$1.80	Death, \$1,000; of husband or wife, \$400. Accident, \$150-\$1,000. Sickness, \$5 per week for 26 weeks.
National Croatian Society.	Croatian..	130	18-45	1.70	Death, \$900. Accident, \$400-\$900. Sickness, \$5 per week for 39 weeks.
National Slavonic Society.	Slovak....	263	16-45	1.80	Death, \$1,000; of husband or wife, \$300. Accident, \$100-\$1,000. Sickness, \$5 for first 13 weeks, \$2.50 for second 13 weeks.
Slovak Gymnastic Union....	do.....	65	16-35	.75	Death, \$500; of husband or wife, \$150. Accident, \$50-\$150. Sickness, \$5 for first 13 weeks, \$2.50 for second 13 weeks.
First Catholic Slovak Union.	do.....	480	16-45	1.95	Death, \$1,000; of husband or wife, \$400. Accident, \$100-\$1,000. Sickness, \$5 for first 13 weeks, \$2.50 for second 13 weeks.
First Catholic Slovak Union (for women).	do.....		16-50	.....	Death, \$500; of husband, \$250. Accident, \$300 for total disability. Sickness, \$5 for first 13 weeks, \$2.50 for second 13 weeks.
Hungarian Reformed Federation.	Hungarian.	.....	16-55	Vary. <sup>1</sup>	Death, \$300-\$750; of husband or wife, one-half of amount for insured person. Accident, \$100-\$375. Sickness \$5 for first 13 weeks, \$2.50 for second 13 weeks.

<sup>1</sup> According to age of member.

In a typical anthracite coal-mining community the workers were found to belong to a large number of benefit organizations. The racial segregation in membership was quite clearly indicated. The Immigration Commission's report stated:<sup>2</sup>

Among the Americans, English, Scotch, Welsh, Irish, and Germans are found the following societies: Patriotic Sons of America, Independent Order of Odd Fellows, Free and Accepted Masons, Knights of Pythias, Junior Order of American Mechanics, the Elks, Fraternal Order of Eagles, Knights of Columbus, Ancient Order of Hibernians. The women of these races belong to the following societies: Daughters of America, Daughters of Liberty, Rebeccas, Women's Relief Corps. In addition to the above-named organizations, the Welsh have a society called the Reformed Order of Ivorites, and the Germans one known as the Washington Benevolent Association. Among the societies peculiar to the Lithuanian race are some 20 or more organizations of a beneficial and religious nature. Their members are bound to an observance of the rules of the church, but their chief purpose is to provide life insurance and sick benefits. The monthly fee in all the societies is 50 cents. During sickness a benefit of \$5 a week (some omit the first week) is paid. At death a sum of about \$25 is

<sup>1</sup> Margaret F. Byington: "Homestead: The households of a mill town," Pittsburgh Survey (1910), p. 160.

<sup>2</sup> Reports of the Immigration Commission, vol. 16, p. 677.

paid for funeral expenses, and each member donates 50 cents (in some societies \$1) toward the support of the bereaved family. One or two of the societies are of the nature of straight life insurance, paying a fixed sum, usually \$1,000, at death, but no sick benefits. Membership in these societies is usually limited to males, but the Lithuanians also have several organizations, in which the religious features are more pronounced, made up of women. Among the Polish there are about a dozen beneficial societies and half as many more which are mainly religious in character. The benefits, insurance features, and organization are practically the same as described in the case of the Lithuanian societies. There are seven religious beneficial societies among the Ruthenians and three or four among the Slovaks. As yet, there are neither fraternal nor beneficial organizations among the Italians, Syrians, or Hebrews.

In a representative coal-mining community in western Pennsylvania it was found that—

The Americans, Irish, English, and Welsh are members of the usual fraternal societies and also patronize industrial and other insurance companies. The Irish have a branch of the Ancient Order of Hibernians, which does not differ from such branches elsewhere. The recent immigrants have organized benefit societies along racial lines, and the reason for this is readily explained by two facts: (1) The natural inclination of a race in a new country where the language and institutions are only partly understood is to segregate itself for beneficial and protective purposes; and (2) the absence of any industrial insurance in connection with the mines, except trade-union benefits, as well as the absence of practically all forms of welfare work or aid on the part of the employers, throws the employees upon their own resources. In the light of these considerations, the Poles maintain a benefit society for members of their own race who contribute 50 cents per month and receive, in case of sickness or accident, \$5 per week. Similar organizations are maintained by the Lithuanians and by the Slovaks and Ruthenians jointly.<sup>1</sup>

In its survey of immigrant bituminous coal mine workers in the southwest, the Immigration Commission found that "the societies and fraternal organizations to which immigrants belong are numerous." Its report says:<sup>2</sup>

A canvass of the Oklahoma district showed the following societies and organizations having recent immigrants as members: Slovaks belong to the First Catholic Union and the National Slovak Association; these societies are fraternal and beneficial. Mexicans belong to the National Beneficial Society; this society is a sick-benefit organization. Italians belong to La Minature, Vittoria Emanuel III, and Christiforo Colombo; these are fraternal and beneficial societies. North Italians also belong to the Società Piemontese and Società di N. Italia; these societies are fraternal. The Poles are members of the National Polish Society, which gives sick and death benefits and is fraternal. Italians who have taken naturalization papers belong to the American Knights of Pythias, Odd Fellows, and Foresters of America.

Negroes are members of the Odd Fellows and Masons. English, Irish, Scotch, and Welsh are members of the Masons, Knights of Pythias, Foresters of America, Woodmen of the World, and the usual American fraternal and beneficial societies. The Lithuanians are not affiliated with any fraternal or beneficial organizations.

<sup>1</sup> Reports of the Immigration Commission, vol. 6, pp. 553, 554.

<sup>2</sup> Idem, vol. 7, pp. 107, 108.

Among entirely different races of workers in Tampa, Fla., benefit societies were found by the agents of the Immigration Commission.<sup>1</sup> Among the Cubans there were two organizations, "El Circulo-Cubano" for the whites and "El Martí y Maceo" for the Negroes. The first was affiliated with the parent body in Havana, and its members were entitled to all the benefits of the casino and sanatorium located in Havana. Besides these there were about a dozen beneficial organizations directed by Cuban doctors, who thereby assure themselves of a steady income. Apparently no age limit is set in these societies, as whole families, including the youngest children, are frequently found enrolled. The fees average about \$1.50 per month for each member. The benefits consist of free medical attendance and the payment of a fixed sum in case of death. Among the Spanish two societies existed. One, "El Centro Asturiano," was affiliated with the parent society in Havana, and in addition to a casino, library, theater, gymnasium, etc., has a large sanatorium. The other, "El Centro Español," was a local organization with recreational and educational facilities and a sanatorium. Among the Italians was a local society, "L'Unione," with 200 members. The initiation fee is \$2.50 and the monthly dues \$1. Immediately upon becoming a member one is entitled to the free services of a doctor in case of sickness, and after a membership of six months to an allowance of \$7 a week when sick in addition to the services of a doctor.

### 3. ESTABLISHMENT SICK-BENEFIT FUNDS.

Studies of establishment sick-benefit funds by the Federal Bureau of Labor Statistics and by the United States Public Health Service are now in process, and their results, of course, are not yet available. Sufficient data relating to certain features of these funds, which are being made the subject of special study by the United States Public Health Service, are at hand, however, to warrant the presentation of a few preliminary statistics and general statements, which, in view of the fact that the material published in the Twenty-third Annual Report of the Commissioner of Labor is now about 10 years old, may be of interest here. It should be understood that whatever conclusions are suggested should be regarded as tentative, since they are subject to changes which will doubtless result from more careful compilations and from additional material. The data are thus merely descriptive in a general way, and on certain points, of perhaps a representative number of typical establishment funds.

Preliminary inquiries as to sick benefits were made by circular letter of about 6,500 establishments, both mining and manufacturing, in the United States. Of these, approximately 2,300 were interested

<sup>1</sup> Reports of the Immigration Commission, vol. 16, p. 228.

enough to reply. About 1,725 gave negative replies, and about 525 stated that sick benefits or medical relief, or both, were provided for in the establishments, exclusive of those whose employees belong to unions having sick-benefit features. Approximately 425, or 19 per cent, of those replying had sick-benefit funds, and about 100, or less than 5 per cent, provided some sort of medical relief without cash benefits.<sup>1</sup> These proportions, however, are probably too large, since those establishments which have sick-benefit funds are much more likely to reply to a Government inquiry than establishments who do not have such funds. A conservative estimate would probably be that only between 10 and 12 per cent of the manufacturing and mining establishments in the United States have mutual sick-benefit funds or other provisions for sickness and nonindustrial accident.

The average number of employees during the year<sup>2</sup> in all the establishments having sick-benefit funds so far included in this survey was approximately 1,178,000. The average membership of all the establishment sick-benefit organizations and funds was about 749,000, or approximately 60 per cent of the average labor force.<sup>3</sup> Of 389 funds for which data are now available, only 29 had provisions for compulsory membership.<sup>4</sup> In 4 of these 29 establishments certain classes of employees were not subject to the compulsory provisions. In 360 voluntary membership funds at least 140 had entrance restrictions as to age and 36 as to sex. The age limits were usually 16 or 18 years and 45 and 50 years, although in some instances the higher age limits were 55 and even 60 years. Medical examinations of applicants for membership were required by at least 80 funds, and personal statements as to the applicant's health were

<sup>1</sup> These proportions may be considered in relation to the results of other recent inquiries. In response to a questionnaire sent out by the National Association of Manufacturers to its members, "out of 564 manufacturers sufficiently interested in sickness insurance to reply only 144, or 25 per cent, had mutual benefit funds or other provisions for sickness." (National Association of Manufacturers: Report of Industrial Betterment Committee, May, 1916, p. 11.) "A similar inquiry by a manufacturer in 1913 brought out like results. Out of 500 prominent manufacturing establishments addressed, about 200 did not reply at all, and only 110 of the remainder had such funds." (W. S. Chandler: "Sickness-benefit funds among industrial workers," American Labor Legislation Review, March, 1914, p. 73. Quoted in connection with the above in the Review for June, 1916, p. 181.) It is perhaps proper to suggest that the proportion of those included in these two inquiries which had sick benefits is rather large, since the inquiries were addressed to a selected group of larger establishments.

<sup>2</sup> For a large majority of establishments the statistics are for the year 1914. For some, statistics for the year 1915 were secured.

<sup>3</sup> In both railroads and establishments studied by the Bureau of Labor in 1906 and 1907 the proportion of total employees who were members of benefit funds was slightly over 40 per cent. (Twenty-third Annual Report of the United States Commissioner of Labor, pp. 271, 390.) Pension, invalidity, and other funds, as well as sick-benefit funds, were included, however, in these figures.

<sup>4</sup> Seventy of the 461 establishment funds included in the Bureau of Labor's study had compulsory membership. Half of these were in jointly managed funds. *Op. cit.*, p. 394.

required in over 160 funds. In over 100 funds specified periods of employment in the establishment were required. The most frequent period required was one month, but many required three and six months, and a few as much as one year. Nearly 200 of the funds required the payment of small initiation fees. Continuance of membership in practically all funds was contingent upon continuance of employment in the establishment. It is of interest, perhaps, to note that in the by-laws or constitutions of at least 220 of the 389 funds it was provided that employees forfeited all their rights in the sick-benefit funds when they ceased to be members. It is believed that this proportion will be considerably larger when more complete data are obtained:

For 397 railroads and establishments having sick benefits, information was secured as to financial support and management. About two-thirds of these were supported entirely by employees, about 31 per cent jointly by employees and employers, and less than 3 per cent entirely by employers.<sup>1</sup> According to statements and other information furnished by the establishments or the funds, 299 or 75 per cent were managed by employees, 85 or 21 per cent jointly, and 13 or 4 per cent by employers. It is very probable that when more complete information is obtained it will be seen that the measure of control exercised by employers is larger than that indicated by these preliminary data.<sup>2</sup> The figures which have just been given refer, perhaps, more accurately to the management of the funds than to their actual control.<sup>3</sup>

The relation of the management of the funds to the source of their financial support is not without its significance. This is tentatively

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<sup>1</sup> These tentative results are almost identical with the results shown in the Twenty-third Annual Report of the United States Commissioner of Labor for 1906 and 1907. Of 497 railroad and establishment funds over two-thirds were supported entirely by employees, nearly 30 per cent jointly, and about 1 per cent entirely by employers (pp. 271, 272, and 399). These included, however, 15 funds paying only death or superannuation benefits, and 8 of the 5 funds supported entirely by employers were pension funds.

<sup>2</sup> Here, again, the above tentative figures coincide very closely with those shown in the Twenty-third Annual Report of the United States Commissioner of Labor. Of the 497 railroad and establishment funds included in the 1906 and 1907 study, 73 per cent were managed by employees, 20 per cent jointly, and about 7 per cent by employers (pp. 271, 272, 399).

<sup>3</sup> "In the case of funds under joint management it is very common for officers in the establishments to hold important offices in the funds," as the Twenty-third Annual Report of the United States Commissioner of Labor pointed out. "The investigation disclosed cases in which the establishment let it be known unofficially to the employees that it would be very acceptable to them if certain of their officials were elected to hold important offices in the funds, and, as a rule, the employees acted as the establishments indicated, accepting these hints or suggestions as practically mandatory." (Twenty-third Annual Report of the United States Commissioner of Labor, pp. 392, 393.)



indicated in the following preliminary statistics for 397 railroads and establishments having sick-benefit funds:

MANAGEMENT OF 397 ESTABLISHMENT FUNDS, CLASSIFIED ACCORDING TO SUPPORT BY EMPLOYEES ONLY, EMPLOYERS ONLY, AND JOINTLY.

Management of funds.	Financial support of the funds.						Total.	
	By employees.		Jointly.		By employers.			
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
By employees.....	234	89	65	52	.....	.....	299	75
Jointly.....	28	11	56	48	1	10	85	21
By employers.....	1	( <sup>1</sup> )	3	2	9	90	13	4
Total.....	263	100	124	100	10	100	397	100

<sup>1</sup> Less than 1 per cent.

It will be seen that nine-tenths of the funds supported entirely by employees are managed by employees, while exactly the opposite is true of funds supported entirely by employers. Of jointly supported funds, about one-half are managed by employees, and one-half are either managed jointly or by employers alone.<sup>1</sup> Joint management does not by any means indicate that the contributions of employees and employers are equal. While, on the one hand, joint management often means real control by the employer, joint financial support, in the great majority of instances, means a comparatively small proportion of the fund revenue contributed by employers. Further and more careful study is necessary before any exact statements can be made, but the following preliminary statistics

<sup>1</sup> Similar data for 461 establishment funds published in the Twenty-third Annual Report of the United States Commissioner of Labor indicate that very much the same situation was found in 1906 and 1907. The following tabulation has been prepared from the statistics on page 399 of the report, excluding railroad benefit funds for which data could not be compiled in this form:

Management of funds.	Financial support of the funds.						Total.	
	By employees.		Jointly.		By employers.			
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
By employees.....	258	80	83	61	.....	.....	341	74
Jointly.....	44	14	48	32	1	30	88	19
By employers.....	19	6	9	7	a 4	80	32	7
Total.....	321	100	135	100	5	100	461	100

<sup>a</sup> Three pension funds are included.

of the method of the employer's contribution in 124 jointly supported funds will be suggestive of the situation:

**METHOD OF EMPLOYER'S CONTRIBUTION IN 124 JOINTLY SUPPORTED ESTABLISHMENT FUNDS, CLASSIFIED ACCORDING TO MANAGEMENT OF FUNDS.**

Method of employer's contribution.	Management of the funds.						Total.	
	By employees.		Jointly.		By employers.			
	Num-ber.	Per-cent.	Num-ber.	Per-cent.	Num-ber.	Per-cent.	Num-ber.	Per-cent.
Per cent of total fund receipts.....	14	22	29	52	1	( <sup>1</sup> )	44	25
Administration expenses.....	2	3	10	18	1	( <sup>1</sup> )	13	11
Specified amount per member of fund.....	8	12	4	7			12	10
Guaranty of sufficient funds.....	4	6	1	2			5	4
Specified lump sum.....	19	29	4	7	1	( <sup>1</sup> )	24	19
Indefinite amount.....	18	28	8	14			26	21
Total.....	65	100	56	100	3	( <sup>1</sup> )	124	100

<sup>1</sup> Number too small to calculate percentage.

It will be seen that in over half of the jointly managed funds the employer's contribution was a proportion of the fund receipts. Of the 29 funds in this group 1 was supported entirely by the employer, to 6 funds the employer contributed only 10 per cent, to 7 he contributed 25 per cent, to 9 he contributed 50 per cent, and to the remaining 6 he contributed proportions varying from 5 to 30 per cent. Thus in two-thirds of this group of jointly managed funds the employer contributed less than 50 per cent of the receipts. In 7 of the 14 funds managed by employees to which employers contributed a percentage of the receipts, the employer's share was less than 50 per cent. In the 12 funds to which the employers contributed specified amounts per member, the employer's contribution ranged from 2½ cents to 30 cents per member per month, nearly all being under 25 cents per month. One employer paid a lump sum of \$50,000, one of \$12,000 annually, one of \$1,000, and two of \$500, the lump contributions of the remaining being \$300 each or less. The funds to which the two largest sums were contributed were jointly managed; in the other two jointly managed funds the lump-sum contributions were \$100 to \$125 annually. The contributions classified as "indefinite" in amount were usually quite small, except in five instances when the employer paid all death benefits. The tentative statement may be ventured that in less than a fourth of the jointly managed sick-benefit funds does the employer contribute as much as one-half of the total receipts. On the other hand, the monthly rates of contribution by employees in 217, or 56 per cent, of 390 sick-benefit funds were 50 cents or more per employee. In 115 funds, or 29 per cent, the rate was less than 25 cents. In 113 the rates varied accord-

ing to class of membership, wages of member, or rates of assessment.<sup>1</sup> In 120 funds, or 31 per cent, the contribution of employees was made by deductions from the pay roll.<sup>2</sup>

The cash benefit for sickness was most frequently \$5 a week, this occurring in nearly 30 per cent of the total 389 funds for which data were available. In nearly 30 per cent the amount of benefit varied according to occupation, age, sex, or "class" of membership, usually within the range of benefits specified for the remaining 70 per cent.<sup>3</sup> Of the 261 funds which stipulated a single sum as weekly cash benefit, 16 per cent provided for benefits of less than \$5 a week, 41 per cent provided for \$5 a week, and 91 per cent provided for \$7 or less a week.

Of 339 funds for which data are at present available, 35 per cent paid cash benefits for periods less than 13 weeks of continuous illness, and 32 per cent paid for 13 weeks. Eighteen funds, or 5 per cent, paid for 52 weeks,<sup>4</sup> and 17 per cent paid for 26 weeks or over. Two-thirds of the funds, therefore, paid for 13 weeks or less, a situation which is somewhat similar to that found by the Bureau of Labor in establishment funds in its study 10 years ago.<sup>5</sup>

The evidence of illness required in nearly all funds was either the report of the visiting committee, composed of members of the fund, or of the attending physician. While practically every fund which was not entirely or largely supported by the employer had committees to visit sick members and to look into claims for sick benefits, over 200 funds, or more than half, required a physician's certificate as evidence of illness.<sup>6</sup>

Approximately 85 per cent of 398 sick-benefit funds also provided death benefits. Of these 335 funds, a third paid a death benefit of \$50 or less, 18 per cent paid \$100, and 17 per cent paid over \$100.

<sup>1</sup> In 12 funds the members contributed percentages of their wages varying from one-half of 1 per cent to 1½ per cent. In 3 funds the rate of contribution was determined by assessments sufficient to cover expenses. The Bureau of Labor's study in 1906 and 1907 found that while the rate of employees' contributions varied greatly in the several funds, the most common rates were \$3, \$5.20, \$6, and \$12 a year. Not less than 375 of 416 establishment funds included in its study had \$6 a year or less. (Twenty-third Annual Report of the Commissioner of Labor, p. 402.)

<sup>2</sup> A larger proportion of establishments and railroads deducting employees' contributions from the pay roll was found by the Bureau of Labor in 1906 and 1907. Two hundred and fifteen, or 43 per cent, of the 497 establishments and railroads followed this practice. (Op. cit., pp. 272, 406.)

<sup>3</sup> In 4 per cent (18 funds) the cash benefit was a percentage of the employee's wages. Three of these funds provided for the payment of full wages, the others, for payments ranging from one-half to three-quarters of full wages.

<sup>4</sup> One of these paid for an unlimited period.

<sup>5</sup> Twenty-third Annual Report of the Commissioner of Labor, pp. 413-415. It appears from statistics published for 429 funds in its report that approximately 55 per cent paid for 13 weeks or less. This was for the total period, including second and third periods of disability.

<sup>6</sup> A few others required a physician's certificate if the sick person lived at some distance away from the locality.

The remaining 32 per cent paid amounts varying according to the "class" of membership.<sup>1</sup>

Regular employment of physicians by the funds was rare. In only 64 out of 390 funds, or less than 17 per cent, were physicians regularly employed for all or part of their time. The employment of physicians was apparently more frequent in funds jointly supported or supported entirely by employers than in funds supported entirely by employees. Nearly 30 per cent of the former had regularly employed physicians as against less than 10 per cent of the latter. Twelve of the 64 funds having physicians were enabled to do so by the presence of "company doctors" whose services to the fund constituted part or all of the employer's financial contribution, and 26 were funds which were jointly or entirely supported by employers. In some of the remaining 26 funds supported entirely by employees, the employer participated in the management. It appears safe to say that in the great majority of instances, fund physicians are regularly employed only where the employers have some part in the control and management of the fund.

So far as present information indicates the employment of physicians does not imply medical service in every instance. It appears to be true that the medical service of at least some of these physicians is limited. In only 6 of the 390 funds included in this preliminary survey was medical service specified as one of the benefits.<sup>2</sup> The use of the company hospital was provided for in 13 funds, and provisions for other hospital care were made in 12 funds. Medical and surgical supplies were provided in 12 of the funds, which also provided hospital service. In 3 funds the services of physicians were provided to members at reduced rates.

Medical or hospital service of any kind thus appears to be provided in only a small proportion of establishment funds. Defining medical and hospital service in terms of broadest latitude, the statement may be ventured that in less than a fourth of the establishment funds so far considered are there benefits of this kind,<sup>3</sup> and that the great

<sup>1</sup> The Bureau of Labor's study of 461 establishment funds in 1906 and 1907 found that 419, or 91 per cent, paid death benefits, and that in 317 funds paying specific lump-sum benefits the predominant rates were \$50 and \$100, although several paid sums ranging from \$200 to \$1,000. The average death benefit in the year for all of the 419 funds, including those paying according to assessment and other methods, was \$209.76.

<sup>2</sup> In at least 1 additional instance medical service was furnished at additional cost.

<sup>3</sup> "According to the report of the United States Commissioner of Labor, 20 per cent of the 461 funds provide some form of free medical service, but costs and other details are not given. In the cases disclosed by personal search some gave free consultation, while others were supplied the necessary medicines." (W. S. Chandler: "Sickness-benefit funds among industrial workers," *American Legislation Review*, March, 1914, pp. 74, 75.) It should be noted, however, that in at least 10 of the funds medical and surgical aid applied only to cases of accident occurring on duty. (Twenty-third Annual Report of the United States Commissioner of Labor, p. 419.)

majority of funds supplying such service are among those partly or wholly supported and controlled by the employers.<sup>1</sup>

In addition to establishments whose employees have sick-benefit funds, there are a considerable number of establishments which have medical-benefit funds without cash benefits. In States where accident compensation laws have not been enacted accident funds providing for medical service are, of course, familiar practices, just as they were in other States before accident compensation laws were passed. Reference is not to these funds, however, but to medical-benefit funds which provide medical and sometimes hospital service for sickness and nonindustrial accidents without any cash payments. As already mentioned, a preliminary survey of establishment funds found not less than 100 of these funds.<sup>2</sup> The most typical are those found in connection with mines, lumber camps, iron and steel manufacturing plants, and occasionally in southern textile-mill villages, and even in establishments in large towns and cities, such as light and power and street railway establishments. Some of them are jointly supported, but the majority are wholly dependent upon the contributions of employees, which are usually deducted from their wages, and nearly all are managed and controlled by employers. In a number of instances medical service, at additional cost, is afforded to members of employees' families. Medical service is usually administered by physicians regularly employed by establishments and paid for out of the fund. Free choice of physician is not allowed unless the patient pays for the attendance of a physician who is in private practice.

This medical benefit usually takes the form of establishment medical service by "company doctors." In isolated mining and lumber communities it affords medical service which otherwise, unless furnished free by the employer, would not easily be available. It affords this service at very much lower cost than would be possible if physicians in private practice had to be relied upon. Many young medical graduates serve their apprenticeship in this kind of practice, and in a great majority of instances there appears to be little real complaint against the quality of the service rendered. The principal objections by employees seem to be a feeling of the lack of freedom in the choice of physicians under the fund and the absence of a share in the control of funds which they wholly or largely support.

<sup>1</sup> The Twenty-third Annual Report of the United States Commissioner of Labor found 68 funds providing free medical aid among the 322 funds supported by employees and 19 among the 139 funds supported wholly or in part by employers. (Twenty-third Annual Report of the United States Commissioner of Labor, p. 419, cf. p. 309.) It was also found that "a few of the establishment benefit funds maintain, or have working arrangements with, hospitals whereby members of the funds have the privileges of hospital service when necessary, in addition to the money benefits granted by the funds." (Op. cit., p. 428.)

<sup>2</sup> Eighteen "hospital" funds were described in the Twenty-third Annual Report of the United States Commissioner of Labor. Of these, 14 provided home treatment for disabled members in lieu of hospital service when so desired (p. 608).

The character of medical service afforded by a number of establishments which provide medical service without organized sick-benefit societies was described in the Federal report on labor conditions in the iron and steel industry in 1913. In 84 plants included in the investigation 20 made deductions from wages for medical fees, "company" doctors were employed, and in a few cases "company" hospitals were equipped. In some cases medical service was furnished to the families of married employees as well as to the employees themselves. The dues were usually 50 to 75 cents a month for single men or married men when medical care was not furnished to their families, and \$1 for married men and their families. The report commented on this system as follows:<sup>1</sup>

Undoubtedly the maintenance of these funds is often a benefit to the employees, enabling them, through cooperation, to secure medical service at much lower rates than would be possible if each worker needing a doctor paid his own individual fees. Nevertheless, the arrangement is far from satisfactory, since in every establishment visited the funds, although derived wholly from the wages of the employees, were administered by the officials of the company and the workers had no voice in either their collection or their distribution.

#### 4. TRADE-UNION SICK-BENEFIT FUNDS.

Complete data relating to the extent and character of sick benefits in trade-unions in the United States have never been collected. The comprehensive study made by the Federal Bureau of Labor, and published in the Twenty-third Annual Report of the Commissioner of Labor in 1908, was probably complete for international union organizations at that time, but contained data for only a small proportion of the total number of union locals. The data in this report are now 10 or 11 years old. The data published in the recent reports of the executive council of the American Federation of Labor relate to a limited number of international unions, and give extremely fragmentary data on sick benefits in union locals. At the present time data are being collected from both international unions and union locals by the Federal Bureau of Labor Statistics and the United States Public Health Service, but the inquiry has not yet proceeded far enough to admit of final statistics or even estimates.

In order to suggest in very general terms, however, the extent of sick benefits in unions the following preliminary statement has been prepared. Except where indicated, the data have been obtained from the material published in the reports of the executive council of the American Federation of Labor and through correspondence and investigation. The data relating to sick benefits in union locals are extremely vague, since very few international or national union officers have complete information on those local union sick-benefit funds which are operated independently of the international or national organization. The word "some" occurring in the column relating

<sup>1</sup> Report on Conditions of Employment in the Iron and Steel Industry, Vol. III, pp. 398, 399.

to union locals may mean any number of locals having sick benefits, from one to all; where it has been possible to insert more definite information from the available data it has been done.

SICK BENEFITS PAID IN SPECIFIED INTERNATIONAL AND LOCAL TRADE-UNIONS IN THE UNITED STATES.

Kind of union.	Sick benefits.	
	International. <sup>1</sup>	Local unions having sick benefits. <sup>1</sup>
A. F. of L. locals.....		Some; \$1,380.53 expended in 1914.
Bakery and Confectionery Workers.....	\$53,605 expended in 1914.	Some.
Barbers.....	\$38,298.29 expended in 1914.	None.
Bill Posters <sup>2</sup> .....	None.	Some.
Blacksmiths and Helpers.....	do.	Do.
Boilermakers and Iron Ship Builders.....	do.	Do.
Bookbinders.....	do.	Do.
Boot and Shoe Workers.....	\$91,212.34 expended in 1914.	None.
Brewery Workers.....	None.	Some.
Bricklayers and Masons <sup>2</sup> .....	do.	Do.
Bridge, Structural, etc., Workers.....	do.	None.
Broom and Whisk Makers.....	do.	Some; \$500 expended in 1914.
Carpenters and Joiners (Amalgamated).....	\$11,908.73 expended in 1915.	None.
Carpenters and Joiners (United).....	None.	Some.
Carriage Workers <sup>2</sup> .....	do.	Do.
Car Workers <sup>2</sup> .....	do.	Do.
Carvers, Wood.....	do.	None.
Cigar Makers.....	\$210,000 expended in 1914.	Some. <sup>3</sup>
Clerks, Retail.....	\$17,270 expended in 1914.	Do. <sup>3</sup>
Cloth Hat and Cap Makers.....	\$1,157 annual average expenditure in 5 years, 1908-1913.	None.
Compressed Air Workers <sup>2</sup> .....	None.	Some.
Coopers.....	do.	Some; \$200 expended in 1914.
Diamond Workers.....	\$2,650 expended in 1915.	Some.
Electrical Workers.....	\$4,955 expended in 1911.	Practically all locals.
Elevator Constructors <sup>2</sup> .....	None.	Some.
Engineers (Amalgamated).....	do.	Do.
Engineers, Locomotive.....	do. <sup>4</sup>	Do.
Engineers, Stationary <sup>2</sup> .....	do.	Do.
Firemen and Engineers, Locomotive.....	do.	Do.
Flour and Cereal Mill Employees <sup>2</sup> .....	do.	Do.
Foundry Employees.....	do.	Some; \$435 expended in 1914.
Freight Handlers <sup>2</sup> .....	do.	Some.
Garment Workers, United.....	do.	Do.
Glass Bottle Blowers.....	do.	Do.
Glass Workers (Amalgamated).....	do.	Do.
Glass Workers, Flint.....	do.	Practically all (137 in all).
Glass Workers, Window.....	do.	Some.
Granite Cutters.....	do.	None.
Grinders, Pocket Knife Blade.....	do.	Some; \$126 expended in 1914.
Grinders, Table Knife <sup>2</sup> .....	do.	( <sup>5</sup> )
Hatters, United <sup>2</sup> .....	do.	Some.
Hod Carriers.....	do.	Do.
Horseshoers <sup>2</sup> .....	do.	Do.
Hotel and Restaurant Employees.....	do.	Out of 573 locals in 1915 (49 not reporting) 331 had sick benefits and 193 had none; \$95,455.54 expended in 1915.
Iron and Steel Workers.....	\$16,440 expended in 1914.	( <sup>6</sup> )
Jewelry Workers.....	( <sup>7</sup> )	\$56 expended in 1911.
Lace Operatives.....	None.	Some.
Lathers, Wood, Wire, and Metal.....	do.	Do.
Laundry Workers.....	do.	None.
Leather Workers on Horse Goods.....	\$3,135 expended in 1914.	Do.
Letter Carriers (Mutual Benefit Association).....	None.	Do.
Lithographers.....	do.	All locals (20).

Statistics of amounts expended are from reports of the executive council of the American Federation of Labor, except when it is indicated that the data are from the Twenty-third Annual Report of the United States Commissioner of Labor.

<sup>1</sup> Data from Twenty-third Annual Report of the United States Commissioner of Labor.

<sup>2</sup> For indigent members only.

<sup>3</sup> No data.

SICK BENEFITS PAID IN SPECIFIED INTERNATIONAL AND LOCAL TRADE-UNIONS  
IN THE UNITED STATES—Continued.

Kind of union.	Sick benefits.	
	International. <sup>1</sup>	Local unions having sick benefits. <sup>1</sup>
Longshoremen.....	None.....	Some.
Machinists.....	do.....	Do.
Meat Cutters and Butcher Workmen.....	do.....	Do.
Metal Polishers.....	do.....	Some: \$6,000 expended in 1914.
Miners (Western Federation).....	do.....	Some.
Mine Workers (United).....	do.....	Approximately 25 per cent of 2,600 locals.
Molders.....	\$150,000 annual average expended 1908-1913.	(?)
Musicians.....	None.....	Some.
Painters, Decorators, and Paper Hangers.....	do.....	Some: \$30,800 expended in 1914.
Paper Makers.....	do.....	1 local.
Pattern Makers.....	\$8,084.81 expended in 1914.	(?)
Paving Cutters.....	None.....	None.
Photo-engravers.....	For tuberculous members, \$10,933.71 expended in 1914.	5 locals.
Piano and Organ Workers.....	\$1,500 expended in 1914.	(?)
Plasterers, Operative, and Cement Workers.....	None.....	"Many" locals have sick benefits.
Plumbers and Steamfitters.....	\$68,968 expended in 1914.	(?)
Post Office Clerks.....	None.....	Extent unknown; \$1,400 expended in 1914.
Potters, Operative.....	\$350 expended in 1914. <sup>2</sup>	(?)
Pressmen, Printing.....	None.....	Some.
Print Cutters.....	do.....	None.
Printers, Machine.....	do.....	Some.
Printers, Plate, Steel and Copper.....	do.....	Some: \$5,967 annual average 1908-1913.
Pulp and Sulphite Workers.....	do.....	Some: \$375 expended in 1914.
Quarry Workers.....	do.....	None.
Railroad Trainmen <sup>4</sup> .....	do.....	Some.
Railway Carmen.....	do.....	Do.
Railway Conductors.....	do.....	Do.
Railway Employees, Street.....	do.....	Out of 213 locals 88 have sick benefits; \$56,877.62 expended in 1914.
Railway Maintenance-of-way Employees.....	do.....	(?)
Railway Signalmen.....	do.....	Some.
Railway Telegraphers.....	do.....	Do.
Seamen.....	do.....	Some: \$5,300 expended in 1914.
Shingle Weavers.....	do.....	None.
Slate and Tile Roofers.....	do.....	Some.
Sheet Metal Workers.....	do.....	Do.
Spinners <sup>4</sup> .....	do.....	Do.
Steam Shovel and Dredge Men.....	do.....	None.
Steel Plate Transferrers.....	do.....	Do.
Stereotypers and Electrotypers.....	do.....	Some.
Stogy Makers <sup>4</sup> .....	do.....	(?)
Stone Cutters.....	do.....	Some.
Stove Mounters.....	do.....	Do.
Switchmen <sup>4</sup> .....	do.....	Do.
Tailors.....	\$21,180.90 expended in 1914.	Do.
Teamsters, Chauffeurs, etc.....	None.....	"Many" locals have sick benefits.
Telegraphers, Commercial <sup>4</sup> .....	do.....	(?)
Theatrical Stage Employees, etc.....	do.....	Do.
Tobacco Workers.....	\$6,248 expended in 1914.	(?)
Travelers' Goods and Leather Novelty Workers.....	None.....	Some.
Tunnel and Subway Workers.....	do.....	Some: \$500 annual average 1908-1913.
Typographers.....	do.....	Some.
Typographers, German-American <sup>4</sup> .....	\$1,829.45 in 1907 <sup>5</sup> .	(?)
Weavers, Wire.....	None.....	Some: \$68 expended in 1914.
Weavers, Elastic Goring <sup>4</sup> .....	do.....	None.
Woodworkers (Amalgamated) <sup>4</sup> .....	do.....	(?)

<sup>1</sup> See note 1 on p. 461.<sup>2</sup> No data.<sup>3</sup> First year of operation.<sup>4</sup> Data from Twenty-third Annual Report of the United States Commissioner of Labor.<sup>5</sup> For all "temporary disability," including accidents.



Excluding the local unions directly affiliated with the American Federation of Labor, there are 106 trade-unions of a national character included in the foregoing statement. Information as to national or international sick-benefit funds was not available for one of these, leaving 105 for such consideration as the present limited data permit. Of those 105 unions, 85, or 81 per cent, had no international sick benefits.<sup>1</sup> Information relating to local unions of 81 of these unions which had no national or international sick benefits indicated that 68, or nearly 85 per cent, had sick-benefit funds in some of the locals.<sup>2</sup> In only 12 of the 92 national unions for which information was available for both national and local funds were there no sick benefits of any kind. At the same time it should be remembered that local sick-benefit funds, in probably many of the national unions, exist in a comparatively small number of local unions. In but 6 of the 72 national unions reporting the existence of sick-benefit funds in local unions was it indicated that "many," "practically all," or "all" of the union locals had sick-benefit funds.

It is obviously impossible to make any estimate even of the proportion of union members who are insured against sickness, from such data as the above. It does appear certain, however, that the total number of wage earners insured against sickness in union sick-

<sup>1</sup> In 1907 there were at least 125 international or national unions, and 84 of these were listed by the Bureau of Labor as possessing some benefit features. Every one of the 84 provided death benefits, but only 19 provided "temporary disability" (sickness and accident) benefits. Of the total \$7,829,121 spent for benefits, \$5,164,385 was for death benefits and only \$832,760, or about 10 per cent, for temporary disability benefits. (See Twenty-third Annual Report of the Commissioner of Labor—Workmen's Insurance and Benefit Funds in the United States, pp. 23, 48-51.) The reports of the executive council of the American Federation of Labor show that only about one-fourth of the total expenditures of international unions affiliated with the federation for benefits went for sick benefits (including accidents), as indicated by the following figures:

	Amount in 1915.	Per cent of total.
Death of union members.....	* \$2, 185, 418. 55	61
Death of members' wives.....	70, 150. 00	2
Sickness.....	† 971, 271. 75	27
Traveling benefits.....	70, 346. 70	2
Tool insurance.....	2, 170. 78	(°)
Unemployed benefits.....	256, 002. 29	8
Total.....	3, 555, 360. 07	100

\* Excluding \$5,300 for sick benefits paid by Seamen's Union.

† Including \$5,300 for sick benefits paid by Seamen's Union.

° Less than one-tenth of 1 per cent.

<sup>2</sup> Of the 530 local union benefit funds included in the Bureau of Labor's study, 346, or 65 per cent, paid benefits on account of temporary disability. Thirty-eight of these paid for accident only and 4 paid for sickness only. Thus 308, or 58 per cent, paid for sickness. Op. cit., p. 205.

benefit funds is considerably less than the total number of union members.\*

The character of the sick benefits afforded in unions, as shown in the report of the Bureau of Labor's inquiry, appears to be generally the same as that shown by more recent data, and by the investigations now under way. Some of the salient facts relating to sick-benefit funds in international unions, as ascertained by the Bureau of Labor Statistics in its present investigation, are presented in the following tabulation:

NATIONAL OR INTERNATIONAL UNION SICK BENEFITS, 1915.

[From a report to be issued in the near future by the United States Bureau of Labor Statistics.]

Name of organization.	Year of establishment of benefit fund.	Total benefit membership.	Waiting period (days).	Character of benefits paid.			Number of beneficiaries and total paid out.	
				Nature of disability.	Amount per week.	Number of weeks.	Benefit claims.	Amount.
Bakers and Confectioners.	1895	16,359	7	Accident and sickness.	\$7.00	16	1,944	\$53,605.00
Barbers.	1891	30,641	7	do.	5.00	16	2,117	58,298.00
Boot and Shoe Workers.	1899	32,436	7	do.	5.00	13	3,121	81,413.66
Cap Makers.	1912	3,258	7	do.	Males, 5.00 Females, 3.00	6	225	2,762.00
Carpenters and Joiners, Amalgamated Society of. <sup>1</sup>	1880	3,358	3	do.	\$1.75-4.20	15	( <sup>2</sup> )	11,908.73
Cigar Makers.	1891	45,736	7	do.	5.00	13	7,149	210,428.00
Clerks, Retail.	1906	15,900	7	do.	5.00	12	614	15,575.00
Diamond Workers.	1903	260	6	do.	( <sup>2</sup> )	11 <sup>1</sup> / <sub>2</sub>	45	2,553.60
Engineers, Amalgamated Society of. <sup>4</sup>	1851	2,822	3	do.	.75-3.00	( <sup>5</sup> )	( <sup>5</sup> )	6,955.00
Iron, Tin, and Steel Workers.	1908	7,174	7	do.	5.00	13	694	16,440.00
Leather Workers on Horse Goods.	1896	1,746	7	do.	5.00	10	94	2,135.00
Letter Carriers.	1909	11,480	<sup>6</sup> 7	do.	9.00	26	1,588	56,675.13
Molders.	1895	50,000	7	do.	5.40	13	6,246	133,418.00
Patternmakers <sup>1</sup> .	1898	6,400	14	do.	4.00	13	( <sup>2</sup> )	8,896.55
Piano and Organ Workers. <sup>1</sup>	1898	1,000	7	do.	5.00	10	( <sup>2</sup> )	1,457.65
Plumbers and Steamfitters.	1902	44,109	7	do.	5.00	13	1,997	49,970.00
Tailors, Custom.	1908	13,119	7	do.	5.00	10	741	21,202.00
Tobacco Workers.	1896	3,890	7	do.	3.00	13	371	6,846.00
Typographers (German-American).	1884	888	7	do.	5.00	100	116	3,625.00

<sup>1</sup> Data are for 1914.

<sup>2</sup> No data.

<sup>3</sup> \$12 for the first week, \$2 per day thereafter.

<sup>4</sup> Data are for 1911.

<sup>5</sup> Varying periods.

<sup>6</sup> No waiting period for accidents.

The reports of the executive council of the American Federation of Labor, in commenting upon its statistics of international and national benefit funds, said: "Your attention is called to the fact that the amounts herein reported on account of various benefits in the past year are, in the majority of cases, those paid directly by the internationals, and therefore the totals represent but a small proportion of the aggregate sum paid by unions in the way of 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 most instances benefits paid by internationals are supplemental relief, paid to members in addition to the benefits provided by their local unions." (Report of the Proceedings of the Thirty-fifth Annual Convention of the American Federation of Labor, 1915, p. 31.) It is clear, of course, that this comment does not indicate that every union local has each kind of benefit, but that almost without exception all union locals provide for some kind or kinds of benefits. Death and disability benefits are the most prevalent, and disability often includes only disability from accidents.

At the present time there are altogether 19 national or international unions which are reported as having in operation systems for the payment of temporary disability benefits. Of 19 unions, two (the Amalgamated Society of Engineers and the Letter Carriers) are not affiliated with the American Federation of Labor. All of the locals in the international unions named in the foregoing tabulation had members participating in the sick benefits. Restrictions of various kinds, of course, limited the number of members in each local who participated. Some of these restrictions were age (usually over 50), nonpayment of dues, chronic diseases, intemperance, and immoral conduct, occasionally classification of members according to occupation, and varying regulations as to the length of membership before right of participation. The total membership of an international union thus was not the same as the total entitled to participation in sick benefits. In the case of only 2 unions were the weekly cash benefits greater than \$5, while 4 of the unions paid less than \$5, and 2 paid \$5 or less, according to the membership class. The limit of the benefit period in one year was 13 weeks in 7 out of 19 unions for which stated periods were given and less than 13 weeks in 5 unions.

The sickness benefits do not include any other benefits than the payment of cash. This was clearly shown by the Bureau of Labor's inquiry in 1906 and 1907, and appears to be the rule among international union sick funds at the present time. No medical service is afforded. In practically all instances certificates of disability, signed either by family physicians or by visiting committees (in some instances by both), are required. Physicians are not employed except to act as advisory referees in rare instances and to make physical examinations in those few unions where physical examinations are required. From the standpoint of these funds the physician's function is to prevent malingering. Maternity benefits are not provided. In some unions the payment of cash benefits during confinement is expressly prohibited. Hospital service is afforded only in special cases and is not regarded as a usual or recognized benefit.

The inquiries now being made into sick benefits in union locals have not reached the stage where they can afford a comprehensive picture of the situation as it exists to-day. So far, it may be tentatively stated, the present inquiries appear to show that the main features of local union sick-benefit funds as they are to-day are very much the same as those found by the Bureau of Labor's limited inquiry 10 years ago. These features may be summarized briefly.<sup>1</sup>

<sup>1</sup> Twenty-third Annual Report of the United States Commissioner of Labor, p. 197 et seq.

The period for which benefits were paid varied from 4 weeks in one year to unlimited period, but 205, or 70 per cent, of the 292 local temporary disability funds for which tabulation could be made paid for 13 weeks or less. This included the total time for which benefits could be paid, both first and later periods. About 80 per cent of these, however, paid for only one period. Of 346 funds 133 did not pay benefits for the first 7 days of disability, 59 paid from the beginning, 60 paid from the beginning provided the member was disabled 7 days or more, and 11 did not pay for periods longer than 7 days. Others had various provisions as to the length of disability before benefits could be paid. Nearly 75 per cent of the 346 funds required membership in the fund for periods longer than one month before title to benefits could be established, and in over 50 per cent six months or longer membership was required.

The amount of cash benefit varied considerably, ranging from \$1 to \$15 a week for members of the first class for the first period of disability. The benefits for the second and third periods were slightly less. A brief exact statistical statement for all the funds reported is impossible, but it appears that of the 193 local unions which provided for temporary disability benefits of fixed sums for all classes of members 46, or 23 per cent, paid \$3 or less per week during the first period of disability, 94, or 49 per cent, paid \$4 and \$5; 37, or 19 per cent, paid \$6 and \$7; and only 16, or 9 per cent, paid over \$7. Thus only 53, or 28 per cent, paid as much as \$1 per day.<sup>1</sup> For the second period of disability, of 48 local unions providing benefits of this character 29, or 61 per cent, paid \$3 or less per week; 16, or 33 per cent, paid \$4 and \$5; and 3, or 6 per cent, paid over \$5. For the third period of disability, of the 13 unions providing benefits of this character 10 paid \$5 or less a week. The average amount paid per day of disability to members drawing temporary disability benefits in 329 funds, reporting both the number of days for which payments were made and the total amount paid during the year, was 80 cents. The average total amount per person drawing benefits during the year was \$23.51, entailing an average expenditure per member of \$2 during the year.

The fact that the death benefit paid by local unions is usually only sufficient to pay for the expenses of the funeral or, at most, the expenses of the last sickness, is so well known that extended presentation of statistical or descriptive data is not necessary here. The average amount of death benefit paid by the 397 local unions included in the Bureau of Labor's study was \$116.88 during the year, entailing an average cost per member of \$1.28. In the 322 funds

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<sup>1</sup>A few others paid varying amounts, according to the class of membership, but only 1 out of 14 paid over \$7 per week to members of the highest class.

which had but one class of death benefit about one-third paid \$100, about one-sixth paid \$75, and about one-fourth paid \$50.<sup>1</sup>

Although inquiries into local union benefit funds have not proceeded to a stage where they can afford representative data, it seems to be true that the restriction of sick benefits to payments of cash and of death benefits to amounts barely sufficient to cover the expenses of the last illness and a decent funeral is as prevalent now as it was 10 years ago. Medical and hospital service is afforded only in rare instances<sup>2</sup> and for exceptional cases by special vote or dispensation. The practice of having local union committees to visit sick members seems to be general, but their duties are confined to condolence and to the prevention of malingering. There appears to have been no such results from the work of visiting committees in American union funds as were occasionally evidenced in Germany, for example, where the committees originated and stimulated movements for better housing conditions. Family physicians are relied upon in the majority of local unions to sign disability certificates; very rarely are physicians regularly employed by unions to act as referees; hardly ever are they employed to engage in preventive work. The prevention of disease can not be said to have been recognized as a function of the union sick-benefit fund; the efforts by unions to remove disease-causing conditions in places of work, for example, are rarely, if ever, in any way connected with their sick-benefit activities.<sup>3</sup>

#### I. INDUSTRIAL BENEFIT SOCIETIES.

Quite similar in character to those fraternal sick-benefit organizations whose membership is largely composed of wage earners, as

<sup>1</sup> Twenty-third Annual Report of the Commissioner of Labor, pp. 213-219.

<sup>2</sup> A study of 11 trade-union benefit funds in New York City in 1914 and 1915 revealed the fact that only 1 provided medical care to insured members in times of sickness. This union was in "exceptionally favorable circumstances for this purpose," since it was under the jurisdiction of the joint board of sanitary control. It provided medical attendance and home nursing and hospital care for tuberculous workers. ("Voluntary health insurance in New York City," by Anna Kalet, special investigator, American Association for Labor Legislation, American Labor Legislation Review, June, 1916, pp. 149, 150.) Mr. James M. Lynch mentions, for example, an instance of a local union providing hospital care. The union in question was the St. Louis Typographical Union, No. 8, which paid hospital charges not in excess of \$7 a week in lieu of the usual cash benefit of \$5 in such cases where the illness required hospital accommodations. ("Trade-union sickness insurance," American Labor Legislation Review, March, 1914, p. 85.)

<sup>3</sup> Miss Kalet found that of the 11 trade-unions in New York she studied in 1914 and 1915 only 2 undertook preventive work. She said: "A large printers' union has in every shop or 'chapel' a sanitary subcommittee consisting of one member, the 'time chairman' elected by the workers. He usually supervises sanitary conditions in the shop, but as there are no particular rules or standards each chairman in turn acts according to his individual judgment. When something seems to him insanitary he reports it to the sanitary committee of the local, consisting of three people appointed for a year by the president. This committee from time to time takes up questions of sanitation with the State department of labor. Much more efficient preventive work is done by the joint board of sanitary control in the garment trades, but of the unions visited only one is under the jurisdiction of this board. In two cases it was stated that very rarely, once in several years, representatives of the board of health lectured before the union." (Op. cit., p. 153.)

well as to sick-benefit funds in unions and in establishments, are the so-called "industrial benefit societies." They differ from the larger American fraternal orders in that their membership is composed of wage earners almost exclusively, and from immigrant fraternal societies in that they are not connected with any religious or racial organizations. They differ from union and establishment funds in that their membership is not confined to any particular union or establishment, although in some instances it is confined to certain industries or trades.<sup>1</sup>

As Rubinow has pointed out,<sup>2</sup> benefit societies of this type in the United States have not attained the growth and popularity which they have attained in European countries. They have not as yet been included in the surveys being made by the Federal Bureau of Labor Statistics and the United States Public Health Service, but it seems clear that their number is small and their membership limited in extent. The Federal Bureau of Labor reported 35 of these societies in 1906 and 1907. Of these 31 had sick benefits, 24 had accident benefits, 30 had death benefits, and a small number had permanent disability benefits. The monthly dues in 15 societies were 50 cents or more per member, and in 20 societies were 50 cents and less. In 7 the dues were more than 50 cents per member, and in 8 of them the dues varied or were on an assessment basis. The cash sick benefits were \$5 a week or less in 8, from \$6 to \$9 in 13, \$10 or more in 6, and varied in 4 according to age and class of membership. Twenty paid death benefits of \$100 or less, 6 over \$100, and in 4 the death benefits varied. A few were organized for death benefits only, and some paid smaller benefits upon the deaths of members' wives. The period for which sick benefits were paid was usually less than that prevailing in union and establishment funds.

Probably the best-known example of this type of benefit organization is the Workingmen's Sick and Death Benefit Fund of the United States (*Arbeiter-Kranken- und Starbe Kasse der Vereinigten Staaten von Amerika*), which has, according to its latest published statement, over 43,000 members. It is the largest of its kind in this country and was organized in 1884 by German Socialist exiles, being patterned very closely after European models. The age limits of membership are 18 and 45 years. It pays cash benefits ranging from \$3 to \$9 per week, according to class and period of sickness. No member can receive cash sick benefits for more than 80 weeks during the entire period of his or her membership. In addition to initiation fees, ranging from \$1 to \$8, according to age and sex and class, monthly assessments are made of 30 cents,<sup>3</sup> 80

<sup>1</sup> Twenty-third Annual Report of the United States Commissioner of Labor, p. 005.

<sup>2</sup> I. M. Rubinow: Social Insurance, p. 286.

<sup>3</sup> For "third-class" members, and do not entitle women members to sick benefits.

cents, and \$1.05. The organization's assets over liabilities were stated in 1916 to be approximately \$770,000, or about \$15 per member.<sup>1</sup> Medical service, apparently, is not furnished. Beneficiaries are under the control of the visiting committees and physicians in each locality, who examine them weekly and file medical certificates. This society paid out a total of \$365,566.85 in sick benefits during the year 1915. The Workmen's Circle (*Arbeiter Ring*) of New York City is the second largest society of this kind. During the year 1915 it had a membership of over 42,000, and paid out \$149,918 in sick benefits.

### III. LIMITATIONS OF EXISTING HEALTH INSURANCE AGENCIES.

The evidences of existing agencies for health insurance in the United States are impressive because they clearly show that within the comparatively short modern industrial period a large number and a variety of collective efforts have been made by the wage earners themselves to provide against sickness. They have done this without governmental encouragement and without the cooperation of those whose business it especially is to safeguard the public health. Only within recent years have they begun to receive the cooperation of employers, and in many instances even this cooperation has been of doubtful value. It is indeed significant that they have sought to provide against sickness by means of insurance. It means, first, that wage earners and, to some extent, employers have realized the necessity for making provisions for ill health, and, second, that they have naturally adopted the principle of insurance in meeting the cost of making these provisions. "In other words," to quote a recent review of the situation, "so far as they are able, wage earners are rapidly adopting health insurance of their own accord. A constantly growing number of employers are inaugurating establishment funds which are largely supported by their employees. Commercial companies are finding their health policies more and more popular in spite of the relatively heavy cost to wage-earning holders," and there is seen an "unmistakable tendency on the part of all concerned—the worker as well as the employer, the individual as well as the State—toward the adoption of the insurance principle as the most practicable and the most efficient method of attacking the problem of sickness."<sup>2</sup>

<sup>1</sup> These statements are based on the most recent published reports of the fund. A description of the organization as it existed in 1907 is published in the Twenty-third Annual Report of the United States Commissioner of Labor, pp. 733-735.

<sup>2</sup> Health Insurance—Its Relation to the Public Health, by B. S. Warren, surgeon, and Edgar Sydenstricker, public health statistician, United States Public Health Service, Public Health Bulletin 76, p. 52.

But if we measure the progress in health insurance in this country by the standard of progress in social and industrial development along other lines, we are compelled to realize that the situation is seriously disappointing. The best that can be said of the existing agencies for health insurance in this country is that they constitute "a situation not unlike that in European countries before any remedial legislation developed; before not only the compulsory system was inaugurated or subsidies granted, but before even regulating and encouraging legislation became known."<sup>1</sup> Our Governments are already thirty-odd years behind the times in taking this step toward safeguarding the economic status and the health of their millions of wage earners. The feeling of shortcoming is all the greater when it is remembered that the present situation as regards health insurance exists in spite of remarkable advances in the science of disease prevention and in public health administration in the United States. We must confess, in the matter of health insurance, not only that we have left undone those things which the experience of progressive industrial nations of Europe have shown to be of vital importance in the relief of sickness, but that we have failed to utilize a splendid opportunity for the prevention of disease.

The recent movement for governmental health insurance in this country has had for one of its first results the setting up of certain ideals which are distinctly in advance, in some important details, of the best European systems. There is very clearly discernible a disposition not to be satisfied with simply borrowing the German or the British system as it now stands, but to insist, at the very beginning, upon some improvements that European experience has shown to be possible and advisable, as well as to propose that health insurance be made a new agency of disease prevention as well as of relief and cure. The setting up of these ideals has at the same time furnished a criterion by which we may judge of the adequacy of existing agencies. Upon such a basis it is possible to suggest briefly the limitations of the existing agencies which have been reviewed in the foregoing pages.

Three general limitations may be outlined: (1) In the extent of existing agencies among wage earners; (2) in the kind of benefits that are provided; and (3) in their disease-preventive force and methods.

#### 1. IN EXTENT.

The existing agencies for health insurance in the United States are limited in their extent, both as to the actual number of workers insured and as to the classes of workers who are insurable. It does not need to be pointed out in detail that union sick-benefit funds are

<sup>1</sup>I. M. Rublnow: Social Insurance, p. 283.



limited to the relatively small proportion of wageworkers who are organized; that establishment funds are limited to a comparatively small number of plants; that fraternal societies can never hope to be universal in their membership; that the so-called industrial benefit societies have never attained any great degree of popularity in this country; and that commercial health insurance suffers from natural limitations. The very fact that only a small minority of insurable wage earners are at present insured, even after a large variety of agencies have been available for a number of years, is evidence enough that voluntary insurance in this country, just as it was in European countries, will never come up to our expectations. A further limitation in the extent of existing agencies lies in their self-imposed restrictions. There are limitations as to sex. Even in some funds where women workers are insured, they are definitely barred from benefits for disability due to confinement. Medical entrance examinations frequently prohibit from membership those who are in greatest need of medical attention at low cost. The great mass of the poorly paid workers are in large measure automatically shut out. The cost of the most reliable commercial and fraternal insurance is too great for them to bear. The uniform rates of dues for all classes of workers in most establishment funds places the poorer paid workers at a disadvantage, for very rarely does the employer's contribution vary inversely with the scale of the employee's earnings. The particular social group which so largely constitutes the membership of an American fraternal order, or the religious or racial group which usually determines the scope of the immigrant benefit society, is a further limitation. Workers in occupations in which there is a high disease hazard are usually specifically barred from commercially managed funds or effectually barred by the high premium rates they must pay. They are barred because of conditions which are not under their control.

### 2. IN CHARACTER OF BENEFITS.

The effectiveness of existing agencies in providing for sickness is greatly handicapped by the character of the benefits they provide. The cash benefit seems small, especially when it is remembered that in the great majority of funds the cash benefit is designed to defray the cost of medical attention, medicines, and hospital care. It is rarely enough in any of the funds which have been reviewed to pay for the extraordinary expenses of illness, much less keep the family from destitution when the breadwinner is disabled. The duration of the cash benefit is short as compared with the German and British practice. Rarely do we find provisions for hospital benefits for sickness and nonindustrial accidents. Of even greater importance

is the almost universal lack of medical service in sick-benefit funds. The wage earner who is insured at high cost in existing agencies is enabled to secure no more than a small pittance during illness and enough to give him a decent funeral. I call to mind that in at least one sick-benefit fund the only death benefit for the insured is \$10 worth of flowers, although the matter of a coffin and a final resting place for his body is left to the vagaries of fortune or of charity. The provision for cash benefit without medical service permits opportunities for malingering, and for unfair administration of funds.<sup>1</sup> The relation of present sick-benefit funds to the medical profession may be described as unsatisfactory at best. Where physicians are now employed to give medical service they are employed as salaried "company" or "lodge" doctors. The member in these funds has no free choice of his physician unless he is able to pay the fees of physicians in private practice in addition to his fund dues, or gets his medical service free either by omitting to pay for it or by seeking the aid of charitable agencies. The salaried company doctor who passes upon disability claims is sometimes compelled to make concessions to the company's labor policy. I have in mind one establishment where the disability-certificate records were stated to be unsatisfactory for statistical purposes because the granting of certificates was influenced by the scarcity or abundance of the local labor supply. Even in those establishments where health insurance in this country has been most fully developed, so far as cash benefits, medical and hospital service, and preventive work are concerned the employer exercises the real control, even though he may not be a large contributor to its support. Whether he contributes his full share or not, health insurance under such conditions may be regarded by his employees as paternalistic.

In the great majority of funds providing no medical service the insured members have a free choice of physicians, yet prompt attendance is obtained either at high cost or through charitable agencies. No one has ever compiled statistics as to the size of the "charity practice" of private physicians, but there is no doubt, if such were collected, that they would exhibit an astonishingly large amount of free service rendered unselfishly by the medical profession. What medical service we have for members of sick-benefit funds is not supervised. It is not correlated with the existing agencies for the prevention of disease. The whole situation, as regards medical service and the medical profession, suggested by these and other con-

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<sup>1</sup>"The policy of providing only cash benefits has the serious defect that receipt of cash benefit alone may in some cases offer a stronger incentive to malingering than if the money were accompanied by medical care by the society doctor. It is frequently stated that private physicians when asked for sickness certificates are inclined to be lenient, whereas lodge doctors are more likely to be strict." (Anna Kalet: "Voluntary health insurance in New York City," *American Labor Legislation Review*, June, 1916, p. 147.)

siderations, is most unsatisfactory. It is inadequate for the needs of the wage earner and his family; it is detrimental to efficient industry; it is unfair and often harmful to the funds, and distinctly unjust to the medical profession.

#### 8. IN FACILITIES FOR THE PREVENTION OF DISEASE.

In the vast majority of instances, existing agencies for health insurance in the United States are concerned only in an incidental way with the prevention of disease. This statement seems to be thoroughly warranted by all available data. It has been found that, except in very rare instances, sick-benefit funds have not the preventive point of view, and do not possess any machinery or equipment for removing disease-causing conditions. Only in so far as temporary relief may have a preventive effect upon the individual beneficiary are existing agencies preventive in any possible sense of the word.

Yet there is no more clearly and generally recognized function of insurance than the prevention of the loss which is compensated. Viewed in the light of the preventive developments in European health-insurance systems, and of the standards of health insurance which are being agreed upon as necessary for any governmental system in the United States, this deficiency in existing agencies is a serious one. From the standpoint of those who are interested primarily in the improvement of the wage earner's health, it is the most lamentable of the shortcomings of the present health-insurance facilities. It is plainly out of keeping with certain important tendencies of the day—with preventive medicine, with the improvement of home and community conditions in the wage earner's environment, with the effort to lessen occupational disease hazards, with the enlightened attitude of employers in matters that affect the efficiency of the labor force, with the aims of modern labor leadership, and with modern public health activities and administration.

The principal shortcomings of existing agencies in disease prevention may, perhaps, be more clearly emphasized by referring briefly to certain standards for health insurance that seem to be emerging from the present discussion. While there is no disposition to question the necessity for methods of ascertaining the extent and nature of disease-causing conditions among the wageworking population, yet the statistics of disability now afforded by sick-benefit funds are worthless for this purpose. Without accurate statistics of disability it is impossible for the rate of premium to be adjusted to the hazards that exist in local or plant conditions. There appears to be fairly general agreement on the principle that if any health-insurance scheme is to have preventive force it must provide a financial incentive for removing the conditions that are responsible for

sickness, and on the fact that this incentive is strongest wherever the employer finds it to his financial interest to undertake or to stimulate preventive activities. Yet such an incentive is usually lacking in the great majority of sick-benefit funds. It seems to be generally recognized that industrial health insurance, if it is to be preventive, should be a joint activity of employers and employees in which just division of financial support and cooperation in management and control are not merely theoretical but actual. Yet the relatively small number of jointly supported funds, and the even smaller proportion of funds in which there is real cooperation of this sort, are salient characteristics of existing agencies. It is being earnestly proposed that health insurance, if it is to be in any real sense a health measure, should be directly linked with the public health agencies.<sup>1</sup> As has been pointed out in recent discussions of the preventive functions of insurance, while more satisfactory statistics of disability would indicate the direction for preventive activities, while a financial incentive would be a stimulating force for prevention, and while an equitable basis for real cooperation between employers and employees would be afforded in joint control, some definite machinery for removing disease-causing conditions should be provided, so that the amount of sickness which must be paid for shall be the irreducible minimum. In the interests of economy and efficiency, as well as in view of the consideration that the health-insurance system involves the exercise of governmental functions, it is suggested that the existing governmental health agencies be utilized as at least part of this machinery. There are indications that such is the tendency in some of the European health-insurance systems.<sup>2</sup>

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<sup>1</sup> See the report of the standing committee on health insurance adopted by the annual conference of State and Territorial health authorities with the United States Public Health Service, Washington, D. C., May 13, 1916. (United States Public Health Reports, July, 1916, pp. 1919-1925. Reprint No. 352.) This report said:

"In the bill for health insurance that has been introduced in the several State legislatures the German plan has been followed, the matter of providing medical benefits has been left in the hands of the local bodies, and no provision has been made for correlating the system with existing health agencies. These are serious objections, since without such provisions a health-insurance law will have little value as a preventive measure, although it may meet with the approval of those who advocate it as a relief measure.

"There must be a close connection of the administration of any health-insurance system with the health agencies of the country and with the medical profession. It is believed that this can be done in three ways: (1) By providing efficient staffs of medical officers in the Federal and State health departments to carry into effect the regulations issued by the central governing boards or commissions; (2) by providing a fair and sufficient incentive for the active cooperation of the medical profession; and (3) by providing for a close cooperation of the health-insurance system with State, municipal, and local health departments and boards" (p. 1923).

<sup>2</sup> In this connection reference may be made to certain new regulations under the British (Health) Insurance Act providing for better cooperation between panel physicians and specialists and consultants employed under the system. As the London correspondent of the Journal of the American Medical Association recently pointed out, these "new regulations constitute the beginning of the revolution in the health administration of the country. It seems probable," he said, "that an attempt will be made to link up with the insurance scheme the great general hospitals and the special hospitals for

In view of the foregoing, it seems permissible to conclude that the dictates of economy and efficiency and the necessary exercise of governmental functions in health-insurance systems render expedient the utilization to their fullest extent of existing governmental health machinery, yet, if present health-insurance agencies are measured by this standard or even by any of the other standards of prevention which have evolved from recent discussions of an ideal system of health insurance in the United States, it is evident that they fall far short of the preventive possibilities of health insurance.

The CHAIRMAN. In the absence of Mr. Perkins, president of the Cigar Makers' International Union, his paper will be read by Mr. William Green, secretary-treasurer of the United Mine Workers of America.

Mr. GREEN. I am very glad to act as a substitute again this morning for my friend, Mr. Perkins, president of the Cigar Makers' International Union. I have not had the pleasure and privilege of examining his paper very closely, but I am sure you will find that it is very interesting and instructive.

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diseases of the eye, ear, nose, and throat. A further development possible is a linking up of the insurance scheme with the great public-health services. With the example of the Army providing all medical services for a large fraction of our male population, it can not any longer be contended that the prevention of disease and the cure of disease are separate questions." (Journal of the American Medical Association, Nov. 11, 1916, p. 1460.)

## TRADE-UNION SICKNESS INSURANCE.

BY G. W. PERKINS, PRESIDENT, CIGAR MAKERS' INTERNATIONAL UNION OF AMERICA.

[Read by William Green, secretary-treasurer, United Mine Workers of America.]

Trade-unions have a wider and deeper significance in their activities than is generally supposed. Those not directly interested and those who are not students of our movement generally hear only of the militant side of trade-union activity, and look upon and judge us as promoting purely a militant organization. Militant, yes; but benevolent and uplifting to the fullest extent that the term implies. The payment by labor organizations of sick benefits, death and total-disability benefits, funeral benefits, out-of-work benefits, and old-age pensions is not an experiment or a new thing in trade-union activity. The Cigar Makers' International Union has paid, in addition to strike benefits, sick benefits since 1881, death benefits, total-disability benefits, and wife funeral benefits since 1881, and out-of-work benefits since 1890. Down to January 1, 1916, it had expended for these benefits a total of \$9,675,472.57.

The expenditures for all benefits and the total cost per member per year are shown in the table appended, which indicates that the grand total of strike benefits paid was \$1,562,993.08; for sick-benefit purposes, \$4,119,806.18; for death and total-disability benefits, \$3,945,979.77; and for out-of-work benefits, \$1,609,686.62. Thus we expended for purely social benefits more than we did for strike benefits, notwithstanding the fact that wages have been materially increased and the hours of labor shortened to eight per day. There are practically no overhead charges in the payment of all of these benefits, which makes it the cheapest insurance in the world.

To care for the sick, to bury the dead, and to leave a substantial sum for the bereft ones is a work that challenges the admiration of all right-thinking men and women. There is, however, in addition to this, an added benefit which, to my mind, is perhaps the most humane of them all, and that is the payment of an out-of-work benefit. Society provides hospitals for the sick, blind, and mentally deficient, and jails for the unemployed. We find that all through advancing civilization the man out of work has been looked upon through the cold, unfeeling eyes of the law as a vagrant, and is treated as such. The man willing to work and unable to find work, with no refuge and no

succor, seems to me is the most unfortunate of them all, and his mental suffering is greater by far than almost any physical suffering caused by the ordinary ills of humankind. The Cigar Makers' International Union was the first to recognize this truism, and it established and commenced to pay out-of-work benefits in 1890. A glance at the table of benefits paid shows that we have paid as high as \$175,000 in out-of-work benefits in one year, and as low as \$15,000. This is conclusive proof that members will work if they can get work, and resort to this benefit only in times of industrial stagnation. The table of benefits paid is of far-reaching importance, as it shows the cost per member to pay each benefit each year, and the total cost per member to pay all the benefits for one year, and has explanatory notes.

The trade-union movement believes that the word "preparedness" should be taken at its full value and meaning. We believe that guns and other means of destruction are impotent unless placed in the hands of sturdy men and women, and the trade-union movement is doing everything within its means to develop the physical well-being of its members. The first important move in this direction was the establishment of the eight-hour day. This was followed by sanitary measures governing the workshops. For instance, we have rules governing working conditions and wages, and shop regulations which provide that the factories shall not be swept until five minutes after 12, which is the midday quitting hour, and five minutes after 5, which is the evening quitting hour; that the floors shall be scrubbed at least once a week; that clean water, soap, and towels shall be provided; and that the shops shall be properly heated and ventilated. All of these regulations, with the increased wages, have resulted in reducing the number who die from tuberculosis and other diseases, and in increasing the length of life of union cigar makers. Two years after the eight-hour law went into effect our vital statistics showed that the per cent of those dying from tuberculosis was 51, while in 1911, which is the latest date for which statistics have been compiled, a percentage of 20.1 is indicated, being a reduction of about 30 per cent in a period of 23 years. Furthermore, the statistics show that a reduction of 28.9 per cent has been effected in the payment of sick benefits to members suffering from tuberculosis. The records also disclose that during the same period the average length of life of union cigar makers has been increased a little over 13 years. I venture the assertion that the effort made by trade-unionists or by the State to improve the physical well-being of working men and women is of far greater importance than is the highest type of dreadnaught, guns, cannon, and other means of destruction. And while we have no word of condemnation for a reasonable degree of preparedness, we insist that physical development is equally important, if not the most important, in the preparation for effective defense.

What I say in this connection is not founded solely upon my experience and observation of social and economic conditions in our own country. As a delegate of the American Federation of Labor to the World's Trade-Union Congress, I had an opportunity of visiting England and several of the countries of Continental Europe. All of my time while there was devoted exclusively to a study of social and economic conditions. In one of the countries visited I found that more than 40 years ago the Government commenced to devote considerable time and energy in the effort to conserve the physical well-being of its subjects. Certain well-thought-out and methodical principles were adopted and enforced, and the success of this nation in the present war bears testimony to the wisdom of the adoption and enforcement of these measures.

In the payment of sick, out-of-work, death, and other benefits, the Cigar Makers' International Union has passed the experimental stages. It will continue to pay and add to these benefits as time, experience, and opportunity permit. Moreover, many other of the important and strong trade-unions are engaging in these activities. One of the serious problems that will confront the State, if it attempts to undertake social insurance in its broader sense, will be the control and cost of administration. The British Government, when it adopted unemployment insurance, actually offered, in order to save the expense of overhead charges and the uncertainty of control, to turn this function over to the trade-unions, but owing to differences existing in the movement at the time they dallied with the subject until it was too late. 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 can not 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 the cold, methodical, actuary analysis, and they do not exist for profit.

The principle of the old-age pension is one that should challenge the best thought available and ultimate action by either the trade-unions or the State. While the little child is entitled to paternal protection, its existence and the right to live is safeguarded and protected by the State through its orphan asylums. The State guarantees the existence of the child through youth and to the time that it is able to care for itself. As the child passes the threshold



of manhood into the realm of activity and of constructive usefulness and does his full duty to society, giving his strength, vitality, and mentality, it seems to me that by the same token society should guarantee his future and safeguard his life throughout the declining years during which he is unable to care for himself. Until the unions or society at large recognize this fact and act in the matter, they will be derelict in their duty. To cast the old man, a physical wreck, on the scrap heap of despair, a burden to himself and a subject of cold-blood charity, is inhuman and brutally unjust. Those who are mentally and physically strong should be able to take care of themselves under normal conditions. The little child and the old man in his dotage are not able to do so, and one's condition as strongly as the other's should appeal to the conscience and heart of right-thinking humanity.

APPENDIX.

BENEFITS PAID BY THE CIGAR MAKERS' INTERNATIONAL UNION OF AMERICA IN 36 YEARS AND 2 MONTHS.

Year.	Loans to traveling members.	Strike benefit	Cost per member per year.	Sick benefit.	Cost per member per year.	Death and total-disability benefit.	Cost per member per year.	Out-of-work benefit.	Cost per member per year.	Total cost per member per year for all benefits.	Members contributing 30 cents.	20-cent beneficiary retired members.	Members paying dues of 10 and 15 cents.	Balance at close of fiscal year.
1878														\$124.55
1879		\$3,668.23	\$1.34							\$1.34	2,729			5,066.22
1880	52,806.16	4,950.36	1.11							1.11	4,440			11,153.62
1881		21,797.68	1.49	\$3,087.73	\$0.27	\$75.00	\$0.00			1.77	14,904			37,740.79
1882	20,566.61	44,850.41	3.92	17,145.28	1.50	1,674.25	.14			5.66	11,430			77,506.20
1883	37,135.20	27,512.13	2.10	22,250.66	1.68	2,690.00	.20			3.99	13,214			126,782.30
1884	39,632.08	143,547.36	12.62	31,551.50	2.77	3,820.00	.34			15.74	11,371			70,078.78
1885	26,683.54	61,067.28	5.09	29,397.89	2.44	4,214.00	.35			7.88	12,000			85,511.46
1886	31,835.71	54,402.61	2.20	42,225.59	1.71	4,820.00	.19			4.10	24,672			172,813.25
1887	49,281.04	13,871.62	6.74	63,900.88	3.10	8,850.00	.43			4.21	20,660			227,228.24
1888	42,894.75	45,303.62	2.66	58,824.19	3.40	21,319.75	1.23			7.29	17,133	168		239,190.53
1889	43,540.44	5,202.52	.29	59,519.94	3.29	19,175.50	1.06			4.65	17,535	496		285,136.54
1890	37,914.72	18,414.27	.74	64,660.47	2.55	26,043.00	1.02	\$22,760.50	\$0.92	5.25	24,624	713		385,070.67
1891	53,535.73	33,531.78	1.38	87,472.97	3.40	38,068.35	1.51	21,223.50	.87	7.17	24,221	957		421,860.66
1892	47,732.47	37,477.60	1.40	89,906.30	3.22	44,701.97	1.60	17,460.75	.65	6.88	28,678	1,229		503,628.20
1893	60,475.11	18,228.15	.68	104,391.83	3.68	49,458.33	1.74	89,402.75	3.33	9.45	26,788	1,518		456,732.13
1894	42,154.17	44,966.76	1.61	106,758.37	3.64	62,158.77	2.11	174,517.25	6.27	13.64	27,928	1,497		340,788.66
1895	41,657.16	44,039.06	1.58	112,567.06	3.92	66,725.98	2.27	166,377.25	5.99	13.67	27,760	1,644		236,213.05
1896	33,076.22	27,446.46	1.00	109,208.62	3.74	78,768.09	2.69	175,787.25	6.43	13.87	27,318	1,873		177,035.12
1897	29,067.04	12,175.09	.46	112,774.63	3.99	69,186.67	2.44	117,471.40	4.46	11.36	26,347	1,859	118	194,240.30
1898	25,237.43	25,118.59	.94	111,283.60	3.90	94,939.63	3.30	70,197.70	2.65	10.80	28,490	2,049	203	227,597.01
1899	24,234.33	12,331.63	.42	107,795.87	3.44	98,993.93	3.13	38,037.00	1.31	8.31	28,991	2,252	341	292,407.85
1900	33,238.13	137,823.21	3.98	117,465.84	3.21	98,291.00	2.64	23,997.00	.70	10.54	33,965	2,584	652	314,806.24
1901	44,652.73	105,215.71	3.02	134,614.11	3.65	138,456.38	3.67	27,983.76	.79	11.14	33,674	2,863	860	321,124.32
1902	45,314.05	85,274.14	2.23	137,403.45	3.47	128,417.63	3.11	21,071.00	.56	9.39	37,023	3,105	1,103	361,811.29
1903	52,521.41	20,858.16	.51	147,064.58	3.42	138,975.91	3.14	15,658.00	.39	7.47	39,301	3,665	1,343	496,117.89
1904	58,728.71	32,688.88	.76	163,226.14	3.59	151,972.93	3.24	29,872.50	.71	8.31	41,636	3,904	1,380	589,254.20
1905	55,293.93	9,820.83	.23	165,917.80	3.73	162,818.82	3.56	35,168.50	.87	8.41	40,075	4,297	1,312	688,679.13
1906	50,650.21	44,735.43	1.10	162,905.82	3.69	154,514.17	4.08	28,911.00	.60	9.49	39,250	4,828	1,340	714,606.14
1907	50,063.98	22,644.68	.52	173,506.67	3.72	207,658.87	4.32	19,497.50	.47	9.08	41,837	5,266	1,353	775,306.85
1908	46,613.44	32,423.39	.77	184,755.69	4.02	220,979.71	4.68	101,483.50	2.51	12.00	40,534	5,535	1,231	705,980.78
1909	41,589.34	19,999.58	.43	186,983.28	3.71	234,284.47	4.62	76,107.25	1.71	10.49	44,414	5,008	1,155	672,434.99
1910	39,828.77	221,044.70	4.90	189,438.59	3.77	226,717.53	4.40	39,917.00	.91	13.99	43,837	6,314	1,291	498,428.98
1911	38,543.47	47,671.20	1.10	201,296.03	4.13	251,677.41	5.03	36,942.60	.87	11.14	42,107	6,608	1,257	443,284.62
1912	33,118.10	12,646.87	.30	204,775.61	4.33	261,910.21	5.40	42,911.05	1.06	11.10	40,373	6,846	1,238	399,474.52
1913	46,264.82	8,877.02	.21	198,853.58	4.15	280,556.62	5.77	31,898.71	.79	10.93	40,180	7,167	1,273	414,087.45
1914	51,077.15	50,898.50	1.23	207,579.62	4.38	279,746.15	5.76	64,188.00	1.70	13.08	40,001	7,344	1,265	319,361.75
1915	42,266.70	9,947.56	.25	210,427.67	4.60	278,609.64	5.94	122,954.00	3.23	14.02	35,044	7,602	1,150	240,791.97
Total	1,430,788.84	1,562,903.08		4,119,806.18		3,945,979.77		1,609,686.62						

\* The weekly dues were 10 cents. \* The weekly dues were 15 cents. \* The weekly dues were 20 cents. \* The weekly dues were 25 cents. \* The weekly dues were 30 cents.

Benefits paid during 1915, excluding loans, \$621,839.07.

Total benefits paid in 36 years and 2 months, including loans, \$12,069,254.49.

The foregoing table is one of the most complete historical résumés of the financial transactions of the International Union ever issued. It presents a bird's-eye view of the benefits paid, the cost per member per year, and the cost per member for the given number of years, and the balance on hand at the end of each fiscal year. For instance, in the payment of out-of-work benefit the amounts fluctuate according to the state of trade. The highest cost per member per year for out-of-work benefit was \$6.434 in 1896, and the lowest cost per member per year was 39.5 cents in 1903.

The out-of-work benefit has been paid for a period of 26 years, commencing January 1, 1890, and the average cost per member per year for the first 10 years was \$3.291. This is instructive information, as the 10 years in question were about equally divided between periods of normal trade conditions and industrial stagnation. The average cost per member per year for the 26 years in which the benefit has been in operation was \$1.955.

The members paying 15-cent dues receive strike and not more than \$50 death benefit. The 20-cent beneficiary retired members receive sick and death benefit, hence both are included when figuring the cost per member per year in the payment of benefits in which they participate, although in the tables they are given separate columns of membership and affiliation.

**NOTE.**—The following explains the different kinds, periods, and amount of benefits paid:

**Loans:** One-year members are entitled to a loan for transportation to the nearest union in whatever direction he or she desires to travel, but in no wise shall the loans exceed in the aggregate \$20.

**Strike benefit:** For the first 16 weeks, \$5 per week is paid, and \$3 per week until the strike or lockout shall have terminated.

**Sick benefit** is \$5 per week, provided such sickness or inability shall have been for at least one week or seven days, but no member shall be entitled to any sick benefit for a longer period than 13 weeks in any one year.

**Death and disability benefits:** These benefits are graduated and are as follows: To a member who shall have been such for two years, the sum of \$50 is paid toward defraying funeral expenses. Including the said \$50 funeral expenses, the International Union pays upon the death of a member the following sums: First, if the member has been such for at least 5 consecutive years, a sum of \$200; second, if the member shall have been such for at least 10 years, \$350; third, if the member has been such for at least 15 consecutive years, \$550. The total disability benefit was adopted in 1902. This benefit is paid direct to the applicant or guardian and is the same amount as in case of death, less \$50, which is retained and paid toward defraying funeral expenses at time of death. A benefit of \$40 is paid in the event of the death of a wife or widowed mother of a member.

**Out-of-work benefit:** Any member having paid weekly dues for a period of 2 years is entitled to an out-of-work benefit of \$3 per week and 50 cents for each additional day. No benefit is paid for the first week after a member was discharged from employment or laid off. Any member receiving benefit for 6 weeks is not entitled to any benefit for 7 weeks thereafter, and no member shall receive more than \$54 during the period of 1 year.

## **EMPLOYEES' BENEFIT ASSOCIATION OF THE INTERNATIONAL HARVESTER COMPANIES.**

**BY GEORGE A. RANNEY, SECRETARY AND TREASURER, INTERNATIONAL HARVESTER CO.**

[This paper was submitted but not read.]

Eight years of its own experience have confirmed into settled convictions the tentative opinions which prompted the International Harvester Co. in 1908 to create a cooperative and mutual benefit system for all the employees of its various establishments. This experience has brought us to several conclusions, of which the following may be specified as the most important:

1. That some form of protection for the worker against loss of earning capacity through disability due to sickness or off-duty accident is highly desirable, both to the employee and the employer; also that this protection should include provision for death benefits sufficient to carry the worker's dependents during the period of readjustment.

2. That this protection should be initiated and fostered by the employer and, at least during its formative period, should be jointly supported, as well as operated, by the employer and the employee, thus establishing a twofold cooperation—cooperation among the employees themselves and between the employer and the employee.

3. That contribution and membership by the employee should be wholly voluntary, but that, once he joins, the employee's contribution should be automatic; that is, it should be made by pay-roll deduction. Also that every legitimate and proper means consistent with the voluntary character of the relief system should be employed to extend its advantages among nonparticipating employees.

4. That the company's own plan has proved entirely practicable and is acceptable to the employees.

I am well aware that it was intended to limit my part in this discussion to a consideration of sickness benefits only, but inasmuch as the Harvester Co. benefit system makes the distinction between sickness protection and off-duty accident protection one of bookkeeping only, I do not think it will be amiss to disregard the distinction and deal with the subject in its broader aspect. The real question, as I see it, is, How shall the employer aid the employee to protect himself and his dependents against loss of earning power, temporary or permanent?

The employees' benefit association is the agency through which the Harvester Co. is answering this question. It was established and made effective September 1, 1908, after an exhaustive examination of the question in all its aspects and bearings. The regulations adopted at that time were the result of the work of a special committee appointed by the officers of the company.

While this subject had been receiving considerable thought and attention ever since the formation of the company in 1902, no definite recommendations or complete investigations were made until the appointment of this committee. After some months of work its recommendations were fully approved, and the regulations as they stand to-day are practically the same as they were eight years ago. Our experience has prompted certain refining amendments in the regulations from year to year, but no fundamental change has been made or contemplated.

The character and purpose of the benefit association plan are broadly yet clearly expressed in the first paragraph of the little book which contains the regulations of the association, thus:

The object of the benefit association is to provide its members with a certain income when sick \* \* \* and to pay to their families certain definite sums in case of death; to create and maintain a fund which shall belong to the members, be used in payment of benefits to them, and cost them the least money possible considering the benefits received.

While I am appending to this paper, among other data, a copy of this booklet for the information of those who may care to go into details, the plan may be briefly summarized here as follows:

The association is governed by a board of 32 trustees, one-half chosen by the member employees, with representation for all plants and certain departments, and one-half named by the company. All funds, including surplus, belong to the association.

The company contributes \$25,000 a year if 50 per cent of the employees at the manufacturing plants participate, and \$50,000 if the membership is 75 per cent. It also bears a part of the expense of operation. Members in class A (not employed at manufacturing plants, mills, or mines, or coming under any workmen's compensation law or the company's industrial accident plan) pay 1½ per cent of their wages; class B members (namely, those excluded from class A) pay 1¼ per cent. Deductions are made on regular pay days.

Disability benefits are one-half the average wages for a period not exceeding 52 weeks in case of disability due to sickness (after the first week) or to accident not arising out of employment; benefits for death from sickness are one year's average wages; for death by accident off duty two years' wages. Average wages as a basis for benefits shall not exceed \$2,000 a year.

Death-benefit-only memberships are provided for members who have received the maximum accident or sickness benefits and can not return to work, such members paying 20 cents per month for every \$100 of benefit; also at a like rate for employees leaving service after a certain period of membership.

Membership is entirely voluntary.

At the time the association was organized it paid benefits for sickness and accidents whether such accidents occurred on or off duty. Every employee who became a member of the association and lost time on account of an injury sustained during the course of his employment received benefits in accordance with the regulations. No release from liability was ever contemplated, nor was any such release taken in connection with the payment of "on duty" accident benefits.

Originally the employees' contributions to the association were 2 per cent of their wages. Subsequent to the formation of the benefit association the officials of the company gave much thought and study to the question of industrial accidents and came to the conclusion that the Harvester Co. should pay accident compensation. Therefore, in May, 1910, the company announced that it would pay compensation for industrial accidents, and thereupon put into effect a plan that had been worked out after careful research.

When this plan went into effect it became necessary to revise the benefit association plan. This was done by eliminating any benefits for disability or death due to accidents arising in the course of the member's employment. The contribution of the employee members in the works, mills, and mines was thereupon reduced from 2 to  $1\frac{1}{2}$  per cent of their annual wages. At the same time the contribution of class A members was reduced to  $1\frac{3}{4}$  per cent.

The voluntary compensation plan referred to antedated any compensation law in the States in which the company was operating. This plan, however, has been discontinued as rapidly as the various States have enacted workmen's compensation laws. In this connection it may be interesting to note that the workmen's compensation law for the State of Illinois follows very closely in its compensation and operation the voluntary plan adopted by the company some two years prior to its enactment.

Although, as has been said, the benefit association has been in operation for eight years, the changes above noted as to benefits for accidents arising out of employment, made in 1910, render earlier figures valueless for the purpose of comparison. The following table of significant totals and percentages is, therefore, confined to the five-year period from 1911 to 1915, inclusive:

STATEMENT OF THE OPERATION OF THE EMPLOYEES' BENEFIT ASSOCIATION OF THE INTERNATIONAL HARVESTER COMPANIES FOR 5 YEARS, 1911 TO 1915, INCLUSIVE.

Item.	1911	1912	1913	1914	1915
Average membership.....	20,546	29,257	30,125	1 24,878	22,755
Percentage of employees in membership...	75.1	74.8	75.7	79.5	78.4
Percentage of membership in manufacturing plants.....	84.0	85.0	85.3	90.9	89.0
Number of sickness disability cases.....	3,560	3,599	3,770	2,321	1,849
Average days' length sickness disability cases.....	24.5	28.07	27.7	33.89	36.0
Average amount sickness benefits.....	\$31.53	\$32.47	\$36.89	\$43.90	\$47.51
Sickness disability cases per 100 members..	12.1	12.3	12.5	9.6	8.5
Total days lost account sickness.....	87,064	93,921	104,506	86,286	72,148
Number of accident disability cases.....	652	688	723	563	463
Average days' length disability account accident.....	12.4	13.7	13.3	13.6	15.5
Average amount accident benefits.....	\$17.76	\$17.54	\$18.43	\$18.90	\$23.78
Total days lost account accidents.....	7,983	9,432	9,770	7,903	7,354
Number of death claims paid.....	179	177	199	163	162
Death rate per 1,000 members.....	6.66	5.47	6.64	6.39	7.12
Total benefits paid.....	\$265,265.03	\$263,562.70	\$310,524.74	\$249,063.66	\$241,145.71
Total expenses.....	\$41,364.86	\$47,240.00	\$51,997.61	\$49,420.04	\$46,136.06
Balance available for disability and mortality fluctuation.....	\$241,859.36	\$326,940.48	\$344,779.71	\$416,226.49	\$337,101.44

<sup>1</sup> The reduction in membership in 1914 was due to the effect of the European war upon the company's manufacturing business.

There are one or two conspicuous reasons why the average length of sickness disability has increased during the past few years. One of them is that in the beginning every employee was, for a limited period, permitted to join without medical examination. The constituent elements of the Harvester Co. had been in business for many years and had a large number of men who had been on the pay roll for 20 or more years. Older employees being more susceptible to sickness than younger men has resulted in a number of what we call "52 weeks' cases"—that is, sickness disability of one kind or another that has necessitated long and continuous payments. This has had a tendency to increase our average length of disability.

A further reason is the particular care that the company has given during the last three or four years to tuberculosis. It has been the policy of the company since its organization to improve working conditions and we believe that our shops to-day are better than the average of manufacturing plants. About four years ago the company decided to join in the campaign against the "white plague" and, therefore, employed a physician and a trained nurse to specialize on tuberculosis. A systematic and periodical examination was and is made of every employee on the pay roll.

The result has been that a considerable number of tuberculosis cases—a large part of them, we are glad to say, in the incipient stages—have been brought to light. Wherever the case requires it, special sanatorium care is provided, with results that have been most gratifying to the company. This has meant, however, the addition of a number of disability cases that otherwise might not have been brought to light. Proper sanatorium care is a matter of months, and the effect on the association of this treatment has been to increase the average length of disability.

In the annual report on the company's tuberculosis work for the year ending December 31, 1915, some aggregate totals for the period beginning August 1, 1911, were included. These show a total of 41,359 inspections, 5,193 complete examinations, and 7,328 reexaminations. The aggregate total cases for the five years were 578. This report shows that nearly 40 per cent of the cases were found in the incipient stage and about 20 per cent far advanced; it also showed a marked reduction in percentage among employees with less than one year's service, indicating increased efficiency of medical examination. Comparison of cases treated at home with those treated in sanatoriums shows that the percentage of arrested cases is materially larger among those having the advantage of sanatorium care.

The following table shows, for the years 1911 to 1915, inclusive, the number of persons inspected or examined and the number and percentage of cases found:

NUMBER OF PERSONS INSPECTED OR EXAMINED FOR TUBERCULOSIS AND NUMBER AND PER CENT OF CASES FOUND.

Year.	Number of inspections.	Number of examinations.	Total.	Cases found.	Per cent.
1912.....	6,438	1,153	7,591	143	1.88
1913.....	10,346	1,116	11,462	138	1.20
1914.....	13,316	926	14,242	85	.69
1915.....	11,259	1,561	12,820	93	.78
Total.....	41,359	4,776	46,135	414	1.01

<sup>1</sup> Average.

A report made in 1914 stated that the company's tuberculosis ratio for the year ending August 1, 1912, was 88 cases per 10,000 employees, and in the following year (1913), with much more careful inspection, only 54 cases per 10,000 employees, while the ratio for 1914 was estimated at less than 45 per 10,000. At that time the tuberculosis ratio for Chicago as a whole was estimated at from 90 to 100 active cases per 10,000 population, while with all conditions and types of the disease included, as is done in this company's figures, an estimate of 200 per 10,000 was regarded as scarcely large enough. Thus the company's experience with the group of 10,000 mentioned above indicated that tuberculosis was at that time not more than one-fourth as prevalent among these workers as among the community at large.

I observe from a November bulletin of the health department that the present rate of deaths from all causes per annum per 1,000 of population in Chicago (where most of the membership of our benefit association resides) is 12.4. The benefit association annual death rate from sickness per 1,000 members for the years 1909 to 1915, inclusive, averaged 5.77.

The following table, covering the entire period of the benefit association from its establishment to the close of 1915, differentiates the major causes of death from sickness:

NUMBER OF DEATHS, BY CAUSES, AMONG MEMBERS OF THE EMPLOYEES' BENEFIT ASSOCIATION FROM ITS ESTABLISHMENT TO THE END OF 1915.

Cause.	Number.	Cause.	Number.
Apoplexy.....	48	Locomotor ataxia.....	2
Appendicitis.....	14	Meningitis.....	16
Asthma.....	1	Paralysis.....	8
Blood poison.....	2	Peritonitis.....	17
Brain trouble.....	6	Pleurisy.....	3
Cancer.....	80	Pneumonia.....	191
Cerebral hemorrhage.....	3	Tuberculosis.....	200
Cirrhosis of liver.....	4	Typhoid fever.....	54
Erysipelas.....	3	Uræmia.....	6
Heart disease.....	160	Miscellaneous.....	120
Heat prostration.....	4	Suicide.....	7
Intestinal trouble.....	12		
Kidney disease.....	98	Total.....	1,069



Reference to the total amount of time lost each year on account of disability due to accidents off duty—the only kind of accident, as stated, now provided against through the benefit association—shows how small it is in comparison with loss of time due to sickness. The number of deaths from off-duty accidents is also relatively small—78 in the period from September 1, 1908, to December 31, 1915. The following table shows the causes of these deaths:

NUMBER AND CAUSES OF DEATHS DUE TO ACCIDENTS OCCURRING WHILE OFF DUTY.

Cause.	Number.	Cause.	Number.
Assault (unprovoked).....	1	Motorcycle.....	1
Asphyxiation (gas).....	11	Murdered.....	3
Asphyxiation (in bed).....	1	Overdose of medicine.....	1
Automobiles.....	2	Runaway.....	1
Burns.....	2	Railroad cars (by or on).....	14
Crushed in engine.....	1	Street cars (by or on).....	7
Cellulitis following injury.....	1	Shooting.....	7
Collided with post.....	1	Septicæmia following injury.....	1
Drowned.....	9	War.....	2
Electrocuted.....	1		
Falling.....	11	Total.....	78

Close cooperation between the benefit association and the company's medical staff has worked out to the continual betterment of sanitary conditions and of the health of employees, particularly in the study of infectious and occupational diseases and provision to prevent them. All plants have been brought up to the standard of the two larger Chicago works with respect to medical service. At those two works the facilities for this service have lately been still further improved. A complete and separate hospital building, with provision for laboratory and X-ray examination, was opened recently at the McCormick works, and a similar building is in course of construction at the Deering works.

Within the last six months the company has installed a dental department at each of the two large Chicago plants for purely primary work. It is not the intention to give ordinary treatment but only to examine and recommend necessary work, with immediate treatment only for ulcers and other emergency conditions.

The following report gives the results of one week's dental work, during which 336 cases were examined:

Condition very bad.....	36
Condition bad.....	45
Condition fair.....	71
Condition fairly good.....	184
Total number of mouths examined.....	336

*Very bad.*—Those applicants having several badly broken-down teeth, with probably blind abscesses or pyorrhea, or both, and very filthy mouths.

*Bad.*—Those applicants having from one to three broken-down teeth, with probable blind abscesses or with pyorrhea in its initial stage.

*Fair.*—Those applicants having several teeth entirely missing, with caries in one or more remaining teeth, together with inflamed gums, due to deposits.

*Fairly good.*—Mouths with practically all teeth in position having only small cavities and inflammation of gums, due to lack of prophylaxis.

It has been found that a large percentage of stomach and intestinal troubles and other causes of disability are directly the result of poor teeth, and we feel that the work of the dentists will be exceedingly helpful not only from the actual primary work contemplated but also from an educational point of view. We find that many employees are ignorant of the uses and even the existence of the tooth-brush.

The practice of physical examination of applicants called for by the benefit association regulations impressed upon the company the importance of examining every applicant for employment and led to the establishment of that rule. That early practice and the development of antituberculosis work led to the further rule, now in operation, of annual medical inspection of all employees. When the operation of these rules has been brought to full efficiency it will be practically impossible for new employees to bring new tubercular infection into the company's service or for any employee to get past the incipient stage without discovery and prompt treatment.

As of August 31, 1916, the association had a total membership of 24,882. It had at that date paid the following benefits:

1,234 deaths .....	\$963, 653. 11
33 special benefits .....	17, 282. 62
33,787 disability claims paid: <sup>1</sup>	
Sickness .....	\$810, 947. 10
Accident .....	153, 711. 27
	964, 658. 37
Total amount of all benefits paid .....	1, 945, 594. 10

The benefit association's financial statement of December 31, 1915, shows the following assets and liabilities:

ASSETS.	
Investments:	
Bonds .....	\$135, 970. 00
Farm loans .....	44, 000. 00
	\$179, 970. 00
Accrued interest on investments .....	2, 462. 49
Cash .....	436, 508. 76
Total .....	618, 941. 25

<sup>1</sup> Amounts shown for accident benefits include payments for accidents arising in the course of employment prior to the change of plan in 1910.

## LIABILITIES.

Death claims pending settlement.....	\$25, 221. 57	
Accounts payable .....	6, 618. 24	
Reserve for payment of benefits for disabilities occurring prior to and continuing after Jan. 1, 1916.....	50, 000. 00	
Reserve for impaired risks.....	200, 000. 00	
		\$281, 839. 81
Balance available for disability and mortality fluctuations, Dec. 31, 1915.....		337, 101. 44
Total .....		618, 941. 25

So, after the payment of nearly \$2,000,000 in benefits of all kinds during its existence up to the end of August, 1916, the association had accumulated a substantial surplus, apparently sufficient to furnish full justification of the financial theory on which the association was built and to guarantee its future.

It may be of interest to note that there has never been any deficit in the fund and that the company's contribution has never been below the larger amount. During the first 16 months of operation the average membership from the manufacturing plants was 74.9 per cent—so close to the stipulated 75 per cent that the company did not hesitate to make the larger contribution.

The fact that the plan has proved acceptable to our employees from the outset is best shown by the percentage figures of the manufacturing plants, ranging from 72.7 in 1910 to 90.9 in 1914. It is noteworthy that the Chicago factories, where the individual continuity of employment might be expected to be least stable and therefore to reduce the percentage of membership in the association, show a relatively high membership percentage—from above 80 per cent to nearly 90 per cent at the present time.

The advantages of the benefit association to the employee are manifest. The association has enabled the company to contribute materially and with entire fairness toward the well-being of the employees; it has brought the disabled employee back to work with a lighter load of debt than if he had had no protection; it has given him the assurance of a period of support for his dependents when he can no longer serve as their breadwinner; it has naturally brought the company and its workers to a better understanding one of the other. By its practical and personal demonstration of the benefits of cooperation in this one relation the benefit association has tended, we believe, to breed and foster the spirit of man-and-company cooperation in other respects—the spirit in whose cultivation lies the best

hope for a valid and lasting solution of the manifold problems of labor.

APPENDICES.

1. Copies of benefit association regulations.
2. Copies of employees' benefit association annual reports, 1908 to 1915.
3. Copies of applications for membership, class A and class B.

## THE PENNSYLVANIA RAILROAD VOLUNTARY RELIEF DEPARTMENT.

BY E. B. HUNT, OF THE PENNSYLVANIA RAILROAD CO.

The Pennsylvania Railroad relief department, which began operations February 15, 1886, provides a means whereby employees may, by contributing to what is known as the relief fund, be entitled to certain fixed sums when disabled on account of sickness or accident, and to the payment of death benefits to their dependents.

The establishment of the department was the culmination of investigations along this line both in the United States and foreign countries which had been under consideration by the officers of the company for a number of years.

The principal reasons for the establishment of this department may be classed under three heads:

First. Under the methods of operating railroads which prevailed a generation ago accidents were far more frequent than at present. The laws relating to accidental injuries were often inadequate to provide proper relief, and recourse to the law was cumbersome and expensive. It became the policy of the company to furnish surgical treatment and in deserving cases to pay wages during at least part of the period of disablement, and funeral expenses in case of death. The relief department was designed to provide a way by which employees could care more fully for themselves under such circumstances, the company assuming the expense of conducting the department and the payment of deficiencies.

Second. In many cases of disablement by sickness the families of employees became destitute and appeals were made to officials, fellow employees, and even the public for financial assistance. In establishing the relief department, employees were encouraged to provide for themselves under such circumstances.

Third. As continuity of service is always desirable and is conducive to efficiency, it was thought that if employees could be induced to become members of the relief fund they would, after contributing to the fund for a period of years, be less likely to sever their connection with the company for trivial causes.

Because of the regulations of the pension department, providing for retirement of disabled employees between the ages of 65 and 69 years, if they have had 30 years' previous service, and also for the purpose of obtaining employees physically fitted for the positions

in which they are to work, new employees entering the service are required to undergo a physical examination. At the same time, the advantages of membership in the relief fund are explained and in most instances employees at the time of entering the service now become members of the relief fund.

On account of the voluntary provision many of the younger employees in the early days of the department did not appreciate the advantages to be derived from the fund and the membership, therefore, consisted largely of the older employees who had become members without physical examination. As a consequence, the payment of deficiencies for one or more of the companies associated in the operations of the relief department was made by these companies with few exceptions each year to 1909, amounting in all to \$815,499.50. Since 1909 there have been no deficiencies in any company.

The regulations up to January 1, 1900, made no provision for the payment of benefits on account of sickness beyond a period of 52 weeks, and while the company had announced that upon the inauguration of the relief department the practice of granting special allowances would cease, it was found that quite a number of old and deserving employees continued disabled beyond that period and were actually in want. To relieve this situation the company agreed that upon investigation and recommendation of the various general superintendents gratuities would be paid in deserving cases not to exceed \$15 per month. These payments were known as company relief and continued to January 1, 1900, when the condition of the fund was such as to warrant the payment of half-rate benefits on account of sickness, as had been done in accident cases, and the regulations were amended accordingly. The total amount paid by the company as company relief amounted to \$363,919.05.

The original regulations provided for the deduction of six days in cases of sickness before benefits were allowed, but on March 1, 1889, the regulations were amended to provide for the deduction of three days.

There are five classes of membership, and members of the relief fund receive benefits ranging from 40 cents per day on account of sickness and 50 cents per day on account of accident to \$2 for sickness and \$2.50 for accident, according to the class of membership for which they contribute, for a period of 52 weeks, and at half these amounts thereafter during the continuance of the disablement. The death benefit for the first class is \$250, and \$250 additional for each higher class, making the death benefit for the fifth class \$1,250. Members also have the privilege of contributing for one or more death benefits of the first class (\$250) to such extent that the whole amount of additional death benefit shall not exceed the amount of death benefit of the class in which he shall at the time be a member. Under

this provision the death benefit of a member of the first class may amount to \$500 and that of a member of the fifth class may amount to \$2,500.

The rates of monthly pay admitting to the several classes and rates of contributions and benefits are as follows:

Item.	First class.	Second class.	Third class.	Fourth class.	Fifth class.
Monthly pay.....	Any rate.	\$35 or more.	\$55 or more.	\$75 or more.	\$95 or more.
Contribution per month:					
Class.....	\$0.75	\$1.50	\$2.25	\$3.00	\$3.75
Additional death benefit, equal to death benefits of class—					
Taken at not over 45 years of age.....	.30	.60	.90	1.20	1.50
Taken at over 45 years and not over 60 years of age.....	.45	.90	1.25	1.80	2.25
Taken at over 60 years of age.....	.60	1.20	1.80	2.40	3.00
Disablement benefits per day, including Sundays and holidays—					
Accident—					
First 52 weeks.....	.50	1.00	1.50	2.00	2.50
After 52 weeks.....	.25	.50	.75	1.00	1.25
Sickness—					
After first 3 days, and not longer than 52 weeks.....	.40	.80	1.20	1.60	2.00
After 52 weeks.....	.20	.40	.60	.80	1.00
Death benefits—					
For class.....	250.00	500.00	750.00	1,000.00	1,250.00
Additional that may be taken.....	250.00	500.00	750.00	1,000.00	1,250.00

The regulations prior to July 1, 1916, provided for the closing of the accounts of the department every three years, and if there was a surplus to the credit of any company it was set aside for the benefit of the fund, and if there was a deficit it was paid by the company having such deficit. Through this method of accounting, although deficiencies were paid from time to time, a surplus had accumulated by January 1, 1900, on which date the Pennsylvania Railroad Co. began paying pensions to old employees. The regulations were again amended by providing that from the interest on this surplus a superannuation allowance should be paid to all members of the relief fund, in addition to the pension paid by the company, on the basis of 1 cent for each class in which the employee may have been a member, multiplied by the number of full calendar months in each class.

Under this provision an employee who had been a member of the relief fund from February 15, 1886, and who was retired from active service with pension September 30, 1916, would receive from the superannuation fund, in addition to the amount granted by the company, sums ranging from \$3.67 to \$17.35 per month, according to the class in which he was a member. Those who became members after February 15, 1886, would receive amounts in proportion to the time covered by membership in the relief fund.

As the financial condition of the relief fund was considered such that the necessity for retaining the provision for closing the accounts every three years no longer existed, an amendment was adopted; in

effect July 1, 1916, dispensing with this provision, although the provision that if at any time there should be a deficiency such deficiency would be paid by the company was retained.

In the original form of application for membership the applicant agreed that the acceptance of benefits from the relief fund for injury or death should operate as a release of all claims for damages against the company arising from such injury or death. The regulations further provided that "should a claim be presented or suit brought against the company, or against any other corporation which may be at the time associated therewith in administration of the relief departments, for damages on account of injury or death of a member, payment of benefits from the relief fund on account of such injury or death shall not be made unless such claim shall be withdrawn or such suit shall be discontinued before trial thereof or decision rendered therein."

This provision permitted a member or his representatives to choose whether they would accept benefits or make claim or bring suit against the company, and in view of the large sums paid by the company for the expenses of operating the department and in the payment of deficiencies, was considered a proper provision and was upheld by the courts. The passage of the Federal employers' liability law, in which provision was made that the acceptance of benefits from a relief fund or other similar source should not act as a bar to making claim or bringing suit, created a condition affecting employees engaged in interstate commerce differently from those in intrastate, and the passage of compensation laws in some States containing similar provisions put the members of the relief fund in one State under different conditions from those in another State in their relation to the relief fund. It was therefore decided that in justice to the members of the fund they should all have the same rights to benefits from the fund and as of January 1, 1915, the regulations were amended doing away entirely with these provisions, so that members are now entitled to the benefits provided by the regulations without any restrictions.

In connection with accidental injuries and other cases of emergency affecting both employees and the traveling public the offices of the medical examiners of the relief department, which are stationed at various points along the lines of the road, are equipped with appliances and medicines to care for such cases. The number of emergency cases cared for by the medical examiners during the year 1915 was 55,513. In addition to the medical examiners of the relief department who give their entire time to the service of the company,



there are practicing physicians at convenient points over the entire system who, under contract with the company, are subject to call in all cases of emergency. Arrangements are also made with hospitals at principal points to receive and care for injured persons.

In addition to these arrangements for professional care, employees are instructed in "first aid" by the medical examiners of the relief department, who give periodical lectures and practical demonstrations on "first aid," including resuscitation from electric shock.

The medical examiners of the relief department make monthly physical examinations of all employees engaged in the preparation and handling of food, in order to provide against the employment of anyone who may be afflicted with a contagious or infectious disease, and in this connection sanitary inspections are made of restaurants and restaurant cars.

While sanitation and general welfare work are not directly in charge of the relief department, the officials connected with the department and the medical examiners keep in close touch with these subjects and are constantly referred to for information and advice along these lines. The medical examiners accompany safety-first committees on tours of inspection, in order that they may observe sanitary conditions and make recommendations for their improvement; they are also called upon to address meetings of employees on sanitation.

The relief department is in the executive charge of a superintendent subject to the control of the general manager. In addition there is an advisory committee consisting of eight members appointed by the boards of directors of the companies associated in the operation of the department, eight members chosen by ballot by the members of the fund, with the general manager, who is a member *ex officio* and chairman. The members chosen by ballot retain all their rights and privileges as employees while serving in this capacity. This committee has general supervision of the department and has the power to propose and adopt amendments to the regulations, subject to the approval of the boards of directors.

The officials in charge and the members of the advisory committee not only keep in close touch with the relief department operations as outlined in the regulations but also with all conditions relating to the welfare of the employees. Cases where the benefits received from the relief fund are not sufficient to meet necessities, and even cases of employees in need who are not members of the relief fund, are brought to the attention of the officials of the company, who allow gratuities to relieve the necessities of such employees if upon investigation they are found to be worthy of assistance.

In closing, permit me to call your attention to a brief statement of the financial operations of the fund from February 15, 1886, to September 30, 1916:

## RECEIPTS.

Contributions by members.....	\$34,335,517.02
Paid by companies for deficiencies and donations.....	1,240,071.41
Paid by companies for operating expenses.....	5,354,479.51
Interest and profits on investments.....	1,506,075.30
Donations by individuals.....	5,661.04
Total.....	42,441,804.28

## DISBURSEMENTS.

Disabilities and deaths.....	32,815,392.37
Superannuation allowances paid to retired members of the fund.....	1,185,429.90
Operating expenses paid by the companies.....	5,354,479.51
Total.....	39,355,301.78
Balance in fund, September 30, 1916.....	3,086,502.50

While this statement shows very large totals, it should be borne in mind that the contributions by the members were made in small amounts deducted from their pay monthly and scarcely missed at the time; but mere dollars can not measure the relief to widows and orphans, the aid in times when the wage earner of the family was laid aside, and the assistance rendered in old age by the small contributions which have been made available through the establishment and operation of the relief fund by the company at a cost thus far of \$6,594,550.92. Such aid in the vast majority of cases would not have been available had not the company established and operated the fund and by all legitimate means encouraged the employees to avail themselves of the opportunity offered to protect themselves and their dependents.

## MUTUAL BENEFIT FUNDS.

BY ABB LANDIS, NATIONAL FRATERNAL CONGRESS.

[This paper was submitted but not read.]

This topic is of broad scope, permitting one to gather material from every part of the globe and from all historic periods of the human race. Research instituted since assignment of the subject has caused surprise at the range and wealth of data available for an interesting presentation concerning thrift undertakings by communities and associations, in both ancient and modern times.

Mutual benefit funds have been established in one way or another and for divers purposes in all ages and in all countries. More accurately speaking, *so-called mutual benefit funds* have been established from the time since social intercourse amongst men has been known.

"Mutual benefit" are words which have been rolled under the tongue to attract popular attention and induce popular subscriptions. Most of the time promoters of mutual benefit funds honestly have believed that "mutual" benefit would result. Now and then the premeditated purpose was to the contrary. In the great majority of instances true and complete *mutuality* has been absent, and therefore the qualifying words here, *so-called mutual benefit funds*.

A review and an analysis of present-day mutual benefit funds, with very few exceptions, will discover and disclose discrimination in the distribution of such funds. This statement holds true whether applied to pension funds for preachers, teachers, policemen, firemen, and public servants generally, or to the accumulated funds of labor organizations and fraternal beneficial associations.

The want of mutuality in past and existing funds lies in the fact that the disbursement of accumulation is disproportionate to the contributions toward accumulation. In pension schemes the aged few first coming upon the funds receive the promised and expected benefits, while the entrants at the younger ages are not assured of the promised benefits. In the other cases those who live longest and contribute most have the least chance of a share in the accumulation.

Mutuality is the very essence of equitable and efficient cooperative effort, whether people unite in voluntary association, or whether brought into cooperation for exploitation by corporate control. Continued success depends upon the existence of mutual interests between individual contributors. Somehow, in some way, at some time, in-

equity and injustice will develop to a degree that the most ignorant can understand.

Cooperation is the most potent factor in the establishment of mutual benefit funds or in the accomplishment of results in any line of endeavor. But complete and perfect and enduring cooperation must have mutual and fair and just relationship between individuals as prime and paramount characteristics.

The cause of failure or miscarriage of almost all cooperative enterprises can be traced to want of mutuality in respect of individual attitude, or individual interest, or individual advantage, one compared with another.

Excepting cases such as the Iron Hall, the fraudulent bond investment companies, tontine associations, and lotteries, the lack of true mutuality in our American mutual benefit associations results from ignorance of the fundamental principles underlying mutual cooperation.

Remarkable and wonderful to relate is the ingenuity of this ignorance. One could publish a book, a very voluminous book, of plans and schemes made plausible by the ingenuity of ignorance, but destined to failure in practical operation because in violation of fundamental principles. Like Chesterton's story, these plans were complete in every detail except the dull detail of mutuality.

It would be outside of the purpose and intent which induced the request that I prepare a paper for this conference should it lead into a general discussion of mutual benefit funds. The thought was that I might bring to the attention of the conference some facts relating to the funds of fraternal beneficial associations, which latter I have served for a quarter of a century. The 15 or 20 minutes allotted to me shall be given to comments limited to fraternal organizations.

The present is a critical time in the experience of fraternal beneficial societies. The hour is opportune for a discussion of their condition, especially in regard to their accumulated funds. In truth, there can not be comprehensive consideration of social insurance without full appreciation of past accomplishment, present situation, and future prospect of fraternal beneficial societies.

Social insurance had its origin in the thrift movement inaugurated by a friendly society, when a box was nailed to the wall of a public house as receptacle for pennies toward the accumulation of a mutual benefit fund. The conception of life and health and accident insurance was not from the brain of any great and learned man, but came to the convivial and lowly and meek from promptings of brotherly love. It was the product not of the head, but of the heart.

As indicated at the beginning, organizations for mutual assistance are of great antiquity and wide distribution, but have not been always as sharply differentiated as they are to-day. In common with other

institutions they have emerged from a comparatively indefinite similarity to a comparatively definite heterogeneity and are destined to undergo further development. This is especially true of the fraternal beneficial societies, which entitles them to an important place in the program of a national conference on social insurance.

I will have accomplished my purpose if those present can be so impressed as to induce a study of these thrift organizations to the end that they be employed in helping to perfect a national plan of social insurance that will encourage self-reliance and self-respect while providing relief.

The fraternal beneficial system has a profound significance. It is symptomatic of the times, but it needs intelligent direction at this critical moment to make potent its powerful influence for continued good.

The critical situation in which fraternal societies are now placed arises out of two conditions:

First. Succeeding the decade 1875-1885, during which the regular life companies suffered from loss and failure, the open-assessment associations and fraternal societies attempted to demonstrate to the public the possibility of combining the business of mutual insurance with a practical exemplification of the Golden Rule in respect of retaining "reserve" in the individual pocket "until needed," thereby avoiding the requirement for accumulation.

Second. After unsuccessful operation under the assessment-as-needed method the effort was made to limit the increase in number of assessments by a compromise between no accumulation and a mathematically accruing reserve fund, and numerous devices (none either scientific or adequate) were adopted for creating "emergency funds," "contingent funds," "surplus funds," etc.

The first idea was a noble one, albeit somewhat too elevated for practical efficiency in present-day business methods, where dealings are had with men and women insufficiently enlightened by knowledge of the cost of insurance.

The second conception was no more than an undeveloped appreciation of the necessity of accumulation in the early years of insurance for a fund to supplement current contributions in later years when the latter were insufficient to meet currently increasing claims.

Both methods failed, and the open-assessment associations passed out of existence, while the fraternal beneficial societies were brought to the crises now confronting them. One of the oldest and most honored recently has succumbed. Another equally honored and almost as long in operation has escaped the receiver through a merger. There must be other mergers and consolidations and there will be more failures, but the great majority of existing fraternal societies

will successfully adapt themselves to the new conditions created by valuation laws and necessary readjustments.

The members of this conference can render no better public service than to bring the benefit of their learning and experience to the aid of officials of fraternal societies in placing their organizations in sound financial position. The interest of social insurance can not better be forwarded than by hearty cooperation with those who are working to readjust rates and methods to conform to the requirements for safe insurance protection.

These great provident institutions have accomplished incalculable good through the distribution to widows and orphans of thousands of millions of dollars. They are destined to exert a more important influence upon the economic conditions of the future, if not handicapped by unwise legislation or misguided public opinion.

Notwithstanding the fact that fraternal beneficial societies were the first to enter the field of social or mutual insurance, and have been in active operation for a longer period than any other form of life or health insurance organizations, the whole movement is still in the experimental stage, for which reason alone uninterrupted success would be little short of miraculous.

Representative government in the societies, as in nations, has not in every instance proved equal to the tasks imposed upon it, but it has shown an ability to profit by experience. With few exceptions the recent history of fraternal societies has been most encouraging. There is every indication that the great majority of them, through their own efforts and without compulsion, will so reform their faulty plans as to assure their financial stability. Their form of representative government has demonstrated its flexibility and adaptability to altered conditions to the end that the modification of plans generally have been satisfactory. When cheapness of protection is considered these societies have fulfilled the purpose of organization with an amazing degree of success. Popular government has been tested sufficiently to justify the conclusion that fraternal beneficial societies will continue to succeed under the system of self-government. The aid to be rendered by the members of this conference is to help in the prevention of unwise legislation and of adverse public opinion.

At this time, when there is no question as to the necessity for reforms and readjustments, it is possible for unfriendly interests to greatly injure the fraternal beneficial societies and to retard their growth. If, in addition, legislatures enact ill-advised laws and public opinion is unjustly and undeservedly antagonistic, the ruin of these societies might be accomplished.

Their success, as I have already intimated, means much to the cause of humanity. It goes beyond the great good of protecting

women and children from want and penury. It prevents crime and improves social conditions and produces a better economic situation and will help in the betterment of the present industrial régime—which latter is neither final nor satisfactory with its remittent warfare between capital and labor. Continued success of these mutually cooperative self-governing provident institutions will open opportunity for the development of that individualism which has played so prominent a part in the history of the human race.

Perhaps if the great business of life insurance can be placed in a sound financial position and successfully operated on democratic principles, the entire business of the country likewise may be so conducted; and possibly capitalists, as a distinct class, may become as unnecessary as an hereditary aristocracy.

The trend of successful fraternal and mutual cooperation is along the lines of promise which permits the dream that some day capitalist and laborer may be combined in the same person, and that the great industries may be competently managed by officers elected by the whole body of workers. There is nothing incredible in the supposition, which is in line with the course of human evolution and not at all contrary to the trend of development in the operation and management of fraternal beneficial societies. The ideal is not impossible, and such a condition would allow free play to individual ambition and tend to abolish strikes and existing abnormal contrasts of wealth and social position. Lessons in economic science may be learned from a study of fraternal society methods, accomplishments, and prospects.

On December 31, 1915, there were listed in a statistical publication by the Fraternal Monitor 164 societies with accumulated mutual benefit funds of \$245,178,429. Societies not in the list had between \$30,000,000 and \$50,000,000 additional.

The total of funds of fraternal societies, though an immense amount in dollars, is not large when compared with the billions of dollars of insurance carried on outstanding certificates. Their accumulation, taken altogether, falls far short of the accumulation required to protect their insurance contracts at present contribution rates. Their funds have not been accumulated as have the reserve funds of the regular life companies, and, by decisions of courts, the certificate holders have not the same vested rights in and to their funds as have the policyholders in and to life company reserve funds.

The status of the rights of members in fraternal beneficiary societies is determined through society laws enacted from time to time by the representatives of the members. There are neither inalienable nor vested rights, but all interests are subject to society legislation, within the provisions of their charters from the State or National Government.

In the very nature of fraternal society organization it is necessary that the rights and interests of individuals should be subject to legislation enacted by their chosen representatives.

From the very beginning, required contributions to provide for promised benefits were fixed by society legislation and not by scientific calculation and reciprocal business demands.

Until a purely commercial basis is established and the democratic and representative form of government abandoned, regulation by society legislation is the proper and logical course of procedure in the determination of relations between members and the corporate bodies.

Members of economic, social, or civic republics should loyally support their forms of government and abide by the acts of their representatives. If it were otherwise, representative form of government would be destroyed and anarchy become dominant.

When a man deliberately becomes a member of a fraternal, cooperative, mutual, and beneficial society with representative form of government, he is legally estopped from contesting any action taken by the majority of the members through their legally chosen representatives when such action is within the charter rights, is not in conflict with the law of the land, is reasonable, and is necessary to maintain the integrity and permanency of the corporate existence.

He obtains a certificate of membership in a fraternal beneficiary society issued upon an entirely different basis from that of a policy of insurance issued by a regular, legal-reserve life insurance company.

The relation of the policyholder to the life insurance company is established by the provisions in the policy and the application therefor, whether it be a stock, a mixed, or a mutual company.

The relation of the member to the beneficiary society is established by the provisions in the certificate, the application, the constitution and laws, and the charter of the society. The constitution and laws contain the paramount and controlling provisions and conditions when an issue is raised, whether enacted prior or subsequently to the issuance of the certificate—the society laws, of course, being legally enacted and within the charter rights.

Any change in the policy must be with the consent of the holder, otherwise it can be contested as a breach of contract. In other words, the life company is held to the terms of its policy provisions, though the letter of its fulfillment ends in financial ruin.

The status of the member of the fraternal beneficiary society is not fixed by the provisions in his certificate, but by society legislation, properly and legally enacted.

The conditions under which money indemnity is promised by a life company are entirely different from a similar promise made by a fraternal beneficiary society.



The first is subject to a definite contract and its construction by the courts.

The second is free from definite contractual provisions, but subject to present or future enacted laws and their construction by the courts.

If a person wants a definitely worded life insurance contract, regardless of future help or hurt to him or future help or hurt to the corporation, he should apply to a life company.

If a person wants a flexible life insurance contract, which, if it hurts him or his association, may be changed by him and his associates to meet unforeseen or unanticipated conditions, then he should become a member of a fraternal beneficial society.

Since it is utterly impossible to determine definitely in advance the conditions that will prevail in the future, the flexible contract, subject to change to meet changed conditions, certainly is preferable to the fixed contract, unalterable though failure ensue.

The flexible contract permits trials and tests of contributions and benefits which would be hazardous to successful operation under the fixed contract.

It goes without saying that the last statement holds true only when the contribution rates are scientifically computed on the basis of conservative mortality and interest assumptions.

The foregoing comments and references to legal-reserve companies and fraternal-society contracts have a bearing upon the assigned subject only in the way of elucidation.

The funds accumulated under the two systems of insurance differ as much in character as do the two systems.

The funds of life companies are correctly designated "reserve" and "surplus." The income from current premiums is immediately disbursed for expenses and current losses to their total amount, and the excess of premium income goes directly into reserve or surplus.

The accumulations of fraternal beneficial societies may be, and often are, composed of several funds, some for special purposes outside of the province of insurance as known to the life companies.

Generally speaking, the largest part of their accumulations legally would be designated a "benefit fund," under which almost all of the \$245,000,000 of accumulation of the 164 societies would be listed.

In law this "benefit fund" would be known as a "fund in common," and because of this character of the accumulation (or the largest portion of it) there may arise legal difficulties in the way of readjustments. Already the question has come before the courts, but without any definite conclusion to this date.

In a Missouri case the widow of a deceased member claimed an extension of insurance by virtue of the member's contribution toward existing accumulation at the time of his lapse, alleging that his

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Members would be subject to extra assessments, or they could transfer to adequate rate schedules with privilege of a credit in reduction of the new rates by the amount of their equitable share in the existing accumulation at date of transfer. The exercise of this privilege assumed a vested right to an apportioned share in the common accumulation. Members transferred, and the society management made an apportionment of the funds and undertook to transfer the share assigned to the transferring members. Members who refused to transfer secured an injunction against the management, but on final hearing before a Federal circuit court the injunction proceedings were dismissed.

Whether or not the latter is in conflict with the former decision is a question not pertinent for discussion at this time. Suffice it to say that there is an obvious difference between a withdrawal and a transfer, and this difference may sufficiently distinguish and differentiate the cases to avoid any legal conflict.

My purpose has been to impress you (1) with the importance of the fraternal beneficial system and to indicate why it should have encouragement from the members of this conference on social insurance; and (2) briefly to show the material difference between a life-company policy and a fraternal-society certificate; and (3) to state the millions accumulated in the mutual-benefit funds and call attention to some of the conditions under which these funds must be managed and disbursed. Much more could be said concerning the probable disbursement of the funds and the effect of it, but that would lead to details and figures, which I have tried to avoid.

## STUDENTS' HEALTH INSURANCE AT THE UNIVERSITY OF CALIFORNIA.

BY ROBERT T. LEGGE, M. D., PROFESSOR OF HYGIENE AND UNIVERSITY PHYSICIAN, UNIVERSITY OF CALIFORNIA.

[This paper was submitted but not read.]

For years large railroad companies and certain industries have maintained hospital facilities for sick and injured employees for a fee collected from the employees. The demand for this service has become greater as the country's commercial activities have extended and multiplied, so that now few great manufacturing concerns where large numbers of employees are centered are without a service of this kind. The development of the idea as fitting entirely the purposes of social evolution has brought about a universal propaganda for a legislative health-insurance system.

My predecessor, the late Dr. George F. Reinhardt, with his advanced knowledge of and sympathy with this movement, added to his long experience as a teacher of physical education, conceived and carried out over a decade ago a plan for the practical application of his ideas in regard to cooperative student health insurance. His pioneer venture, the Students' Infirmary of the University of California—his monument—stands to-day the best example of its kind. Its success as a university campus institution is undeniable, and it is looked upon by the students as one of the foremost necessities in their college life.

The system is not only being introduced into other universities and colleges, but it is being studied with intensive interest by the Social Insurance Commission of California for the development of its practical application to the community.

The venture at the University of California was first looked upon as unacademic and regarded with doubt by many of the faculty, who at the time did not appreciate its protective or educational value. Also the medical profession in the community strongly objected to the plan as being unethical—a form of socialized medicine involving contract practice. The academic senate now appreciates the education value of socialized medicine in the university. They notice a better attendance at classes, a decided improvement in the efficiency of the student body, and realize that it comprises a healthier group of men and women than can be found anywhere.

As new discoveries and advancement in science cause improvement and change in custom so rapidly that measures objected to 10 years ago are now realities, so it will be with socialized medicine; and we may predict now its successful and general application in the very near future.

Athletics have for many years played an important part in college life. They have been a most potent factor in the maintenance of the health and efficiency of the college student. The study of these activities and their effect on physical development resulted in the introduction of a physical education department, which gives a course the university has now made compulsory to all students. Military training with its valuable exercises of marching and manual of arms in the open has been made compulsory for men.

But these two valuable courses could not prevent infectious diseases from developing and spreading on the campus, and their proper care in the way of isolation and sanitary control had to be provided for. The result was the establishment of a college infirmary, not as a secondary factor in physical education but a distinct department, with a faculty well trained in curative and preventive medicine, who could advise as well as cooperate with the other departments. The department of hygiene holds an important educational place in the academic circle, as it not only extends a compulsory course in hygiene to all freshmen but maintains various laboratory and lecture courses in special hygiene subjects, for which are granted degrees in public health.

The State provides a budget for the department of hygiene, but not for the infirmary, the latter being entirely supported by a compulsory fee collected from each student, who pays \$6 per annum, or \$3 each semester. This fee, together with gifts and special fees derived from surgical cases, forms the budget which supports the infirmary. The board of regents has supplied grounds, as well as the present building, which is a remodeled residence. Annexes and other additions to the main building have been added from time to time to meet the growing needs, due to the steady increase in university attendance. Also an independent structure for housing the 10 graduate nurses has been built close to the infirmary, located on the campus.

The selection of the administrative head of the department of hygiene is made by the president of the university and the appointment by the board of regents. He is professor of hygiene and university physician and is in charge of the department of hygiene and of the infirmary. He is responsible to the president for all operative expenses, professional care of the students, and general administration. The teaching and clinical staff are recommended by the head of

the department for appointment by the president. This staff is unique in comprising physicians trained in public health as well as in medicine, a combination which develops most successful teachers of preventive medicine and splendid clinicians. They are mostly half-time men and women, occupied in special medical fields, and are actuated by a common desire to give their best services to the student body. They receive fixed annual salaries and no fees whatever from individual students.

To better grasp the idea of this system a concise description is necessary. There is a dispensary where a daily clinic is held at stated hours for men and women. It comprises a commodious waiting room, administrative offices, four private doctor's offices, treatment rooms for medical, urological, and orthopedic care, also immunology, X-ray, and clinical laboratories, surgery, pharmacy, oculist, and dental offices.

For the house patients the infirmary has 40 beds distributed in wards and private rooms. The wards are two in number, having a capacity of 8 beds each. A few of the private rooms are furnished with 2 and 3 beds.

The equipment includes various features necessary for a first-class hospital, such as an X-ray laboratory, operating and sterilizing rooms, a splendid cuisine department, where the best foods are supplied and prepared. A dining room for nurses, open-air decks for treatment of anemic and pulmonary cases, a solarium for convalescents, waiting rooms, and numerous showers and baths.

One of the main reasons for providing an infirmary for the care of the sick was the need of an isolation hospital for cases of communicable diseases occurring in boarding, fraternity, and sorority houses, where proper treatment of such cases is impossible. The maintenance of this department lifts a heavy burden from those other students whose health was endangered and liberty curtailed by quarantine.

Students receive professional care by the staff only at the infirmary, as no house visits or calls are made outside the campus. All patients, however ill, can be quickly and safely conveyed to the infirmary, where they enjoy the advantages of every available convenience and professional nursing. As the attendance increases yearly, with a consequent increase of funds, the staff automatically increases, with a tendency to specializing and special equipment, thus providing the student the form of selected professional care which is so costly in general practice.

The teaching members of the staff, besides giving various courses in hygiene and preventive medicine, carry out every available measure for the elimination and prevention of diseases, such as compulsory vaccination and the introduction of sanitary measures about the campus.

All intrants are supposed to pass a thorough physical examination, which includes a past and present history, dental and ophthalmological examinations, besides immunization from smallpox. The results of our observations and findings at the medical examinations are published yearly in the president's report under "infirmiry statistics." The physical defects that are discovered are treated and corrected, if possible, by curative means and by corrective exercises, administered through the cooperation of the department of physical education. These students receive correct information as to their abilities for physical exercises, classroom work, college sports, etc. Numerous abnormal defects, focal infections, and occasionally graver conditions which might also jeopardize the health of others and be a menace to the community, are detected and treated. The substandard, or physically inefficient, student is advised to carry less work and is constantly under the observation of the proper authorities. Often students are relieved of imaginary diseases. In 1915 we found that 66 per cent of the freshmen had errors of refraction, and our oculist wrote 700 prescriptions for proper glasses. The dental examination revealed that only 82 men and 56 women out of the whole 1,513 inrant enrollment had normal teeth. Numerous other illustrations could be cited, such as postural defects, diseased tonsils, chest diseases, flat feet, etc. Enough has been said for the argument for compulsory medical examinations.

These intrants must have a satisfactory scar to show that they are properly immunized against smallpox, or submit to vaccination. This is a State law. Since 1901, when this law was established, there have been no cases of smallpox among the students. In 1915-16 there were 473 cowpox vaccinations. Typhoid inoculation is not a compulsory measure. However, 270 students voluntarily received the protection against typhoid infection.

When students are ill or injured they are all cared for in exactly the same manner, there being no special privileges, no distinction as to race, creed, color, or social standing. If segregation is necessary, it is accomplished at the discretion of the staff. This constitutes a lesson in democracy which is unique and is a living demonstration of what mutual understanding and sympathy, which possesses no suggestion of charity, can accomplish in other institutions. A lesson, for example, for advocates of community sanatoriums for tubercular patients.

Certainly safeguarding the health of the students has been achieved through all these agents. The university provides, through its department of hygiene, compulsory lecture courses in which the truths of preventive medicine and personal and community hygiene are taught, and the superstitions, vagaries of medicine, quackery, and

other frauds are shattered and disclosed. All will concede this course to be of inestimable educational value.

The number of students examined for 1916 were 1,144 men and 1,115 women. Only students who are found to have actively infectious or mental diseases are rejected at the time (about one-fifth of 1 per cent). In 1915-16 the number of bed patients was 672. Of these students 121 were sick in bed as house patients more than once during the year; the average stay being 4.9 days, and the average number of patients per day was 11.8. The largest number of patients at one time was 24. The number of students who secured advice, treatment, etc., during the year 1915-16 was 4,516, or 71 per cent of the combined enrollment of 6,286. The average number of daily dispensary cases was 126.3, with an average number of treatments per individual patient of 7.8. The women comprise 49 per cent of the student body.

The number of anesthetics administered in 1915-16 was 109. There were 262 surgical patients of various kinds, upon whom were performed, including major and minor cases, 151 operations. X-ray examinations totaled for the year 147 plates and over 1,625 laboratory reports were made, which included blood counts, cultures, analyses of secretions, etc.

To the uninformed it might appear that this large percentage of cases would indicate unusual morbidity, but as a matter of fact the purpose is to encourage early advice for incipient conditions, thereby avoiding graver complications and developments—the practical application of the “stitch in time.” The statistics for the past 10 years show only five deaths occurring at the infirmary.

The estimate of cost of operating the infirmary for 279 days, the number of days it was open, was found by dividing the gross cost, which includes salaries, the maintenance of the dispensary, and hospital service, by the number of beds (40), which gives an estimated cost of \$2.98 per bed per day. Rent and taxes are free.

To keep pace with the developments of socialized medicine, a dental clinic was established for the purpose of promoting oral hygiene, and to enable us to extend to students a first-class dental service. A minimum fee of \$1.50 per hour is charged, including all materials, excepting gold, which is sold at cost. By this arrangement the teeth are conserved, focal infections are discovered and treated, and many constitutional diseases relieved or averted.

A feature of our infirmary is the permanent record which we have perfected. On one side is the complete record of each intrant's physical examination, which is always at hand. The opposite side is devoted to noting subsequent examinations, diagnoses, and treatments, which at a glance may be referred to upon every occasion of





UNIVERSITY OF CALIFORNIA INFIRMARY—DISPENSARY RECORD			
Name _____		Age _____	College _____ Class _____
(Date)	(Diagnosis)	(Date)	(Diagnosis)

Complex, obscure, or border-line cases may require the whole staff's professional attention. Certain it is that here the cooperation of specialists and laboratory workers results in a remarkably large number of correct diagnoses. The student thereby receives the benefits of group medicine, which only the very rich, or patients in teaching hospitals, can obtain.

When we consider that 71.8 per cent of the combined enrollment of university students took advantage of the infirmary system, and that the average number of treatments per patient was 7.8, the evidence seems conclusive that the laity do not receive at all their full measure of medical service. We think this an excellent argument for a national health-insurance act.

With compulsory training in hygiene, control of communicable diseases on the campus, group system of curative medicine, and physical education, the students of the University of California are in possession of a successful, ideal, economic form of socialized medicine which may be applicable to the whole of society.

## JOINT-STOCK COMPANY HEALTH INSURANCE.

BY RUFUS M. POTTS, INSURANCE SUPERINTENDENT, STATE OF ILLINOIS.

The program lists the subject of my address as "Health insurance," while the subject is in fact "Joint-stock company health insurance." I only mention this for the reason that the subject of health insurance in general is not treated in my paper, but only one of the agencies through which this kind of insurance may be effected. This limited scope of my paper was adopted as my understanding of suggestions contained in a letter written me by Secretary Meeker some weeks ago. The paper was forwarded to him in the form in which it appears in the printed slips, but since that time an additional table has been compiled by employees of my department from information received since the paper was written. This is included in the address I am now going to read, but is not found in the address as printed and distributed.

The most important practical problem in relation to a system of health insurance is, what plan shall be adopted to accomplish and to make stable and serviceable its purposes. To me has been assigned consideration of those existing agencies of health insurance conducted for corporate profit. There are no Lloyds or interinsurers engaged in the business of health insurance.

To present fully joint-stock company health insurance, I believe it advisable to consider briefly its origin and development. In earlier ages the emergencies and misfortunes resulting from sickness were dealt with, so far as they were relieved at all, by neighborly assistance and charity. These ancient methods of sickness relief have continued in use to the present time to a greater extent than in relation to other kinds of misfortune.

The earliest examples of the relief of sickness by what we now call insurance methods were the primitive mutual organizations called guilds, which flourished in Europe during the Middle Ages. One of the chief objects of these was the mutual relief of the misfortunes befalling members, and among these misfortunes sickness was the most frequent. With the decline of the guilds their insurance features and other functions were assumed by other mutual organizations, approaching in form those still existing. In Germany they were chiefly trade-unions; in England they were usually friendly societies; and in the United States, fraternal associations. The history of these has been ably treated at this meeting by other speakers, and I mention them only because of their association with the origin of corporate health insurance.

The same factors which caused joint-stock fire insurance to develop rapidly and partially to replace fire mutuals operated also in relation to health insurance, but the expansion of joint-stock health insurance has been much less than that of joint-stock fire insurance for many reasons.

In the United States, joint-stock company health insurance was first undertaken in 1847 by the Health Insurance Co. of Philadelphia. A similar company was organized in New Jersey, and several in Massachusetts about the same time. These companies soon failed on account of the crudeness of the plan upon which they were founded and operated. They also suffered from an unfavorable risk selection, so that their losses soon became excessive. The fact of the increase of the frequency of sickness with increasing age had also not been taken into account in establishing premium rates.

Beginning about 1860 some of the life insurance companies wrote some health-insurance business in a small way. About 1894 a rider attached to accident policies, covering eight epidemic diseases, came into use, and from this sickness insurance, as it is now carried on, gradually developed, so that eventually separate policies were issued without any accident feature and covered practically every kind of sickness.

The conducting of health insurance by stock companies on the industrial plan, with the collection of premiums weekly or monthly, did not begin until 1891. The policies were at first combination accident and health insurance, and they are still in a great measure issued on this plan. Industrial health insurance rapidly became popular and there are at present a large number of stock companies in the United States engaged in this business, besides mutuals and fraternal associations.

Competition soon became very keen, taking chiefly the form of a scramble for agents, with all of the evils attending the practice of "twisting." A combination was consequently entered into in 1901, called the "Detroit conference," taking its name from the city where it first met. This "conference" corrected some of the evils connected with "twisting," but also resulted, as in the case of fire companies, in a "gentlemen's agreement" concerning rates. Another evil which became very pronounced in the operation of these companies was their unfair practices in claim settlements. In order to secure members, policies apparently very liberal were issued, but they contained numerous masked technicalities. By a strict construction of these defeasance clauses the companies succeeded in driving many hard bargains. These practices of the casualty companies became so oppressive that the matter was considered by the National Convention of Insurance Commissioners in 1911 and measures were taken which have resulted in the elimination of such practices by all legitimate companies. The activities of the National Convention of In-

insurance Commissioners also resulted in the preparation and adoption of the so-called "Standard provision casualty policy" in a number of States. It is now in force in Illinois, having been passed during the 1915 session of the legislature.

In early industrial health insurance a flat rate of \$1 a month, or a weekly rate of 25 cents, was collected. Later the problem of the classification of risks was taken up, and there are now in use a number of classes, with premium rates graded according to the hazard. This constitutes a nearer approximation to justice, but the plan is still far from perfection.

With this brief treatment I pass to the question with which we are most immediately concerned—the merits and demerits of joint-stock health insurance. There is usually an implication that the speaker assigned to treat a particular method of effectuating a branch of insurance will bring out all the good there is in such method. I am not unmindful of this custom, but must confess that I am not commending joint-stock health insurance unreservedly. So far as I can see it has but one important advantage, which is that it excels other kinds of health insurance in financial soundness. Since strict supervision by State insurance departments has become the universal rule there has been a great improvement in the financial soundness of all insurance organizations, including joint-stock casualty companies. Because the various insurance departments have had authority to supervise the joint-stock corporations more strictly than the mutuals the former, no doubt, excel as to reliability, although I am not prepared to admit that the joint-stock plan is in reality more stable and serviceable than a prudently managed and carefully supervised mutual association.

Another general advantage is that the joint-stock companies employ an extensive agency force, and by this means write an immense volume of insurance, bringing protection to great numbers.

If we admit the position taken by joint-stock companies that any reliable sickness insurance, regardless of acquisition expense, is a great blessing and privilege to the insuring public, then we must admit the justification of an agency force, although the expense of such force is also the greatest disadvantage of joint-stock company insurance, because it prevents approximately one-half of the premium paid from being returned as benefits to policyholders.

As in the case of all other branches of stock company insurance, the chief cause of the excessive expense is that the business is acquired solely through agents. For the payment of the agent's commission, and in the industrial plan the compensation of weekly or monthly collectors, a heavy percentage of the premiums is absorbed immediately. In addition there is a heavy expense for the super-

visors, field men, and others necessary to keep the agency system in operation, as well as the expense of general management and the payment of dividends to stockholders.

The results of the total health and accident insurance business in the United States for the past 20 years (the commercial and industrial business not being segregated, however) are shown in the following tables taken from the Spectator Year Book for 1916 (pp. A-164 and A-165):

PREMIUMS RECEIVED AND LOSSES PAID ON ACCOUNT OF ACCIDENT INSURANCE AND OF HEALTH INSURANCE IN THE UNITED STATES.

Class of business and year.	Premiums received.	Losses paid.	
		Amount.	Per cent of premiums.
<b>Accident insurance.</b>			
1915.....	\$36,877,968	\$17,197,415	46.5
1914.....	35,508,557	19,105,506	46.4
1913.....	34,532,481	15,581,224	45.1
1912.....	29,792,473	13,408,652	46.0
1911.....	27,351,626	11,837,347	43.3
Total (5 years).....	164,154,125	74,130,054	45.2
Totals:			
1906 to 1910.....	99,549,398	41,206,701	41.4
1901 to 1905.....	65,572,736	27,985,457	42.7
1896 to 1900.....	26,444,014	16,156,048	44.3
Total (20 years).....	365,720,268	159,478,260	43.6
<b>Health insurance.</b>			
1915.....	7,891,080	3,705,713	47.0
1914.....	7,200,367	3,342,558	46.4
1913.....	6,828,735	3,256,227	47.0
1912.....	6,339,406	3,126,160	49.3
1911.....	7,101,666	3,314,301	46.7
Total (5 years).....	35,461,264	16,744,944	47.2
Totals:			
1906 to 1910.....	23,848,719	9,607,381	40.3
1901 to 1905.....	7,167,396	2,908,787	40.6
Total (15 years).....	66,467,319	29,256,122	44.0

These tables show that in the United States the highest proportion of the premiums collected which has ever been returned to policyholders as benefits in accident insurance was 46.5 per cent for the year 1915, and that the average for the past 20 years has been 43.6 per cent. In health insurance the highest proportion which has been returned to policyholders was 49.3 per cent in 1912, while the average for the past 15 years has been only 44 per cent. These results show even a smaller proportionate return in benefits than in fire insurance, in which the premium rates charged are universally conceded to be oppressive and extortionate, chiefly by reason of being controlled by a combination or monopoly covering the entire United States.

A special investigation which I recently conducted in connection with my study of welfare insurance in general showed that the

amount returned to the policyholders is much less in "industrial" life insurance than in "ordinary" life insurance. With this in mind, I concluded that it would be very desirable to compare the results in "industrial" health insurance where the dues are paid weekly or monthly as they are in industrial life insurance, with the results of "ordinary" or "commercial" health insurance, where the dues are paid quarterly, semiannually, or annually as in ordinary life insurance, and proceeded to collect this information.

By an oversight in the heading of the questions sent to the companies for obtaining the necessary figures to make this comparison, they were asked to give this information as to their accident and health business combined, instead of separately as was intended. Nevertheless the results are instructive. Owing to the short time that was available for collecting this information, replies were not obtained from quite all of the companies engaged in the health and accident insurance business, but they were received from a great majority, and it is highly improbable that the lacking figures would materially change the loss ratios. The combined figures show that the loss ratio in "ordinary" health and accident business for the past four years has been as follows:

1912	49.46
1913	49.38
1914	46.71
1915	50.89
Average, four years	49.12

And the loss ratios in the "industrial" health and accident business had been as follows, for the same years:

1912	45.96
1913	46.82
1914	46.45
1915	43.06
Average, four years	45.40

Translating this into cost, for a dollar of insurance received by beneficiaries, we find that \$1 of "ordinary" or "commercial" health and accident benefits received by assured cost \$2.04 in premiums, and \$1 of "industrial" health and accident benefits received by assured cost \$2.20 in premiums.

As I have heretofore frequently declared, the extortion practiced by reason of the monopolistic, cumbersome, and excessively expensive systems of insurance is one of the greatest economic wrongs of our day. If there are degrees in such wrongs, then those of health insurance are the worst of all. In fire insurance the insurer is a property owner; even in life insurance the beneficiaries presumably have life and health left to them after the breadwinner is gone. In sickness insurance the assured, by self-denial, attempts to accumu-

late funds to care for himself and family when disease has disabled him; but in order to accomplish this purpose he must pay in premiums more than twice the amount returned in benefits. Without imputing any personal shortcomings in this respect to those engaged in the business of corporate health insurance, I can not refrain from characterizing a system which consumes, in expenses and profits, more than half of the premiums paid as not only entirely indefensible from the economic standpoint but as grievously wrong, morally, and demanding immediate reformation.

Joint-stock health insurers attempt to excuse their enormous acquisition cost by comparison with fire insurance, which discloses that their cost is but little higher than that of fire. I have made, during my term of office, a careful investigation of fire insurance conditions and rates in Illinois and in the United States. In my fire report for 1915 I published some of the results of this investigation, which clearly show that if the business of fire insurance were conducted in a way similar to the business of banking, without agents, the interest earnings upon the accumulated premiums, paid in advance, would meet all legitimate operating expenses, so that the total amount of premiums would be available for the payment of losses. This would mean that the present fire rates would be reduced at least one-half. Similar results would accrue in health insurance. Interest on the premiums and reserves would be more than sufficient to pay operating expenses, with the possible exception of industrial health insurance, where, because the dues are paid weekly, there would be less interest earnings.

In such a health-insurance plan the person desiring to be insured would apply at the insurance office, just as a depositor calls at the bank with his deposit. Consequently the entire acquisition expense, chiefly agents' commissions, would be eliminated. I recognize, however, that under present conditions, where the insuring public have become accustomed to await solicitation by agents, a joint-stock company could not succeed without the existence of an agency force.

Health insurance will not become general until some form of compulsion is applied. But with a compulsory law requiring every man to carry a certain minimum amount of health insurance, its benefits could be made universal at much less than one-half of its present cost, thus bringing more than double return in benefits. It would, however, be wholly improper to enact such a compulsory law unless the State at the same time provided a system by which the insurance could be obtained at actual cost. Whether or not a State health-insurance institution is the best plan, considered from every point of view, depends upon the ability and willingness of private corporations to provide equal benefits and render equal service at the same cost ratios.

It is possible that if a State welfare-insurance institution were established, of which health insurance would be one of the principal branches, it would be feasible and probably advantageous to allow individuals to have their choice as to whether they would carry the compulsory minimum amount of health insurance in the State institution or in private corporations which were strictly supervised and carefully safeguarded as to management and soundness. The existence of competition from private companies would have a tendency to secure efficient service and capable management of the State institution and compel its operation at the lowest possible cost.

In both Germany and England, where health and other welfare insurance, up to a certain minimum for each person, must be in national institutions, much use is made, for the purpose of local administration, of associations covering limited areas managed by the assured, or by the assured and their employers, where employers pay part of the dues. Similar provisions form a part of the proposed laws which have been urged before the legislatures of several of the States, under auspices of the American Association for Labor Legislation, and I believe such provisions are very desirable.

It would be advisable, in any compulsory health-insurance system, to allow any person, in addition to the option of making provision for himself and family against the economic effects of sickness by carrying insurance in a State institution, a joint-stock company, or an approved mutual or fraternal association, to substitute for health insurance such security as might be approved by a welfare-insurance commission.

I regard the allowance of all these options as an extremely desirable and even necessary provision in a system of compulsory health or other welfare insurance. They would be a pacifying concession to the strong individualistic instincts of a considerable and combative portion of our people, and would also checkmate those who might attempt to play upon such individualistic traits to defeat compulsory health insurance. No fair-minded man will contend that provision against the economic results of sickness should not be made by everyone, and if he is allowed a reasonable choice between effective methods he can not help recognizing the justice of a law which requires such protection.

In conclusion, I feel fully warranted in stating that joint-stock company health insurance is generally reliable and at present performs a useful function, but that its present excessive cost places it beyond the reach of the great majority of the people of the United States; and that measures should be taken as soon as possible to create a system of health insurance coming within the reach of all and capable of being made universal by compulsion.



## DISCUSSION.

CHARLES F. NESBIT, superintendent of insurance, District of Columbia. I am only going to lead the discussion this morning, and I hope there will be a lot of it. We have taken up an exceedingly interesting question, and one that I think Dr. Kerby gave us the key to in his introduction. We are facing a constantly changing ideal in our people regarding a great many of these questions. In discussing them I am not going to discuss what I do not know and do not understand or know anything about. I am only going to tell you a few experiences, a few of the things I do know about, and I would be more frank—would talk more freely in this discussion if what I am going to say was not going to be reported. I am going to say it anyway.

When I came in as superintendent of insurance here in the District I suppose there was no single thing that so many people spoke to me about as the robbery practiced and the deception practiced on the servants of the city of Washington. It was not one person told me this; dozens of people. And there seemed to be a universal feeling that the sickness insurance companies in some way or other were absolute frauds and were practicing frauds on the servants of the city.

As you know, Washington has a larger colored population than any city in the world—certainly larger than any other city in this country. Most of our servants—the drivers, porters, servants, cooks, maids—are colored people, and they feel more keenly than anyone else the meaning of sickness, because, as a result of certain historic conditions, their pay stops immediately and there is not much attention paid to what happens to them. Washington, as fair as it may be on the outside, has had its alley slums which the less we have looked into the better we felt pleased with the city.

What are the facts about that sickness insurance here? The facts are that this poorest paid class of employees in the city of Washington pay annually \$500,000 to protect themselves against the results of sickness and accident, and they have never in any year received back \$200,000 of that \$500,000 they paid until this year. We have had very considerable improvement this year. In other words, out of every \$10,000 they have paid in \$6,000 has gone into the expense of handling the money, giving them back \$4,000. That is all I know about it. I have not anything more to tell you. The fact is, I find the companies paying these claims very promptly.

I made a most careful investigation into the payment of these claims. I have not any fault to find with the way they pay them. They pay them promptly, and there are exceedingly few complaints that have come into the office handling complaints. I have looked into hundreds of these claims.

I have had a great many interesting and light-hearted moments while I was investigating these claims. The average Negro is great on insurance. The stories in the Saturday Evening Post have nothing on the actual experiences I have had with Negro insurance in this city. I had, the other day, a long paper presented to me by one of these sick-benefit societies—the order of the Knights of ————. They have three degrees—the paper is on file in my office—first, the order of the knight, for which they pay \$2; the second, the order of the keepers of the dungeon, for which they pay \$2 and receive a splendid regalia; and the third degree costs them \$3 to get into, and is known as the degree of the executed spy. I discussed the paper when the attorney brought it down, and I said to him, “It looks to me as if the officers get nearly all of this. Whom does the money go to that buys these regalias?” Because, if you give the average Negro a regalia and a password, he will pay the last cent he has got. He said, “That goes to the officers.” “Who does this \$2 go to for joining these two orders?” “Well, that goes to the officers. I reckon we aren’t going to work for nothing. Do you find any insurance men what work for nothing?” “I realize that you have to be paid something for your work, but it looks to me as if you are getting a good deal out of it for the benefits that these people get back.” “Well,” he says, “I don’t know; we can’t seem to figure it out, unless we get a large number of members, how there’ll be any surplus after we pay expenses and salaries.” “How much are you going to pay in the way of benefits?” “Death benefits, \$50.” “You take your hat and go on your way. You do not come under the supervision of the insurance department.” The law gives us no supervision over any concern that does not reach the minimum of \$100.

I had another interesting sick and accident benefit case here. A claim was presented to me for sickness benefit. The concern had not paid—I do not know its name—so I hunted up the secretary and wrote him a letter and the next day he called on me. He said, “I have a letter from you. I am the secretary of this society.” “You haven’t got a license, have you?” “What’s that?” “You must get a license before you do business.” “Who gives the license?” “The Government gives it.” “Well, give me one. I didn’t know why we couldn’t do business, but I knew we were not doing much.” “Well,” I said, “I don’t mean that a license will enable you to do business—I mean that you can not even try to do business until you have a license.” He said, “Do it cost anything?” “It costs you \$10.” “Do you

expect—do you expect me to come here and pay the Government \$10 for a license when I ain't got no money to pay claims with? We ain't got no money to pay claims with—how are we going to pay a license?”

These are, as I might say, some of the interesting phases of supervision. After all, it seems to me a very serious question—what are they going to do when they are sick? I can only say what I said before—when in this city \$500,000 of money is paid over—I want to say it comes from people often whose feet are on the ground—lots of it. It comes when they have not anything to eat—it means they go without food to pay their insurance—and when out of that kind of money \$6,000 out of every \$10,000 goes for expenses and profits, it is quite time some other agency was devised.

The CHAIRMAN. Mr. Ansley K. Salz will now present a report from the Social Insurance Commission of California. Mr. Salz represents the employers on this commission.

ANSLEY K. SALZ, advisory member, California Social Insurance Commission. This paper which I am about to read to you was prepared by the Social Insurance Commission of California for me to present here, and is the result of the meetings and the work they have had right down to date. I may say I have been away from California for about one month—it would have been impossible for me to have prepared this paper for you.

The Social Insurance Commission of the State of California was appointed by Gov. Hiram W. Johnson in the spring of 1915 pursuant to chapter 275 of the Statutes of 1915.

The commission decided at its early meetings to select one branch of social insurance to which to give the bulk of its attention. Health insurance was selected for concentrated study for two reasons—first, because it was generally agreed that sickness was the largest single cause of destitution and that a scheme claiming to meet the problem of sickness was deserving of first attention; second, because the Workmen's Compensation Act of California covered occupational disease; thus the field of sickness already has been entered and sickness insurance seemed logically to demand next attention.

Desiring to secure the best expert advice available, the commission secured the services of Dr. I. M. Rubinow as consultant for the second half of the year.

In planning its work the commission aimed to accomplish the following results: By a careful study of the existing systems of social insurance (with particular emphasis on health insurance) to ascertain the extent to which social insurance has been developed on the Continent and elsewhere, the various ways in which it has been developed and what the results of such development have been; by a

well-planned survey of local conditions to determine whether there exists in California the need of extending the State's activities in the field of social insurance to cover health insurance and what would be the cost of various types of health insurance systems adapted to our local industrial organization.

With these ends in view the commission undertook and has now practically completed these several pieces of work:

1. The securing of an accurate statistical record of the various ways in which the wage earners are at the present time protecting themselves against sickness and the number of persons thus protected. This has involved communicating with all the lodges, unions, and hospital associations of the State to ascertain whether or not a sick-benefit feature was maintained, the nature of the sick benefit, cost to the individual, etc.

2. The careful study of the schemes of organization of the societies giving sickness protection, to determine the degree of adequacy of the protection offered.

3. The actuarial study of 100,000 years of sickness experience of the larger unions and lodges, to suggest the approximate rate of illness of California wageworkers.

4. The obtaining of a statistical record of various ways in which employers in the field of manufacturing, lumbering, mining, railroad-ing, and other public service were providing for the illness of their employees, and the number of persons affected. This has involved communicating with all establishments in the State of California employing more than 25 persons, questioning whether they made provision for their employees during periods of illness by compelling their membership in a hospital fund, by providing sick-insurance funds, by continuing their wages, or in any other way.

5. A study of the standard of living and wage conditions of 4,500 patients of the five largest free clinics in the State, to see what percentage of the patients now receiving purely charitable aid, because unable to pay the fees of private physicians, could stand the moderate premiums of a well-organized health-insurance system.

6. An analysis of 5,000 current charity cases of San Francisco and Los Angeles, to ascertain statistically the part that sickness plays in causing dependency in this State.

7. The obtaining of a record of the moneys expended by the counties and cities for medical relief of indigent sick, to determine the burden sickness puts directly upon the public funds in the aspect of public medical relief.

8. The obtaining of a statistical record of the number of cases treated annually at all the free clinics and dispensaries of the State, the equipment of such clinics, cost of maintenance, etc.

9. A field study of the industrial town of South San Francisco, and also of the Russian district of San Francisco (house-to-house investigation), to obtain a cross section of the health and economic conditions of the inhabitants, showing also the extent to which they are already protected against sickness through voluntary insurance.

10. An investigation of the experience of 1,000 industrial wage earners in San Francisco, to the end of determining the extent of the burden which sickness has put upon their combined and individual incomes.

11. An investigation of the financial burden which sickness has caused prior to application for charitable assistance in families coming under the observation of charity agencies.

12. A study of the history of 500 families receiving public care for tuberculosis, to determine the financial burden of tuberculosis in the average working family.

13. A study of 5,000 reported cases of tuberculosis in southern California from the standpoint of the length of their residence in this State at the time of being reported as tuberculosis sufferers, to ascertain to what extent tuberculosis is a home problem in California.

14. An investigation of the normal amount of employment secured by the average worker in various leading trades of the State and a study of the wage standards in various parts of the State.

15. A study of the hospital space available and its distribution throughout the State, the equipment of the various hospitals and the availability of laboratories in different localities.

In addition the commission has been testing the strength of the sentiment in favor of or opposed to the policy of social insurance in the United States by obtaining from 3,000 leading American economists and social workers their opinions on this subject. It may be here noted that while this investigation is still incomplete and reports are still coming in, the results so far are as follows: Of the answers received, 85.08 per cent favor social insurance, 4.76 per cent do not favor social insurance, and 10.14 per cent are not sufficiently acquainted with the subject to give an opinion. Of those in favor of social insurance—85.08 per cent—75.76 per cent favor compulsory insurance, 19.48 per cent favor voluntary insurance, and 4.76 per cent did not state any preference. Of those in favor of social insurance, 43.07 per cent place sickness first, 22.08 per cent place sickness second, 9.74 per cent place sickness third, and 1.95 per cent place sickness fourth; 22.94 per cent did not state what place they would give to sickness; and 0.22 per cent did not favor sickness insurance at all. Old age followed sickness in order of importance, unemployment came third, and survivors' insurance last.

Public hearings were held in San Francisco on the 20th, 21st, and 22d of November. Two hundred persons were in continual attend-

ance and the prominent men and women of the State from all professions testified and were cross-examined under the direction of Dr. I. M. Rubinow, the consulting actuary. Wide publicity was given the hearings by the leading newspapers and a tremendous wave of interest in the subject of social health insurance was evidenced. Sentiment was practically unanimous in favor of compulsory insurance to be supported by employers, employees, and the State itself.

The commission will present a complete report of its work and its findings to the legislature in the early part of next spring.

The commission stands at the present time committed to the principle of compulsory health insurance and will introduce in the coming legislature a constitutional enabling amendment broad enough in terms to permit the State to take any step in the field of social insurance.

Dr. MEEKER. May I venture to ask three questions for the purpose, perhaps, of directing the discussion? First, I want to ask the insurance men here present, those representing employers and trade-unions or fraternal orders, or benefit societies, labor statisticians, economists, physicians—if I have left anybody out, please hold up your hands—I want to ask all present to consider what is being done now in the way of health insurance—what proportion of laboring people—or, I will put it, what proportion of people of an income under \$1,200 a year—are now getting some kind of medical service or health service through insurance or any of these existing agencies? Second, How adequate are the benefits received through existing agencies? Third, If not adequate, what are the possibilities of developing these agencies to take care of the health of the people? I think that President Day stated it exactly right. There are just two roads before us. Either the existing agencies must buck up and take care of this problem, or we are perforce driven to compulsory health insurance. I leave the subject with you.

EDWARD F. MCSWEENEY, former member, Massachusetts Industrial Accident Board. Mr. Chairman, I appear here to ask, not that the discussion of health insurance shall be curtailed, but that it will not proceed immediately in the form of pressure on State legislatures for compulsory insurance acts, for the principal reason that we are a long ways from being ready for any form of compulsory health insurance. To enact such a law before the problems of workmen's compensation are fully worked out, and while there is great doubt as to what the Supreme Court of the United States will do in the settlement of the tangle of conflicting State decisions that are, or will soon be, referred to it, will in the long run delay, instead of forwarding, the fulfillment of the humanitarian purposes behind workmen's compensation laws.

I object to the transporting to this country without proper investigation of a foreign industrial insurance system alleged to be in successful operation in certain countries, when as a matter of fact it is on trial only. The compulsory method in Great Britain which took the place of a voluntary system which was really making progress gives benefits so small that they would mean nothing to the lowest class of American labor; and as the Socialists, Mr. and Mrs. Sydney Webb, point out, the English system embraced "a vast multitude who were already providing what was requisite for themselves." In Germany, while a system of industrial insurance has been in operation for a long time, the compulsory arrangement was still in the experimental stage when the war broke out, and its workings have therefore been interrupted.

As the National Civic Federation points out in its bulletin on Compulsory Health Insurance, this cure-all "for helpless poverty is pressed without regard to the opposition to precipitate action by organized labor, the only channel through which the wage earner's voice can officially be heard, and without adequate investigation of what is being done in the United States by voluntary agencies at the present time."

The Massachusetts Industrial Accident Board has, since the board was constituted, been fair, just, and efficient in enforcing the workmen's compensation law. The Supreme Court of Massachusetts has interpreted the law with humanity rather than with technical exactness. Labor has always charged that when there is a technical doubt as to the meaning of a law, capital got the benefit of the doubt, but the Supreme Court of Massachusetts in every case under this act has given the wage earner the benefit of the doubt. However, with all the work that has been done, and the progress that has been made, the large problems are still unsolved and the act is really on trial.

In social insurance, as in everything else in this world, nothing is settled until it is settled right. Life is a succession of steps. Nature is manifested in growth and not by haphazard jumps. The social reform agitation, which devotes itself principally to thinking out new schemes of social betterment instead of perfecting the projects already enacted, to prepare for the next logical step, is doing more harm than good. This habit of precipitate haste, shown in certain forms of social activity and health work, is taking on the attributes of a disease. During the last 10 years, millions of dollars have been collected and spent in new schemes of health agitation, utterly disregarding the vital necessity of applying our present knowledge to practical ends. Merely saving people from dying does not appeal to this class. In social reform, as in health work, when we know a remedy it should be applied to the need. A proper complaint against the reformer who persists in attempting a cure of all ills of humanity

overnight is that the attraction is in the joy of the chase and not the capture of the game. During the two years I was a member of the original accident board in Massachusetts I remember only two or three of the good people who had so long and unselfishly worked for the passage of the bill who showed the slightest interest in how it was working out, or took the trouble even to inquire about it.

Admitting the good will behind this theory of sickness insurance, it should be considered in connection with unemployment and old-age insurance. Until the problems of workmen's compensation are settled, sickness insurance as proposed is only an attempt to change the economic basis of business generally, forcing it to harmonize with doctrinaire theories which ignore the common conditions of life, and believe, or at least allege, that sentimentalism is synonymous with humanity.

In addition, the essential injustice of this propaganda, wholly aside from its impracticability at the present time, is that its proponents pick out the Commonwealths already far advanced in social legislation where the conditions of labor generally, and of women and children in particular, are at the maximum and ask these States to put themselves to still further disadvantage in competition with States which have passed few, if any, of these laws.

Sickness is a necessary incident of life; a contingent event certain to come to all of us sooner or later. Hundreds of millions of dollars are being spent in this country every year for the relief of the sick poor. It will be difficult to find any community in the whole land where persons sick with an acute disease are lacking for humane and scientific treatment. Fraternal societies, trade-unions, benefit associations in many industrial establishments, churches, and private charities are efficiently and thoroughly doing this work of caring for the acute sick, and with the introduction of compulsory sickness insurance these various activities would in large part be displaced. How can any law provide a scheme that will do the work that they are now doing so well? For the sufferers from chronic disease and indigent old age, who are to-day subjects of private and public care, there is no provision. Where will the line be drawn between the incapacity of sickness and the incapacity of old age? One person is old at 40; another is young at 80. To put the care of a sufferer from a chronic disease less than 65 years of age under sickness insurance charged to the employer, without any knowledge as to whether the conditions under which this wage earner did his work are in whole or even in part responsible for the sickness when found, would be a monstrous injustice to trade and commerce.

Ten years ago, the Committee of One Hundred on National Vitality, under the leadership of Prof. Irving Fisher, of Yale, in an epochal report, showed that a large part of existing sickness and premature



deaths was unnecessary and that by applying certain measures much of this sickness could be prevented and the producing life of the individual prolonged. It is certain that not less than 4 per cent of the population of this country is constantly sick and that this illness is largely preventable. The annual money loss from preventable unnecessary disease and premature death in the United States makes such a staggering table that the figures are meaningless to the ordinary man. For example, the money loss in one year from one disease—tuberculosis—which is wholly preventable, would about buy all the railroads in the country at par. Can we in common sense pass sickness insurance without first doing what we can to reduce this loss? We know to-day that much of the sickness of adult life is due to the fact that the health of children is neglected during their school life, and that by school medical examinations we can find defects in the teeth, nose, throat, eyes, and ears, which, remedied, lay the foundations for a healthy maturity. Every dollar spent in this work will save \$100 of expense for unnecessary sickness later, besides increasing the term of life and producing capacity, not to mention the happiness and civic usefulness of the individual.

Will we commit the folly of passing sickness-insurance laws which increase taxes that fall heaviest on the very poor it is planned that the law will serve, without doing what the State should and must do in preventing unnecessary disease?

As showing what can be done under existing laws, it may be stated that the Massachusetts workmen's compensation law does to-day not only compensate for industrial accidents but for industrial sickness and old-age incapacity. It was never intended when the law was passed that occupational disease would be compensable under it, the plan being that the agitation for such an act would follow in due course. As passed, however, the act provides not for injury "by accident" as in the English law and some of the American Commonwealths, but simply from injury "arising out of the employment," etc. A short time after the board was organized, application for compensation was made by a workman who had become, according to the evidence, totally blind from long-continued exposure to heat, glare, and gases. To this blind man, as far as earning his living was concerned, it made no difference whether his condition was due to noxious gases or to a blow from a flying bit of metal. As a workman he was scrapped. It was compensation or the poorhouse for him. The board decided that he was entitled to compensation under the act. The Supreme Court sustained this decision, and since then has in fact amplified it by declaring that if an industrial injury brings into activity a latent disease, this comes under the law.

Under these decisions, therefore, in Massachusetts and some other States occupational disease has been added to workmen's compensa-

tion. With this real trouble has begun to beset the board, and upon the just and sane settlement of this matter of occupational disease depends the future of the law in Massachusetts. These decisions, which were fully justified under the law, have opened the door for claims for permanent disabilities for injuries to workmen in middle life in cases where the injury considered by itself is trivial, but considered by reason of its accelerating effect upon a preexisting condition of disease, has serious results. Sometimes the trivial injury comes at a time when it might be expected, under natural conditions, that the employee would be obliged to give up labor because of the infirmities due to age, and it then becomes a most difficult matter to measure the effect of the slight injury. To a wage earner who is hovering on the verge of a breakdown a slight strain, by reason of lifting, or a fall, may cause serious results. I have known a postural back condition, or an arthritis, aggravated by a slight strain, to cause permanently disabling conditions and in effect place the employee upon an old-age pension basis under the workmen's compensation act. If the same injury was received at home, there would be no reason for a claim. An old-age pension act should not depend upon such a gamble with fate. To award compensation under the workmen's compensation act for permanent disability for a slight injury added to existing heart, kidney, or other organic degenerative conditions not at all due to industry, will in due time deprive the real victims of industry of their proper compensation; it will bankrupt the insurance companies and force the State to go into the insurance business, because premium rates can not be made high enough to pay such claims that extend over a period of years. It will force a strict physical examination of all employees prior to employment, which is probably certain to come in any case, but it will add in every way to the complications of the act.

Until workmen's compensation laws throughout the various States are standardized, in form, interpretation, and administration with relation to compensation for occupational diseases, it would seem wise to go slowly before adding sickness insurance to our existing difficulties.

The next point is to determine how much occupation is responsible for disease. The answer is that there is no definite information on this subject. Certain trades are popularly supposed to be responsible for a large share of tuberculosis, and some trades have conditions which would tend to produce this disease. A worker in one of these dangerous trades, which are generally highly paid, finds himself running down in health and unable to keep up to the hard drive of his occupation. Of his own volition he seeks another job paying a lower wage and giving easier work. This in due time becomes too hard for him and he goes down in the scale of occupation and wages

until finally he breaks down. He may have changed jobs a half a dozen times since he first became conscious of failing health. Is it not unfair to the firm employing him at the time of his collapse to be forced to bear all the cost for this disability, when the occupational responsibility for this disease can not be traced? It is only fair to say that, in Massachusetts, the policy has been established by the board and the court, that an employee must show that the incapacity from occupational neurosis must have a causal relation to conditions peculiar to the employment, and not "common to the neighborhood"; that old age, as such, is not recognized as a "personal injury which arises out of the employment"; that a general or gradual breakdown is not regarded as a personal injury for which compensation should be paid; and that all injuries must flow from the employment as a natural incident of the work and have been contemplated by a reasonable person familiar with conditions as a result of the exposure occasioned by the nature of the employment. In other words, it is really a question of fact which must be shown specially in each case whether the incapacity is due to occupational conditions and not to causes apart therefrom in each claim where occupational neurosis and old-age questions are involved.

In 1913, Prof. Selskar Gunn of the Massachusetts Institute of Technology, and then a member of the State board of labor and industry, and myself, representing the Massachusetts Industrial Accident Board, were appointed a special committee to investigate the question of occupational disease in Massachusetts industries. I had for some years been chairman of a tuberculosis hospital board and conceived the idea of making an examination of all the tuberculosis patients in Massachusetts hospitals in the advanced stages of the disease, with the idea of fixing as far as was humanly possible while these patients were alive and able to tell their own story, how far their occupations were responsible for their physical condition. This inquiry, which took several months, was made by two of Dr. Gunn's advanced pupils in the "Tech" health officer's course, and included a careful, personal examination of some 4,000 inmates of tuberculosis hospitals. The result was most inconclusive and the whole investigation failed to give any proof that the burden of tuberculosis could be put on any definite industry. A copy of this report may be obtained from Secretary Robert E. Grandfield of the Massachusetts Industrial Accident Board.

Subsequently, the United States Government, through its Public Health Service, detailed one of its most experienced physicians to investigate the influence of occupation on the health of minors in cotton mills. Dr. M. V. Safford, assistant surgeon of the Public Health Service, examined 679 male minors in 18 cotton establishments

in Massachusetts. His investigation failed to show that the employment of minors engaged in cotton-mill work was injurious to health. He recommended, rather than new industrial legislation, effective operation of the existing laws.

Every administrative officer in charge of industrial accident work will admit that malingering is a real and very present problem. In any form of compulsory insurance for sickness it will be increased one hundred fold.

Any State system of compulsory insurance would be highly unsatisfactory, for we at once encounter the problem of what to do with the workman who travels from one State to another, finding sickness insurance in one and no such provision in the other.

Another objection is that we have no guaranty that this insurance cost will increase very slowly or not at all; on the contrary we have the testimony of Germany and England that the cost is continuously increasing.

I object to the compulsory method of insurance and believe with the the leaders of the American labor movement that wage earners should be left to choose their own method of insurance.

We have no such condition of extreme poverty in America as there is in England to warrant this sickness insurance.

The impairment of character as shown in European experience as a result of this system is another fundamental objection to the act.

There is a woeful lack of actuarial data upon which to base any system of health insurance, and yet many people are misled by the estimates which have been prepared, based upon the Austrian, German, and English systems, which are impossible to put in practice in this country.

It may be true that in time to come the sense of responsibility which the community holds to the individual will force the United States to have a complete system of social insurance, but at present, in all fairness to industrial States like Massachusetts which have been willing to pass the most humanitarian laws to protect labor, the pressure should be put on those States which have done nothing in this regard to pass similar laws, and let the laws now enacted in progressive States have a chance to be worked out and developed.

To pass old-age pensions, unemployment or sickness insurance laws, contributory or otherwise, in advance of the general establishment of measures to preserve public health, prevent disease, and to ascertain and correct physical defects in school children is only an attempt to make water run up hill.

MISS GERTRUDE BEEKS, of the National Civic Federation. When Mr. Meeker paid me the courtesy of asking me to come on the floor as the representative of our organization I at first demurred, because

I came here to listen. Expecting that the subject would come up this afternoon, I had hoped to enter into the discussion then, and have left all my material at the Willard Hotel; but, as the afternoon session will be crowded, it gives me pleasure to make a few comments at this time.

First, I should like to say that our organization began in 1913—I represent the National Civic Federation—a five-year campaign. We mapped out a most exhaustive program, and we did not think that we could learn under five years' time whether or not the existing agencies are adequate or whether we should bring to this country some form of health insurance such as has been established in foreign countries. We were to take up two lines of endeavor—one to look into the subject in Europe and another to go into the existing agencies here—and that was before the Department of Labor had inaugurated its investigation. We began our foreign investigations. We had gone so far as to look into the situation in Great Britain with reference to the British Health Insurance Act. When the war came upon us we had, fortunately, completed our investigation there; and, in order that you may know that we had gone about the matter in an unbiased way to learn the facts, if possible, I shall say that the chairman of our social-insurance department, Mr. George W. Perkins, stood committed for social insurance in the Progressive Party. On the other hand, we have also in that department Mr. George W. Perkins—strangely enough by the same name—who is not committed to it. Mr. Perkins is president of the Cigar Makers' International Union. Mr. Arthur Williams, one of the three members who went to Europe, and the employer on the committee, very reluctantly had to join in with the committee as opposed to the system now in existence in England, even though it recognized that there have been some benefits accruing from the act; but the objections to it and the hardships that have come were so extreme that Mr. Williams had to concur with the trade-union member, Mr. J. W. Sullivan, and our insurance expert, Mr. P. Tecumseh Sherman, in the conclusion that we should not adopt the British system in this country, at least until that country could have a further experience. The investigation of existing agencies in this country we have not pursued, because when the war came it was utterly impossible to raise the large fund necessary to do the work. It may now be unnecessary if the Department of Labor is pursuing its investigation as thoroughly as it is accustomed to do. However, that is yet to be determined.

Not enough has been said here this morning about what has been accomplished by the trade-unions of this country. The International Typographical Union—the cigar makers you have heard from—and the Brotherhood of Locomotive Engineers, for example, have spent millions in the interests of their members. But it is, of

course, impossible to go into these various matters. We all admit that the existing agencies are not adequate—it is not necessary to go into the subject thoroughly to find that out; but the question is, Have we the poverty in this country to warrant compulsory insurance? Has poverty decreased in Germany because of its social insurance system? We find that there was in 1914 a greater percentage of poverty per thousand in Germany than there was before Bismarck put in the system. I do not think that that can be controverted. I have just had that statement from an American gentleman who is thoroughly competent to give us that information. He came back from Germany recently. The question of improving the conditions of the people—the preventive side—is one. Do we have to be forced by social insurance—and the cost of it—to improve the health of our people? Is that the only way that we can take up the preventive side? Of course, health is the most important thing to our Nation, except individual initiative. Do we realize that the proponents of social insurance are the very persons who would undermine our institutions? Is it necessary to bring compulsion here, when we have fought for the freedom of American citizens? Is it absolutely necessary to bring an impracticable system here in order that we may improve the health of our people and take care of our citizens?

I did not mean to make this sort of talk, but I am ready to be convinced if it is necessary. I have a hard time to get employers to take up the physiological side.

Just one other point—there are many things I should like to say—the wage question. Why, I say, must we take care of those earning under \$1,200? Why not increase the wages? Down in Birmingham Negroes who are making \$5 a day are walking the streets in an independent manner. The “poor white trash,” who have not had their wages increased, are still going along in the same old way.

Mr. Frank Morrison, of the American Federation of Labor, knows that labor is not demanding compulsory health insurance. I hope that you will insist upon getting him upon his feet before you close this session, even though I know there is a long program this afternoon, and a very important one, and you want to get a little fresh air before you have to sit all afternoon in your poisonous atmosphere.

Just one last word, and that is that we have found in England that individual initiative has been very largely undermined by the system. All that we ask, however, is inquiry. I am delighted to find that there is a man here from California to-day. We are urging that State commissions to inquire into the subject be created. We do not feel, as an organization, that we have any right, as yet, to advocate social insurance. Now then, personally, all I want is that which is

going to benefit our country first, and then, of course, its citizens. And I do not want to have you feel that I am antagonistic to the idea, but when the great brains of the country among the insurance men have shown conclusively that there are no statistics upon which to base social insurance, should we experiment? It seems rather unfortunate to advocate a system experimentally which, through taxation, must react against the poor in such a manner that the benefits will not help them. Higher rents as one development should have consideration.

Shall we push some great movement without knowing what we are doing and bring greater problems and troubles than we now have upon ourselves?

Why in the world do we want to jump over the fence and bring into this country something the result of which we can not possibly estimate at the present time?

Mr. McSWEENEY. Mr. Chairman, I should like to say that I have a telegram calling me back to Boston, and would like to ask at what time and how it will be possible to introduce for discussion here or at a subsequent meeting of the conference a subject which is, in my opinion, an absolutely necessary preliminary to a discussion on sickness insurance. Is it possible to get this subject in a brief way before this conference so that these phases of the matter may later be considered and studied?

Dr. MEEKER. I think the American Association for Labor Legislation at its Columbus session at Christmas time is going to answer that question. Will Dr. Andrews please state just what the association is going to take up at that session?

JOHN B. ANDREWS, secretary, American Association for Labor Legislation. I fear that I have not understood clearly the question raised by the gentleman from Boston. I did not understand his question related to the annual meeting of the Association for Labor Legislation.

Mr. McSWEENEY. I was on the Massachusetts Cost of Living Commission in 1910. We found that in 1909, as I remember it, there were over 119,000 people in Massachusetts who were the recipients of charity, who were then receiving a record amount of about \$19,000,000 a year. These people were either persons in almshouses, jails, or other charitable institutions. I am glad I made that Irish bull, because in its essence a jail is a charitable institution. The expenditures in Massachusetts in 1909—

The CHAIRMAN. I fear the gentleman is introducing a matter foreign to the subject of this meeting.

Mr. McSWEENEY. If it is not asking too much, let me have one minute.

The CHAIRMAN. I can not do it unless with the consent of the meeting. May he have one minute?

VOICES. Yes; go on.

The CHAIRMAN. The gentleman has the time.

Mr. McSWEENEY. Thank you. We have in Massachusetts, say, 120,000 persons dependent on public and private charity. Go over to New York to-morrow and study the shiploads of misdemeanants that are seen crossing the East River going to Blackwell's Island for punishment, and you will find 65 per cent of these so-called criminals with bad teeth or without teeth at all. They lack the machinery to chew food even if they could get it. My point is that the first essential in this discussion of sickness insurance is to establish where sickness begins and how it can be prevented, which should first be done by a scientific examination of children during the school years to find out and remedy all defects which, if allowed to continue, will later make them easy subjects of disease and premature death; make them die of consumption before they are 25 years. We now send a child with diseased teeth out of the elementary schools into the world at 14. When these children go to work in factory, shop, or store they begin a drain on their vital resources. They need food, and even if they have food at home they have not the machinery to chew it, and lacking nourishment the boys and sometimes the girls go and get it where it can be bought at 5 cents a glass, which is in the nearest grogshop. My point is that the relation of crime, pauperism, and sickness, generally with the neglect of the necessary precautions, is the most essential problem the country has before us.

Dr. MEEKER. Mr. Chairman, may I interrupt the gentleman and ask him what his question is, so that Dr. Andrews can understand what he wants to know?

Mr. McSWEENEY. I was not asking Dr. Andrews, sir; I was asking you. I want to know why it is not right and feasible and proper to introduce, as a matter for discussion in this conference, the question of physical examination of school children and the repair of all the defects then found as the first preliminary to putting humanity on a fair basis where sickness may be prevented and where we will not have to provide laws compensating for sickness and injury on the present basis that will drive the country into financial ruin.

Dr. MEEKER. Mr. Chairman, if I am going to answer the question, I would say that provision is made for preventive medicine in all the bills that have been advocated, so far as I know, by the American Association for Labor Legislation or any other organization that has advocated health insurance. The medical benefits and services will be discussed this evening. If the gentleman will attend that session his difficulties will be answered, I think.



JOHN S. KENNEDY, secretary, employees' benefit fund committee, eastern group of companies of the Bell system. In talking with Dr. Meeker it occurred to me that the benefit fund work of the great Bell companies of the country might be of interest in connection with this discussion on proposals for health insurance. As probably a great many of you know, the Bell companies have long recognized the social principle which impelled the existence of this conference. Five years ago, and prior to the enactment of any compulsory workmen's compensation laws, the Bell system had undertaken its great benefit plan, which I will attempt to describe very briefly.

In the United States there has been set aside approximately \$9,000,000 by the various companies in the Bell system to carry out the plan. The eastern group of companies, with which I am connected, has set aside \$3,000,000, and includes the New York Telephone Co., the Bell Co. of Pennsylvania, and the Chesapeake & Potomac Telephone Co.

Provision is made for pensions. An employee who has been 30 years in the service and is between 50 and 55 years of age can be pensioned. Those who have been in the service 25 years and whose ages are between 55 and 60, and those who have been in the service 20 years and reach the age of 60, are also pensioned.

We have made liberal provision against accidents, so that our plan, I believe, is generally more liberal than any compensation law that has been enacted. We pay for the first 2 weeks of disability, not provided for in compensation laws, 100 per cent, and continue payment at this rate for 13 weeks.

Our statistics show that 95 per cent of our accidents are for a period of less than 13 weeks, so that only a small percentage of our accidents do not come within the 100 per cent payment. We pay all proper hospital and medical bills without contenting ourselves with compensation law limits.

In case of death by accident, our plan provides that three times one year's wages, without regard to liability or length of service, be paid to the beneficiaries, so that in most States the amount is greater than provided by the compensation laws. We had a case only this last week in the State of New Jersey, where, after paying the compensation ordered by the court of common pleas, in weekly payments, there was still due a lump sum of \$994, which was turned over to the wife of the deceased employee, and we have in every case, notwithstanding the existence of compensation laws, given the maximum benefits under the plan. If there is anything additional required by the law, that amount, of course, is paid.

On the important matter of sickness: Last year in the Bell system there was paid in benefits by the various companies nearly one and a

half million dollars, nearly two-thirds being for sickness and deaths following sickness. We take care of our employees according to length of service, the maximum being 13 weeks' full pay, and the remainder of the 52 weeks at half pay. All of this I have described is done without any contribution on the part of the employees. The fund is maintained at its maximum by interest earnings and annual appropriations by the companies.

We are very much interested, of course, in this question of health insurance, which provides—the bills I have seen—for part payment by the employee, part payment by the State, and part payment by the employer. Our people have taken the position that the entire burden is on the employer, and are proceeding upon this line. I have talked with Dr. Andrews, who has been very prominent in the movement for health insurance, and I think that he agrees with me that our plan in case of sickness, medical benefits, and death benefits, is more liberal than could be provided in any law which any State could be induced to pass, and as I say, our concern about the matter is how such a proposition would affect a great fund and a great plan such as we have all over the United States, from Maine to California, covering about 170,000 employees and I hope that at the discussions which may be had this afternoon some consideration will be given as to how the proposed health-insurance laws will affect a proposition such as the one we have.

Capt. WM. P. WHITE. May I ask the gentleman a question? I would like to know who pays for this insurance?

Mr. KENNEDY. Why, the money—\$9,000,000 was set aside at the outset from the surplus of the various companies. The benefits are all paid for by the various companies. Each year the companies, as I have said, appropriate sums necessary to bring the fund to its original amount.

Capt. WHITE. I want to know who ultimately pays.

Mr. KENNEDY. Our companies are public-service corporations, and of course their earnings come from the public whom they serve.

Capt. WHITE. I thought so.

Mr. KENNEDY. All of the things, of course, that are done have no effect whatever upon the prices that are paid for labor, because we have to go into the open labor market for all of our employees. The plan has worked out admirably. I think it is established on an absolutely safe basis and our executives and employees are satisfied.

Mr. T. H. CARROW, of the Pennsylvania Railroad Co. You do not think, in view of the fact that the Bell Telephone Co. has a monopoly, that that principle would apply to ordinary business concerns? The point I want to make is, Do you think it would be possible—do you

think a system like you have in effect would be possible with other companies that make a bare margin of, say, 6 per cent yearly?

Mr. KENNEDY. That, of course, would depend upon the particular conditions existing in any case. The American Telephone & Telegraph Co.—you who are acquainted with its securities know that it has never paid over 8 per cent, and I understand it is the opinion of President Vail that a public-service corporation ought not pay more than 8 per cent and that any excess earnings should go back into service, reduced rates, and development of the art, and that is the policy which the company maintains. It is an accepted economic principle now that public-service corporations like ours should be monopolistic, and you well know that the common acceptance of the word can not be applied to us, as the issuance of securities, rates, and service are controlled by the State.

Mr. CARROW. Is it not a fact that when you had more money than you knew what to do with, you put that money in the beneficial association?

Mr. KENNEDY. That is not the fact, and a study of the financial history of the company would demonstrate it. I think that would be a pretty uncharitable interpretation of the thought which was in the minds of the officers of our company.

Capt. WHITE. In the particular business in which you are engaged do you not require a specially selected group of operators that are invited into your organization, due to this?

Mr. KENNEDY. Not at all, sir. In fact, the president of one of the largest railroads, who is at the present time discussing the question as to whether or not his organization should attempt something of this sort, said to me that the marvel of the whole thing was that all of this had been done by the Bell companies without physical examination. There certainly is scrutiny and care in selection of operators as to their ability to operate, but not from the strict physical examination standpoint, for there is no strict physical examination of employees required in the Bell companies. Consideration is given as to keenness of perception, good hearing, clearness of voice, and all of those things which go to make up good service; and that, of course, is absolutely essential. We have to select from the same class of laboring men that other people do. The large number of employees in our plant department is picked up broadcast throughout the United States, and is not "carefully selected," as you say; but I believe our liberal treatment of employees induces a splendid lot of people to seek employment with us.

F. W. BOSWELL, secretary Flint (Mich.) Vehicle Factories Mutual Benefit Association. I am not a proponent of this measure; neither

am I hostile to it. I wish to say something which I believe is imperative to our discussion at this time, and that is that we should hold in rein our desires along this line in order that we may promote a propaganda of education, especially to learn what is being done in this field of endeavor. I do not know how many of you are aware of the fact that there are nearly 700 benefit and relief associations in this country operating to-day more or less successfully, more or less efficiently managed, and if such measures are enacted as the proponents of this proposed legislation would effect I am sure it is going to wipe out of existence these associations.

Now, in the few minutes that I have, I wish to say something about a benefit association that I believe, perhaps, is unique in its operation. I represent the Flint Vehicle Factories Mutual Benefit Association, which is an interfactory society. We have in Flint a number of automobile concerns and accessory plants, and these are all working through this one benefit society for relief from sickness, accident, or death. It has nothing to do with the workman's compensation; that comes in as additional. We have over 15,000 of the employees in the city of Flint. There is no medical examination required. Nothing is said as to the age of the applicant. The companies make the deductions from the pay rolls of employees for the small amount of dues which they pay. The society is operated by the workmen themselves, the companies having no voice whatsoever in the management. After we have paid the full amount—the limit is 13 weeks for a given disability or 18 weeks in a given year—and we have paid a man this limit, the manufacturers' association, which works in cooperation with us, will then take the case.

I am going to give you two concrete cases, in closing, of how this thing is worked out, and I am merely trying to show you that we are undertaking to go into this thing most thoroughly. The United States Department of Labor will bring to our attention statistics regarding these mutual benefit and relief associations which will show that we should leave to the future the action which we ought to take upon this proposed measure.

First, I am going to call your attention to a man that we paid the limit in August, 1915. We referred his case then to the local manufacturers' association, which we do in all cases where there should be any supplementary compensation. They carried that man, who was past 65 years of age, from the time we paid the limit up to last week, when he died. Then we paid the funeral benefit. The widow who survives him is still in need of assistance in this her time of stress and strain. The manufacturers' association will continue to aid her.

The other case is that of a young man who worked in a factory. The only protection which he had was through this association,

which I have the honor to represent. His only baby was suffering from cholera infantum and typhoid pneumonia and then infantile paralysis. The father was taken sick at the same time and removed to the hospital. While he was there his little baby died. They could not inform him of it, and the next day after the baby was buried he died. They had nothing whatsoever. We paid the funeral benefit and some other expenses. Then the president of the manufacturers' association went to the widow's home and learned what bills the woman had—grocery, rent, fuel, doctors, etc.—and assumed them all, and in turn for an indefinite period will carry her along, paying her as much a week as her needs may require. These are some of the cases which are being cared for. We have in the last year paid out in benefits over \$80,000 to a little group of people right in the city of Flint. Now, ladies and gentlemen, I want to submit to you that I believe it is premature for us to come to the point in this conference, or within the next five years, of deciding concretely and definitely what measures we should enact in regard to social insurance. I believe there are some things of real merit in the proposed legislation, but before we put ourselves upon the statute books of the District of Columbia or the other States, we want to know what we are doing. We do not want to go off half cocked.

Mr. MILES M. DAWSON, consulting actuary and member of the social insurance committee of the American Association for Labor Legislation. It is a great pleasure, Mr. Chairman and ladies and gentlemen, not only to have an opportunity to speak for a few moments on this subject, but also to follow the two speakers who have just taken their seats, representatives, as they are, of methods of dealing with sickness insurance which have been worked out in recent years in our country by the most enlightened employers and their workers. In all countries you will find that just such things are the precursors of community action, and also afford the model by which community action will be guided, and ought to be guided, both as to the modes of contribution, the kind and amount of benefits, and very particularly as to the management of such funds, and it is true that even after social insurance has been widely adopted and generally applied—even after more than a quarter of a century of operation—establishment funds conducted by the most enlightened employers will be found to be far in the lead of the laws of the State. This is just as true in Germany and Great Britain to-day as it was before there was any social-insurance legislation at all. It is also a pleasure for me to follow those who discussed the papers of the day earlier. I did not have the pleasure of listening to the papers, nor have I seen them.

I am impressed with one thing which I am sure has impressed you all, and that is the direct applicability of that beautiful old saying, "Behold, how good a thing it is to see brethren dwell together in unity." Both very good and very rare. One of the peculiar things about matters such as we are all engaged in, is that we no sooner get engaged in it, with a common object, than we find that our differences are so tremendously important to us that we waste a lot of time in discussing the differences, which are really enormously less important than the general issue.

It has been found in connection with mutual aid societies, establishment funds, and things of that sort, in recent years that the health-insurance benefits are becoming of increasing importance. Among my own clients I find that the employers and employees alike are day by day and year by year more and more impressed with the importance of the health-insurance feature, and that is one of the reasons why these things are coming forward. I was speaking, within the last week, to the president of a large concern, which has in operation old-age pensions, permanent and invalidity benefits, health insurance, and also widows' and orphans' benefits, of a type almost exactly similar to the most advanced social-insurance legislation abroad, and he advises me that the most popular and highly beneficial feature of the whole plan has proven to be health insurance—which, he is now proposing, will very likely be extended to the families as well as to the workers.

I am not very much impressed with the notion which has been put forward that we have existing agencies in this country which would warrant in the least expecting that this work will be done well, or, indeed, at all, through voluntary insurance. The truth is that we have a smaller development of existing agencies in the United States than in any other country that has ever taken up the subject, and the fullest development of those voluntary agencies, such as had taken place in Great Britain prior to the introduction of the sickness-insurance law of 1910, embraced, it was estimated, somewhat less than one-third of the wage earners of the country, and the two-thirds that were not embraced were precisely those whose distress was of the most moment to the community—that is, those who needed the insurance the worst and who in the absence of it did not have proper medical attention and their families were brought to pauperism.

Now, we have precisely the same condition in that regard, only much worse than they have in Great Britain, because we have a very much smaller development. We have a development, also, that is not as good in character, I will say. Our mutual aid funds, while many of them are of exceedingly high character, are as a class

insufficient. Our other systems, such as voluntary systems of fraternal insurance, are scrappy and absolutely inconsiderable, compared with the tremendous development of friendly societies in Great Britain prior to the passage of the act there. Of the societies in Great Britain, one had 1,000,000 members and was furnishing health insurance on a sound plan that provided, not merely for temporary disabilities, but for permanent as well. We have nothing like it in our voluntary development in this country. Now on this account it would appear that we have a much greater need here, in proportion, than elsewhere.

As an illustration of how little our development is—among the remarks made by the lady who discussed the papers—was the statement that already many millions of dollars were being paid out by trade-unions and similar organizations, among which were mentioned the railroad brotherhoods. In point of fact, they have accumulated many millions which are being paid out, not for sickness benefits, but exclusively for accident benefits, and you will find similarly scrappy situations in regard to all other existing facilities.

J. P. CHAMBERLAIN, of the legislative drafting fund of Columbia University. Mr. Chairman, ladies and gentlemen, I know that the time is getting very short, and as I am going to have the pleasure of making a short address this evening I will take up only a few moments here to call attention to one or two statements that were made by the ladies and gentlemen who discussed the papers.

In the first place, Mr. McSweeney remarked that there was a very great lack of material in regard to the German experience. As a matter of fact, Germany has been doing sickness insurance ever since 1882, and knowing of the careful way in which the German heaps up material on material I will certainly not agree with Mr. McSweeney that there is not a very ample amount of German figures and statistics to prove the value of sickness-insurance experience in Germany. Mr. McSweeney also made the argument that it was unfair to go to the great industrial States which are already doing so much for their laboring people and ask them to add this burden to their industries. The first question, of course, is as to whether or not this would really be a burden in the end. The gentleman speaking here yesterday, representing the Goodrich Rubber Co., I believe, in Ohio, said that this company was already paying vastly more for benefits than the scheme proposed by Dr. Andrews's society, and was doing it not as a charity, but because it was good business. If it is good business for a single company to do this, why is it not good business for a State to take advantage of their experience and go ahead and do it? Besides, that argument has been brought forward in regard to every possible change that has ever been made. The same argument was

made, of course, in regard to compensation and limitation of hours of work.

The experience under compensation has not been that the added cost of compensation to the manufacturers in any given State—in New Jersey, where it was started; in Massachusetts, where it was quickly adopted; in Illinois, Ohio, or in New York—has been overwhelming. The experience has not been that those States have decreased either in the amount of their manufactures, or, perhaps equally important, in the percentage of increase of wages paid to their working people.

There is just one thing—the point that Miss Beeks so very eloquently made—that we have not got material enough, information enough, to build a scheme of health insurance. In the first place, that argument would have stopped compensation absolutely. There was no mass of information at the time that compensation legislation was proposed in this country such as we have now. There is enough material such as has been brought forward here upon which health insurance can be built—upon which the importance and value of health insurance can be predicated. That argument is a deathblow to any progress. If we are convinced, as the gentlemen here have all agreed, that there is a need for better medical attention for the employees; if we are convinced that it is good business to give it to them; if we are convinced that it can be done, and done very successfully, by joint effort, and if we have the European experience behind us, have we not got enough at least to warrant our trying to devise measures?

I would like also to call the attention of the conference to the very interesting report from California, to bear in upon them the fact that a public commission composed of representatives—I think I am right—of all the groups interested except the insurance companies, has said, “It is time to consider health insurance. It is a good thing. We do not know exactly how to get it, but it is necessary and we must go ahead on it.”

Do not forget that health insurance is not a system of paying small amounts of money over a limited time to injured workmen; it is preeminently a scheme for securing medical attention—better medical attention than the men can now get—to those workmen, and the material that Dr. Frankel has been lately getting in Rochester, in Trenton, and in Boston, and the material of the Dutchess County (N. Y.) survey shows most conclusively that only a comparatively small percentage of the working people in this country are getting even fairly decent medical attention. That is a fact that you have got to face, and that is a fact that no one can deny, and it is not something on which we need any more information.



Miss BEERS. I would like the privilege of the floor. In the first place, I wish to call the attention of this gentleman to the fact that medical aid in England is much worse than it was before this act went into effect. Second, insurance companies have found no data in Germany upon which they could base sickness-insurance group policies. Is there not an underlying principle to be considered in this proposition of compulsion? Is there no difference between compelling the individual to do something in this country, and compelling the industry, as under workmen's compensation? Furthermore, I do not admit that we had no information upon which to base workmen's compensation. Our organization is more responsible than any other for our workmen's compensation in America. We began in 1908 with what there did exist in Europe, especially England, and knew positively that we could proceed with information, which we could not do in health insurance, although statistical cases in Germany could not be learned because of the complexity of the system there.

The CHAIRMAN. Two gentlemen have asked the privilege of the floor, and we will have to adjourn when they have been heard.

Dr. OTTO P. GEIER. I just want to ask a previous speaker one question. He promised to show us that under sickness insurance we would get adequate medical service. I should like to know the section of the proposed bill that gives us even the faintest hope of ever getting it to the man that needs it. Does social insurance give us any assurance that there is the faintest hope for improved medical service, first quality, and as to getting that service to the man who needs it?

HARRY A. MACKAY, chairman, Workmen's Compensation Board of Pennsylvania. I had not intended to speak on this subject at all, for I am like the gentleman from the District of Columbia—I do not make a practice of speaking upon subjects with which I am not familiar. I am here to learn what I can so as to address a communication to the Pennsylvania Legislature on the subject on the first Monday in January. I regret very much the spirit that is often manifested when a representative of a great corporation lays before a deliberative body its very fine work along the lines of discussion, that some one should suggest that perhaps it was not fine work after all, but simply represented the overflow of a rich treasury, and that it had no other way of spending that money.

I am in a position to say to the ladies and gentlemen of this conference that the great corporations of Pennsylvania were the fore-runners in workmen's compensation. Under the provisions of our act it became the duty of Mr. Keenedy, who spoke here, to come before our board in behalf of his company (the Bell Telephone Co.),

together with representatives of other corporations, to ask for the privilege, not of minimizing our law, but of presenting their receipts for sums largely in excess of the provisions of our act.

The first gentleman who appeared before us in that capacity represented the United States Steel Corporation. He accompanied this petition with another for exemption from insurance which, under our law, we are privileged to give when individuals or employers show their ability to carry their own insurance, and this representative showed to us that his corporation was employing in the State of Pennsylvania 100,000 men, and that their annual pay roll is \$90,000,000. We gave the exemption and then also the privilege to this company of making settlements with their men in the terms of our act, but as far as dollars and cents are concerned far more liberally than our act provides. The same with Mr. Kennedy, the first time he appeared before us, he was seeking a similar privilege.

My friend, Mr. Carrow, of Philadelphia, representing the great Pennsylvania Railroad, interrogated Mr. Kennedy as follows: "If you had competition in business, could you afford to do this?" I know that the Midvale Steel Co., the Carnegie Steel Co., the United States Steel Corporation, and the Bethlehem Steel Co. are certainly rivals of each other, and I assert that there is no part of this propaganda of humanity that is not adopted by these great corporations. Every time our board meets in Pittsburgh there are appeals for commutation. In every instance where there is a widow seeking to create a home by an investment in real estate the Carnegie Steel Co. joins in that petition and its representatives under the direction of our board take that commuted amount and go out and become the real estate agent for that widow to purchase the property for her and to see that the title is good in every particular. This is our experience with these great corporations of Pennsylvania. What I would like to hear is some suggestion growing out of this conference how we can compel the small employer to adopt some form of insurance. Our problem in Pennsylvania is not how to deal with these great corporations. They are helping us, but it is the small employers who give us concern. The employee is injured and then we find that the employer is not insured, and he has no financial responsibility. Answer that question and I will go back to Philadelphia much relieved.

ALFRED W. DONOVAN, chairman Board of Labor and Industry of Massachusetts. For two or three days I have been in attendance here in a double capacity, one as an employer and the other as chairman of the Board of Labor and Industry of Massachusetts. The board is made up of representatives of five different viewpoints, the employer's, the employee's, the lawyer's, the woman's, and the physician's.

Here I have noticed, and I think some will agree with me that we do want health insurance, that we do want social insurance, but I would like to have some one to say how the manufacturer is going to pay for it all—the little man who has only 50 people. I would like to say to you that I believe the State ought to do this instead of forcing the manufacturer to do this thing. He can not afford to do it. The large ones can—many of us who are billionaires can, and I take the side that I can afford to do it myself. Many employers can do it. We make millions enough to do it; but for the manufacturer who is employing from 10 to 50, he can not afford to do it, and you don't want him to do it. We have 15,000 small manufacturers in Massachusetts. We want these little manufacturers.

Put it onto the State; put it onto the men who have no children and who have money; put it onto them through State taxes; and do not forever and a day keep putting it on—forcing it on—the small manufacturer.

Have the viewpoint of the employer—you have a splendid viewpoint from the academic side, you have it from the insurance side, from the so-called labor side, but you do not have it here from the employer who is paying the bills. I believe it ought to be put on the State if you want all of these lovely things, and then let the 48 States put it on the District of Columbia. That is about the way it will look—let us have it on the State and let us protect the small manufacturer, who is the life of the Nation. That is the man who is doing good in his vicinity—the man who is employing from 50 to 200 and supporting five times that number and looking out for them.

I believe you ought to apply a little of this sort of cream or salve on these ruffled waters. It is all against the manufacturer here. I do not like it, and I do not believe the representatives of those manufacturers like it. Let us put it on the State, and we will settle it without any trouble.

S. W. ASHE, General Electric Co., Pittsfield, Mass. We have such a distinguished gathering of insurance men here that I would like to ask a question. I think most large companies are maintaining mutual benefit associations of some sort. At Pittsfield we have such an association, of which I have the privilege of being chairman, containing about 3,000 members and having a surplus of \$5,000. This surplus is limited by our by-laws to \$300 in any one section and \$1,000 in our death benefit fund. When the funds reach this point, collections must cease. We pay \$6 a week for 14 weeks in the case of sickness and a \$200 death benefit, of which the General Electric Co. pays \$100. All the administrative expenses are also carried by the company. The reserve which we are allowed to accumulate is \$2 per

member. This amount seemed so much smaller than the ratio mentioned here that I would appreciate knowing what should be considered a fair reserve and what is the proper mathematical base for arriving at the correct figure.

The CHAIRMAN. I would ask Mr. Dawson to answer the question that Dr. Geier asked a few minutes ago. We shall have to adjourn in three minutes.

Mr. DAWSON. I will endeavor to answer on behalf of Mr. Chamberlain, to whom the question was really addressed. I rather fancy that the doctor has in his hand the first draft of the bill as drawn by our committee. In that draft we purposely left what the medical system should be to the determination of the commission after the law was passed. We had some medical men upon our committee, but we did not feel that it was possible for us to lay out in the bill itself even the outlines of the best system to be adopted, and we felt that it would be better to have it worked out in an administrative way by the commission. That bill, however, did provide definitely that there should be complete medical attendance—that there should be medical, surgical, hospital treatment, and all the things recounted. It merely did not lay out particular ways in which it should be done. Since that time we have had much cooperation by the committees of the American Medical Association and of the State Medical Society of New York, together with the committees of several other organizations—representatives of some of these, at least, are in the room—and as a result the new draft of the bill will show in outline the essential features of such a system. I can say in that connection that it still seems to me—and it will continue to seem to me—exceedingly unwise in any proposed health legislation to lay down such hard and fast lines that there will remain nothing for the determination of the administrative body. To do so would be to pretend—it would be nothing but a pretense—that any of us, including the wisest men of the country, if the minds of such could be brought to bear upon measures such as this, could foresee precisely what ought to be done.

By leaving the thing in a position so that these matters can be dealt with as they come up and worked out into a system which can be operated satisfactorily, much the best result will be accomplished.

Mr. SALZ. Mr. Chairman, I crave your indulgence for just a moment. The gentleman at the end of the room [Mr. Donovan] has brought up a point, and I want to appear as a small employer, for I come almost within the scope of his limitations for a small employer. I am in the tanning business, employing 255 men. Our institution is about one-thirtieth the size of the largest institution in the business of tanning. Our competitors in the tanning business

have no social-insurance schemes except in a very few instances, and these are, I should say, quite inadequate as compared with the health-insurance scheme as now proposed. After looking into the subject carefully I found that our 255 employees in 1915 had 1,765 sick days, 6.8 days per man per annum, and after going into this subject and estimating what the cost of a scheme of social insurance would be, such as proposed by the American Association for Labor Legislation, we have ascertained that it would cost us about 4 per cent of wages. Taking the wages at about \$900 average, it would be about \$36 per man per annum. Our men are perfectly willing to pay \$12 per annum, and we are perfectly willing to stand the balance, \$24 per annum, on account of the men being better taken care of in time of sickness and having the average number of sick days cut down, so that we will not have to put on new men. We will then have less spoiling of material. I believe that we will not be hurt one single bit in the tanning business, and I think we will have an advantage when we adopt this scheme.

The CHAIRMAN. The meeting will stand adjourned now until 2 o'clock.



**THURSDAY, DECEMBER 7—AFTERNOON SESSION.**

**CHAIRMAN, DR. WILLIAM C. WOODWARD, HEALTH OFFICER, WASHINGTON, D. C.**

**II. PROPOSED LEGISLATION FOR HEALTH INSURANCE.**

**PROPOSED LEGISLATION FOR HEALTH INSURANCE.**

**BY JOHN B. ANDREWS, SECRETARY, AMERICAN ASSOCIATION FOR LABOR LEGISLATION.**

Six years ago workmen's compensation for industrial accidents became the most important issue in American labor legislation. In the half dozen years since 1910 the workmen's compensation movement has spread rapidly over the country, resulting in definite legislative accomplishment in practically all of the important industrial States. The United States Government, for its own half million employees, has this year adopted the most recent and the most liberal measure of all. The first step in the social-insurance program has thus been taken.

Notwithstanding numerous shortcomings in many States, workmen's compensation laws have proved to be highly beneficial; effective to the degree that they are compulsory. Few people who six years ago opposed workmen's compensation care to be reminded of their opposition. Scarcely anyone would now seriously propose that we return to the former method of dealing with the industrial accident problem, particularly since workmen's compensation has not only furnished medical and financial relief on a more adequate and scientific basis, but—no less important in its effect—has given a mighty impetus to accident *prevention*.

Perhaps the three principal causes of our truly revolutionary workmen's compensation movement were: (1) Aroused public interest in the number and in the social cost of accidents, (2) public realization that voluntary methods of insurance were wasteful and inadequate, and (3) public willingness, when once the facts were known, to follow the example of older countries which had by practical experience demonstrated the value of the social-insurance method.

**WHY HEALTH INSURANCE IS NECESSARY.**

Recently in America a somewhat similar public interest has been aroused in the problem of *sickness* among the workers. The public is shocked, even in this time of wholesale slaughter on the field of

battle, by official estimates of American industrial sickness losses, comprising statements such as these:

Dependency due to illness seven times as great as that due to accidents.

Expenses of the workers' medical treatment and supplies \$180,-000,000 yearly.

Wage loss annually \$500,000,000.

The public is also beginning to realize that voluntary systems for insuring against industrial sickness are not meeting requirements and that the inadequate protection is purchased at an unnecessarily high cost to the workers. A number of methods of providing insurance against illness—such as establishment funds, fraternal insurance, trade-union benefit funds, and commercial health insurance—have been tried for many years in this country with limited success, but with uniformly unsatisfactory results, as far as the mass of wage earners in concerned.

It is, of course, unreasonable to expect that trade-unions, with their 3,000,000 members, will take care of the sick among the 30,000,000 unorganized working men and women. Only a fraction of organized labor is as yet covered by trade-union sickness funds. It is most improbable that establishment funds, created and often controlled by employers, will ever extend their paternalistic influence over more than a small minority of the workers of this country. Statistics show that fraternal societies which provide sickness benefits are already on the wane. Commercial health insurance, finally, has never been developed in this country to anything like the extent that accident insurance was developed before the coming of workmen's compensation.

Brought face to face with similar conditions, Germany adopted the first comprehensive health-insurance system in 1883. Other countries followed, notably Great Britain in 1911, until to-day universal workmen's health insurance is established in not fewer than 10 of the leading continental countries. In America the movement, initiated by the American Association for Labor Legislation four years ago this month and patiently followed up during the intervening time, has enlisted encouragement from such representative bodies as the American Medical Association, the American Academy of Medicine, State medical societies, the United States Public Health Service, several influential employers' associations, the industrial betterment committee of the National Association of Manufacturers, and a large number of the most powerful trade-unions. State social-insurance commissions in California and Massachusetts have been studying the question from all sides, and will report to their legislatures in January, 1917. A resolution for a similar commission under Federal auspices was the subject last spring of hearings



before the House Committee on Labor. Several State platforms of the political parties during the recent campaign pronounced in favor of health-insurance systems, and preparations are now under way for the introduction of health-insurance measures in the leading industrial States.

To most people interested in this social-insurance conference it may appear unnecessary to point out that when the American Association for Labor Legislation created a special national committee on this subject in December, 1912, it approached its problem in a scientific spirit. As a scientific society, the association considers problems of labor legislation from the general welfare point of view. It must consider the well-being of employers as well as of employees; it must in this instance regard with care the delicate relationship of the medical profession; it must consider not only the present but the future welfare of society as a whole. With the existence of conflicting group interests it is not surprising that in the beginning there should be from each group a certain amount of opposition, directed toward getting as good a bargain as possible. But through a long series of conferences by means of representative committees from each group there is brought about a better understanding and finally, as a result of educational campaigns, the general public comes to understand the proposal on its merits.

The experience with the proposal for health-insurance legislation is fairly typical. A national committee of well-known authorities on public health, statistics, social insurance, and medicine and nursing and of actuarial and legal authorities, was appointed. The association organized the First American Conference on Social Insurance in 1913, at which representatives of all the interested groups participated; after numerous informal meetings throughout the second year it published as widely as possible the tentative standards which it purposed to follow in drafting a bill, and again it invited general criticism and suggestions. Profiting from numerous suggestions received, the association at the end of a third year, during which its full committee held 18 meetings, in addition to the work of subcommittees, was able in November, 1915, to distribute the tentative draft of a bill for further criticism and discussion. Within three months 13,000 copies of the pamphlet, containing the bill and explanatory notes, had been printed and distributed, and nearly twice that number, or 25,000 copies, have now been sent out to meet the eager demand.

It is probably a universal experience that one may work month after month and year after year upon the draft of a bill and yet find opportunities to improve it. To this rule the health-insurance bill has been no exception. It is still open for criticism and suggestions which will be welcomed until the bill is passed.

This bill combines the features pronounced best by the practical experience of Europe. It covers, under its compulsory features, all manual workers and all other employees receiving \$100 a month or less. For these insurance is made compulsory because, as the secretary of a State federation of labor recently put it: "Health insurance must be compulsory if all the employers owning dirty factories are to pay their share. It must be compulsory if all the wage earners in need of health insurance are to receive its benefits." The committee of the National Association of Manufacturers, referred to above, states in its report: "We know that there are employers who would not comply with the voluntary plan." The State "must often subordinate the independence of the individual to the general good—it must work out many of its beneficent purposes by collective means; it must sometimes compel the individual to do that which he ought to be willing to do. Is insurance of workmen of such importance and urgency as to justify compulsion on the part of the State to secure it effectively? Such insurance can not be made general in its application without some form of compulsion. No form of persuasion could be effectively employed by the State which would not involve features far more objectionable than compulsion."

The Federal Commissioner of Labor Statistics has said: "The only way this matter can be handled properly so that the most necessities will be provided for is through universal compulsory State health insurance." Even in Great Britain where voluntary health insurance through the "friendly societies" and the trade-union had reached an exceptional development, only 5,500,000 wage earners were covered, whereas the compulsory health insurance act of 1911 at once applied to 13,742,000 workers. In addition to its inclusiveness, compulsory insurance reduces administrative cost to a minimum and eliminates by its universality dangers of adverse selection. All the expensive and tedious work of soliciting business is done away with. Persons in a given area are attached to the same fund, and this localization of membership still further increases the ease of supervision and reduces expense. Local administration in the Leipzig sick fund costs less than 10 per cent of the total expenditure and the average in Germany is less than 7 per cent, whereas in this country the dollar-a-month sick insurance, as operated by stock companies, is at an average administrative cost of about 60 per cent. A further benefit of localized membership under a compulsory system is the improved administration of medical care which it makes possible. For these reasons it is believed that many self-employed persons will desire to avail themselves of the system, and special provisions are made for their joining voluntarily.

For the insured, the standard bill provides necessary medical, surgical, and nursing care. This is far more than is at present enjoyed

by the wage earner, who is too often compelled to accept treatment from charity or to forego it altogether. The family of the insured will also be provided with requisite medical aid, which will greatly reduce the expenditure for doctors' bills on an individual basis, and assure medical advice when it is needed. All necessary medicines and surgical supplies will also be furnished, up to \$50 a year. Physicians' interests are carefully guarded by allowing medical men to make with each insurance fund the arrangement best suited to local conditions. Thus there may be a panel of physicians, open to any legally qualified practitioner, among whom patients may have free choice; or salaried physicians, with reasonable free choice; or district medical officers responsible for the treatment of insured persons in prescribed areas. In each district where there is a panel there is to be a local medical committee chosen by physicians to pass upon regulations made by the insurance funds with regard to medical care. The essentially different functions of treating patients and of issuing certificates of disability are separated by establishing supervisory medical officers for the latter duty. An exact method of payment of physicians is being formulated by conferences of physicians and other experts who are working on the medical details of operation under such a measure. Dr. Alexander Lambert, chairman of the American Medical Association's committee which was appointed in November, 1915, to cooperate with the American Association for Labor Legislation in this difficult task, will report at the session this evening.

A cash benefit of two-thirds of wages during disability up to 26 weeks yearly is established. Massachusetts, New York, and Ohio, as well as the United States Government, it will be remembered, already award 66 $\frac{2}{3}$  per cent of wages in workmen's compensation cases, and percentages close to this are granted by several other progressive States.

Among the provisions of the bill is maternity benefit. The prohibition placed, in some States, upon the industrial employment of women just before or after childbirth emphasizes the desirability of granting a cash benefit during the period of their enforced unemployment, just as if this were caused by illness. Moreover, the annual death, in the registration area, of more than 10,000 mothers from causes connected with childbirth, and of 52,000 infants from diseases of early infancy—many of which are preventable—make it imperative to provide more adequately for insured women and the wives of insured men. Maternity benefit for insured women is included in every European health-insurance system.

A fourth benefit proposed is a funeral benefit of \$100. This type of relief is at present probably the most urgent need among wage-workers. In 1911, 32 industrial insurance companies in the United States—the two largest being the Prudential and the Metropolitan—

had about 24,700,000 policies in force, on which they reaped \$183,500,000 in premiums. The losses paid out the same year amounted to only a little over \$50,000,000, most of which was for funeral expenses. A recent study by the Massachusetts Board of Charity showed that even in 500 families assisted by the State, under the mothers' aid law, the average expenditure for industrial *burial* insurance was 54 cents a week. Under the universal health-insurance plan adequate burial could easily be provided for, while the money now expended by working people for mere burial insurance would go far toward paying their share of the contribution for all the benefits above enumerated.

The moneys to provide the benefits just described are to be raised by joint contributions to the funds, two-fifths by the employer, two-fifths by the employee, and one-fifth by the State. It is felt that a certain responsibility for ill health rests upon all three of these parties—upon housing conditions and water supply no less than upon insanitary conditions within the factory—and that justice no less than the purpose of bringing this responsibility home to the minds of all concerned can best be served by joint maintenance of the insurance fund. It has been estimated that the total cost of the system, including medical care of the family, on the average would be not more than 4 per cent of the pay roll. Thus for the wage earner receiving \$15 per week, or \$780 per year, the weekly contribution would average about 24 cents. For workers receiving below \$9 a week, upon whom even the two-fifths contribution would be an undue burden, the rate is progressively reduced, until at \$5 a week the employee pays nothing. The total amount raised through those contributions must of course always be sufficient to provide the minimum benefits described; but if a local mutual fund wishes to, it may under careful supervision collect higher amounts and pay proportionately increased benefits.

As indicated, both cash benefits and medical treatment are to be administered by a system of local funds, composed of employers and employees in a given district or a given trade. Democratic control of the business of a fund is held by a committee elected half by employer and half by employee members of the fund, while immediate direction is exercised by a smaller board of directors elected half by employer and half by employee members of the committee. Labor unions, benevolent or fraternal societies, or establishment funds, which conform to the standards may be approved as alternative carriers of the insurance. For oversight of the entire system there is provided a State social insurance commission of three persons, one of whom must be a physician, appointed by the governor. The duties of this commission will be largely judicial and supervisory, the administrative functions being chiefly carried on by the various local or trade funds.

The local mutual form of administration is of paramount importance. Anyone who has followed the development of safety committees under workmen's compensation must appreciate the possibilities of such cooperation. With employers and employees serving on the local health committees the local sickness rate will be brought directly home to those who are paying the cost, and who are in a position to reduce the insurance rate by reducing the sickness rate.

#### PREVENTIVE EFFECT OF HEALTH INSURANCE.

So far the health-insurance proposal has been discussed only in its relief and curative aspects. But it is an axiom that no sooner is an adequate and properly administered system of insurance set up than it incites efforts for the reduction of the risk against which it offers protection. Fire underwriters not only insure against fire, they inspect buildings and raise the standards of safety against conflagration. Workmen's compensation not only secures indemnity to the injured workman or his orphaned children but it provokes a movement for "safety first." In the same way the proponents of health insurance confidently count on the adoption of a health-insurance law to launch a new movement for "health first."

As has been said, employers, employees, and the State are to-day jointly responsible for sickness. Persistent monthly levies upon their several pocketbooks through mutually managed committees, to meet the expenses of the prescribed benefits, should start a campaign for industrial and social sanitation such as no army of factory and housing inspectors could hope to accomplish. Under its influence we may expect to see preventive medicine, recently grown into prominence, expand and flourish beyond the highest hopes of an older generation of progressive thinkers. As Dr. Haven Emerson, the commissioner of health of the city of New York, has said: "Nothing is more certain than that prevention will take the place of treatment for cure when it is plain to the employer and employee that it costs him less to take precautions to avoid sickness than it does to pay the bills for medical service after sickness is incurred."

The relation of health insurance to existing departments of health in the work of sickness prevention is discussed by Dr. Alexander Lambert.

#### CHARACTER OF THE OPPOSITION.

Probably no great economic or legislative movement has at its inception received the unanimous acclaim of all the people. It would indeed be strange if a legislative proposal of such vital importance as workmen's health insurance should not call forth some criticism from certain individuals within special interested groups. Opposi-

at the standard bill will show that it does not even propose State insurance, but mutual insurance managed by employers and employees themselves.

It is well known that the experience of the medical profession with private insurance companies under workmen's insurance has not been happy. Moreover, it is difficult to see what possible incentive there is for employers to pay out additional millions for distribution among insurance corporations when the business can be done more economically and effectively through mutual funds. As to the attitude of the workers themselves there can be no doubt. The American Federation of Labor, though still expressing disapproval regarding the element of compulsion in this kind of insurance, adopted at its recent convention the following resolution: "*Resolved, That the American Federation of Labor, in thirty-sixth annual convention assembled, declares against private insurance, or insurance for profit, as it may apply to industrial, social, or health insurance.*"

#### CONCLUSION.

Probably each one of you realize that workmen's health insurance is coming in your State. If the first definite proposal in the form of a standard bill hastens by even a few years the financial relief and medical care now sadly wanting in the cases of many thousands of organized and unnumbered millions of unorganized working men and women in this country; if health insurance can be developed so as to give a new impetus to the campaign for sickness prevention; if the patient drafting of a standard bill results in the adoption of better and more uniform legislative standards among the various States of this country, then it will be felt that the effort has been more than justified by the result, in bringing to practical accomplishment one of the most important steps in the whole program of social insurance.

## **PROPOSED LEGISLATION FOR HEALTH INSURANCE.**

**BY GRANT HAMILTON, MEMBER LEGISLATIVE COMMITTEE, AMERICAN  
FEDERATION OF LABOR.**

It is not my purpose to deal with the vast array of details which enter into even a cursory discussion of social insurance, but rather to give expression to the basic principles of the American Federation of Labor with particular reference to the subject under consideration. The development of the American Federation of Labor has proceeded along necessary and practical lines, but with unceasing vigilance that the organizations of labor should be maintained unimpaired and the individual workers should retain undisputed possession of the rights and liberties guaranteed by the organic law of our country and the spirit of our people.

The history of the movements of wage earners in all ages reveals the machinations of their opponents to disintegrate and destroy their associations. It has not infrequently been accomplished by employing the lawmaking power, and even in our own time the legislative, judicial, and executive branches of our Federal Government, as well as that of the States, have been made the instruments of oppression under the guise of benefiting the workers.

With these facts before us we, organized wage earners, cautiously scrutinize every movement launched by outside agencies whose claimants profess devotion to the common weal. 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.

The primary step necessary to real, permanent betterment of the workers is to free them from thralldom, which has been fastened upon them by those who took advantage of the necessity of the poor. The great majority of wage earners each day earn daily bread—the opportunity to work stands between them and want on to-morrow. Employers have held men in subjection through the threat of loss of the job. Only through organization has any degree of freedom or stability of employment come to wage earners. Our first concern, therefore, in considering any proposition is, will it interfere with organization for freedom?

While the question of social insurance, in all its phases, is a proper subject for the serious consideration of all groups interested in the general welfare of the people, yet the underlying or basic causes which bring the demand for insurance of a social character ought first to be thoroughly comprehended and a combined effort put forth to apply remedies. The application of legislative remedies to industrial diseases without at the same time directing our energies to the eradication of the agencies which bring the disease into existence is abortive.

Organization among the men and women of labor has been the exclusive cause of their achievements. Group concert of action has been the means of compelling society to listen to the wrongs committed against labor by the controllers of industry. Organization, advancing with the passage of each decade, has been the instrument through which at least a partial recognition of the justice of the claims of wage earners has been secured.

Like every movement based upon immutable fundamental principles, the organized labor movement has attracted the attention of other groups of society which assume that in them and their schemes lie the only solution for the problems concerning the lives of the working people. These groups, as a general rule, are but little interested in the struggles or perpetuity of the economic organizations of the working people, and only on rare occasions, if at all, appear as their sponsors or extend assistance in the maintenance or advancement of their organizations.

Apparently the fundamental foundation of the American Government is given no thought by social-insurance enthusiasts who attempt to apply systems evolved in other countries whose form of government, history, and traditions are wholly at variance with ours and founded upon radically different concepts.

Embedded in the minds of the founders of the organized labor movement was the spirit of liberty. Throughout the history of the American Federation of Labor this spirit has been maintained unimpaired, intensive, and far-reaching. Regulation by statutory law is the panacea proposed 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.

It is a fact too well known to be seriously disputed that the economic efforts of the wage earners receive but half-hearted support, if any at all, from the so-called welfare groups of society. During periods of industrial conflicts, brought about for the purpose of lessening the burden borne by the wage earners and raising their standards of life, the brunt of the fight rests chiefly upon the



shoulders of the members of the organized labor movement, while the social-reform element permits itself to be largely classed with that mythical portion of society euphoniouly denominated the "public." And yet these industrial conflicts are the real battle fields for justice and betterment for the masses of the people.

In spite of the opposition to our movement by manufacturers and other associations of employers the organized labor movement has made phenomenal progress, bringing to the wage earners, both organized and unorganized, relief that could not be secured except through organization. The responsibilities and sacrifices which it has been necessary to assume and meet have almost universally been borne by those directly interested. The achievements, influence, and power now held by the organized wage earners is the result of their own efforts. Appreciating to the fullest extent the potentiality of associated effort, realizing that the continuity of organization not only means the preservation of future opportunity but guarantees that rights, liberties, and achievements can be maintained, it is little wonder that the organized labor movement is reluctant to accept the proffered schemes of those who profess interest in their welfare, but who have failed to participate in the struggles that have eventuated in giving potency to the wage earners' movement.

Organization is a foundation; it is fundamental, and under all circumstances it must be preserved—it must not be hampered; it must not be deflected to carry out experimental or visionary schemes of those who are anxious to undertake responsibility for the lives of others and those who assume they are clothed with a prophetic wisdom enabling them to direct the power and influence of the organized wage earners, even though they have not contributed in any way to the creation of this power and influence.

Within the organized movement the widest latitude possible is accorded to its affiliates. Compulsion of every character is frowned upon—freedom is the watchword. Voluntary in character, democracy in its most generous form is maintained. While codes of regulations are recognized as necessary, yet self-imposed compliance thereto constitutes the great strength reposing in the unions of labor. No other human institution in society treats with equal sacredness the rights of the individual as does the organizations of labor. It is equally true that many of our mistakes can be directly attributed to this broad policy, but the penalty which these mistakes impose compared with results flowing from a compulsory system is but insignificant. The policy of liberty of action within the trade-union has a still further significance. The trade-union teaches the fundamental principles of citizenship, a democratic citizenship. If the democracy of our governmental institutions is to be

maintained and perpetuated, the trade-union school must be maintained and perpetuated, and its policy of maintaining individual rights, liberties, and opportunity recognized and adhered to.

These organizations, with their widespread influence, were brought into existence by the slow process of education, the polyglot character of the American wage earners making the task a most difficult one. But we have succeeded in molding a great mass of workers into a cohesive and effective combination, and even in the process of development benefits have unceasingly flowed. Realizing the tremendous task that has been accomplished, fully cognizant of the fundamental principles which underlie and give force and effect to our efforts, we do not propose to yield willingly to the importunities of those who would now employ the implements of our success in carrying out social experiments without regard to the dangers that lurk in their plans.

In the light of experience it can not be asserted that our movement lags or is unmindful of the interests of every wage earner, organized or unorganized. The organized labor movement is the only institution that has the unquestioned right to speak and act for the workers. Its efforts have been and are ever extended to the unorganized, and the history of the past is replete with instances of sacrifices made by the organized for the unorganized. It is equally true that we, too, are impatient at our progress, but a structure strong enough to withstand industrial inclemency must be erected with due regard to the elements which compose it.

Organization, then, must be the beacon, shedding its light upon all our efforts. It must be our first consideration.

Let me now draw your attention to the fact that there are many industrial combinations in our country that have and are inaugurating social-welfare schemes. Many of them contemplate social insurance of infinite variety. Among them are sickness, accident, superannuation, and pension schemes. All these schemes, however, are primarily based upon length of service and economic loyalty to the concern formulating the schemes. The power to extend or withdraw benefits resides wholly in the hands of the controllers of the industry. Freedom of action by the workers is thereby made a negligible factor. In plain English, the workers under these schemes are chained to their jobs.

It is likewise true that in all the combinations referred to the right of economic organization has been and is denied. In other words, a benevolent feudalism is the translation of the ordinary welfare scheme. In nearly all the plans promulgated for social insurance, compulsion appears as the one chief characteristic. Compulsion to do an infinite variety of things on the part of the workers is indicative

of control over their lives. Without the safeguard of economic organization, untrammled and in full influence, the governmental agencies created to establish a system of social insurance would soon destroy the trade-unions and transmute the wage earners into industrial pawns on the governmental chessboard.

Workmen's compensation laws now in operation in many States are presenting many intricate problems. While it is not denied that they are conferring, upon the wage earners, relief to which they are justly entitled, yet there are questions now arising under their administration that require our utmost vigilance in protecting wage earners. Simultaneously with the advent of compensation laws came the introduction of systems of physical examinations. Industrial controllers, in their desire to reduce liability, are insisting upon ever-increasing rigidity in physical examinations and excluding from employment those who show even nonessential defects. It is well known that able-bodied, skilled workmen have been dismissed from employment at the recommendation of the company physicians who found in them the disease of unionism and diagnosed the cases under convenient professional terms.

Any further systems evolved, having for their purpose intended benefits to the great mass, must contain adequate safeguards to protect the wage earners from industrial, law, or welfare exploitation. The American Federation of Labor stands committed to the welfare of the wage-earning population of our country, but it will refuse now, as it has done in the past, to indorse or lend its assistance to any scheme, no matter by whom proposed, unless it is first convinced that the same measure of freedom of action as now enjoyed in the trade-unions are secured to the workers under any insurance scheme proposed.

The purpose of social health insurance is to provide for emergencies and to prevent suffering of wage earners and those dependent upon them. Well-to-do citizens do not make special provisions for such eventualities because they have a surplus upon which to draw. But wage earners have no such surplus. Benevolent society has been moved to compassion for the suffering of the poor and their children—they offer a new form of charity, benevolent supervision and compulsory social insurance. Benevolent society does not go to bed-rock questions—why the meager wages, starved lives, and the restricted opportunities of those who toil with their hands? It offers palliatives—not remedies.

This new form of charity provides for the division of society into classes, based upon wages received. Those who receive less than a specified sum automatically come under Government supervision, upon the theory that they are unable to care for themselves and their

dependents properly. Therefore, the State and the employers set aside money for the upkeep of these workers in times of emergency. The workers themselves make but meager contributions. Thus the fundamental principle of social insurance is to make permanent distinctions between social groups and to emphasize that distinction by governmental regulation.

What wage earners want is not benevolently administered saving of pennies, but opportunity to do the world's work, like free men and women, and to receive honest returns for their labor in the form of adequate wages. Get off the backs of the workers and there will be no need for "insurance," for then wage earners, like employers, will have enough to live on and to provide for emergencies without "aid."

Sympathetic advocates of health insurance justify the plan by indicating the members 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, overfatigue, and insanitary conditions of work are fundamental causes in ruining the health of the workers. With the speeding-up sentiment pervading industrial managements continued the physically fit must soon be transferred to the unfit class. Thus we are confronted with a constantly increasing number of industrial defectives. This question alone is serious, and must be solved first. Without the removal of the causes for sickness, health insurance is not even a safeguard, for the burdens upon society would become steadily heavier until too great to be borne.

For 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. Maj. Gen. 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 13 years at least.

The rich are overeating. The poor are undereating. Both are contributing to shortened lives. But where overeating shortens the life of 1 person in 100, undereating shortens that of 90. If we are to lengthen the average life, we must pay attention to the poor man.

The one agency that attacked the problems of the workers from the fundamental construction side is the labor movement. It seeks to protect the health of the workers at work and at home, and to assure them the necessary means for living properly and providing for the future as any other citizen does. If you really wish to promote the health and welfare of wage earners, devote your efforts to securing for them the opportunity to organize. The workers have fought for that right—some have secured it, but we are in the fight until that unquestioned right is assured to all. Because wages are not yet what they should be many organized workers enjoy through collective action union benefits which provide for emergencies.

At the present time a large number of organizations affiliated with the American Federation of Labor, as well as those not affiliated, are paying benefits in various forms, but mainly for death and sickness. Some of these organizations are also paying unemployment benefits, and some pensions to superannuated members.

In all organizations now paying benefits there is at work a well-defined sentiment not only to increase the benefits but to add to them to cover the misfortunes to which wage earners are liable. In addition to what has already been accomplished, the United Mine Workers of America, the largest organization attached to the American Federation of Labor, is now formulating plans for a pension system which, no doubt, will be put into operation in the not distant future. In fact, the entire trend of our movement is expansive, with a marked tendency to work out some feasible voluntary plan whereby organized wage earners may place themselves in a position to guarantee to the less fortunate among their number safety from the ills and misfortunes of life.

Only a small degree of the efforts being put forth by organized labor—or its accomplishments—reach the distributive channels of the public press. For instance, for two or three years the organized labor movement of the city of Chicago has provided for all members of the unions and their families during the winter months, when unemployment, sickness, or other misfortune has befallen them. In other words, the organized labor movement of Chicago has taken care of its own without any assistance whatever from any outside source.

This same state of affairs obtains in St. Louis and many other cities of the country. This is evidence of the growing interest in the organizations of labor toward instituting a voluntary system of general relief among the wage earners.

In dealing with this question the American Federationist of April, 1916, contained an article by President Gompers which sheds much light upon the problem. It deals fundamentally with a concrete case, and is a valuable contribution. Its exposition clearly sets

forth the federation's position and discusses the phases of social insurance upon such a broad and high plane as to make it convincing. Because of its pertinence in this discussion excerpts from it are included.

Systems of this type—that is, compulsory governmental insurance—have been tried in Germany and more recently in Great Britain. The experience in Great Britain has not been long enough or extensive enough to be decisive, for the British system is not compulsory upon all. Then, too, there is a vast difference between conditions in Great Britain and conditions in the United States. There does not exist here anything comparable to the appalling poverty that exists in Great Britain. We have not that class of citizens known as the “submerged tenth” who have been ground down by years of poverty and privation.

It is difficult to make a parallel between our country and Germany. The spirit of the people and the institutions of the country are so totally different. In Germany the principle of State control and regulation is accepted. The whole of the government and regulation of social relations and private relations are under the control and dictation of the Central Government.

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 proposition from compulsory authority to regulate in the hands of constantly changing officials under a decentralized government. In the German people there is a spirit which results from training to recognize the sanctity of authority and acceptance of commands and regulations. This is far different from the spirit and the genius and the ideals of the American people. It is a difference of race psychology.

There is an effort at present to attribute the marvelous effectiveness of Germany particularly to compulsory health insurance. However, the true cause of German efficiency and effectiveness is more fundamental. It lies in institutions that are based upon real values, and consequently found national life upon sure foundations that will resist storms and crises.

There is, in addition to the compulsory health-insurance systems of Germany and Great Britain, a voluntary State-aid system which was, before the war, in operation in Belgium, France, Denmark, and Switzerland, and which has proved satisfactory in many respects. The experience of these countries 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.

The workers of America adhere to voluntary institutions in preference to compulsory systems, which are held to be not only impractical but a menace to their rights, welfare, and their liberty. Health-insurance legislation affects wage earners directly. Compulsory institutions will make changes not only in relations of work but in their private lives, particularly a compulsory system affecting health, for good health is not concerned merely with time and conditions under which work is performed. It is affected by home conditions, social relations, and all of those things that go to make up the happiness or the desolation of life.

To delegate to the Government or to employers the right and the power to make compulsory visitations under the guise of health conditions of the workers is to permit those agencies to have a right to interfere in the most private matters of life. It is, indeed, a very grave issue for workers. They are justified in demanding that every other voluntary method be given the fullest opportunity before compulsory methods are even considered, much less adopted.

The trade-unionists who have considered the problem and expressed an opinion have advised against such compulsory institutions. The American Federation of Labor has had the question of social insurance under consideration for several years, and in the report of the executive council to the Philadelphia convention there was a summary of investigations made up to that date. Because these investigations were not as thorough or conclusive as was deemed necessary before deciding so important a policy, recommendation was made to the convention that the subject be given additional consideration. At the last meeting of the executive council, held in February, 1916, it was decided that social insurance be given still further study.

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.

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.

There is another alternative to compulsory social insurance—that is, workers' insurance of a voluntary nature. The experience of many organized labor movements demonstrates the practicability of benefit agencies of this nature. The Brotherhood of Locomotive Engineers has, perhaps, the largest voluntary insurance fund in America. Warren S. Stone, grand chief of that organization, expressed this conclusion in the matter: "Instead of trying to bail a leaky boat, we should stop the leaks—begin at the other end and pay a living wage." The whole idea of the workingman is to avoid paternalism.

George W. Perkins, president of the Cigar Makers' International Union, made the following statement: "We are primarily opposed to having any of our economic activities chained to the police power of the State." By the constructive work of the Cigar Makers' International Union in two decades the average life of the cigar makers was increased 15 years.

The efforts of trade organizations are directed at fundamental things. They endeavor to secure to all workers a living wage that will enable them to have sanitary homes, conditions of living that are conducive to good health, adequate clothing, nourishing food, and other things that are essential to the maintenance of good health.

In attacking the health problem from the preventive and constructive side they are doing infinitely more than any health insurance law could do which provides only for relief in case of sickness; and yet the compulsory law would undermine the trade-union activity.

There must necessarily be a weakening of independence of spirit and virility when compulsory insurance is provided for so large a number of citizens of the State. Dangers to wage earners might readily arise under the machinery for the administration of this social insurance that would establish compulsory physical examinations. The purpose of such examinations has been perverted in many places and made to result to the detriment of workers. The discretionary power lodged in the administrative board could readily be used in efforts to coerce organizations of wage earners, for the administrative body has the power to approve societies and also to withdraw approval at any time.

The enactment of this proposed bill would be another step in the tendency to regulate everything by commissions. Several of our statesmen have been calling attention to the dangers lurking in "government by commission." It would inevitably build up a bureaucratic system which would be under the control and perhaps domination of agents not directly responsible to the people. This becomes especially serious when it has to do with such intimate matters as health. When once a political agent is authorized to take care of the health of citizens there is no limit to the scope of his



activities or his right to interfere in all of the relations of life. Even homes would not be sacred from intrusion.

In an address before a conference held at Washington, dealing with the subject of "physical examination" of workers, I said, in part:

Now, with regard to physical examination of employees. The question of competition is one of the controlling factors with employers. Where, in an industry, a great concern has a monopoly, or a practical monopoly, it is not difficult to understand that it can inaugurate a system for the welfare or the health of the employees so that the return may come to the company by reason of better, more continuous health and greater efficiency. But in the world's mart of open competition, and where the primary—aye, almost the exclusive—principle upon which the industry is conducted is profit—immediate profit—regardless of its effect upon the health and social welfare of all the people, conditions are different.

Imagine an industry in which there is still considerable competition among employers who think or believe or know that they can not wait for many years to get ultimate results, but who are primarily interested in the returns of the day. These employers are interested in the examination of employees in order to detect workers who have become somewhat enfeebled, in whom the first stages of tuberculosis have developed. Imagine the influence of this purpose upon the mind of such an employer, the influence upon the minds of the workers. The apprehension in the minds of the workers is that as soon as their illness or their deficiency is ascertained by the employer, his agents or his foremen, the worker will be discharged, to walk the streets in idleness, and thus aggravate his own situation and condition.

The examination of workmen or workwomen who make application for employment is in order to learn of their illness and to reject the "unfit." Rejection is a very harmless word in itself, but when it is applied to a man with a family depending upon him for support, rejection means practically condemnation to death.

Imagine a scene in the packing-house district of Chicago, or in Kansas City, or Omaha, or in any of the other great packing-house cities. In the early morning, between the hours of 3 and 5, there are thousands of men who are waiting a call for 100 or 200 or 300 or 500, according to the immediate necessities of the companies; and then a physical examination of these 500 or 1,000 employees who are always on call and ready to go to work at a minute's notice, many of them weakened and enfeebled by long periods of unemployment, by lack of proper nourishment, by lack of proper care and housing in their own homes, many of them perhaps having already developed the early stages of tuberculosis.

Imagine a similar scene in the steel plants, and in many other establishments conducted upon a large scale, where the so-called common laborers, the unskilled, are called for by the thousands at a time, who are always waiting, waiting, waiting. The visits of the company's doctor to the homes of the employee would mean, therefore, that the employer would not only have jurisdiction over the employee in the factories, shops, and work places, but would extend that jurisdiction to the homes.

I have given the best years of my life in trying to help improve the physical, mental, and moral well-being of the working people of our country, but I am unwilling, even if the proposition is prompted by a good purpose, to surrender my home or the homes of the working people to the general superintendence

of the company's representative, whether he be known as a medical doctor or a spy. I do not dispute the good intentions and the high purposes which the gentlemen have and the high ideals that the companies have in whose interest and by whose directions these gentlemen have addressed us, nor the high purposes of the men who are doing this work in and around Chicago and some other few places. But not all of the industries of the country are conducted upon the "high ideals" of the companies they represent. But, once extend the sphere of jurisdiction of the employers over the homes of the workers and the majority of the workers have very little of our boasted freedom left.

It is inevitable that if employers are to have financial interests at stake in the sickness, or disease, or death that may come upon their employees their interests will be soon manifested in preventive as well as curative measures. Sickness prevention, as you know, is associated very intimately with the personal life of the individual.

In addition to what I said to that convention, is it wise to open up opportunities for Government agents to interfere lawfully with the privacy of the lives of wage earners?

Would such authority be tolerated by employers, by professional men, or by those directing our financial, industrial, and commercial institutions?

Is it not a better way to undertake the problems of assuring to workers health by providing them with the information and the education that will enable them to take intelligent care of themselves, and assuring to them such conditions of work and standards of wages as will enable them to give their information reality in directing and managing their own lives?

Should the individual worker not be able to accomplish all desirable results, is it not better for him to augment his own efforts by voluntary associative effort, cooperating with his friends and fellow workers?

Trade organizations are not unmindful of the health problem; in fact, they have done more to secure conditions of sanitation in places of work and to enable workers to have decent, healthful homes than any other agency. As the information of the workers increases, they give more thought to problems of health and sanitation.

In connection with this you will find of particular interest the work being done by the garment workers of New York City. Through the efforts of their organization the garment industry of New York City has been organized, and standards of sanitation and health established and maintained. Already they are beginning upon the problem of personal health and personal hygiene. If you will get some of the reports and literature of the sanitary board of the garment workers you will see the possibilities of efforts through economic organization. In many international unions there are established systems of social insurance in cases of illness, unemployment, and several other features. Even in international unions where these benefits have

not been instituted—though nearly every local union has established them—quite apart from these benefits paid, or rather in addition to them, the trade-union movement has secured a reduction in the hours of daily labor and better standards of wages and conditions of employment which have improved the physical and mental health of the workers. So much has been accomplished along these lines that nearly every trade-union can record the increased length of life of its membership.

With the workers this is a living question; it is a question of the right to freedom, the right to freedom of the exercise of normal activities. It grieves all of us to know that any one of our fellows suffers from illness or any other ailment of physical, material, or any other character, but there is even a greater consideration than that for the working people of America. We may prematurely—and do unnecessarily—lose a number, and a large number, of our fellows by reason of ill health; but it is even of greater concern to all the working people of our country that under no guise, however well-intentioned, shall they lose their liberties.

## ASSURANCE OF HEALTH VERSUS SICKNESS INSURANCE.

BY FRANK F. DRESSER, REPRESENTING COMMITTEES OF NATIONAL ASSOCIATION OF MANUFACTURERS AND NATIONAL ASSOCIATION OF MACHINE-TOOL BUILDERS.

The committees of the National Association of Manufacturers and of the National Association of Machine-Tool Builders who are considering health insurance desire briefly to suggest certain measures which seem to them practicable to alleviate the burden of illness which employers have not been the last in the community to recognize and attempt to prevent.

It is self-evident that well and able-bodied citizens are the strength of the State and that well employers and well employees add to the strength of an industry. Every community and every individual have long since become committed to this belief, and their progress toward accomplishment, though it seems painfully slow and stumbling, yet has been steady and, of late years, sure.

People can not differ about the goal, but may well differ as to the method of attack.

The method is threefold: To prevent disease so far as it may be prevented; when illness comes, to discover it early and to restore the patient rapidly and securely to health; and, lastly, to distribute the sickness losses of those who are unable to bear them. So far as the first two may be accomplished the need of the last is diminished; for they seek and eliminate the roots of the evil while the last merely concerns itself with relief.

In considering the health-insurance proposal it is essential clearly to appreciate what it purports to accomplish, first, in prevention and next, in relief, in order to determine what value will be received either by the persons benefited or by the community at large for the enormous expenditures it requires.

The proponents of health insurance have endeavored to impress the public with—

1. The claim that there is, annually, to wage earners, a wage loss of six hundred millions due to sickness.

2. The hopeless view that the great majority of wage earners are living so close to the poverty line that they can not and do not provide for this loss through the present channels of protection—those of benefit societies, lodges, trade-unions, and the like—or can not bear it themselves.

3. That the most important duty of society to-day is to better distribute this loss through compulsory sickness insurance.

4. That the operation of compulsory sickness insurance will prevent disease and improve the health of the Nation.

Attention and argument is thus focused on one only of the many misfortunes and sources of loss that come to wage earners and non-wage earners alike, to the exclusion of other losses and causes of poverty, such as voluntary absence from work which occasions an equally great annual loss, the labor turnover, the losses due to intemperance, venereal diseases, feeble-mindedness, lack of vocational training, and thriftlessness.

These economic losses are preventable if society is really in earnest about improving its conditions. Remove these drains on the wage earner's health and purse and he will be able to snap his fingers at any proffered aid from State or individual in the guise of compulsory health insurance.

But health insurance, as it is proposed, makes no attack upon the evil; it disregards all present hopeful tendencies, it disorganizes and destroys existing agencies and sets up nothing in their place. The machinery and the expenditure which are devised are those of relief and not of remedy and they lull the sense of responsibility.<sup>1</sup>

Yet our most useful efforts and expenditures lie in determining the responsibility and the need and in coordinating and developing the agencies that will tend most directly to prevention.

<sup>1</sup> Dr. B. S. Warren, United States Public Health Service, said before the New York Academy of Medicine, Nov. 23, 1916—

All advocates realize the possibilities for promoting health, and lately, almost by unanimous consent, the name has been changed from "sickness" insurance to "health" insurance. The change in name, however, has not been accompanied by any change in the plans proposed. The proponents of these measures advocate them altogether on the grounds that they are health measures, notwithstanding the fact that not one of them contains any provision for health machinery. They are proposed as health measures even though not one single provision has been made for the employment of health experts, nor any authority provided for spending any part of the funds for disease prevention. These omissions occur in spite of the fact that provision is made for the State to pay one-fifth of the funds, in addition to the expense of supervision. It is proposed as a health measure notwithstanding the fact that none of the proposed plans make provision for membership of health experts on any of the directing or supervising bodies. The plans, as proposed, vest the administration and control in local boards composed of employers and employees, with supervision by a State commission on which no provision is made for a doctor of public health. A provision is not even made for the employment of health experts. One of the proposed measures provides for the employment by the carriers of medical officers, but these should not be confused with medical officers of health. \* \* \* The more extensive statistics of sickness made available from the disability certificates would be of value in epidemiological studies of disease. But it is very probable that these features would develop in local, independent, and unrelated ways, unless provision is made for their proper direction by men skilled in matters of disease prevention. It is not sufficient to point to the workmen's compensation laws and the nation-wide "safety first" movement, and conclude that sickness insurance will automatically result in a "health first" campaign. It must be remembered that loading all the cost of accident upon the employers created a direct financial incentive for them to prevent accidents, whereas the distribution of cost upon employers, employees, and State would necessarily cause a diffusion of the financial incentive, and one should hesitate before forecasting a "health first" campaign.

At the conference of State and Territorial Health Authorities, May 13, 1916, the report of the standing committee on health insurance contained the following:

In the bill for health insurance that has been introduced in the several State legislatures the German plan has been followed, the matter of providing medical benefits has been left in the hands of the local bodies, and no provision has been made for correlating the system with existing health agencies. These are serious objections, since without such provision a health-insurance law will have little value as a preventive measure, although it may meet with the approval of those who advocate it as a relief measure.

We must intelligently and frankly diagnose our "social miseries" and then apply the proper curative and preventive measures. If we would be successful in this, we must set up adequate public-health machinery by reorganizing and developing the Federal, State, and municipal health work, so that it shall be entirely removed from political influence, its scientific attainment and spirit shall pervade the whole organization, and shall give the maximum of coordination and cooperation throughout this machinery for the attainment of 100 per cent efficiency in caring for the public health.

We must study and remove our occupational health hazards and enlist in this work the knowledge of experts and the good will of physician, employer, and employee. Such a program involves a vast expenditure, but an expenditure directed to definite ends and bringing specific results, and who among us can foretell what marvelous reduction in disease would follow a health and educational campaign carried along by a public interest and a public conscience, as yet undreamed of?

We think, therefore, and hope to prove, if we can, that there are certain lines of direct attack—some, which, at the sole cost of the employer will tend directly to diminish illness, to provide medical attention, and to afford some measure of relief for all wage earners, whether they be those who come under the proposed health insurance or those who do not; others, which, at the cost of the State, will tend directly to the extension and improvement of medical service, not for the insured class alone but for all the people.

The cost of these proposals will be great, but the expenditure will be far less than under health insurance, will aid all and not a portion of the community, and the workers as such will not contribute to it.

The measures affecting employers and employees directly and charged solely to the employer are:

The inclusion of occupational diseases within the principle of the workmen's compensation act.

The establishment by employers of industrial hygiene departments whose duty it is, by knowing the health hazards of their establishments and the physical condition of their workers, so to fit one to the other that the least harm will result, and to detect the beginning illness of employees and put them in the way of cure.

The measures affecting the community as a whole and undertaken at the cost of the State are:

To so reorganize and develop the public health service, State and municipal, that this public function will actually extend its educational and preventive work to all of the people, and as part of its duties be charged with the supervision of industrial hygiene and the reduction of occupational diseases. Such department should also install, in convenient districts, diagnostic consulting stations, where

the most scientific medical and surgical knowledge is made available to all physicians and their patients. By this method alone can we hope to raise the standards of medical and surgical diagnosis of the average physician.

The extension of facilities for convalescent care in connection with these clinics.

And, lastly, the awakening of the community and the public officials to the study and practice of sound preventive measures and to the considerable expenditure that they will entail.

With none of these subjects does the health-insurance proposal deal directly or constructively. They are affected, if at all, only indirectly, for health insurance in its essence is the palliative of relief.

A palliative soothes and does not invigorate. Pauper relief has been paid for centuries without the least effect in arousing an attack upon the causes of poverty. To-day, in spite of the popular impression to the contrary, the workmen's compensation premium of itself stirs few, if any, employers to diminish it by prevention work. Accident prevention is seldom undertaken merely to cut down the insurance premium, but if the humanitarian feeling is laid aside, was and is undertaken solely to increase production by eliminating the wastage which accidents cause. Even now a rapidly increasing number of employers are studying and trying to eliminate their sickness hazards for the very selfish reason that well workers can produce more than sick ones and that it pays to keep the employees well.

#### OCCUPATIONAL DISEASES.

A loss among the workers which may immediately be relieved is caused by occupational disease.

Of the 35 States and Territories which now have workmen's compensation acts, occupational diseases are excluded from the operation of the statute either by specific enactment or by judicial construction in all but 5 and probably in all but 1 of the jurisdictions.<sup>1</sup>

<sup>1</sup> By specific terms in Hawaii, Indiana, Iowa, Kentucky, Louisiana, Maryland, Montana, Nebraska, New York, Oklahoma, Pennsylvania, Vermont, Washington, Wyoming; by the use of the phrase "personal injury by accident" or "accidental injury" in Alaska, Arizona, Colorado, Illinois, Kansas, Maine, Minnesota, Nevada, New Jersey, Oregon, Porto Rico, Rhode Island, and Wisconsin; by judicial construction of the statute in Michigan (*Adams v. Acme W. L. & C. Wks.*, 148 N. W. 485; 182 Mich. 157), Ohio (*Indus. Com. v. Brown*, 110 N. E. 744; 92 Ohio State, 309), Connecticut (*Miller v. American Steel & Wire Co.*, 97 Atlantic, 345). The point has not yet, it is believed, been passed upon in California, New Hampshire, Texas, and West Virginia. Compensation for occupational diseases is permitted in Massachusetts (*Johnson's Case*, 217 Mass. 388). Most, but not all, of the States now permit recovery for disease resulting from a work accident. Some of the States permit recovery for a disease which may be construed as an accident rather than an occupational disease (*Vennen v. New Dells L. Co.*, 154 N. W. 640; *Hurle's Case*, 217 Mass. 228). Massachusetts permits recovery for a preexisting disease or disability that is aggravated or accelerated by work conditions (*Madden's Case*, 222 Mass. 487).

The reason for this is not far to seek. Occupational disease is a new subject for study. The States began only within five years to collect data,<sup>1</sup> and our knowledge is still in the process of acquisition. The inquiry is purely a scientific one, on which opinions are beginning to be tentatively formed, and is peculiarly unfit for isolated judicial decisions or hasty legislative action. Our legislatures, therefore, were wise in refraining from bringing a subject of such great scope and such uncertain knowledge within the compensation theory, but the time is coming when certain diseases ought to be included.

Occupational disease has two definitions:<sup>2</sup>

First. A disease to which the public at large is not subject, such as lead poisoning or phossy jaw, which is attendant upon and peculiar to a particular process and for which the industry itself is solely or principally responsible. I confine the phrase "occupational disease" to this class.

Second. The large number of diseases to which the public at large is subject, such as tuberculosis, but which may be caused or aggravated or accelerated wholly or partly by specific conditions of labor.

It is now possible definitely to list as strictly occupational diseases 25 or 30 ailments. These are indistinguishable in principle from the work accident. They are occasioned solely by the industry, are a cost of production, and should be compensated without contribution by the worker upon the same theory that the work accident is compensated. This extension of the statute would put the cost of a certain class of diseases where it belongs, and to that extent would relieve the workmen.

England in 1906 brought within the purview of its compensation act certain specific occupational diseases, provided for increasing the list, and adopted rules by which successive employers who had contributed to the illness should bear their share of the loss.<sup>3</sup> That rule, in substance, should be adopted here and the State board of health or other proper authority authorized from time to time to increase the list of specific diseases to be compensated as further investigation shall show them to come within the class.

Such an extension would not, however, affect directly the greater loss occasioned by diseases to which the public at large is subject and

<sup>1</sup> Such statutes exist in California, Connecticut, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Wisconsin.

<sup>2</sup> See address by Emory R. Hayhurst, M. D., on occupational diseases at Congress of National Safety Council, October, 1916.

<sup>3</sup> Edward VII, c. 58, clause 8, "Where the disease is due to the nature of the employment \* \* \* he \* \* \* shall be entitled to compensation \* \* \* as if the disease \* \* \* were a personal injury by accident \* \* \* if it be one of the diseases contained in schedule 3 of this act." Six diseases were first listed and power was given the secretary to include additional diseases from time to time so that the list now includes about 24.



to which a particular employment may or may not contribute. To determine the influence of an occupation, as distinct from the habits, environment, or other circumstances of the worker, upon any one of these many diseases is a matter of extreme difficulty in the particular case, and this renders it impracticable to bring them under the compensation act. But it is not impracticable to determine whether certain conditions in a particular establishment are apt to have an evil effect upon the normal worker. So far as they exist it is the employer's own duty to eliminate them, and this duty is even now being undertaken.

#### INDUSTRIAL HYGIENE.

Half a dozen years ago industrial physicians were unknown. Within the last two years their number has so rapidly increased that they are establishing almost a profession of their own. Medical schools are giving courses of instruction and men of the highest grade are attracted to the practice. The employer never had to be shown that well workers were more efficient than sick ones, but he did need to discover that it was within his power to aid in keeping them well.

Each occupation in life may to some degree be helpful or deleterious to health. Certain processes have their own attendant hazards. Certain conditions not peculiar to the industry but to the plant, its dirt, ill ventilation, poor sanitation, bad conditions of labor and the sort, may present their own specific risks. It is the duty of the industrial physician to know as an expert the health hazards of his own establishment, whether factory, store, or railroad, and to advise as to means of their elimination.

When a worker seeks employment his physical condition may be such as to make employment in one process or room harmful to him above the normal risk while in another he may safely work. It is the duty of the industrial physician to discover his physical condition and to place him in the job that he can do most efficiently and with least risk. If upon physical examination a defect is found, the worker may be advised of it and have it remedied. By reexamination from time to time and by change of occupation, if necessary, the personal health hazard may be detected and cured. Through such means as these the worker is not "scrapped" but is given suitable employment and the chance of illness avoided.<sup>1</sup>

Time lost from work means a loss of production to the employer and loss of wages to the employee. If beginning illness can be de-

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<sup>1</sup> The proposed bill directly suggests that the obvious means of preventing sickness is not to hire those who are likely to be sick, because power is given to penalize either special industries or special establishments for excessive sickness rate without discriminating whether the sickness rate is due to the industry or plant or to the locality where it happens to be situated or to the type of persons employed and the like. Under our proposal these possibilities and difficulties are eliminated.

tected and checked, if the half-sick man can be put in the way of cure, less working time is lost, and the profit to employer and to employee is evident. It is therefore the duty of the physician to discover and remedy ailments at the plant and in doubtful cases to obtain proper diagnosis. Thus the worker who, left to himself, might have no attention whatever or, because of faulty diagnosis, inadequate attention gets prompt and competent service. It does not take him long to learn the value of that and to see that he and the persons dependent upon him obtain it.

Such service is now provided not only by many large employers but by an increasing number of small ones who, if they have not work enough for a full-time man, combine in employing a physician.

Even the colleges have taken this leaf from the employer's book. Harvard a few years ago established compulsory physical examination of freshmen, and gives attention to the ills discovered, besides supervising the dining halls and the food served and the ventilation and other sanitary problems connected with dormitories and lecture halls. The University of California, Columbia, Penn State University, and Yale have somewhat similar departments.

It pays to have well students, as it pays to have well workers, and to obtain them, physical examinations, early medical advice, and fitting occupation are necessary. This requires expert knowledge of the conditions of the work and of the worker and the fitting of the one to the other. Our proposal gives this; health insurance does not. Our proposal does and health insurance may provide early and competent medical care to the wage earner. Under our proposal he does not contribute to its cost; under health insurance he pays for it.

The cost of such service is material,<sup>1</sup> but it seems willingly to be paid by the plants that have undertaken it. It may be met for about the annual sum which employers, large and small, will be required to pay under health insurance for the new expense of their accounting department occasioned by computing, collecting, and forwarding weekly to the proper insurance carrier the contribution of themselves and of each employee, an item of cost which the estimates of the expense of health insurance fail to consider.<sup>2</sup>

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<sup>1</sup> See "Cost of health supervision of employees," by Magnus W. Alexander in the Iron Age for Oct. 19, 1916, containing data collected from 41 establishments employing 223,416 persons and giving attention to over 1,090,440 cases at an average cost of \$1.88 per employee per year. One establishment employed 13 physicians and surgeons and 19 nurses for a force of 13,058 employees at, of course, a considerably higher average cost. See also Public Health Bulletin No. 76, U. S. Public Health Survey, "Health Insurance—Its relation to the public health," by Warren and Sydenstricker, March, 1916, p. 40.

<sup>2</sup> In England it is estimated (see Report of the Committee on Preliminary Foreign Inquiry of the National Civic Federation) that 1 bookkeeper is exclusively required for this work for each 500 employees, a more difficult matter here since not a flat rate but a proportion of the wages is collected. This involves, in the case of every man hired whether he remains in the employment a day or a year, the ascertainment by the employer of the insurance carrier and its rate, and the deduction (on the date when wages

This plan, now being voluntarily undertaken by many employers, should be required of all where the need exists.

#### MEDICAL SERVICE.

For employees and for their families some other measures are also necessary and they as well as the community at large would profit from the organization, improvement, and extension of medical care and knowledge.

It hardly becomes laymen to suggest to a great profession problems of which it is vividly aware and the solution of which it is earnestly seeking, but whether or not health insurance comes, the present conditions of medical practice are bound to be radically changed and the change is only too likely to come from without the profession.

It is no longer possible for the practitioner to keep up with the advances in every field. The surgeon, the physician, the pathologist, the doctor of preventive medicine, and the industrial physician have separate lines of endeavor subdivided innumerable by those who devote themselves to the study of a single organ or a single disease.

Proper diagnosis and the consequent advice now frequently depend not upon the judgment of one doctor, however competent, but on difficult tests and on the opinion of specialists.

The facilities for proper diagnosis are not often at hand among the practitioners in the poorer districts nor the time or perhaps the knowledge to use them if they were. Even when proper diagnosis, advice, and treatment are obtained, as in the hospitals or dispensaries, it is most often by way of charity. The rich and the very poor are in a much better position than the great majority whose needs we are considering, and to obtain similar benefits for them has been the difficult and disappointing attempt of all health insurance legislation. It was discovered in the recent survey of illness in Dutchess County, N. Y., that poverty was not the controlling cause in 79 per cent of the cases that were found to have inadequate care,<sup>1</sup> and it is to these that our medical proposal would immediately apply.

The State and the municipality now provide hospitals for general and special diseases and officials charged with the oversight of public health. It is not an inconceivable extension of this service for the

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are paid) of the employee's contribution which, with the contribution of the employer on that date based on his total expenditures for wages of insured persons during the period for which payment is made, must be turned over to the proper association; or, if the employee is insured in a private society, the employer's contribution goes to the State. It involves following each employee to determine whether his membership, if in a private society, has lapsed, whether he has by increase of wages ceased to be insured, and whether he has changed his carrier. On the English estimate this accounting cost would not be far from a million dollars a year in Massachusetts. In the case of the farmer and the housewife, however, the annoyance far outweighs the expense.

<sup>1</sup> Report of the Committee on Social Insurance of the American Medical Association, Bulletin, Mar. 5, 1916, p. 311. See also Public Health Bulletin No. 76, "Health insurance—Its relation to the public health," by Warren and Sydenstricker, pp. 46, 58.

State to establish diagnostic consulting stations—as has lately been done by the Massachusetts General Hospital<sup>1</sup>—in convenient districts with all necessary equipment and facilities at which specialists should attend for consultation, with which the physicians practicing in the vicinity should be connected, where the quality of their work could be known and to some extent supervised, and the illness in the district registered. Such organization and cooperation of general practitioners and specialists with proper diagnostic facilities would bring the best and most complete medical service within the means of all people, and its benefit to the profession itself can hardly be overestimated.

By requiring all illnesses to be registered at these stations the health hazards of the district would become known and steps directed to remedy them. They might also serve as the offices of the municipal physicians whose duty it is to take care of the poor.

The cost of this service would be very considerable, but it would apparently be less than that of any system created by health insurance, and more effective. The new administration expenses necessary to insurance would go far to support it, and the estimated cost of medical attendance would more than support it.<sup>2</sup>

Its cost would be borne by the State without contribution from any class, since the community at large receives the benefits. It does not contemplate free medical attention to any, save the poverty stricken, who now and always must receive it. There is no greater reason for giving free medical service than free food. But though it will not be free, the workers will not contribute directly to its maintenance, nor indirectly to the greater price of other necessities, as health insurance requires. It is a question of better, wider, and less expensive service, not of charity.

It would avoid the pitfalls that have beset health-insurance practice abroad. There will be no temptation to render slovenly service, as in England; the medical profession will not be the hireling of associations, obliged to fight against burdensome regulations or inadequate compensation, as in Germany, where, after 30 years' experience and over a thousand doctors' strikes, the most efficient means of providing medical attention has not yet been determined. It avoids the dangers that local associations composed of employers and employees, equally ignorant of medical requirements and attainments and desirous of keeping down the cost, will encounter when

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<sup>1</sup> The Massachusetts General Hospital has recently established a pay consultation clinic for people of moderate means where at certain hours patients referred by their physicians will be received for consultation and diagnosis by the chiefs of service and senior members of the hospital staff. A fee of \$5 is charged and an additional fee of from \$1 to \$3 is charged for certain laboratory tests.

<sup>2</sup> On the Massachusetts estimates the administration costs of health insurance are not less than two millions a year and the costs of the medical service would be about seven and a half millions a year.

they attempt, inexperienced and unguided, to solve problems which no country abroad has yet succeeded in solving.

#### EXTENSION OF CONVALESCENT CARE.

Adequate care either under health insurance or otherwise involves not only proper advice but proper nursing. It does little good to send a convalescent from a hospital to home conditions unfavorable for the reestablishment of strength or to give the best advice to those at home who are unable to avail themselves of it. Our hospitals and some of our communities are now realizing this, and by provision for home nursing, by the private charity of district nursing, or by the establishment of convalescent homes, are attempting to meet that need. Many employers also now employ nurses to follow up their accident and illness losses. Here is another step in the provision of adequate medical care necessary to be undertaken if we have health insurance, equally desirable to be undertaken if we do not, and possible to link with the clinical service just mentioned.

#### PREVENTION OF DISEASE.

Disease is to be prevented not merely by the awakening of the public official and of the community to the desirability of preventive expenditure and work, but by bringing the matter home to every household.

Such campaigns as the "white plague," the "swat the fly," and "kill the mosquito" show what may be accomplished. Malaria and typhoid decimated the ranks of the Spanish War Volunteers of 1898, but they left unscathed the Border militia of 1916, for in that period not only was the necessary knowledge acquired but the means of control were vigorously used. It is not to the credit of our communities that filthy streets and alleys are allowed to exist when small expense would secure cleanliness; that lack of proper water supply<sup>1</sup> or methods of sewage disposal propagate disease, and ill-enforced food regulations carry it to the innocent. Our villages and cities are allowed to grow in a haphazard fashion until we suddenly discover the hovels and teeming tenements that furnish a constant supply of misery. Sounder laws, stronger officials, and, above all, knowledge and cooperation are needed for the remedies.

To obtain these and to make most effective and far-reaching these plans of industrial hygiene, elimination of occupational diseases, and betterment of medical practice, our existing public health service

<sup>1</sup> The health officer of Cincinnati estimates that the saving in life and medical cost of illness, counting \$5,000 per capita for the one and \$100 for the other, has now paid the cost of their new water supply. In the 9 years preceding its installation typhoid fever caused 1,599 deaths, while in the 9 years after its installation there were but 290 deaths.

must be reorganized. Data must be gathered and knowledge disseminated, and this involves a central body competent enough and strong enough not only to devise the remedies but to see that they are adopted and enforced. Whether this may mean the incorporation of local boards of health into a State board or eventually making the Federal Health Service supreme is a question for further study, but the need is clear and the proposed contribution of the State for insurance could be far more effectively used in carrying on such preventive work.

In this aspect of prevention the employer is concerned not as employer but as citizen, as one of our committees many months ago suggested.

If sickness is due to employment, the cause of the sickness should be ferreted out, and if not remediable, insurance should be supplied by the employer, as in accident insurance, or provided against in the wage inducement offered.

If not due to employment, the employer is not responsible, except in his capacity of citizen who tolerates living conditions in a community which militate against health—housing problems, water supply, local sanitation, personal habits, use of narcotics, drugs, drink, immoral practices, amusements, physical development—all elements which make for or against health—ignorance at the bottom of it; human frailty the cause of its continuation.

#### **“HEALTH ASSURANCE” VERSUS “POVERTY INSURANCE.”**

The suggestions we have made are measures of “health assurance”—a direct attack upon the causes of disease. They give money relief only to a slight degree in the instances of occupational disease and of free medical service in mercantile, manufacturing, and transportation pursuits.

But after every effort sickness will still exist and a measurable proportion of the community will be unable to bear that any better than they can bear other misfortune. Sickness is not the sole cause of poverty. Intemperance, feeble-mindedness, lack of vocational training, and sheer natural inability have an equal share.

To this portion of the community aid must be given in the future as it has been in the past and whatever measure is finally adopted should be so devised as most surely to reach and aid that class and least likely to drive others into it.

For after all health insurance is a matter of charitable relief however much it may be disguised; it is not “health assurance” but “poverty insurance,” not a direct attack upon evils but a palliative.<sup>1</sup>

<sup>1</sup> Public Health Bulletin, No. 76, “Health insurance—Its relation to the public health,” by Warren and Sydenstricker, p. 53. See address by Albert W. Whitney at National Safety Council, Detroit, October, 1916.

It is doubtful if Germany devised the plan even as a palliative. In the course of a letter from Countess von Krockow, dated Nov. 5, 1916, to The New York Times, she says, “We shall pass the compulsory national insurance bill,” said a minister of state to my husband, ‘because it will keep men at home whom we need for the army.’ To the people this bill was represented to be an act of paternal care for their welfare.”

It is a pertinent inquiry, therefore, Who are to be relieved by health insurance, who pays the cost of the relief, and, in comparison with our suggestions, what relief is in fact given?

#### WHO ARE TO BE RELIEVED?

If it is true, which we doubt, that our wage earners lose on account of sickness an average of nine days per year, the annual wage loss of six hundred millions is imposing, but there is an equally great wage loss through voluntary absence or absences caused by intemperance, by ball games, by the many personal reasons. These voluntary absences upon our inquiries more than equal the combined absence and wage loss due to both sickness and industrial accident. Such voluntary absences are nevertheless undertaken and their wage loss is borne. And yet in spite of these three substantial elements in wage loss about three-fourths of the wage earners, it is said, now carry insurance of some sort.<sup>1</sup>

The need of charitable relief therefore is found not among all wage earners, but among a portion, and to this portion, as well as to all, our suggestions would apply.

The device of making the employer an insurance collector limits and must always limit the scope of the measure to those who are employed, to those, in other words, who are efficient enough to get and keep some kind of a job; but those who are so incapable or so unfortunate that they can not hold a job, the unemployable, the casual worker, the aged, are not covered at all, and the class which now fills our jails and poorhouses and drains our charities will still continue to prosecute their only successful occupation.

While the proposed bill covers both those who, on the earnings of their households, are barely able to keep soul and body together, as well as the more prosperous, it does not cover the large class of self-employed, the small farmer, the small shopkeeper, the charwoman, the huckster, the journeyman, the home worker, who are having a similar struggle and running equal risk. It does not cover the families of wage earners nor, save for a limited period, does it cover the wage earner himself when he becomes unemployed and so subject to a greater hazard of illness.

In England, where 65 per cent of the population are under similar economic conditions, only 30 per cent are covered by health insurance, leaving 35 per cent not so covered.<sup>2</sup> Undoubtedly an even greater disparity would be true under the bill here proposed.

<sup>1</sup> Chiefly for funeral benefits, according to Rubi now, in his *Standards of Health Insurance*, pp. 142, 272.

<sup>2</sup> See Report of the Committee on Preliminary Foreign Inquiry of the National Civic Federation. Rubi now, in his *Standards of Health Insurance*, pages 22 and 23, gives the number in Germany as a little over 30 per cent, in Denmark 30.5 per cent, in France 10 per cent, and in Belgium 6 per cent of the population.

The available data are insufficient to furnish any reliable basis for computing the cost of health insurance. It has been thought that it might lie between 3 and 5 per cent of wages.<sup>1</sup> At 4 per cent, I compute the annual cost to Massachusetts, for example, at not less than \$23,000,000. The annual cost to Ohio has been computed at \$48,000,000. In the 4 per cent estimate, administrative expense—that is, the sum necessary to expend in order to collect, distribute, and supervise the benefits—is considered to be 10 per cent of the pure premium. This expense is one which does not now exist; it is theoretically wasteful, but necessary in any insurance scheme. The estimate of 10 per cent seems unduly low whether it be considered with reference to the administrative expenditures abroad or with reference to the administrative costs under our workmen's compensation acts. Sickness insurance involves the handling of an enormous number of small claims and a great amount of clerical work. The statistical, actuarial, and medical knowledge and supervision, the detection of malingering, and the settlement of disputes will be far greater and more costly than under the compensation act. But even at the 10 per cent estimate, Massachusetts would annually expend at least two millions for administration, to say nothing of the very considerable sums which the employer must himself pay for his accounting department.

While the cost is paid in the first instance by the State, by the employer, and by the employee, it is eventually paid by the consumers at large. The State's contribution and the payments of the municipality, the county, and the State in their capacity of employers must be raised by the general tax levy. The employer's contribution plus his share of the increased taxes will by him be added, so far as the competitive situation between the States permits, to the price of his product, and so passed on to the consumer. The insured worker thus, in addition to his direct contribution, must as a consumer pay indirectly his share of these other contributions in the higher cost of his necessities and his luxuries, and these higher costs are also paid by the uninsured citizen, though he escapes direct contribution.

The suggested division has several unfortunate effects.

It is a rule-of-thumb proportion bearing no exact or clear relation either to responsibility, need, or benefit where such relation is capable of exactness, and thus these matters are obscured and not revealed. Because of such obscurity and a lack of appreciation by the public of the incidence of the costs the tendency will be for our legislatures, at the insistence of the benefited class, to shorten the waiting period, extend the period of disability, increase the benefits, and alter the proportions of contribution, as has been the experience under the compensation acts. This tampering with a highly technical subject will become a popular bait for votes.

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<sup>1</sup> Rublnow, *Standards of Health Insurance*, p. 270.



The division tends also to foster irritation rather than cooperation among employers and employees because it entangles the question of wages with extraneous matters. The workman will seldom understand the data of the weekly deduction from his pay, and as the deduction will always be there, however much his wages rise, he will always be tempted to get it back.

These difficulties could be avoided and, if our other suggestions were adopted, substantial money relief obtained by requiring the wage earners to be insured in local associations under their own management and at their own cost, but with strict financial and actuarial supervision at the expense of the State. The cost of administration and the chance of malingering would be much less and compulsion could be as readily exerted as under the proposed measures. The expense to the wage earner would be no more than the direct contribution to be exacted from him, and his indirect payments would not be increased.<sup>1</sup>

#### WHAT RELIEF IS GIVEN?

For these very considerable sums—in Massachusetts, \$9,000,000 a year, taken directly from the pay envelopes of the workers and the remaining \$14,000,000 gathered annually from wage earners and non-wage earners alike in taxes and the high cost of living—only those who are wage earners, not their families, not the self-employed, get any money relief whatever. They get nothing for the first three days of illness, which might cover many acute ailments, and only two-thirds of wages for illness of longer duration, including frequently the chronic case soon to be removed from all power of earning; while the medical relief that is given—unsatisfactorily, as it has been found elsewhere—is really purchased by the workers at a substantial cost. And the nonwage earners, the 30 or 40 per cent of our population, in similar economic conditions, contribute also and get nothing.

Under our proposals, however, all wage earners get, at the cost of the employer and without direct contribution, a money relief for illness caused by occupational disease, and free, competent, and immediate medical attention for any illness at their work. Wage earners and nonwage earners alike, all people, rich or poor, get, at the expense of the State and without direct contribution, better facilities for more competent medical service. For this those who can will pay, but the cost of medical attendance to the wage earner will be far less than his contribution under health insurance, and to all others it will be no more than now, and may well be balanced against the indirect contribution in higher living cost which will be their share, in a measure the burden of which they bear and the benefit of which is denied them.

<sup>1</sup>The many benefits under the proposed bill have been estimated (Rubinow, *Standards of Health Insurance*, p. 272) at 1.67 per cent of wages.

Is it not wise, therefore, to discover by competent and thorough investigation, and in the light of the data which our proposals, if adopted, would disclose, what, if any, need of further relief exists among wage earners and nonwage earners alike, and devise some fairer and more effective means to meet it than has yet been proposed?

#### FOREIGN EXPERIENCE.

We recall the many searching investigations into the workings of the compensation theory not only by our association but by many other interests and commissions before the law was adopted, and before undertaking this far-reaching step of health insurance we ought to know what have been the results of this legislation abroad.

Is it true in Germany with its 30 years of health-insurance experience, in Austria and Hungary with their 25 years' experience, and in other countries where the principle has continued long enough to render some results observable that, because of such insurance, better medical care has been obtained, that illness has been prevented, that poverty has decreased, that the self-respect and the self-reliance of the people have strengthened? It is doubtless less easy, but it is perhaps more exact, to contrast conditions existing in other countries before and after legislation than to contrast our present conditions with a hoped-for Utopia. Yet such data or proof is not produced.

Even if it is true that our workers have an average sickness loss of nine days per year, yet in Germany the average has risen during its insurance experience from six days to nine days per year, and in the model Leipzig fund the average for the years 1888 to 1905 was nine days per year; in 1912 it was 10.4, and in 1913 11.3.<sup>1</sup> In France, on the other hand, where compulsory insurance does not exist, the workmen lose fewer days of sickness than they did 10 years ago.<sup>2</sup> Has health insurance operated, therefore, to increase or to decrease sickness loss and which effect will it have here?

Has health insurance discovered and remedied the causes of disease? The typhoid fever death rate in England before health insurance compared fairly closely with that of Germany after health insurance and was far less than that of Austria. Both England and Germany had a less rate than Massachusetts, but the Massachusetts rate was far less than that of other States.<sup>3</sup> The death rate from all causes is universally decreasing, but there is nothing yet to show that the decrease abroad in the insured or uninsured countries has been effected by insurance, while of course our own has not been.

<sup>1</sup> Rubinow, Standards of Health Insurance, p. 263. Public Health Bulletin No. 76.

<sup>2</sup> Health insurance—its relation to the public health," by Warren and Sydenstricker, p. 62.

<sup>3</sup> Workmen's Compensation and Insurance in France, a series of letters by Harold G. Villard, p. 37.

<sup>4</sup> "The prevalence and control of typhoid fever in Ohio," by Frank G. Boudreau, M. D., in the Ohio Public Health Journal for April-May, 1916.

Comparing the death rate for individuals above 40 years of age, Germany, with health insurance, shows somewhat of an increase over England, without health insurance.<sup>1</sup> If Germany, as it is said, has eliminated industrial health hazards because of its insurance system, we have indicated at least an equally effectual method of doing it here.

We hear that health insurance has created evils worse than those it attempts to cure. The reports of responsible German investigators are not lightly to be disregarded when they assert that the knowledge of insurance benefits consciously or unconsciously causes illness and frequently unduly delays recovery, that "the opinion is gaining ground that we are in reality arriving at the opposite of what was intended. For workingmen's insurance legislation is showing undesirable moral and hygienic results which were originally regarded as a necessary evil but which are gradually making the blessings of workingmen's insurance appear very questionable. The material to prove the correctness of this proposition is growing incessantly. The most prominent physicians are warning against the threatened consequences; and no one has a right to designate these physicians as 'antisocial' who have had the courage to give utterance to opinions displeasing to the toiling masses."<sup>2</sup> Or to quote an official of 20 years' service in the imperial insurance office, "I deem it a deed well done to have called attention once again to the all-pervading cancer that is destroying the vitals of our State."<sup>3</sup>

In trying to remove a tumor shall we graft a cancer in its place?

We are not yet ready therefore to assent to the advantage of a system so startling to our American theories and ideals without a more complete knowledge of its actual effect abroad and a thorough understanding of its possible scope and effect here.

But we believe that everything desirable and useful in this system may be obtained by the wage earners through the direct means of industrial medical service and hygiene and of compensation for occupational disease, and for all people through the better organization of medical forces which we have outlined; that the costs will be apportioned, not by rule of thumb but exactly, among those who may relieve the hazards and who will reap the benefits, and finally if money relief is necessary it may be obtained by the wage earner, as he would wish to obtain it, without subsidy or charity, through self-

<sup>1</sup> How to Live, by Fisher and Fiske.

<sup>2</sup> Undesirable Results of German Social Legislation, by Ludwig Bernhard, professor of political economy at the University of Berlin, p. 75. See also inaugural address, "Concerning the effect of legal rights to compensation in cases of neurosis," by Dr. Otto Naegeli, professor of internal diseases of the University of Tübingen, February, 1913. See also Workmen's Accident Insurance in Germany, a series of letters by Harold G. Villard, p. 17. For conditions under the English statute see Report of the Committee on Preliminary Foreign Inquiry of the National Civic Federation.

<sup>3</sup> Dr. Ferdinand Friedensburg, The Practical Results of Workingmen's Insurance in Germany, 1911, p. 62.

managed insurance companies at a cost to the worker no greater than this bill exacts from him.

If it be a sound policy that the rich should contribute to the living of the poor, it is doubtful if the mass of poverty is relieved when one section of the poor is compelled to contribute to the living of another, and it would seem that by as much as the scales of poverty were lightened on one side they were weighed down upon the other. If the burden is to be lifted, ought it not to be more evenly lifted and will not our proposals work directly toward that end?

### III. SOME PROBLEMS OF SICKNESS INSURANCE FOR WOMEN.

BY MARY VAN KLEECK, DIRECTOR DIVISION OF INDUSTRIAL STUDIES, RUSSELL SAGE FOUNDATION.

Social insurance, unlike much labor legislation preceding it, does not exclude either men or women from its provisions, even in the early stages of its enactment, and it is not based upon needs peculiar to either sex. Unlike laws restricting hours of work, for instance, it does not begin exclusively as a measure of protection for the weakest workers, first, children, and then women, and only by a slow and somewhat problematical process of development finally extend to all wage earners. On the contrary, it is probable that in discussing the principles of insurance attention is usually focused upon the strongest groups in the best organized trades where naturally individual strength makes for success in group action. It may be well, therefore, to give some consideration in advance to the special problems likely to affect insurance for women, who are commonly believed to be economically weaker and less stable than men, and among whom insurance, founded as it is upon the possibility of a distribution of burdens, may have a less sound basis. The special problems affecting insurance for women arise from the conditions of their work, that their wages are lower than those of men; that so many are employed in seasonal or casual occupations; that many of them, especially the mother upon whose continuance as a breadwinner the very existence of the family often depends, are employed in casual occupations; and that, in addition to these conditions, the mother who works for wages and bears children at the same time is believed by many to need special protection in the form of maternity insurance. For the actuary an additional question of great importance is the possibility of a higher rate of sickness among women, while at the same time their lower wages make higher rates of assessment for them unthinkable. On many of these points information is lacking, but on all of them certain facts may serve as a basis for a better understanding of the problem. I propose to discuss those conditions which form the background of any measures affecting women workers, rather than any technical problems of administration of State systems of insurance.

The common impression—still too common for sound thinking—that women's work for wages is not only of brief duration for the individual but on the whole somewhat abnormal and unusual for

society, may lead to the conclusion that loss of work through sickness for them has less serious consequences in family life than the loss of men's time from wage earning. It is as recently as 1910 that these sentences appeared in a book, "Workingmen's Insurance in Europe," by Frankel and Dawson: "The necessity of sickness insurance that shall pay a benefit in event of confinement has never been seriously felt in the United States. \* \* \* Most married women are here afforded an ample support by their husbands, and therefore no crying need exists for insurance of this type."<sup>1</sup>

A somewhat similar attitude toward women in industry is expressed by the former commissioner of education for Massachusetts, Dr. David Snedden, who, in discussing the problem of vocational education, has said:

Among factory populations, it is a well-known fact to-day that the great majority of girls begin as wage earners at from 14 to 16 years of age; that they continue as such for from 5 to 8 years, after which they marry and, if conditions are at all prosperous, they devote themselves henceforth to home making. Only under economic conditions of severe stress is it necessary that a woman who must care for children is obliged also to supplement that responsibility with work outside the home; and this is a condition which it must be the aim of social effort to disapprove, and reduce where possible, in the interests of the well-being of the home and its children.<sup>2</sup>

In a more recent discussion of maternity insurance, Dr. Frankel writes:

For the present, at least, we have not accepted the European principle that the wife's earnings must be an element in the family budget. \* \* \* Insurance for this group is a makeshift. Not insurance, but a better wage is the solution of this problem.<sup>3</sup>

We may indorse all these statements as ideals, but if they do not square with the facts, and if we base programs of action upon them rather than upon knowledge of conditions as they are, we may make the burdens for women heavier rather than lighter, and we may postpone the day when women may not be driven by poverty to the acceptance of well-nigh unendurable terms of employment.

Meanwhile, in apparent conflict with the ideal that women and girls should not be obliged to go into factories and mills, is the desire of the middle-class woman for economic independence for her sex. The inconsistencies of these two currents of ideas were illustrated in New York City two or three years ago, when the same college woman, a leader among the suffragists and feminists, spoke at two meetings in a week—first, a mass meeting to protest against the ex-

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<sup>1</sup> Frankel, Lee, and Dawson, Miles: *Workingmen's Insurance in Europe*, p. 168. New York, 1910.

<sup>2</sup> Snedden, David: *The Problem of Vocational Education*, p. 52. Boston, 1910.

<sup>3</sup> Frankel, Dr. Lee K.: *Maternity Insurance*. Reprint from *New York Medical Journal*, Dec. 18, 1915, pp. 26, 27.

clusion of mothers from their positions as teachers in the public schools, and, second, a hearing before the Commission on Relief to Widowed Mothers to urge State aid to enable mothers to stay at home with their children. Nevertheless, whatever our opinion may be as to mothers as teachers or pensions for widows, the fundamental idea of the advocate of both of them was not so self-contradictory as it seems. In the one case it was conceived to be public opinion which was restricting opportunities for women, while in the other it was poverty which was driving women into conditions unwholesome for themselves and their children. Is it not true that the cure for the evils of industrial employment for women is to abolish poverty? The struggle for economic independence becomes possible only in those groups in which a fair standard of living has already been attained. Whatever our view may be regarding the desirability of the participation of women in economic activities outside the home, we shall do well not to let this issue confuse our knowledge of the industrial conditions commonly encountered by women. We shall do well also to analyze these conditions rather than to put forward our theories of what is desirable in family life. If we follow this process, we shall probably discover that every effective measure designed to raise standards in industry and to remove the handicaps under which women work will carry us a long way toward the day when men and women themselves will be free to choose whether the best good of their homes is to be attained by the women's employment in their chosen careers or by their work at home. The alternative to such a policy is not often fully and frankly expressed, but there is evidence that the belief is held that some measures, like maternity insurance or full opportunity for vocational training, should be discouraged, because they tend to encourage women to go into industry and men to depend upon the efforts of their wives and daughters as wage earners.

Meanwhile, what are the outstanding facts about women in industry and what is the place of health insurance in a program of improvement?

The proportion of women at work is increasing in this country. In 1880 fifteen of every hundred women worked for wages. In 1910 the proportion had increased to twenty-three in every hundred. The number in those thirty years increased from two million and a half to eight million.<sup>1</sup> It is true that two million and a half<sup>2</sup> of these were in domestic and personal service, but that group of occupations includes many tasks quite as widely separated from the home as employment in factories—restaurant work, for instance,

<sup>1</sup> Thirteenth United States Census, 1910. Vol. IV, Occupation Statistics, p. 80.

<sup>2</sup> *Idem*, p. 41.

which has been shown in a recent study<sup>1</sup> in New York City to offer conditions even more serious than those giving rise to the earlier factory laws. In manufacturing and mechanical industries the women numbered 1,800,000 in 1910.<sup>2</sup>

The statement that twenty-three of every hundred women are gainfully employed does not give a fair measure of the proportion of women who at some time or other enter industry. Between the ages of 16 and 21, as many as forty in every hundred women are at work.<sup>3</sup> In some parts of the country, for instance, notably the industrial States, the proportion is much larger. Rhode Island can boast of giving employment to 67 per cent of all its young girls between 16 and 21; Massachusetts, 60 per cent; South Carolina, 60 per cent; Connecticut, 59 per cent; New York, 57 per cent; New Jersey, 54 per cent. In New Mexico only 16 per cent of these young girls are at work.<sup>4</sup>

Nevertheless, it is not only the young girls who work, and the census figures do not bear out the faith in employment for five or eight years "after which they marry, and if conditions are at all prosperous they devote themselves henceforth to home making." In the whole country more than a million and a quarter women 45 years old or more were at work in 1910.<sup>5</sup> The proportion of women past 45 who work is not less than 9 per cent in any State, whereas in three States it is over 30 per cent.<sup>6</sup>

The number of married women in industry has also increased from 515,260 in 1890 to 769,477 in 1900.<sup>5</sup> Among all wage earners the proportion of married women was 13 per cent in 1890, and 14.5 per cent in 1900.<sup>6</sup> Of all married women 4.6 per cent worked in 1890, and 5.6 per cent in 1900.<sup>5</sup> Moreover, among these married women wage earners the native born appear to be an increasingly important factor. Unfortunately the census has not yet provided us with the very important comparable information about married women at work in 1910. If, however, we assume that their number increased in the same ratio between 1900 and 1910 as in the decade before 1900, the total number in 1910 must have been 1,136,491. Or, if we assume that married women wage earners constituted the same percentage of all women gainfully employed in 1910 as in 1900, their numbers at the last census would have been 1,170,987.

In the nineteen-volume report, "Condition of Woman and Child Wage Earners," published by the Bureau of Labor Statistics, it is

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<sup>1</sup> Made by the Consumers' League of New York City.

<sup>2</sup> Thirteenth United States Census, 1910. Vol. IV, Occupation Statistics, p. 41.

<sup>3</sup> Idem, p. 69.

<sup>4</sup> Idem, p. 73.

<sup>5</sup> Twelfth United States Census, 1900. Occupations, p. ccxiii.

<sup>6</sup> Idem, p. ccxxii.



stated that "of 27 industries studied, only 3 were found in which the proportion of married women among those 20 years of age and over was under 10 per cent, and from this it ran up to two-fifths, and even in one industry to three-fifths."<sup>1</sup> Moreover, when the home conditions of typical groups of women wage earners were investigated it was found that the proportion of mothers in these homes who were gainfully employed ranged from twelve to twenty in every hundred.

"The two studies," says the report, "point to the same conclusion—that the married woman is by no means an exceptional figure in the industrial world."<sup>1</sup>

The same investigation brought out much information about the economic necessity for the contributions of daughters and wives to the family purse. Considering the four industries most thoroughly investigated, the Government found that the contributions of daughters, 16 years of age or older, formed 26.7 per cent of the family income, even in the families of workers in the glass industry where their contributions were least, while among New England cotton-mill workers the daughters contributed 42.6 per cent. The contributions of mothers ranged from 25.1 per cent to 33 per cent of the total income of the family. The comment of the report is that the amount of the family income earned by daughters ranges from one-fourth to two-fifths and that "few workingmen's families are sufficiently prosperous to lose such a fraction of their income without feeling it severely."<sup>2</sup> The mothers' contributions must be added to the daughters' to gain a conception of the importance of women in the maintenance of the home. Facts like these are the measure, also, of the effects on family life of sickness among women wage earners. Withdrawal of the earnings of women often means the difference between a fair standard and poverty with all its tragic results.

In a study of the relation between sickness and poverty carried on by the Russell Sage Foundation in New York City, it was found that often the loss of a woman's earnings made necessary assistance by a charitable society. In the Charity Organization Society in New York, for instance, 6,238 cases were under treatment in 1910-11, and in 2,339 of these, or 37 per cent, the sickness of one or more wage-earners, men or women, was a factor in the application for aid.<sup>3</sup> In 1,021 of these families wage-earning mothers were ill as compared with 1,185 households in which the father was ill. Sick wage-earning

<sup>1</sup> Summary of the Report on Condition of Woman and Child Wage Earners in the United States. United States Bureau of Labor Statistics Bulletin No. 175, p. 17.

<sup>2</sup> *Idem*, p. 20.

<sup>3</sup> In 22.5 per cent of these families of sick wage earners, tuberculosis was found.

daughters numbered 135, and sons 121.<sup>1</sup> Thus, in the families recorded, working fathers and sons who were ill numbered 1,306 and working mothers and daughters 1,156.

Many other facts might be cited from studies of standards of living and from industrial investigations, public and private, to show how prevalent is the work of women in industrial life to-day and how important it is in the family economy, yet the handicaps of women in industry are many and tend undoubtedly to increase their liability to disease, while at the same time creating obstacles in the way of their participation in insurance plans. To name but four of their handicaps—in most industries they are paid low wages, in manufacturing they are largely concentrated in seasonal occupations, in many occupations they are working long hours, and they are employed largely in unskilled, monotonous, fatiguing tasks or in casual, unorganized occupations. The evidence on all these points is so easily accessible that it is unnecessary to cite it in detail. All of these, however, bear very directly upon the problems of insurance for women.

If, as is well known and has been known for years in this country, the majority of women in industrial pursuits receive less than a living wage, is it wise to tax them by legal compulsion for a share in providing sickness insurance? I put this question to two women who have been wage earners in the clothing trades in New York, who have learned by their own experience the problems of existence for girls in factories, and who now as trade-union leaders have the knowledge necessary to speak for many other women workers. Their reply was that their union, the International Ladies' Garment Workers' Union, third largest in the American Federation of Labor, had indorsed last month the health insurance bill of the American Association for Labor Legislation, and that they themselves were convinced that subject to the modifications for the lowest paid, suggested in the bill, all working girls, even those earning less than a living wage, should contribute at least a small sum. Increase in wages, they believed, was a separate problem to be approached through union organization and minimum-wage legislation. The assessment for insurance would be an added argument for increases. On the other hand, if the worker's share were paid by the employer it might create in her mind a sense of dependence quite contrary to the self-respecting attitude of the worker who pays her own way. Moreover under present conditions it is the girl and her family who meet the whole cost of sickness. State compulsion would merely compel employers and the State to share it with her and her fellow workers. Whether we agree with

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<sup>1</sup> In addition there were cases of illness among 14 other members of these families, and also among 149 women and 45 men living alone. In the 2,359 households handicapped by the sickness of a wage earner, 2,670 cases of illness were found.

this argument or whether we believe that there should be no assessment for workers already receiving less than a living wage we must certainly agree that the problem of low wages must be attacked effectively. Advocates of the health-insurance plan contend that this sharing of a financial burden which now bears heavily upon some workers will constitute an actual increase in their real wages.

Seasonal employment, with its long periods of unemployment, relates itself to sickness insurance in two ways: First, it must necessarily complicate the machinery of administration; second, by reducing income and by imposing the strain of anxiety upon the worker it affects health. In the study by the Russell Sage Foundation of the burden of sickness among wage earners we were frequently baffled in our attempts to count the number of days lost through sickness, because the worker had been unemployed first because of seasonal conditions or for other reasons and after that was taken ill. Moreover, in a seasonal industry the tendency is to work long hours in the busy weeks and after the rush is over reaction and fatigue increase susceptibility to disease.

Long hours of work constitute a problem in health insurance both for men and women. It is unnecessary to cite the abundant evidence of the unhealthful effects of long hours now on record in the valuable briefs prepared by Miss Josephine Goldmark and Mr. Louis D. Brandeis in defense of the constitutionality of statutes restricting the hours of work of women. With that evidence in mind, it becomes a matter of public concern that only four States limit the hours of labor of women to eight in a day and only seven States prohibit their work at night. No official body gives us exact statistics as to the hours of labor of women. Of 6,615,046 men and women in manufacturing industries the census told us in 1910 that only 8 per cent worked 48 hours or less a week, while 61 per cent worked 54 to 60 hours a week.<sup>1</sup> Munition factories to-day in this country are employing women 10 hours a day in some departments and keeping others at work all night in States like Connecticut, which has not safeguarded its women workers against nightwork in factories.

After all, however, do facts like this belong in a discussion of methods of providing insurance for workers? From an actuarial standpoint they add nothing to our knowledge, but they are the conditions with which we must reckon in a health program. Possibly these and other facts about modern industry, which seems to have somewhat similar characteristics in every country, may help to explain the evidence of greater morbidity among women than among men. The data from Germany, for instance, show that for the period

<sup>1</sup> Thirteenth United States Census, 1910. Vol. VIII, Manufactures, p. 306.

from 1904 to 1908 the average days of sickness in a year for every 100 men members ranged from 728.6 to 836.6, and for women from 804.7 to 860.7. Between 1904 and 1908 the average number of days in each illness for which sick benefits were paid ranged from 18.5 to 18.9 for men and from 23.2 to 24.1 for women. On the other hand cases of illness were more frequent among men than among women. It was the longer duration of women's illness which produced a higher morbidity rate.<sup>1</sup>

Curiously enough Great Britain seems not to have profited by the German experience and, therefore, to have been surprised at the high rate of sickness among women. The departmental committee on sickness benefit claims reported in 1914 that—

Taking women as a whole, experience shows that sufficient provision has not been made for the sickness benefit granted to women under the act—that is, either the amount paid as premium is insufficient or the amount of the policy money is too great, and this applies both to single women and to married women.<sup>2</sup>

Miss Mary R. MacArthur, a member of the committee and a leader among women workers in Great Britain, in a supplementary memorandum presented a wholesome challenge to the findings of this departmental committee, which attempted to attribute the unexpectedly large claims for sickness benefits among women to such causes as—“Ignorance of the principles of insurance,” “difficulty of supervising behavior during sickness,” “or to defects in management of societies and carelessness in medical certification.”

She attributes it rather to fundamental causes—

to their greater poverty, and to the character of their employment. Long hours, long standing, lack of fresh air, long intervals without food, are undeniably, especially in the case of young anemic girls, detrimental to health, and the low wages which attach to most women's employment involve insufficient and often improper food. \* \* \*

Nor must it be forgotten that the insurance act falls with a heavier incidence upon women's wages than upon men's. \* \* \*

Indeed, consideration of the plight of many insured women compels the belief that the contributory system of insurance is a doubtful boon to them, the possible gain not compensating for the already insufficient earnings.<sup>3</sup> \* \* \*

There can be no two opinions as to the social value of the act, in revealing the condition of the mass of working women, and the effect which their low wages have upon their health—questions which up to now have been almost totally neglected. As has been shown, even doctors in poor practices have been amazed at the amount of unexpected and unrelieved suffering that has been brought to light. The act has shown the country what poverty really means.

<sup>1</sup> Statistik des deutschen Reichs, Band 229. Die Krankenversicherung im Jahre 1908, pp. 6-8. Berlin, 1909.

<sup>2</sup> National Health Insurance, Report of the Departmental Committee on Sickness Benefit Claims, under the National Insurance Act, 1914, p. 68.

<sup>3</sup> Idem, pp. 78 and 79.

It has shown that people who are underfed, badly housed, and overworked are seldom in a state of physical efficiency; and has expressed in terms of pounds, shillings, and pence the truth, that where an industry pays starvation wages it does, in literal sober fact, levy a tax upon a community.<sup>3</sup>

Discussion of sickness insurance, like its administration, has the great advantage of revealing weak places in industrial life. In its relation to women's work it is a challenge to put into practice a more vigorous health program. It is advantageous to secure provisions for insurance, but if the experiences of Germany and England mean anything they indicate the great need not to neglect other urgent problems of women in industry.

1. Let us have more comprehensive and more illuminating continuous information about working women, to be supplied to us by Federal and State bureaus.

2. Let us enter more whole-heartedly into a campaign for shorter hours.

3. Let us show more continuous interest in the enforcement of all laws establishing higher standards of sanitation in places of employment.

4. Let us inaugurate more preventive health work in industrial communities, better dispensary service, better care of women at time of childbirth, better provisions for wholesome recreation and physical exercise.

5. Let us keep on agitating the great need of higher wages for women workers as one great factor in a gradual conquest of poverty.

If a system of health insurance will both enlighten us as to disastrous conditions, and give the State, the employer, and the worker a direct financial interest in their improvement, it will be a social gain to enact it. In the case of women workers we may well profit in advance by the English experience and by our own knowledge, that we may not be taken unawares if the handicaps under which women suffer in industry put a heavy strain upon insurance rates.

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<sup>3</sup> National Health Insurance, Report of the Departmental Committee on Sickness Benefit Claims, under the National Insurance Act, 1914, p. 86. The committee itself declared with reference to the insurance of women "that the interests of the insured women members of societies require that women should take a larger part in the work of conducting the societies, and that women should be included in the membership of all committees concerned with the administration of women's benefits." (P. 56.)

## IV. SOME FUNDAMENTAL CONSIDERATIONS IN HEALTH INSURANCE.

BY LEE K. FRANKEL, THIRD VICE PRESIDENT, METROPOLITAN LIFE INSURANCE CO., NEW YORK.

Social insurance, and in particular sickness insurance, is in the air. The appointment of committees on social insurance by the National Conference of Charities and Correction and the American Medical Association; the studies in sickness insurance made by Warren and Sydenstrycker of the United States Public Health Service; the appointment of State commissions on social insurance; and, lastly, the legislation proposed by the American Association for Labor Legislation, indicate strongly the present trend of thought and the need for consideration of a subject which promises to loom large in the immediate future.

The present status of sickness or health insurance is best indicated by a statement made by President Wilson in a recent address anent the settlement of disputes between capital and labor. In this address he said: "The only thing worth talking about in politics or any other sphere is the constructive idea, How are you going to do it? We all know, or at any rate we pretend to know, what we ought to do, but we do not all know how to do it \* \* \*."

**THE NEED FOR HEALTH INSURANCE.**—Probably no reasoning man to-day will deny the need of inaugurating in the United States a comprehensive system of insurance against the contingencies of sickness and disability. There is nothing novel in such a proposal. Insurance schemes covering the hazards in question have been in existence for decades. The principle of such protection has long been clearly recognized. The new propaganda differs from the old only in the attempt to offer protection to larger numbers and, it is hoped, under more advantageous conditions.

If we admit the need and desirability of a scheme of health insurance there remains for consideration only the methods to be employed to satisfy industrial and economic conditions in the United States. This is the rock upon which we have split. There are those who advocate the adoption of European systems; others contend that these are unsuitable and that we must blaze a new path and create an insurance scheme in consonance with our traditions and our future development. To attempt to determine which of these exponents is right would lead us nowhere. In the last analysis, actual experiment alone will prove the correctness or falsity of the divergent views.

**INSURANCE PRINCIPLES WHICH MUST BE RECOGNIZED.**—There are, however, certain fundamental insurance principles which must be

clearly kept in mind in determining the method to be utilized. In any scheme of sickness or other form of social insurance there is an underlying philosophy which may not be ignored. What I would offer for your consideration in this paper are suggestions based on these fundamental principles. These suggestions I believe are founded on a somewhat extended survey of the conditions which confront us, of the purposes we have in view, and of the results we wish to accomplish.

**VOLUNTARY VERSUS COMPULSORY INSURANCE.**—Of first rank in the discussion which has taken place in the last few years is the question whether in the United States we should depart from tradition and institute a system of compulsory insurance. The motives which inspire the advocates of compulsion are praiseworthy. They desire preeminently to make certain that all elements in the population most in need of protection should be included in the insurance scheme. They cite European precedents to prove the difficulty, if not impossibility, of accomplishing this by voluntary methods; even governmental subsidy in France and Italy has not availed. Only Germany, with her obligatory legislation, and the other countries which have patterned after her have succeeded.

The arguments of the opponents to compulsion, while vigorous, can be condensed into a few sentences. It is claimed that compulsory insurance is socialistic; that it infringes on personal liberty; that it is unconstitutional; that it leads to deception if not to moral degeneration. It suffices to point out at this time that there is merit in both sets of arguments. If it were true that small wage earners could not obtain protection save under a compulsory method, then it would be quite proper to advocate mandatory legislation. On the other hand, the partial failure of existing voluntary schemes in nowise proves the futility of attempting facultative methods. Nor does it follow that foreign obligatory plans are paternalistic. Indeed, in many of their details they contain the elements of pure democracy. The nebulous understanding which still exists in the United States of foreign social insurance legislation shows how far we have yet to go before we can work out an intelligent insurance scheme for ourselves.

**UNIVERSAL AND NOT COMPULSORY INSURANCE DESIRED.**—As a matter of fact there are fewer differences between the two camps than appear on the surface. The difficulties arise through a misuse of terms. I doubt whether the proponents of compulsory insurance really wish compulsion. What they really desire is *universal* insurance. They hope to satisfy their sense of justice by including in their scheme of protection all individuals engaged in gainful occupation. In this laudable desire they would probably find the advocates of voluntary insurance allies instead of antagonists. For

the lack of a better method they have hit upon compulsion as apparently the only way out. The German method in particular, somewhat modified it is true, has been taken as a pattern. But the German compulsory sickness insurance scheme if it is anything is *not* universal. It is limited to certain distinct strata of society and fails to recognize that disease makes no class distinction. It encompasses only those of limited wage-earning ability. In some of its phases it is archaic. At no point does it rise to what I deem must be our conception of a modern, enlightened scheme of health insurance, the fundamental of which shall be the prevention of disease and not merely indemnity for loss of income.

IS OPTIONAL INSURANCE FEASIBLE?—Can we develop a scheme of insurance in the United States which shall maintain our traditional views of individual option and initiative and yet be universal in scope? Can we find a way through which economic and moral suasion shall take the place of legal compulsion? I think we can. The origins of our workmen's compensation legislation are highly suggestive. The withdrawal of the employer's common-law defenses made it economically desirable and advisable for him to take the alternative of workmen's compensation. The employee found it to his financial advantage to accept workmen's compensation rather than take his chances in a suit at law.

I can conceive of legislation with respect to health insurance which will maintain this principle of option. This conception involves the idea that the right to work and to give work are privileges or franchises which the State gives to its citizens; that it may impose a mercantile, industrial, or occupation tax for the exercise of these privileges; and that it may remit such tax to all who may prefer to transmute their taxes into insurance premiums. The remission of the tax would be the State's contribution to the insurance scheme. The extent to which such option will be availed of will depend upon the ratio between the tax and the premium. If the margin is sufficiently wide, insurance may readily be made universal. It is a simple financial problem. Will it pay to insure? Will it be cheaper than to pay taxes?

All this may sound visionary and fantastic. Possibly it is. Our legal luminaries at this conference may devise other legislation more practicable than the suggestion I have offered. One thing is certain. Such legislation would probably satisfy all parties in interest and enable us to take the first constructive step in sickness insurance legislation.

THE NEED FOR UNIVERSAL SICKNESS INSURANCE.—In one respect sickness insurance differs from other forms of insurance. The injury, incapacity, or death of a wage earner ordinarily affects only him and his immediate family, particularly if as a result they become



impoverished. Sickness differs from the above-mentioned ills of life in that it may not only affect the sufferer but, because of the infectious character of many diseases, the sufferer may transmit his affliction to others. It is this fact with respect to disease which puts sickness insurance almost in a class by itself. To meet this situation sickness insurance should be as far as possible universal in scope. It should not be limited, as in Germany or England, to individuals with low incomes. It should include more prosperous strata of society. From the health standpoint one group bears directly on the other.

**THE PRIMARY FUNCTION OF INSURANCE.**—What shall be the function of a scheme of health insurance best adapted for our needs in the United States? To determine this, we must first analyze the function of insurance generally. Primarily, insurance is a cooperative undertaking to furnish reimbursement for losses occasioned by distinct hazards. In its essence and in its earlier development it performed only one function, viz, indemnity or coverage for the existing risk. The premiums were based on the risk as found. Losses were paid as they occurred, with the right reserved by the insurance carrier to determine whether its findings of losses agreed with those of the claimant. To do this it established its own machinery for inspection and control. Life insurance is a classic example of this view. Similarly fire insurance rates were based on past experience. The premiums took no note of the possible reduction in the fire hazard. The methods of fire insurance companies to safeguard themselves from fraud by careful investigation and examination of proof of loss are too well known to require comment here. I mention these examples to bring out the fundamental facts in relation to insurance, which have bearing on our discussion of health insurance: (1) The primary and original function of insurance is to indemnify for loss; (2) the payment of indemnity presupposes the right of the insurance carrier independently to determine its liability.

**THE SECONDARY FUNCTION OF INSURANCE.**—In its later development insurance assumed the secondary function of reducing losses by a reduction of the hazard. In fire insurance the carrier required the installation of sprinkler systems, etc. Accident insurance carriers required the installation of safety devices. The carriers inaugurated their own inspection bureaus to see that their requirements were carried out. It should be noted as of vital importance that the function of the inspection bureau differed essentially from the function of the bureau which adjusted claims. The one endeavored to prevent loss; the other secured the carrier against imposition and fraud. The prevention or reduction of hazard was an advantage both to the insured and to the carrier. The unmasking of a fraudulent claim was essentially of advantage only to the carrier.

**SICKNESS OR HEALTH INSURANCE HAS FAILED TO RECOGNIZE DIFFERENCES IN FUNCTION.**—Keeping this thought in mind, it is remarkable that these differences in function have been clearly recognized by insurance carriers, excepting in the field of social "sickness" insurance. It is not without reason that health and accident companies have refrained from giving general medical care to the insured. They have deliberately limited their activities to payment of cash benefits after careful inspection and examination of claims. This policy has minimized simulation and malingering. In the sickness insurance schemes of Germany and other countries this important difference in function has been lost sight of. The same medical practitioner has represented the insured and the carrier. As a result, he has fallen between the upper and the nether millstones. He can not serve two masters. And yet this is what he does when, in addition to determining the extent and character of disability, he gives necessary medical care. The moment he does this he becomes partial. He is at one and the same time counsel for both plaintiff and defendant. He is constantly subjected to the temptation of playing the insured as favorite against the carrier. Ordinary human nature, and even that of the physician, breaks under the strain. The inevitable result is excessive simulation on the part of the insured and conscious or unconscious collusion between him and his medical adviser.

One need not cite statistics to prove this. Of much more value as an illuminating illustration of the conditions which exist in Germany are the statements of the physicians themselves. They will tell you of the pressure which is brought to bear upon them by the insured to certify the payment of the cash benefit for longer periods than are justified. They will tell you of the temptations to which they are constantly subjected to increase and hold practice by a spineless policy of acceding here and there to the wishes of patients, although these may be in direct opposition to the solvency and stability of the insurance carriers. I believe if an unprejudiced analysis could be made it would be found that the unending strife between sickness-insurance carriers and physicians in Germany during the past 30 years is due primarily to the failure to recognize the vital difference in function between the examiner who certifies the payment of cash benefits and the practitioner who gives treatment. The underlying soundness of this insurance principle must be recognized by us in developing sickness insurance in the United States. *There must be a complete divorce between the carrier which pays cash benefits and the agency which provides medical care.*

**LIBERTY TO SELECT CARRIER.**—From the insurance point of view this concept simplifies the situation. A health-insurance scheme based on this principle would not limit the insured to one specified

carrier; instead, it would permit the fullest liberty on the part of the insured in the selection of the carrier. This would be true whether the scheme was compulsory or voluntary. It would give opportunity to use existing insurance carriers, whether they be benefit societies, trade-unions, establishment funds, fraternal orders, or insurance companies. The sole function of the one or the other would be the collection of premiums and the payment of cash benefits. The right of the insured to exercise his option will result in his selecting the carrier combining economy with efficiency. In the final test those carriers will survive which furnish the highest security at minimum cost. To effect such ends would bring about healthy competition between carriers, with resulting benefits to the insured.

To appreciate the need for a variety of carriers, let us consider the subject from another angle, that of occupation. It is significant that here too social sickness-insurance schemes have failed to take cognizance of fundamental insurance principles. Both Germany and England have uniform premiums irrespective of occupation. The plumber pays the same as the barber, the marble worker the same as the shoemaker, although the hazard of one may be twice as great as the other. These schemes are based on bad psychology. The weaver resents being compelled to pay for the higher hazard of the metal grinder. The employer who manufactures concrete and pays the same premium as the manufacturer of jewelry has no inducement to reduce his cost by reducing his hazard. The main purpose of the scheme, decrease of disease, is obviated. The need of considering occupational hazards in determining the cost of health insurance to an employer gives an added reason for having a variety of carriers. With such a variety the employer would preferably select one along trade lines made up of a group of employers similarly circumstanced.

**REINSURANCE.**—Still another insurance principle is involved in the advisability of including existing insurance carriers in our scheme of health insurance, in particular those whose activities are national in scope. I refer to the principle of distribution of risk through reinsurance. While the desirability of having small carriers to meet the demands of special occupational or other groups is admitted, it may be expedient for such small carriers to reinsure their risks in larger carriers who will experience a better average hazard. Again, it is quite unlikely under our laws that health-insurance legislation will be enacted except by the States. The protection of the insured the exigencies of whose work require removal from one State to another can be maintained *through carriers of nation-wide development.*

**ADJUSTMENT OF PREMIUM.**—If in the scheme of sickness insurance to be developed in the United States it be deemed desirable to have the premiums shared by employer and employee, the proportion to be

paid by each is a matter of adjustment. It can not be expected under any scheme that the employee should bear the occupational hazard. This should fall on the industry and be a legitimate charge on the employer. The result would be that, irrespective of his occupation, one employee would pay approximately the same as another. Any difference in the amount of premium could result only from the ability of one carrier to conduct its affairs more economically than another.

**AMOUNT OF BENEFIT.**—With respect to the amount of benefit, it may be assumed without discussion that these should equal two-thirds of wages. Option might, however, be given to the carriers to pay larger benefits, conditional upon the employees paying the additional premium required. It goes without saying that the carriers should be carefully regulated, preferably by the insurance department of each State in precisely the same way as other insurance carriers are supervised. Only such carriers would be permitted to do business who could show solvency and whose *premium charges, etc.*, had been approved by the regulating department.

**AGE AND SEX HAZARD.**—The length of this paper precludes the possibility of discussing at length two other insurance principles which should be considered in the determination of premiums. I refer to age and sex. With our present knowledge it would seem advisable to defer consideration of the effect of age on morbidity until a riper experience has been obtained. Existing data indicate quite clearly that the age factor plays an important part in the amount and length of sickness. On the other hand, there can be no doubt, even with our present knowledge, that the sex factor will have a determining influence in the calculation of premium contributions. Neither factor, however, in anywise invalidates the underlying structure of the proposed insurance scheme.

We come now to the highly important question of medical care. I have said above that I believe this function should be divorced from the primary function of insurance. On the other hand, the need for medical care is as urgent as the payment of wage loss. How can both be provided adequately and thoroughly under the suggested scheme?

**A PROPOSED FEDERATION OF CARRIERS.**—To meet this need, I would suggest the organization in each community of a federation of insurance carriers. Membership in this organization would be open to each carrier. The delegates appointed or elected by the respective carriers would be the nucleus of the federation. These would elect the smaller body to administer the business of the federation. The expense of the federation would be borne by the carriers. It would be idle to discuss the details at this time. The plan presupposes an equitable distribution based on membership and liability. The func-

tion of such a federation would be to supply adequate medical care to the insured and their dependents. It is inherent in this conception that medical care includes hospital and sanatorium treatment, surgical appliances, etc. It assumes, furthermore, a novel right, which has not heretofore been recognized in sickness-insurance schemes, viz, the right to medical advice in health as well as in disease. If prevention is to be the keynote of every health-insurance scheme, it is essential that every opportunity be given to the insured to maintain the highest standards of health. It follows that modern methods of periodic examination, of education in personal hygiene, of prevention rather than cure, would be distinctly within the province of the proposed federation.

**COOPERATION WITH PUBLIC HEALTH AUTHORITIES.**—Of equal importance in this scheme is the opportunity which would be given to the proposed federation of carriers to cooperate with municipal, State, and Federal health authorities. Without such close cooperation between private and public health organizations the best interests of the insured will not be conserved. The care of certain phases of disease, particularly the communicable diseases, will probably always be the function of the public-health officer because of the police powers involved. The scheme proposed will permit of the establishment of a clear line of demarcation regarding the health activities which should be included under private and under public auspices.

It may be argued that the proposed plan is not in accord with European practice. I agree. Remember, however, that the European historic development is likewise not in accord with ours. So-called social insurance developed in Europe, and particularly in Germany, before the advent of modern preventive medicine. To what extent one is responsible for the other is problematic. In the United States, on the other hand, we have developed a health campaign, a campaign for the prevention of disease, conducted under both private and public auspices, which ranks second to none in Europe. And we have done this in the absence of anything that even approximates health insurance. This fact may not be overlooked. In Europe disease prevention is the handmaid of insurance. In the United States insurance must be made the handmaid of the larger and more important campaign for the betterment of health conditions. And this is as it should be. Insurance never has been or ever will be the cure-all for social ills, as some believe it may become. It has always had, and will undoubtedly continue to have, its distinct place in our economic life. Fundamentally, its province is indemnity. As such it replaces charity. As such it is a worthy handmaid to the larger visions of society which see the possibility of dealing with social ills, not by giving compensation for their effects, but by eradicating their causes.

## DISCUSSION.

The CHAIRMAN. The following letter has been received from Dr. Woods Hutchinson, who was invited to take part in the discussion this afternoon:

PORTLAND, ME., December 5, 1916.

MR. ROYAL MEEKER,  
*Commissioner of Labor Statistics,  
United States Department of Labor,  
Washington, D. C.*

MY DEAR MR. MEEKER: Thank you very much for your note of invitation. I am sorry to say, however, that my writing and other engagements connected with clearing the decks for my departure for Europe early in January make it practically impossible for me to get to Washington this week.

I regret this extremely, because it is a subject which I have been long interested in and which I regard of very great value and importance to the community. Some form of social insurance is, in my judgment, as certain as the rising of to-morrow's sun. When it does come it will almost revolutionize the practice of medicine and the methods of promoting the public health, making both at least twice as efficient as they are now.

Yours, sincerely,

WOODS HUTCHINSON.

J. P. CHAMBERLAIN, Columbia University. I find that the only difficulty which I have in discussing these papers is the very great interest and the number of questions which they have brought up. I have enjoyed particularly the papers read by Mr. Dresser and Dr. Frankel. They were very thoughtful and very careful presentations of a subject in which we are all interested. There is very little in what Dr. Frankel said in his paper which, as an advocate of the bill prepared by the American Association for Labor Legislation, I can not indorse. Most of the points which he brought up are points discussed at greater length in various meetings of the committee that drafted the bill and are covered in the bill. There are some things upon which we disagree: First, the question of compulsion. After careful consideration we felt that there was no other way of getting everybody in the insurance and keeping them there except by compulsion, and I find that Dr. Frankel, after all, is not very far away from us. He does not believe in direct, but in indirect compulsion. I do not believe that the freedom of the individual is any better protected if he is compelled by a club to enter a scheme of insurance than if he is obliged directly to accept it. The draftsmen of compensation acts of this country recognized the necessity for

compulsion; but they were met by the fear that direct compulsion was prohibited by our constitutions, so they invented the well-known club of the deprivation of defenses in workmen's compensation, not with any idea of preserving the liberty of the individual but in order to use the only means of compulsion which they felt was constitutional. As you know, the recent trend has been to pass amendments to the State constitutions permitting straight compulsion and several of the States have now straight compulsory acts. We also differ on the difficulties inherent in the administration of a health insurance act by private insurance companies. Do not forget that in health insurance there are two persons who are under compulsion to contribute to some form of insurance carrier, the employer and the employee. If, as Dr. Frankel suggests, freedom to choose a carrier should be left to the persons subject to the insurance, which of these two is to have freedom? Shall the employer be free to choose the carrier to whom the employees shall contribute or shall the employee be the one to exercise the right of choice? In compensation the employer alone pays the premium and, therefore, the employer alone is entitled to the right to choose the carrier. But the parallel does not hold in health insurance.

Another difficulty which the insurance companies would have would be in the organization of the medical benefit. The medical benefit under compensation is a comparatively simple matter; but in health insurance it means the provision of a family physician for each insured. That means entering into relations with practically all the physicians in a given district and in supervising the medical attention which a large share of the people of the country are to get. Efficiency in a private carrier would mean economy, and the easiest place in which to cut down cost would be in the medical benefit. Can it be seriously maintained that a control of so large a part of the medical profession and the determination of the extent of medical care which so large a proportion of the population shall receive, can be vested in the heads of large insurance companies frequently resident at a great distance from the home of patient and physician and in another State? It is because of the importance which we attach to the improvement in medical service that we feel the control of this important benefit should be in the hands of those who pay for it and who are served by it, employers and employees in local districts.

If, however, a local organization must be established to care for the medical benefit, why should it not also manage the collection of contributions and the payment of the cash benefits? If choice of carrier is permitted, the result would be that each of the carriers would be obliged to keep up an agency force in order to get members and thus one of the greatest expenses in modern industrial insurance

would be perpetuated. It was only after careful consideration that the committee of the American Association for Labor Legislation decided against free choice of carrier and against the management of health insurance by insurance companies.

I thoroughly indorse what Dr. Frankel said in regard to the separation of the treating force and the group of medical officers who are to pass upon the claims. The provision was made for that in the very first draft of the bill that this association got out, and that provision is firmly held to. The men who are to treat are a wholly separate group from the men who are to pass on the claim in the interest of the insurer.

Capt. WHITE. How is the sickness of those who are not employed to be cared for, and how is the underlying cause for that sickness to be determined and eradicated under your scheme?

Mr. CHAMBERLAIN. No method has as yet been discovered to take care of the sickness of the unemployable or the unemployed aside from voluntary assistance or charity. The unemployed as a general rule are earning nothing. We plan that all members of the families of the wage earners shall be included in the medical service, and medical men whom we have consulted have said it was essential. There is precedent for that in Europe; the great Leipzig fund, for instance, does that and at very small expense.

Mrs. FLORENCE KELLEY, general secretary, National Consumers' League. I shall confine my observations to the subject of Miss Van Kleeck's paper, the insurance of women wage earners, calling attention particularly to the fact that this appears to be the first serious inquiry made in this country in relation to sickness insurance as to the numbers of women who are concerned, and as to the difficulties and advantages accruing to them. Miss Van Kleeck appears to have made the first search of the records of the census and of our official publications to reveal in detail what the rest of us have been charging by wholesale; that working women in this country do not receive the information which they need for their protection. Neither the Federal Government nor the State governments furnish current available information in any relation to the increase in the number of women who earn wages, and in relation to their need of such knowledge. I believe that from this point of view Miss Van Kleeck's paper is really an epoch-making beginning. The most significant fact it contained seems to be this, that of the whole number of married women reported upon in the latest report given by any census—the census of 1910 deals in a very niggardly way in facts about women—over 6 per cent are engaged in wage earning, which is an increase in 10 years from 4 plus per cent of the whole number of married women.



The organization for which I speak, the National Consumers' League, adopted last month at its annual meeting, a resolution containing certain points with regard to the insurance of women wage earners in general and of married women in particular. Several of these requirements must be embodied in any statute which it is prepared to indorse, and this is for us a practical matter at this moment because the State of California has already a commission of inquiry at work, and last year bills making contributions compulsory upon wage-earning women were before the legislatures of New York and Massachusetts, and similar bills will probably be before a much larger number of legislatures during the present year. The Consumers' League, therefore, has adopted these points for its guidance, that it will not approve any measure which fails to provide first, for a preliminary commission of inquiry; second, for the presence of at least one woman on such commission and on the subsequent permanent commission if a permanent commission is established, nor will it approve any bill which fails to provide for continued insurance of women who change their place of employment. In the bills which have hitherto been introduced, the insurance seems to have been paid on the principle of fire insurance. In New York State a woman may go from one occupation to another city where she may find no corresponding provision for the adequate administration of her funds, and may have to begin afresh and continue to pay. Finally we do not approve of granting cash bonus maternity benefits to women who are wage earners, and to those women only. If the policy should be adopted of insuring all women, the wives of all insured workmen included, and of granting them maternity benefits, the discussion would start from a new point. But provisions in bills which have hitherto been introduced and submitted for discussion by the Association for Labor Legislation discriminate in favor of those husbands who send their wives into industry, and that does not commend itself to us.

It is true that women are in industry, and that an enormously large number of girls between 16 and 21 years of age are in industry, and are increasing very rapidly. We have only one figure showing the increase in the employment of married women. That is the figure which I have already quoted. Any legislation of this kind, therefore, discriminating in favor of the men who send their wives into industry is a leap in the dark. For an adequate knowledge of these things, we have only the observation of those people, who, qualified to observe, have been living among different groups of wage-earning people. In this country, for instance, we have widely observed that among the immigrant colonies the Russian Jewish people send virtually no wives into industry, and, an extraordinary

and interesting coincidence, that they have the lowest infant mortality rate among all the immigrants who come to our shores. We have, on the other hand, the sudden inrush, an unexampled inrush, of Italian married women into the needle trades in the city of New York, and we have in that city, in that particular group of immigrants, an uncommonly large infant mortality rate, and also a large presence of children in the juvenile courts and institutions. Until we can get official information we are unhappily reduced to depending on continuing individual observations of the charitable organizations and settlements and other sources of individual observation. We demand, and we think it is an entirely reasonable demand, that before legislation is enacted compelling the women who receive the lowest wages to make compulsory contributions, there shall be very careful investigation as to the health and wages of those lowest paid workers, and before this plunge in the dark is taken, in a country in which 96 per cent of the wives have been able to live in their homes until 1890, and 94 per cent have been able so to live until 1900, we should be exceedingly cautious how we place any premium on sending wives out into industry.

I can not agree with Miss Van Kleeck that this is a matter unimportant to this Nation. It behooves us to get our minds quite clear as to our ideal of the American home in the future. The American home has hitherto been the most fortunate home of the working class in the civilized world, because the American workingman has been able to keep his wife much longer than he has been able to keep his young daughters in the home, and the little children in America have had their mothers with them much more than the little children in the other industrial countries have had their mothers with them.

Any policy of subsidies by any branch of our Government which may tend, however slightly, to encourage the absence of mothers of little children from home and their entrance into industry should certainly not be undertaken lightly.

Dr. OTTO P. GEIER, director, employees' service department, Cincinnati Milling Machine Co. We have been discussing a good many social ills this afternoon, but one we have overlooked, and that is the legislative mania with which the American people are suffering. I have a good deal of sympathy with the proponents of social insurance, Dr. Andrews, particularly, because I have been engaged in promoting a half dozen obsessions in the last 10 years in the line of social improvement, and so I have perfect sympathy with his enthusiasm when he talks about this one. At one time I believed that I was going to do a lot for society; I was interested in the clean-milk movement, later in the reorganization of the health department,

then the tuberculosis movement which seemed to promise well, then the housing movement and the tenement-inspection work, and so from one thing to another, always promising much, just like Dr. Andrews. I believed society was to be benefited by this legislation to an extent never dreamed of before. I am to-day ashamed of my promises to the people around Cincinnati—of the things which I promised and could not deliver. As a people we are long on legislation and short on performance. The difficulty with the American mind is that it is a sort of moving-picture type that catches each new flash and forgets what it has seen before. We have not done a 100 per cent job in any of our social work to-day; we try our hand at too many problems at one time. Would it not be worth while to get behind the far-reaching legal legislation already enacted into statutes and see to it that the State carries them out in a 100 per cent way before we take on another gigantic task which is bound to suffer the same neglect of fulfillment and therefore prove signally disappointing?

I have perfect sympathy with the principle of health insurance, but we are not ready for it. We have had presented a sickness insurance bill which, after six years of study, lacks the very fundamentals, the prevention of disease. It almost makes me sick to think that men who are working in behalf of the bill, and of the community, and who are supposed to know what social ills are, dare come before us after six years of preparation and present a sickness insurance bill which promises nothing to those of us primarily interested in the prevention of disease. Why the new name of health insurance when it confessedly only interests itself in the end product of disease? Some of us in the practice of medicine are frank enough to admit that the medical profession is far from 100 per cent efficient and totally unprepared intelligently to undertake our part in a well-manned sickness insurance measure. Is there anything in this bill that promises to add to our facilities for cure or diagnosis or prevention? I think in fact the present bill promises to submerge rather than raise the standards of medical practice. I want to submit in the last minute allowed me that I believe that the plan suggested by Mr. Dresser—the compulsory introduction of industrial hygiene, medical supervision and care of employees, is worth our serious consideration. By this plan you secure constant 100 per cent watchfulness over the health of the industrial worker, 100 per cent carefulness for his health by the elimination of industrial hazards, and raising of the wages of the worker because it increases his capacity for work, therefore reduces the necessity for charity in one form or another. It produces a new arm of the health department and makes possible preventive medicine such as we have never

yet dreamed of. To-day in certain industries the sick loss is being reduced by seven-eighths of what it was when the medical department took charge. Nine days' loss per man per year becomes something like two days' loss when you permit an efficient medical service to take care of the problems of illness under the industrial hygiene plan.

EDWARD B. SAUNDERS, Associated Industries of Massachusetts. Attention has already been called to the omission of the manufacturers from the program. Now, that doubtless was an accident, though it would not be difficult to-day to find innumerable speakers from our industry who are able to deal with this question from the inside. When such magazines as the *Modern Hospital* describe in splendid articles industrial welfare work, and the Bureau of Labor Statistics has sent investigators into all of our industries with elaborate questionnaires, it can easily be discovered what is being done in so many of our industries. We have heard something in the discussions as to what the larger industries are doing, and the question has been raised as to what the smaller industries are doing. It has not yet been answered. Let me take you for a minute to a saw factory in Chicago employing less than 400 men.

They have a benefit society run entirely by the men to which the company contributes 20 per cent. Those fellows got together, named their directors, and said, "We have got to make this new society a paying proposition. Here are our men going out to loan shops; let us establish a little loan bureau of our own." They began to loan money—they found there was nothing in the law to prevent it—and they loaned up as high as \$100, nothing higher. Do you know, they made that pay so well that they have declared dividends for two or three years past, and last year the dividends were so large that they more than paid the price of insurance. Now they have a savings bank besides. Many men will not draw out from the bank, but would rather pay the little interest and get it from the loan fund, as they realize they are going to get it back in dividends. It worked so well that it came to the notice of the president of the company, and he called the president of the board of directors before him and said to him, "Take off those overalls and go to our other plants and show exactly what you are doing here, and if you are really in earnest about what you are selling you can put that across and prove that you have got something good." So he went out to the three other factories and did put it over. That shows that something can be done in a small factory, and not illegally. The bank commissioner has told us that an organization can loan to its members if it will do so under proper safeguards. They keep \$2,000 in the treasury to provide against contingencies, and are driving the loan shark out of business.

It is a splendid thing, this social enthusiasm, but let me remind you that there is just as much and more social enthusiasm on the part of the men working in industries as there is in the reform organizations outside. If you attended the safety council at Detroit where there were 1,800 registrations, you found abundant enthusiasm there. Both employers and employees are willing to be convinced. I think we are coming to the time when we will not only want milk from contented cows, but we will want workmen from contented homes.

Dr. MEEKER. Mr. Chairman, will you allow me a word? Allusion was made to the unfairness with which the program was made up, because of the excluding of employers. In making up the program, I had a good deal of correspondence with employers, and after much labor, I succeeded in getting seven employers or their representatives. At the eleventh hour, as a result of a sudden long-distance telephone call from Worcester, Mass., I managed to provide a place for an eighth representative of the employing class. This is a conference on social insurance. I think that eight employers—this excludes representatives of employing insurance companies—I think eight industrial employers is a very fair representation of the employing interest in a conference called to consider the problems of social insurance. The employers have not been conspicuously diffident about expressing their views in discussion.

The CHAIRMAN. Judging from the names that have been sent to the chair, there is not the slightest evidence that the employer will not be heard from before the session adjourns.

A. P. NEVIN, counsel of the National Association of Manufacturers. As I listened to Dr. Andrews's very interesting paper this afternoon, it reminded me of a story of a married man who received a letter from the Black Hand which read: "Send us \$5,000 or we will abduct your wife." He answered: "I haven't the money just now, but your proposition interests me."

I can grasp practically everything that Dr. Andrews said in his paper except exactly how he was going to carry this bill through. Of course, I had to hand up my card to the secretary when Prof. Chamberlain mentioned the industrial betterment of the National Association of Manufacturers, although he did not notice my blushes at the time he was reading what I wrote. He said that the committee on industrial betterment of the National Association of Manufacturers had advocated an element of compulsion. I can't deny it. We did say that, but that isn't exactly what the principle of this bill is based upon. I quite agree with Dr. Frankel in calling to your attention the distinction between a clear-cut mandatory statute such as this bill represents and some intelligent and practicable plan which

will, if you please, by an indirect element of compulsion accomplish the same thing.

And I may add to the interesting testimony already given that the only person whom I have heard speak this afternoon recommending the necessity of a commission to determine more accurate data has been Mrs. Florence Kelley.

Dr. Andrews has alluded to the workability of the foreign systems as the basis for his proposed bill. But, gentlemen, even if that is true, should we not translate a scheme of sickness insurance into terms of American customs and American habits and American institutions? Certainly that is not necessarily inconsistent with what Dr. Andrews advocates; but I think that Mrs. Kelley sounded a most important note when she said her organization would withhold its official approval until after the determination had been made by the proper commissions appointed by the States to investigate the working out, the data, and the statistics of this important question, for it would seem to me to be a hazardous occupation to direct legislation upon other than ascertained data; and no one has collated ascertained data, so far as I know, upon which can be predicated a statutory bill such as is advocated by Dr. Andrews. But the lines of demarcation are gradually coming closer together and we must not split upon an extreme mandatory and compulsory system on the one hand and the purely voluntary on the other. Personally—and I am not speaking for the National Association of Manufacturers—I believe that the only way eventually to incur, if we have to incur, a compulsory element is after the fair working out of a voluntary system of sickness insurance.

Let me say in conclusion that the attitude of the National Association of Manufacturers on these various problems of social insurance is expressed only through either its board of directors or its committee reports after they have received the sanction of the association in convention assembled.

ANSLEY K. SALZ, advisory member California Social Insurance Commission (representing the employers). In these few remarks I want it to be distinctly understood that I am speaking as an employer only, and in no other capacity. I am a very strong believer in insurance, particularly for meeting hazards of certain kinds, and I think one of the hazards which should be met by insurance is that hazard of the health of the worker. I think it is the most efficient way to meet it. In considering this subject for our own institution, I investigated the kind of insurance that I could get from private casualty companies. I found I could get group health insurance which was health insurance that would yield a cash benefit, but with no provision for medical aid, which is one of the strongest and most im-

portant features necessary in any health-insurance plan. It is the health administration feature that is far more important than the cash benefit feature. I succeeded in obtaining a rate covering cash benefit only from a private company—and, by the way, I don't believe they have written a single policy of that kind for anyone else in California, as it is practically a new thing out there and up to that time practically unknown in California. The rate quoted to me for our institution—which in 1915 had an average disability period of 6.8 days per annum per man—was \$1.28 per \$100 on the pay roll, and requiring two weeks' waiting period and then two-thirds of wages to be paid for a period of 26 weeks.

Dr. Rubinow has made a very intensive study of this subject in California for the purpose of finding out the cost of health insurance along the lines planned by the American Association for Labor Legislation, and the rate that he has made covers the following: A waiting period of one week, the insurance to cover workmen and working-women, and also to cover certain features relating to dependents; the cash benefit to the injured worker to be for 26 weeks—after a waiting period of one week—and in case of tuberculosis to be for an additional 26 weeks. In the case of insured workingwomen there is to be maternity benefit of 8 weeks; in case of dependent women, they are to receive all necessary medical aid but no cash benefit; in the case of all dependents, they are to receive medical, surgical, and hospital aid but no cash benefit. There are some minor provisions not necessary to mention at this time. As far as cash benefits to single men in hospitals are concerned, they are to be eliminated because, having no dependents, single men are not in need of cash benefits while in hospitals. There is also a burial benefit of \$100 for insured workers and for dependents.

And for all these benefits which I have described, Dr. Rubinow arrives at a rate of less than \$4 per \$100 of pay roll per annum. The private company's rate is \$1.28, with cash benefit only after a waiting period of two weeks, whereas all the benefits of this health insurance plan we expect to obtain at only \$4 per \$100 of pay roll.

The question of the proper carrier is being very carefully considered in California, and, taking into consideration the information developed there and here, my own personal feeling in the matter is that health insurance is not a subject for private casualty companies, and I give a few of the reasons for this conclusion, as follows:

1. Casualty companies have not developed this business.
2. On account of the efficiency of the workmen's compensation insurance fund of California, we are assured of the actual and possible efficiency of State insurance funds, and therefore the claim of casualty companies to greater efficiency may be disregarded.
3. Competitive business methods will increase the cost.

4. There is no room for private profit from a fund contributed to by employees, employers, and the State.

5. It is practically impossible to compel employers to contribute their share to private companies.

6. It is impossible to expect the State to give its contribution to private companies.

7. It is extremely desirable to have social health insurance administered by those only who are in sympathy with it.

I should like to present, for the consideration of labor upon the subject of compulsion, the fact that social insurance contemplates labor having, as a matter of right, those forms of social welfare work which are beneficial to labor, but which, sometimes at least, are instituted in part to hold labor to its employment. Another point is that compulsion is not as much upon the employee as upon the employer, and that, furthermore, the contribution of the State may be looked upon as society's compulsory contribution. In other words, the worker is by no means marked as the object of compulsion.

I should also like to add, in reference to the two cases of relief work mentioned by the gentleman from Flint, Mich., that in my opinion these were cases of charity, from the realm of which it is the purpose of social insurance to remove all labor and labor's dependents, and to substitute for charity definite forms of mutual-welfare insurance to the benefits of which labor and its dependents shall be entitled by reason of labor's regular participation in the payment of premium charges.

The CHAIRMAN. An official recount of the names on the program shows that there are nine employers or representatives of employers whose names are printed on the program—an increase of 12½ per cent.

RICHARD G. WILLIAMS, special investigator, Norton Co., Worcester, Mass. I won't take much time. I simply want to appear as one of about 5,000 employees subject to an industrial health department such as you have heard Mr. Dresser advocate. At first when the department was installed we were somewhat skeptical, but we have all come to a realization of the fact that it is a dollars and cents proposition to avail ourselves of this service. For instance, I know now that if I am coming down with the grippe, and don't go in during working hours and get some medical attention from the plant physician, the chances are that I will lose time by being laid up for three or four days. Experience has told me that by going in right off I will not lose time. Dr. Geier made a statement as to the reduction of lost time under the operation of industrial health departments. For the Norton Co. during 1913, 1.65 days per employee were lost on account of sickness; for 1914, 2.1; and for 1915 it is a little less than 1.5. This year it will be about one day, showing the practical value to everybody concerned of the industrial health department.



Just one further word on physical examination: I have been examined by the plant physician; all of our employees have been examined, and there is no compulsion about it. As a result of that examination 12 men with bad hearts were discovered, all of them in occupations where their condition was not only a hazard to themselves but to the other employees. These men are still in the employ of the company, but doing work where they are no longer a hazard to themselves or their fellow employees.

The CHAIRMAN. You will admit the advantages of a system which will detect men with bad hearts.

MISS OLGA HALSEY, American Association for Labor Legislation. I, like Dr. Frankel, am anxious to know "how to do it." I am eager to know how he would arrange for a free choice of carrier in a system of health insurance, the cost of which is shared by both employer and worker. The joint contribution furnishes a natural ground for each party to expect that it will have a voice in the selection of a carrier. If the contribution is uniform for all carriers, the problem is simplified, because the cost of insurance does not fluctuate with each carrier and thus there is no financial incentive to prefer one carrier as against another. On the basis of a uniform contribution a free choice of carrier has been attempted in Great Britain, but the choice rests entirely with the employee. This uniform contribution assumed that each carrier would have a uniform sickness experience. The operation of the act has shown that this assumption is not justified. The selection of the carrier by the insured has permitted some societies to be composed almost entirely of cotton-mill workers, and others to be composed almost wholly of clerks. This unforeseen segregation of risks with varying sickness hazards has been accompanied by a variation in the sickness experience. This segregation of risks has been responsible for an excessive sickness rate in some societies and a low sickness rate in others. The unfavorable British experience with a uniform rate and free choice of carrier would seem to preclude the possibility of adopting a similar system in this country.

If, on the other hand, each carrier adjusts its premium on the basis of its own experience, it will of course happen that one carrier will charge more than another. The variation in cost brings forward the important question as to which of the parties sharing the cost of insurance is to select the insurance carrier. The employers, of course, will seriously object if their employees choose a carrier which provides benefits at a higher rate, and in consequence charge more for the extra service, since the employers will be compelled to bear a portion of the extra expense. The employees will object with equal earnestness if the choice rests entirely with the employers, who very naturally will discriminate in favor of the cheaper carrier.

It is to be expected that where both are bearing the cost each party will wish to have the unrestricted power to select the carrier. It is on this ground that I believe that in a system of health insurance, which divides the expense, as Dr. Frankel proposes to do, and which permits a variation of rate between carriers, the question as to who is to have the right of selection is a most difficult problem to meet. The only remedy which will do justice to both is to prescribe the carrier and to allow both parties an equal share in its administration.

I wish to say one word about the question of maternity benefits which Mrs. Kelley has raised. She has raised the objection that a cash maternity benefit paid to insured women would prove so attractive that it would be an added inducement to idle husbands to send their wives into industry. We must face the fact that to-day it is economic necessity and not idle husbands which drives women to seek employment outside of their homes. For example, the Report on Conditions of Women and Child Wage Earners in the United States says, on the basis of its investigation among the textile workers of New England, that its figures "tend to confirm the assertion \* \* \* that the women and children must work if the family is to survive." Furthermore, its inquiry shows that of the married women at work, a preponderant number had husbands also at work; idle husbands were a negligible quantity.

If women are working because their wages are necessary—as this official inquiry has conclusively shown—it is but just that they should receive a cash payment during the time that they are unable to work because of childbearing, just as they receive a cash benefit for other periods of disability. Moreover, it must be remembered that working women to-day are, in some of our States, actually prohibited by law from working either before or after childbirth. It is a matter of justice that some provision should be made to compensate them for the wages which the State prohibits them from earning at the very time when an additional income to the family is most needed.

Moreover, information at hand does not show that a cash maternity benefit to employed women has been a magnet drawing women into industry. Henriette Fuerth, a German woman writing on this subject, says of the sick fund for Frankfort, that although there had been an increase in the female membership, there had been a decrease in the relative number of births. This, she points out, answers the argument that a maternity benefit attracts women into industry. In Great Britain there is no evidence that a general maternity benefit of 30 shillings (\$7.30) to insured women is increasing their industrial employment.

On the contrary, foreign experience shows the need of special protection for the employed mother. The Leipzig sick fund points out, in its report for 1907, that employed women are more susceptible to

diseases, both during pregnancy and after confinement, than are its voluntary members who are not employed outside of their homes.

Since married women in industry are a feature of our present industrial organization—unwelcome though it be—and since there is no conclusive evidence that a maternity benefit will raise the numbers industrially employed, it is but just that assistance should be given to those whom the law prohibits from employment, and who are most in need of such assistance, in order that they may take the needed rest before and after the birth of a child, thus conserving their own and the child's welfare.

MILES M. DAWSON, consulting actuary, New York City. I have written down a good many notes, many of which I have crossed out, partly because they have already been covered by those who have spoken, and because I could not cover them all in five minutes.

I was exceedingly interested in what my old friend, Mrs. Kelley, had to say concerning women in connection with this plan. It seems to me perfectly clear that cash benefits should go to the wives of members of these funds, after maternity; that is the way they have dealt with it in the British friendly societies, and it is a good way to do it. I think I would be disposed to go a step further than merely one woman on each board; I have gone a step further in connection with large mutual aid funds and recommended that an operating committee, entirely of women, have charge of the handling of the women's department. I think that would be a very fine thing to do in all such funds that we have been discussing with respect to women's insurance.

Regarding the continuance of insurance after change of occupation, the following is the fact as regards the bill reported by the committee of which I am a member: It does cover—it may not keep the person in the same fund he was in before. If he merely changes occupation in the same community, in all probability he will be in the same fund; but if he moves out of the community, he will pass into the fund in the community into which he moves.

The prime responsibility in a sickness insurance law is on the employer. It is his duty to see that his employees are insured in the local fund of his community; it is his duty to deduct the part they will pay, and which they must pay, and double it and send this to the sickness insurance fund, and under those conditions every employee, from the mere fact of being employed, is insured.

That brings me to the question of freedom of action brought up by Mr. Hamilton. You see in this public plan there is complete freedom of action. It is true that as regards establishment funds, or mutual aid funds, there is the objection that when the employee leaves the employment of that employer his insurance is at an end—that is inseparable from that method. We can only have a different method

when we have a compulsory public insurance plan, so that when the employee passes from one employer or from one community to another he is nevertheless always insured.

I was very much interested in what was said by Mr. Hamilton concerning the opposition of the workers. It is true that organizations of workmen, being, as they are, very conservative organizations, are usually slow to accept things such as we are now discussing; but it is not true that the workmen themselves are slow to accept these things. In the very first mutual aid fund which I had something to do with—Senator Aldrich was on the committee—when the proposition was put before the men, 80 per cent of them immediately accepted. I have known 100 per cent to accept.

I am going to take my last minute to point out this. As this is a matter for cooperation on the part of representatives of employers, employees, and the public, all bills of this character should be submitted for examination to such representatives and should be a result of their joint opinion. I do not feel that there is any impropriety in people connected with insurance companies taking part in these discussions, but not as representatives of insurance companies. I do not mean to say that they should remain silent, but the question as to whether companies should be utilized is not one for them to determine; it is one to be determined by those they are to serve; i. e., the public, the employers, and the employees. Any argument on their side as to whether they should be admitted or not should be addressed to the right audience, the public, the employers, and the employees, and the presentation of this matter in any other regard from the standpoint of the private insurance company is a misfit.

DR. ALICE HAMILTON, special investigator, United States Bureau of Labor Statistics. It is Mr. Dresser's paper that I should like to discuss in the five minutes at my disposal, and just one feature of his scheme, the fact that it is after all a scheme of health insurance for the workmen in which the workmen themselves have no controlling voice.

It so happens that I have seen a great deal of that sort of insurance in investigations that I have made, and I have seen one form that has not been mentioned in these meetings at all, and yet it is very widespread. It is a form of insurance in which the workmen contribute compulsorily every month a dollar or a dollar and a half, and out of that fund the physician and the hospital expenses are paid; but in many instances the workmen's contributions are sufficient for the whole fund; the employers are not obliged to put in anything. We are all familiar with the wonderful system of surgical care given by the Colorado Fuel & Iron Co. and their elaborate "welfare work," yet I have it on the authority of the head surgeon that all of the

expense of that is covered by the compulsory contributions of the men. That system has a certain effect on the medical care furnished to the men, I think. I have seen, of course, very admirable company doctors, quite as scientific and humane as any in the profession; I have also seen a company doctor so brutal, so neglectful, so contemptuous of his charges, that, even though paying a dollar a month toward his salary, the employees often went to their own physicians, realizing that the medical care they got from the company physician was worse than nothing. Now, that is an extreme; but the ideal company physician is also an extreme. The medium is the rule, and he is a fairly good, ordinary man. He does not realize that his pay actually comes from the men's pockets; he gets it from the office and tries to keep the office satisfied; he may give the men ignorant and discourteous treatment and get on well with his employers, provided he is careful of the company's interests in all cases of damage suits. Mr. Dresser would say that such lax medical service would be automatically checked up, for the increase of illness would betray it to the management. Unfortunately one can not depend on this. The results of good or bad medical care show themselves slowly and seldom with indubitable clearness. It is quite different from the close relation between unprotected machinery and accidents. I have been in factories which in every other respect were managed with a high degree of efficiency, but in the medical department were receiving careless and inadequate service without knowing it. But the men knew they were not receiving the attention they were entitled to, and if the physician had felt that dissatisfaction among the employees would result in his dismissal as quickly as dissatisfaction in the office, he would have taken their grumbling more seriously. This is an entirely natural effect of having the selection and retention of the medical man and the disbursement of the medical funds in the hands of the employers only.

DR. EDEN V. DELPHEY, representing the West Side Physicians' Economic League, New York City. I believe that I occupy a unique position here. So far, nearly everyone who has spoken has represented an employer, an employee, or a public official. Only one physician has spoken until now and if the manufacturer's representatives are only about 10 per cent of those present then the physicians are only about 1½ per cent. I am the second physician to speak on this subject and I come, as the Scriptures say, as one sent, because I have come here to represent an organization of physicians—the West Side Physicians' Economic League of New York City—who work among this class of persons and they have sent me here with a message. I shall refer to only part of it now and will deliver the rest of it this evening. Mr. Andrews has presented the tentative drafts

of the American Association for Labor Legislation and requests our criticism. I am glad to be able to place my services at his disposal for that purpose. I shall not be able to touch on all the points as my time is limited.

My first criticism of this draft is that it does not include those persons who most need the insurance: The ones who are poorly paid, who from previous illness have not been able to work, the generally incompetent, the shiftless, the alcoholic, and the aged. These men are not insured in the trade funds, establishment funds, etc., nor can they be unless they pay their share of the cost of the insurance, and even if they could do that unless they are employed there would be no employer to pay his share. We know that the less a man earns per day the fewer days he is employed and according to the draft he is insured for the fifth week only after he has paid his assessments for the previous four weeks. The reply is made, "He can join a voluntary insurance association." He can if he has been compulsorily insured within the previous 12 months; but if he has not and when this law is enacted, if it is enacted, there will have been no compulsory insurance "fund" in which he could have been insured. Therefore, as this draft shows he may, and that will be interpreted to mean, he must pass a satisfactory physical examination before he is admitted to insurance in the voluntary insurance fund. You all know what that means: Unless his examination is satisfactory to the officials of the fund he will be left out.

The second criticism is that the machinery of this draft is top-heavy. To illustrate, in the State of New York it is estimated that there will be at least 3,000,000 persons coming under the provisions of the law. As it is to be divided into districts of 5,000 persons in each, a district will have a committee of from 20 to 100. If composed of 20 there will be 12,000; if 100 there will be 60,000 committeemen. Again, the boards of directors are to be composed of from 8 to 18 members. If 8 there will be 4,800 and if 18 there will be 10,800, and as each of these directors is to be paid \$5 per day for each day's services the cost will be from \$24,000 to \$54,000 per day each day. This is a very heavy, complicated, and costly machinery. The only way that all these persons can be insured and the only way to simplify the insurance is for the State to insure every man, woman, and child whether they are employed or not and whether they pay any share of the cost or not. The State furnishes educational advantages, fire and police protection. Why not furnish this? As the gentleman representing the manufacturers said, no matter who pays the cost primarily, it eventually comes out of the State. Whether the fund is obtained by taxation or otherwise, it is all the same in the end. If the State does the insuring, it can be properly and thoroughly done and the health of all the people can be adequately looked after.

JOHN MCF. EATON, Cadillac Motor Car Co. (an employer).—There has been so much oratory here to-day that I can not resist the temptation of rising, particularly as there has been heard here so far only one representative of that city which has been termed one of the quick and the dead. I might as well tell you in the beginning that I am an opponent of compulsory health insurance, and I have one question which has been troubling me. That question is this: How much sickness do we have among the workers of this country, and have the proponents of this measure taken any steps to get the answer to that question? At a recent meeting in Detroit of representatives of mutual benefit societies there were present about 175 men who administer the affairs of these employees' funds. In arranging for that meeting correspondence was had with over 600 of these funds, and it has appeared to me for a long time quite possible that through some governmental agency the statistical data being accumulated by these societies could be utilized in determining what our problem really is. I have not heard anybody here say how many days per year are lost by this mysterious average American workman on account of sickness. I would like to know and I think there is a way to find out. I don't believe much in applying solutions when you have no problem, and if you have a problem, I think it is pretty well to understand the elementary principle of the method of solving it before you slap on an answer, and say, "Is this right or wrong?" and then, when it is too late, find that it is wrong. It seems to me that a lot can yet be learned about this subject. It seems to me we are beating all about the bush.

If all the energy spent here in the last three days had been spent in trying to get together the data that are constantly being accumulated in this country through employees' mutual benefit associations, and in applying the knowledge so secured toward the elimination, as far as possible, of preventable diseases, we would have an entirely different problem to solve. We know that accidents can be prevented, although we once thought otherwise. We thought that accidents came in the natural course of events; we have gotten over that. If those preventable accidents had been prevented before we jumped into the field of workmen's compensation legislation we would have had entirely different compensation laws from what we have. We could apply the same thing to this matter of the health of workers, and if we can eliminate those diseases which it is possible to eliminate we will have in the end an entirely different problem from what we have at the present time.

FREDERICK L. HOFFMAN, statistician, the Prudential Insurance Co. of America. I participate in this discussion with a considerable degree of reluctance, if only on account of the fact that I have for a

number of years been a member of the board of trustees and of the executive committee of the American Association for Labor Legislation and for some time a member of the special committee on social insurance. I am, therefore, thoroughly familiar with the manner in which the proposed model law for compulsory health insurance has come into existence, and the nation-wide methods on the part of the executive secretary of the association, by means of which the propaganda for its enactment has been carried on. When I was asked to agree to the final report of the committee on social insurance I found it necessary to decline, since I could not conscientiously support the conclusions and recommendations advanced by the committee, believing the same to be actuarially unsound, politically unwise, and economically unnecessary. If I have heretofore refrained from any public opposition to the utterances of the executive secretary of the association, it has been because of my official connection with the association, which, however, has now come to an end. I would fail in my duty toward this conference if I did not frankly express my views, since silence on my part would unquestionably be construed as my professional approval of a plan of insurance which I feel convinced is wholly unnecessary as a substitute for the efforts of a multitude of existing voluntary agencies serving social insurance purposes throughout the country, with a practical certainty of still more successful adaptation to the requirements of wage earners in years to come. This is a free country, in which men have a right to differ in opinion, but that right does not carry with it the privilege of a misstatement in essential matters of fact. My disapproval of the standard health insurance bill rests fundamentally upon my understanding that the same is unconditionally opposed by the executive representatives of organized labor on the one hand and of organized industry on the other. I challenge contradiction of the statement that American wage earners, in their representative capacity, have not asked for this legislation, which would substitute coercion for voluntary effort, and a vast governmental organization, with inquisitorial and dictatorial powers, for the existing administrative machinery, managed economically and without friction by private enterprise. It has been wisely said by Mrs. Florence Kelley, who officially speaks in behalf of women wage earners, that the proposed legislation would be "a plunge in the dark." This, indeed, is an admirable summary conclusion of a propaganda which has been carried on almost exclusively by a very small group of men neither officially connected with organized labor nor with organized industry. It is profoundly regrettable that the Association for Labor Legislation should be practically out of touch and sympathy with the efforts of both employers and employees in the direction of deliberate betterment of labor and health conditions,



and that during the last few years it should have concentrated practically the whole of its efforts upon a single measure, which, by its very terms, is undemocratic and seemingly uncalled for in a free republic.

At the outset, it is necessary to direct attention to the fact that many, if not most, of the allegations regarding the social urgency, or economic necessity, for compulsory health insurance, are contrary to the evidence, which is available to anyone who desires to know that, on the one hand, this country was never as healthy and relatively free from sickness as it is at the present time, and, on the other, that our wage earners were never as contented and as prosperous as they are to-day. Arguments based upon the lamentable sociable condition of a remnant of our wage earners who are more or less dependent upon public or private charity are totally inapplicable to the present purpose, since no system of compulsory health insurance could adequately provide for their needs. The solution of the problem of poverty, in so far as the problem admits of a solution at all lies in the direction of higher wages, shorter hours, a reduction in the labor turnover, more economical methods of industrial organization, etc. The real problem of poverty can not be, and has not been, solved by social insurance in any of the countries in which compulsory methods of thrift have been adopted as a substitute for the decidedly more effective methods of voluntary saving and insurance in a multitude of ways. All insurance rests upon important actuarial considerations, which have been practically ignored in the standard bill. It is proposed to establish an entirely new form of organization, which would hopelessly confuse existing governmental and private functions to the extent that public taxation would largely, in course of time, have to be relied upon to meet the cost, of which a considerable element would represent a wholly unnecessary method of governmental interference with a matter chiefly of private concern. The argument has been put forward that the average amount of sickness in this country is about nine days, whereas a gentleman from California has just made the statement that the average amount in that State is only six days. The difference is sufficient to impair many conclusions as regards the actual cost of such a system as it is proposed to establish under the standard bill. The plain truth about the matter is that all the estimates of ultimate cost are mere conjecture and guesswork opinion, and that the very best actuarial ability could not forecast with accuracy the probable future aggregate expense of such a plan.

The argument is also advanced that sickness is indeed a grievous burden and a lamentable hindrance to the progress of American wage earners, both as regards the want of proper medical attendance and

financial support during prolonged disability for work. The death rate of the United States last year was only 13.5 per 1,000 of population, or the lowest on record since the commencement of registration, and it is therefore safe to assume that the existing amount of wage earners' sickness was less during that year than at any time in the past. When specific occupational diseases, or general diseases of increased frequency or intensity because of cognizable unfavorable occupational conditions, are brought within the plan and scope of workmen's compensation law—as is so obviously required in conformity to fundamental principles of social justice and public welfare—the pecuniary burden of wage earners' sickness will be materially reduced in the most effective manner possible. The real responsibility, however, for community sickness rests upon the public health administration, and in so far as conditions can be improved—and everyone will admit that further improvements are possible—it is for the local, the State, and the Federal health organizations to better perform their functions than is the case at the present time. It does not require a compulsory health insurance system to bring about such improvements, which, in the future as in the past, will result in response to an active and intelligent public interest fully aroused to the supreme importance of the highest attainable degree of physical health and long life.

Mr. J. M. Eaton, of Detroit, has properly directed attention to existing agencies, either provided by the workmen themselves or by the employer on his own account or in cooperation with the employees. Mr. Edgar Sydenstricker, in his address on "Existing agencies for health insurance in the United States," has not presented the text of his elaborate contribution, but has confined himself entirely to the negative aspects of the problem, summarizing his views in the statement that existing voluntary agencies are quite inadequate and afford no hope for a future solution of the problem, at least to the extent as anticipated under a compulsory health insurance law. He has, however, properly pointed out in the text of his address that "a survey of existing agencies for health insurance in the United States must necessarily be incomplete at this time." Until such an investigation has been made by one thoroughly qualified to do so, it is evidently premature to forecast the future as to what existing voluntary agencies may or may not be able to do in this direction in course of time. Mr. Sydenstricker is correct in his statement that "if existing agencies are measured by any of these standards it is quite evident that they fall far short of the preventive possibilities of health insurance"; but that same conclusion can be applied to every agency, whether governmental or private, making for a betterment of existing conditions in labor and industry. In time far-

reaching improvements will result from voluntary efforts, and it may not be inappropriate to quote in this connection the well-known statement by Herbert Spencer, that "society is not a manufacture but a growth." Broadly speaking, it is not now, and never has been in the past, the purpose of sickness insurance, whether voluntary or compulsory, "to remove the conditions which cause disease," and the standard bill of the American Association for Labor Legislation does not, by any of its specific provisions, indicate precisely how such an improvement can be brought about in a more effective manner than by the better utilization of existing administrative functions for the enforcement of health and labor laws.

Mr. John B. Andrews, following Mr. Sydenstricker, has also made light of existing agencies, and he has reflected most severely upon industrial life insurance, by means of which during the last 40 years a truly enormous social and economic service has been rendered to the wage earners of this land. He has failed conspicuously in his advocacy of a system of compulsory health insurance for this country, practically identical in matters of detail with European methods, to direct attention to the fact that in all European countries the compulsory system has been made to rest upon preexisting voluntary organizations, numbering in England some 25,000 friendly societies and approved societies, organized subsequently through the efforts of such societies, and the existing administrative machinery of industrial insurance companies. He proposes to create in this country a system or organization which in European countries has come about in the course of a natural social and industrial evolution. It is by no means a foregone conclusion that if European Governments had exerted themselves in the direction of efficient governmental supervision over voluntary thrift agencies, as chiefly carried on by wage earners in their own way and at their own cost, the much more elaborate and governmentally burdensome system of compulsory insurance would have been made necessary. If, however, the wage earners of this country desire such a system as is proposed under the standard bill, I would be the last to oppose the measure on this occasion as one totally uncalled for by the social and economic needs of our wage earners, considered in the mass and not exclusively with reference to the small remnant who are always more or less near to the poverty line. If compulsory health insurance is really needed, the evidence should be forthcoming and be presented in a much more convincing and conclusive manner than has heretofore been the case. Forty years ago when the Prudential was organized in the city of Newark the existing amount of sickness was so great and the mortality was so high and pauper burials were so common that what subsequently became the company was originally established as the

Prudential Friendly Society, chiefly for the purpose of providing pecuniary benefits in sickness, during invalidity, and in old age. Subsequent experience proved that such a system could not be economically carried on, chiefly because of the extreme difficulty of safeguarding against malingering and fraud.

Practically any and every form of sickness insurance, limited to the payment of money benefits, is bound to produce heavy claims during prolonged periods of unemployment, and this has been the case with the Leipzig communal sick fund, as well as with many other European funds, which are admittedly the very best of their kind. When the Prudential commenced its business the death rate of Newark was 27.8 per 1,000 of population, against a rate of 14.6 per 1,000 during 1915. There has been an enormous improvement in health conditions, not only in Newark but throughout the country, and the burden of sickness at the present time, in all probability, is less by one-half than what it was in wage earners' families 40 years ago. The Prudential has a perfect right, under its charter, to carry on a sickness insurance business if it desires to do so, and there can be no question but that every State's insurance department would approve of such a plan as the company might propose to carry into effect. The company has not gone into this line of business for the reasons stated, but if thus far sickness insurance has not seemed practically feasible as an addition to the payment of death benefits, it is probably because, on the one hand, a large number of voluntary agencies are working more or less effectively in this direction; and, on the other, the actual necessity for wage earners' sickness insurance has not been apparent. It, however, is an entirely erroneous assumption on the part of Dr. Andrews and others to forecast the future regarding voluntary forms of thrift, because the whole history of industrial insurance at least is evidence of continuous progress and of the successful readaptation of the system to new conditions, with a constantly diminishing expense rate, a decreasing lapse rate, and, conversely, increased benefits to the insured, or the securing of life insurance at lower cost. In justice to these companies, and as totally ignored by Dr. Andrews and others, it requires to be said that they have been decidedly active in the direction of coordinating their efforts to the work of health-promoting agencies, and in some conspicuous instances they have been the very first to call attention to the far-reaching possibilities of preventive medicine upon the basis of a systematic health education of the general public. On account of their extensive mortality experience, subjected thoroughly to a critical analysis, the industrial life insurance companies, even more than the General Government, have been in a position to present the facts so essential for a thorough understanding of the existing situation and a vivid realization of the truly enormous future possibilities of wage earners' disease prevention and control.

Dr. Andrews has been far from fair, not only toward industrial companies but toward all other forms of voluntary thrift. He has completely ignored the truly astonishing results achieved under group insurance, which was first originated on a large scale by the Equitable, and of which the distinguished president of that company, Judge Day, has rendered so full an account at the meeting yesterday morning. Group insurance offers not only far-reaching economic possibilities, in that a substantial amount of life insurance is provided for the benefit of wage earners, as a rule entirely at the cost of the employer or the employing industry, but that it offers the further possibility of aid in the direction of industrial sanitation and safety, in that each and every application for group insurance is based upon a previous plant inspection, which is bound to reveal existing defects on the one hand and suggest remedial measures on the other. It seems unfair to an audience like this to leave unsaid on the part of any speaker that which, if it had been said, would have very materially changed the point of view.

This conclusion applies as much to the preceding address by Dr. Andrews as to the brief on compulsory health insurance of the American Association for Labor Legislation. From beginning to end that brief is a partisan plea for a measure which, as I have said before, is neither called for by the demands of organized labor nor the desires of organized industry. Section V of that brief, which I hold in my hand, is entitled "Existing agencies can not meet these needs." I challenge contradiction of the statement that neither the brief nor the addresses by Dr. Andrews and Mr. Sydenstricker present convincing evidence either that these existing agencies are lamentably deficient in practical results at the present time, or that they may not in the future develop and expand into much more useful institutions than has been necessary or possible in the past.

First, it is said in the brief that "charitable institutions and organizations give no evidence that they can provide an adequate solution." Obviously they are not the institutions which anyone expects to provide a satisfactory solution of the social or economic needs of independent American wage earners. They exist chiefly to minister to the needs of the small remnant of our wage earners who consist of the unemployed, or the unemployable, or of those who by misfortune fall into the poverty class for a more or less prolonged period of time. But it is a totally false inference that our charitable and philanthropic institutions, whether public or private, are not, broadly speaking, sufficient for the purpose, for it is a safe assumption that the amount of unrelieved poverty and suffering in this country is happily very small. If, however, much more is needed, the further development of these useful institutions can be brought

about without compulsory health insurance, and no one questions that more adequate provision for the sick poor will be forthcoming when the urgency, or increased need, becomes apparent and thoroughly understood on the part of those who, as a matter of law or good will, are in a position to change the existing order of things.

Second, it is said in the brief that "establishment funds can not meet these needs." An elaborate report on this subject was published by the United States Bureau of Labor Statistics as far back as 1908, and the evidence even then presented was fairly conclusive that much was being done in this direction, although the investigation was quite inadequate to set forth the full amount of relief in sickness and aid otherwise provided through these voluntary agencies, serving social insurance purposes but maintained and administered chiefly by wage earners in their own way and at their own cost. Quite recently, in the December, 1916, number of the Monthly Review of the United States Bureau of Labor Statistics, a list is presented of 462 employers or firms who have established some form of disability benefit funds, which is certainly a most formidable statement of fact diametrically opposed to the theoretical assertion as to what establishment funds, or employers by way of assistance in the organization and maintenance of these funds, are not doing, or can not do.

Third, it is said that "commercial health insurance can not be developed to meet these needs." It is true that this form of insurance is comparatively new, but the evidence is entirely conclusive and satisfactory to the State insurance commissioners that, broadly speaking, commercial health insurance is economically administered, useful to the insured, liberal as regards its contract provisions, and in a fair way of being gradually developed into a form of insurance protection of real and far-reaching benefit to those concerned. Private insurance enterprises can not speculate with other people's interests and other people's money, as is only too frequently the case on the part of those who work out theoretical schemes of governmental or philanthropic reforms. Private insurance companies are governed by statutory requirements, and all rates, rules, and regulations concerning the policyholders' interests require the approval of State insurance commissioners. It is truly absurd to maintain that where they have done so much in the past and developed so rationally, in conformity to the lessons of experience, they can not, or will not, make further progress and adapt their plans and purposes to the needs of wage earners and to an increasing extent.

Fourth, it is said that "fraternal insurance can not meet these needs." It is true that fraternal insurance has fallen far short of the expectations of those who earnestly and sincerely have labored in

behalf of the development of the life insurance idea on a fraternal or fellowship basis. There has only too often been a disregard of the lessons of past experience and indifference to the inexorable laws of mortality and interest and the absolute necessity for adequate reserves. But it is utterly preposterous to maintain, in the light of the truly marvelous achievement that in this country alone more than 8,000,000 persons hold fraternal contracts, providing insurance protection, with more or less adequate security, to the truly colossal amount of \$9,443,000,000, that these useful institutions can not and will not meet future possibilities as to their further development and a readaptation of their methods to the broader needs of wage earners and those dependent upon them. It only requires a superficial study of the facts to convince the most skeptical that these societies are indeed performing a useful social service, best illustrated by the fact that during the year 1915 they paid out to beneficiaries the sum of \$103,508,093. Certainly those who received these payments were benefited, and in all probability much more so, than if they had been compelled to rely upon a compulsory system of social insurance regulating, supervising, and controlling the domestic affairs of wage earners during the last few weeks of sickness of the insured.

Fifth, it is said that "trade-union benefits can not meet these needs." Trade-unions, it may safely be assumed, are representative of our most intelligent wage-earning element who are best in a position to decide for themselves whether sick benefits are really required or not. Some trade-unions have been quite successful in the development of sickness insurance methods, and among the papers contributed to this conference is one by Mr. G. W. Perkins, the president of the Cigar Makers' International Union, appended to which is a table showing that since 1880 that union alone has distributed to its members \$4,119,000 in benefits, and the average amounts paid out annually now exceed \$200,000, at an average cost of about \$4.25 per annum per member. In addition thereto this union has paid out to its members since 1880 nearly \$4,000,000 in death and total disability benefits, at an average cost per annum per member of about \$5.50. This union is typical of many voluntary wage earners' efforts to solve the problem of sickness insurance in their own way, at their own cost, and in the light of their own experience. If more is needed, the union is in a position to adapt itself to the needs of the situation much better, and far more effectively, than seems possible under a system of Government coercion, regulation, and control. If trade-unions have not found it necessary to establish systems of pecuniary sick benefits or methods of medical care, it is to be assumed that, by concentrating their efforts upon a struggle for higher wages, shorter hours, and better conditions of employment they have largely done

away with the need of sickness insurance as an avoidable burden of society, more likely to be fostered by compulsory health insurance than eliminated by its provisions for liberal pecuniary benefits, which, in the light of all experience, tend constantly in the direction of malingering and fraud.

Sixth, it is said in the brief that "voluntary subsidized insurance can not meet these needs." This is purely an academic discussion, since, fortunately, there is not even a remote contingency of such an uncalled-for diversion of the taxpayers' money, and such an unjustifiable class distinction, which would come perilously near to universal Government poor relief. The wage earners of this country do not ask for a Government subsidy in behalf of their insurance, but they are entitled to the utmost governmental solicitude in the direction of encouragement and qualified governmental supervision of their own efforts, which so seriously concern themselves and their dependents, as well as the public at large.

It is therefore apparent that in the brief every voluntary effort is dismissed with a negative assertion as regards past achievements and future possibilities. I may rightfully claim as thorough an understanding of the American labor problem as anyone in this audience. I have probably investigated personally more industrial plants, mines, lumber camps, etc., than anyone else present. I have the privilege of an intimate acquaintance with thousands of wage earners from Maine to California and from Minnesota to the Florida keys. In addition, I have gone out of my way to ascertain the views of manufacturers, large and small, and of physicians in private practice and in public life. No evidence has come to me from any direction whatsoever that this measure proposed by the American Association for Labor Legislation, providing for the compulsory health insurance of American wage earners, has the sanction or the support of those who are most directly concerned. My own investigations have conclusively shown that, broadly speaking, the needs of our wage earners, during even prolonged periods of sickness, are adequately met. My investigations in European countries have shown that the social and economic conditions of labor there are fundamentally at variance with our own. Neither sickness nor unemployment in this country, as a general rule, are followed by the disastrous social and economic consequences common in the laborer's life in England and on the continent of Europe before the war. Even granting that compulsory health insurance was inevitable and desirable in the case of European countries—and even that question is debatable—I hold that no such necessity exists in this country, and that, therefore, this entire agitation is an artificial propaganda, uncalled for either by the existing needs of our wage earners, or by still higher considerations of public



policy. The suggestion for such an establishment of a compulsory system of health insurance comes perilously near to being a menace to our fundamental conceptions of a republican form of government, in which there are no class distinctions and no class preferences, and which rests upon the ideal that the government which governs best is the government which governs least.

HAL H. SMITH, counsel, Michigan Workmen's Compensation Mutual, Detroit (an employer). I would not rise again except that I feel that I ought to apologize for the rather hasty remark that I made last evening as to the representation of the employers in this conference. I seem to have failed to anticipate properly the number that would be here, or the vocal powers of those that would be interested in this discussion. I want, however, to call your attention to one phase of this new problem, and it differs somewhat from workmen's compensation, that has not been sufficiently emphasized. The objection that has been stated by Mrs. Kelly against the scheme suggests it. What is to become of the sick and infirm employee? What is to become of the employee who becomes ill and is taken temporarily out of the industry, and then is discovered to have within himself the germs of an inherited disease? Is he to be supported by society or does he return to the industry to be a perpetual charge on the employer? Already in our industries, workmen's compensation has brought extra care in the inspection of workmen. In a large number of our greater industries, all applicants are now inspected, and we can look forward to the time when, the stress of competition and production having increased, a still more complete medical inspection will follow. The stress of industrial operation is increasing. Our industrial scheme will require workers who can endure this increased stress. As to those who can not endure it, are they to be supported by society? Is society to be called upon to support all of those who are unable to bear their proper industrial burden?

There is something of this in the mind of the representative of the labor unions, and however much we disagree with him on much that he has said, we have to admire his steadfast adherence to the principle of the independence of the American workman. His plea is for the freedom of the American workingman, he looks further than the immediate payment of a sum of money, a little further beyond physical health. He pointed to a higher principle and a greater truth. By accepting any insurance payment he feels that labor will be reduced from its high standard and is becoming dependent on charity. He is looking beyond pecuniary compensation to some higher benefits. I think we can all, however, agree that this conference in which employers have not come to take their

part, has done a great educational work, and has convinced them of the high aims and methods, the extraordinary sympathy of those a little outside the industrial life of the country.

I have been thinking how fast we are progressing here. If I remember rightly, in 1845 Lord Campbell's Act, for the first time in an English-speaking nation, gave a right of action for negligent death. In 1881 or 1885 I think New Jersey was the first American State to provide that a right of action for negligent injury survived. In 1910 the first American State started compensation legislation, and we have not yet succeeded in working out for it the details of a satisfactory system. I think we ought to be content if we study for a time, gather our statistics and data, and then return here to participate in what must then be a much more intelligent discussion of this question of industrial compensation and health protection.

R. B. STEARNS, vice president, Milwaukee Electric Railway & Light Co. (an employer). I represent, in an executive capacity, the employers in varied utility industries, perhaps aggregating, in one district alone with its associated companies, 4,000 employees and being somewhat responsible for the welfare of some 20,000 people in the Middle West.

I do not think there are many States, if any, where the laws require changes to enable employers to effect health insurance voluntarily or in conjunction with employees. I do know that not enough is known by outsiders of the extensive development of this general subject by employers. I believe that the need of close relations between employer and employee has been recognized by most up-to-date employers, and that in general they come to the same conclusion and employ the same principles of health insurance through the various forms of welfare work, relief systems, cooperative activities, and preventive measures.

I do not believe there is much opposition by employers to the sane regulation of such activities, if the evils of regulation by commissions can be avoided, and the destruction of existing means for accomplishing the same thing is avoided by a liberal exemption clause. I do not think State aid is necessary or desirable in this matter, as the amount proposed to be contributed by the State will at least be offset by the additional expense on the fund incidental to State administration.

Experience has shown those who have been charged with the responsibilities and the practical workings of similar cooperative activities that are only in part covered by the proposed bill. that local self-government by small establishment societies has educational advantages as important as the benefits received, and I believe in the en-

couragement of the cooperative establishment fund, rather than the local or distinct fund under State administration. Accordingly, compulsory insurance should be restricted to the residue remaining after each industry has been compelled to solve its own problem.

I do not believe this country is ready for legislation of this kind, or that business at the present time or the uncertain future should be burdened with a compulsory law of this kind, at least until more knowledge is obtained as to the ultimate success or failure of the plan, and certainly not until at least five years are employed to search out and apply a remedy for the many preventive problems more or less incidental.

I am in favor of legislative inquiry only at this time, so as to bring the problem squarely up to all parties interested and so as to determine what measure of necessity there is for new laws. The bigness of this proposed bill does not warrant hastening into something we know too little about.

J. W. MACRUDER, general secretary, the Federated Charities, Baltimore, Md. I have read with great care the draft of a bill as proposed by this American association; I have encountered practical difficulties; I came to Washington to get my difficulties cleared up. But one of my difficulties comes out of the fact that the charity organization world is not taking care of the sick adequately, that the charity organization world can not take care of the sick adequately, that the sick ought not to be subjected to that necessity. We can not consent to having things going on on that basis. We have got to get ourselves together as a community along some plan by which eventually all the people will be doing for themselves what they need along health lines and these other lines, instead of having a few of the members of the community doing these things for the ones that are in need. That I conceive to be the ideal we are seeking to work out in this country that is given over to democracy.

Now, in the city in which I live, with a population of 600,000, the society that I am officially identified with was called upon during the first year of the European war to minister to one or more members of every 17 families. A large proportion of those families were reduced to that condition because they had no provision in the industrial world to meet that exigency, nothing covering that hazard. The only thing they had to turn to was this official arrangement in the way of a charity organization that I am officially connected with. Now, without going into facts and figures, in 40 per cent of the families that we minister to in a given year, the immediate occasion of their being forced on the private charities is sickness, and my immediate associate in the work said to me when we were comparing things week before last: "It is true that the immediate occasion of

people coming to us in distress in 40 per cent of the cases is sickness, but it is only a question of time until the other 60 per cent are stricken." Our feeling is that we need the working out of a plan such as is attempted by this bill, a plan by which industry will care for its own and by which the hazard of industry and of the life of the industrial worker may be covered. It is a thing you have to reckon with. Of course such a measure will operate, as one of the representatives of employers said a moment ago, so as to eliminate employees who can not keep up with the conditions required, but after making allowance for the exclusion of these unfortunates, the measure will still include the great majority of wage earners, leaving the smaller contingent as a more manageable group to be cared for either by public or private charities or by themselves under special conditions to be provided.

The charity organizations, however, will be the more able to accept the responsibility for the relatively small group of unfortunates and at the same time will feel called upon to do what is after all their fundamental work; that is, to bring to light all the facts of the situation, to show why there are people handicapped and in need and what remains to be done in behalf of these outside the regular ranks of industry.

QUESTION. I would like to know if the illness of the poor in Baltimore, which you are speaking about, is incident to their employment.

Mr. MAGRUDER. I would not say that; I would say, though, that the poor who are sick do constitute a part of the industrial world and are to be reckoned with by industry.

Mr. HOFFMAN. Is it true that you are dealing very largely with the colored people?

Mr. MAGRUDER. About 20 per cent.

Mr. HOFFMAN. Are they in the class that would not be reached by this act?

Mr. MAGRUDER. They are wage earners and can not take care of themselves in sickness, and we have to supplement their incomes. I want to emphasize the fact that I have the greatest respect for Mr. Hoffman as statistician and have been following his lead for years.

Dr. ANDREWS. I suppose to some of you it would seem, perhaps, discouraging to present a proposition for criticism and discussion after a committee had worked on it for a long time and to have it received with such strenuous opposition. During the afternoon I have observed apparently unanimous opposition from at least one group.

If, year after year, you had been in the work for scientific labor legislation, you would not be depressed by such occurrences; you would be used to them. From every one of the criticisms offered you would try to reap some benefit and you would renew your determination to go on steadfastly until the goal was reached.

I would like to take up all of the different provisions of the bill which have been criticized, but that is impossible, and I can deal with only three or four of the principal points emphasized by the opposition.

It has been said that the system upon which the standard American bill is to a large extent based, and inferentially the bill itself, makes no adequate provision for sickness prevention. It is true that the German law does not specifically take up the question of prevention. Neither do most of the workmen's compensation laws of our 35 States and Territories specifically mention the prevention of accidents, but the prevention is there, just the same. Our largest corporations are now preventing from 30 to 60 per cent of the accidents which a few years ago they insisted were inevitable. What has brought about the change? The constant financial pressure exerted by the compensation laws. Under health insurance similar pressure will be exerted for disease prevention, and made more effective through the joint representation of employers and employees in the administration. Moreover, the American bill to be introduced into the legislatures of 1917 expressly provides for preventive action, for it permits a fund to apportion a part of its budget to the elimination of disease and the education of its employer and employee members in this fundamental subject.

Dr. Frankel points out what we all know—first, that there is a difference between indemnifying for loss and preventing loss; second, that there is a difference between preventing loss and detecting fraudulent claims; and finally, with special reference to health insurance, that there is a difference between giving medical treatment and deciding when an applicant shall receive cash benefit. Because of these differences, he argues, there must be a complete separation between the agency which furnishes medical care and that which pays cash benefit. But the distinctions drawn, obvious as they are, do not at all necessitate this particular separation. The first distinction between indemnification and prevention does not necessitate it, because the fire and life insurance companies, which are held up as the antithesis of the health insurance carriers, admittedly combine, sometimes through different departments, these two diverse functions. The second distinction between prevention and claim adjusting does not necessitate it, because these two functions also are frequently combined, through different departments, in the same carrier. And the

third distinction between medical care and certification, does not necessitate it, because the required division of function can be achieved without separation of carrier. The conflict between these two functions is no doubt sharpened when, as happens in some European legislation, the same physician is called upon both to treat his patient and to serve as claim agent for the fund. It is this which has been responsible for much of the friction to which Dr. Frankel has referred as existing between the doctors and the German funds. Freeing the physician from this divided allegiance does not necessitate two types of carriers, but merely assignment of the two functions to different departments within the fund. This the standard American bill already does by providing for two groups of doctors. The duty of one group will be to treat patients. The duty of the second group, under control of the fund, will be to decide when an applicant may go "on the fund," thus doing the work of a claim department in preventing fraud. This simple expedient, involving but a fraction of the duplicate administrative machinery to which Dr. Frankel would commit us, is all that is necessary to take care of the differences in function to which he has alluded.

No doubt the plan proposed by Dr. Frankel would, as he says, permit all existing insurance agencies to compete for business. Perhaps, to some, that is its chief merit. But has not American experience with workmen's compensation shown that the participation of profit-making insurance companies in the field of social insurance, leading to excessive cost upon employers, contention over claim adjustments with injured workmen, and unfair treatment of physicians, is, from the general-welfare point of view, undesirable? Repetition of this situation under social health insurance would, in the opinion of most students of the problem, be opposed to sound social policy.

Mr. Hoffman—who, like Dr. Frankel, represents a large insurance company, doing millions of dollars of "industrial" (i. e., burial) insurance among wage earners annually—alleges that health insurance is not desired by American wage earners. My experience is that many representatives of organized labor are in favor of health insurance. Spokesmen for State federations of labor have come to us and asked that a health insurance bill embodying the tentative draft be prepared for their State legislatures. They have been among the first to realize the inadequacy of existing voluntary agencies.

Mr. Hoffman denies the existence of economic conditions which make compulsory health insurance desirable. Yet he is at special pains to point out that commercial insurance companies both can and will make further progress and adapt their plans to the needs of wage earners to an increasing extent. Clearly the workingmen do have some need for health insurance.

His prophecy of the future development of existing organizations to meet the widespread need, the existence of which he denies, is not warranted by existing facts. He cites the growing number of establishment funds as proof of the interest of employers. But, as I have already pointed out, the industrial betterment committee of the National Association of Manufacturers, after a careful inquiry among association members, reported in May, 1916: "Your committee believes that the voluntary method of treating sickness insurance in industry is the higher and the better method; but against this belief we know that there are employers who would not comply with the voluntary plan. Such insurances can not be made general in its application without some form of compulsion. \* \* \* As long as any scheme is entirely voluntary, it can be easily evaded by the person and class who most need insurance."

Fraternal insurance is called to our attention. Mr. Hoffman has forgotten that out of the millions annually disbursed in benefits only about 1 per cent goes for sick claims. Group insurance is suggested as a fertile field of the future. Here, too, benefits, not in time of sickness, but in case of death, are those commonly provided.

Sickness benefits are provided by trade-unions for a limited number. But, as I have previously stated, even if this should be extended to all the 3,000,000 organized workers of the country, it would obviously not meet the needs of our other 30,000,000.

Clearly, the present provisions are inadequate. The evidence at hand does not promote optimistic hopes for adequate, comprehensive development on a voluntary basis.

In addition, Mr. Hoffman urges that health insurance is unnecessary in America, because our death rate for 1915 is the lowest in history. He does not state, however, that this declining death rate is due to rapid strides in baby saving, and that for the higher age groups, which would be more specifically affected by health insurance, the death rate is not only not declining but is rapidly increasing. Between 1900 and 1911 the United States death rate per 1,000 in the registration area for 1900 increased in age group 45-54 from 15.8 to 16.1 and in age group 55-64 from 28.9 to 30.9.

Comparison of the Massachusetts life tables for 1877-1882 with those of 1910 shows that while expectation of life is greater at present for males under 25 years and for females under 35 than it was at the earlier period, for those over the given ages it has decreased from half a year to more than two years. In Germany, on the contrary, where health insurance has been in successful operation for 30 years, the expectancy of life in the higher age groups has increased.

Physical examination of employees has been mentioned by Dr. Delphey. He states that physical examination may be required of all voluntary applicants for insurance, and any not found in sound condition would be barred from the benefits. This is literally true; but those to whom it applies, namely, those not covered by the compulsory provisions but desirous of joining the system voluntarily because of its many economies and advantages, form a relatively inconspicuous number of those who would be insured under the act. You will readily understand that under compulsion, which obviates any adverse selection, physical examinations are not necessary, as they are in voluntary insurance. Moreover, for many workmen physical examination is already a serious problem. I have profound sympathy for the laborers who protest against it, because at present the physical examination is made by a medical examiner over whom they have no control. They have a right to protest against the use sometimes made of the information thus obtained. You have in universal health insurance through local mutual funds the only answer to the objections to physical examination, because in this system employers and employees both pay into the fund, and both have equal voice in determining when physical examination should be held and what use should be made of the information. Under such cooperation physical examination becomes a different proposition, and we will always have protests until we get such a plan worked out.

There is also great fear expressed by some employers that this big piece of social legislation will come too soon—even after four years' patient agitation, education, and preparation. Do any of you seriously expect that health insurance, any more than workmen's compensation, is going to come too quickly? My letter files, covering a wide correspondence on the subject of labor legislation in the last seven years, would yield some very interesting declarations by both employers and employees regarding the undesirability of workmen's compensation. I predict that my letter files of the present will at some future time—perhaps seven years from now—yield objections to health insurance that will look no less strange and medieval than now do the objections made to workmen's compensation only a few years ago.

Mr. DRESSER. With reference to some misunderstanding—some think the industrial physician the mere physician who is simply hired because he is necessary and is not of much consequence anyway—we have got to have competent service and expert service. If the suggestions are carefully noted, it is provided that there shall be public



supervision of an industrial physician if there is an industrial physician in the plant; there should be supervision; medical attention that is inadequate is worse than none, and our whole attention for the general medical practice is to get adequate service within the means of people who can not now obtain it.

LEE K. FRANKEL, third vice president Metropolitan Life Insurance Co.—Just a word in reply to the question asked by Miss Halsey—Who is to have a say in the choice of carriers? I think that question would be appropriate. There would be a question of choice whether the employer or employee would have to be authorized, but that is not the point. That is, after all, a detail which can not be worked out in a paper. The main point is to determine the fundamental principle that I wanted to bring out. There ought to be a complete separation between the carrier and the other organization that is going to get medical care. Mr. Chamberlain and I argued this thing together, and I like to argue with Mr. Chamberlain because he is so absolutely fair. He stated that the provisions of separation of this kind I mentioned were incorporated in the bill. I have not been able to find it, nor did I find any provision for continuous medical care under the plan he proposed. So far as I read the provisions of the bill they limit the medical benefits to 26 weeks; that necessarily would mean insufficient medical service, particularly in the case of consumptives.

With respect to uniform rate of premium, personally I don't believe we ought to have any uniform rate. I have gone into the question of age and sex as well and I think the last matter has to be very carefully considered. I think Miss Van Kleeck and Mrs. Kelley brought that out very distinctly. From our own experience under a scheme very carefully worked out we find our rate of sickness has run about 200 for women as against 100 for men. Miss Van Kleeck did not misquote me. I expressly remember her statement upon the facts that I believe that married women ought to be kept out of industry under our American conditions. Evidence to that was brought out by Mrs. Kelley and something that is not so well recognized—that the maternity scheme in Germany, the question of the married woman, is not the impelling thing, but the question of the unmarried mother, that is a condition in industry. Under the German law the illegitimate child is getting the same attention as the legitimate child. We ought to recognize the possibility of maternity insurance for married women in industry; we may have to have maternity insurance, but if we do, let us go in with our eyes wide open; that it is a matter of great importance in America.

We have made in all four surveys, namely, in Rochester, Trenton, North Carolina, and Boston. In these surveys, eliminating the colored lives in North Carolina, there were 180,490 persons exposed whose age and sex were known. In the first table following we give the sickness rates per thousand exposed for the "sick and unable to work," by sex and by age period. These figures are to be found in the individual reports, except the last column which is for the four surveys combined. These composite rates should give a better picture of the sickness conditions in the country at large than the rates of any one of the surveys and for very good reasons; first, they eliminate the variations that arise from limited numbers; second, they overcome the limitations of local conditions; and third, they remove the variations of the seasons, since the four surveys were made at different periods of the year. Furthermore, since these figures apply to cases of sickness with inability to work, the one element of uncertainty in our returns is removed, since the cases with inability to work were, we believe, very fully reported.

In order to make our figures comparable with those which Mr. Dawson sent you we shall make one assumption. We shall assume that the combination of the four surveys eliminates the seasonal variations and that the picture resulting is true for the year as a whole. If this be granted, and it should be, then our figures can be converted into average days of sickness with disability during the year. See second table, last column, where we have converted the rate per thousand into average days of sickness during the year. On this basis, 20 per thousand means 2 per cent constantly sick, or an average of 7.30 days per person per year.

The figures for the two sexes are very regular indeed, showing increases with each advancing age period. The rates for males are uniformly lower than for females up to the age period 45-54 when the two sexes show virtually no difference. Thereafter the rates for males are higher than for females. In this respect the figures are in agreement with those for the Leipzig local sick fund and for other groups where distinctions of sex and age have been made. The actual number of sick days per member is lower than in the experience of these European insurance societies.

SUMMARY OF FOUR COMMUNITY SICKNESS SURVEYS MADE BY THE METROPOLITAN LIFE INSURANCE CO.: NUMBER OF PERSONS SICK AND UNABLE TO WORK PER 1,000 EXPOSED, BY SEX AND BY AGE PERIOD.

Age.	Rate, per 1,000 exposed, of persons sick and unable to work, in—				
	Boston.	North Carolina. <sup>1</sup>	Rochester.	Trenton.	Total.
<b>MALES.</b>					
Under 15 years.....	11.6	11.4	5.5	8.7	10.4
15 to 24 years.....	10.2	13.4	11.8	13.6	11.5
25 to 34 years.....	11.4	17.5	8.2	17.2	12.3
35 to 44 years.....	19.3	23.0	19.1	13.5	19.7
45 to 54 years.....	32.2	33.3	26.3	21.2	30.7
55 to 64 years.....	48.4	54.3	66.8	79.4	55.2
65 years and over.....	109.5	142.4	115.2	140.8	118.0
All ages.....	18.1	19.9	17.8	19.5	18.5
15 years and over.....	21.6	25.4	23.2	24.8	22.9
<b>FEMALES.</b>					
Under 15 years.....	10.3	11.2	7.9	14.5	10.3
15 to 24 years.....	11.9	19.5	14.8	7.9	14.5
25 to 34 years.....	16.2	20.0	16.2	22.6	19.8
35 to 44 years.....	18.1	41.7	24.2	22.5	24.0
45 to 54 years.....	25.6	47.7	28.5	31.8	30.9
55 to 64 years.....	42.5	63.2	45.8	81.7	47.0
65 years and over.....	88.4	100.3	88.2	74.5	89.5
All ages.....	18.1	26.7	20.4	20.4	20.4
15 years and over.....	21.8	34.0	25.7	23.1	25.4

<sup>1</sup> White lives only.

SICKNESS EXPERIENCE OBTAINED FROM FOUR COMMUNITY SICKNESS SURVEYS MADE BY THE METROPOLITAN LIFE INSURANCE CO., WHITE LIVES ONLY.

Age.	Number of persons exposed.	Sick persons unable to work.	Rate per 1,000 exposed.	Average days of sickness during year.
<b>MALES.</b>				
Under 15 years.....	30,202	314	10.4	3.8
15 to 24 years.....	16,361	188	11.5	4.2
25 to 34 years.....	14,751	181	12.3	4.5
35 to 44 years.....	11,786	232	19.7	7.2
45 to 54 years.....	7,950	244	30.7	11.2
55 to 64 years.....	4,309	238	55.2	20.1
65 years and over.....	1,873	221	118.0	43.1
All ages.....	87,232	1,618	18.5	6.8
15 years and over.....	57,030	1,304	22.9	8.4
<b>FEMALES.</b>				
Under 15 years.....	30,914	317	10.3	3.8
15 to 24 years.....	18,369	266	14.5	5.3
25 to 34 years.....	15,832	313	19.8	7.2
35 to 44 years.....	12,272	296	24.0	8.8
45 to 54 years.....	8,472	262	30.9	11.3
55 to 64 years.....	4,986	235	47.0	17.2
65 years and over.....	2,408	215	89.5	32.7
All ages.....	93,258	1,903	20.4	7.4
15 years and over.....	62,344	1,586	25.4	9.3

Mr. ANDREWS. I would like to make a correction. I intended to state in my remarks that those persons who had not been insured in ——— fund, if they joined a voluntary insurance system would have to take a physical examination.

**THURSDAY, DECEMBER 7—NIGHT SESSION.**

**CHAIRMAN, HARRY A. MACKAY, CHAIRMAN WORKMEN'S COMPENSATION BOARD  
OF PENNSYLVANIA.**

**V. MEDICAL BENEFITS AND SERVICES UNDER THE PRO-  
POSED SICKNESS (HEALTH) INSURANCE SYSTEM.**

**ORGANIZATION OF MEDICAL BENEFITS AND SERVICES UNDER  
THE PROPOSED SICKNESS (HEALTH) INSURANCE SYSTEM.**

**BY ALEXANDER LAMBERT, M. D., CHAIRMAN SOCIAL INSURANCE COM-  
MITTEE, AMERICAN MEDICAL ASSOCIATION.**

In looking at the subject you gave me I found it was medical benefits and services under the proposed sickness (health) insurance system. That was such a broad subject that in a short paper I have confined myself only to the organization of medical benefits and services.

In considering the medical organization under any health-insurance law, one must recognize fully and appreciate clearly that the medical men are an essential part of its working machinery. It must be also appreciated that medical men belong to a profession that has standards of living which are often not the standards of their patients, different customs under which to live, and even the rules of ordinary ethics of humanity have been adapted to fit the peculiar life and work of the profession. For this reason the medical profession is insistent that in any health-insurance law there shall be on the health-insurance commission and from it downward, through each authoritative committee, some representative of their profession who can understand their point of view, who can protect their interests and see that their professional standards of living are not forcibly lowered. This never has been recognized in Germany, hence the incessant quarrels and the unsatisfactory condition of the relationship between the medical profession and the insurance laws. This was fought for by the profession in England and obtained. A wise man can learn more from the others' mistakes than from their successes, and in studying the English and the German medical organization in their insurance laws, we can see what is wise to avoid in this country. We can also see and judge what works well, without friction, in either or both countries. Both England and Germany have made the mistake of having the same physician who cares for

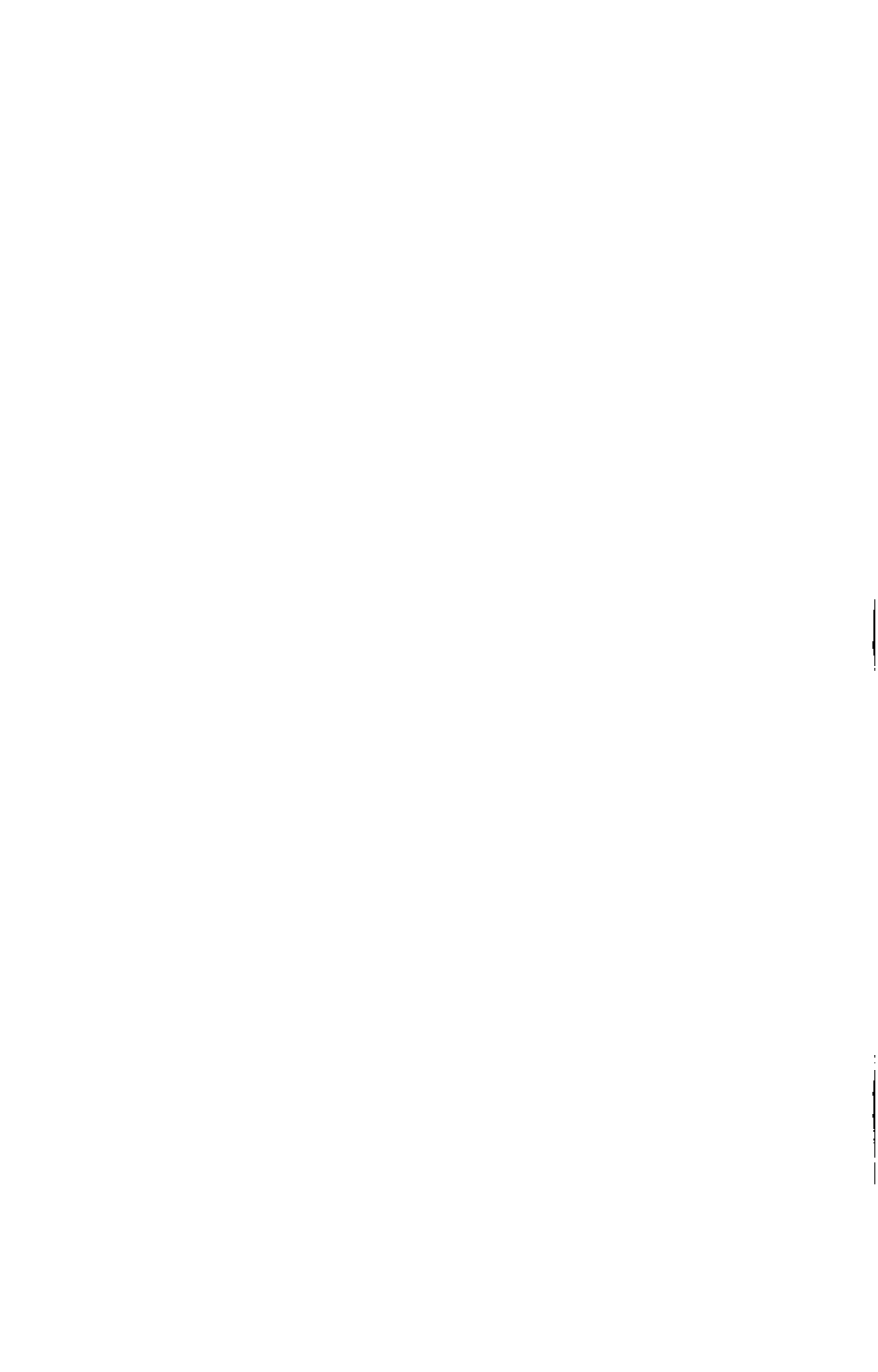
the patient decide when the patient ceases to be sick and should go to work. To work successfully a medical organization under health insurance must have medical referees whose duty it is to decide this question and whose duties are independent of the daily care of the sick. The English realize their lack of these officers; the Germans use them under certain circumstances with acknowledged success. There must also be, separate from the referee, medical consultants to whom can be referred questions of diagnosis or therapeutics, but who can be used both by the panel physician and the medical referee when desired. England lacks these consultants and realizes it. Germany has appreciated their necessity and employs them.

In the matter of compensation of medical men England has but two methods: One of straight capitation with free choice of doctor by patient, except in the towns of Salford and Manchester, where a lump sum is given to the district and there is free choice and compensation by visitation. In Germany, even in the same towns where there are separate sick funds, there are many kinds of methods employed for paying the physicians, and a study and comparison of these can be made with profit.

The only complete scheme of general compulsory health insurance in this country which has been presented is that which has been worked out by the American Association for Labor Legislation, a diagram of which is appended.<sup>1</sup> A study of this diagram shows that this plan provides for a State health insurance commission appointed by the governor having on it a physician, a chairman, and a third member. In close relation to this commission are definite advisory boards representing the profession of nursing, appointed by the State nurses' society, a social insurance council, half of the members elected by employers and half by employees, a State medical advisory board chosen by the State medical societies and of which the State commissioner of health is always a member. This last is of the utmost importance, for it binds the State health department to the health insurance commission in an advisory and controlling manner. The medical and surgical control and health department control of health insurance are exercised by this advisory board in that it must formulate the standards by which the medical officers of the funds, who are to be the ordinary referees, are chosen, and through this advisory board come the appeals from medical disputes, from the panel committee, through the arbitration committee, to the commission. The arbitration committee through which the medical disputes from the panel committees come to the State advisory board, is a committee composed of one member appointed by the board of directors of the local fund, which local fund administers both the cash and

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<sup>1</sup> See Chart 1.



medical benefits, one member appointed by the local medical committee and one lawyer designated by the county judge or supreme court judge. This committee hears disputes on appeal and questions of dismissal of physicians from the panels after these matters have been passed upon by the local medical committee, and if the board of directors of the sick fund and local medical committee can not agree on a decision.

The local medical committee is composed of a representative of the local health department, who shall be a physician; a representative of the physicians and surgeons who are on the panels or are salaried physicians of establishment funds or are salaried district medical officers under the funds, whichever method of medical care is being given in that district; physicians and surgeons from the visiting staff of the hospitals; and representatives of physicians doing the medical specialty work in that district. This committee shall be composed of not less than 7 nor more than 15 members. To this committee come all the disputes in regard to medical benefit or any charge made against a physician because of his work for a fund before it is sent on to the board of directors of the fund. It acts in a local advisory capacity regarding all regulations affecting medical benefits promulgated by the board of directors of the local fund. It passes on all medical disputes and regulations regarding the medical officers or specialists or dentists or concerning dispensaries and hospitals. Through its representation from the health department it never loses sight of the necessity for sanitation and preventive medicine.

The local funds through which all medical and cash benefits are paid are composed of representatives of both employers and patients. In regard to medical benefits this fund deals with the purchasing of drugs and appliances, with the furnishing of nursing and the paying of nursing, and with the direct payment of all the medical benefits. It hires medical officers who are appointed according to the standards of the medical advisory board, and because it hires them it also can discharge them. These medical officers are the referees that decide when an insured person shall go back to work; they keep a supervising care and control over all sick persons under the care of the funds. Before their final appointment, however, there should be a definite understanding between the directors of the fund and the local medical committee whether or not each medical officer is a fit person to be a referee. If he is known to be an improper person the medical committee should have the veto power because of his unfitness. The medical committee should not have the power of recommending or confirming a man's appointment; it should have the power only to prevent an unfit person from becoming a medical



referee. This power would doubtless be rarely exercised, but it must be in existence to be brought into use if necessary.

These medical referees must not, under any circumstances, be permitted to practice medicine. They must be full-time salaried officers, and being paid by a fund which is composed of equal parts employers and employees, their decisions will remain more evenly impartial. These medical referees are necessary to relieve the attending physician from the decision of when his patient shall go back to work. Both in England and Germany it has been found that the physician who cares for the patient can not serve two masters any more than anyone else. He can not care for the best interests of his patient and conscientiously care simultaneously for the best interests of the fund. If he follows the strict letter of the law sternly and looks at it from the hard, confined, commercial point of view that the funds must use in protecting their expenses, he will at times be seemingly forced to harshness toward his patient and apparently assume the position of the driving overseer and taskmaster. If he leans to the side of kindness and mercy toward his patient, he will be accused of collusion to keep the patient on the funds. This function of treating the sick, therefore, must be separated from the decision of when that treatment shall stop and when that patient shall go back to work, and the impartial referee or medical officer hired alike by employee and employer, responsible to both alike, must perform that separate duty. If this decision of the medical officer is questioned and the funds feel that they desire another opinion, they can turn to the panel of consulting physicians and surgeons to obtain it—not to a medical board of a hospital or a group of physicians and surgeons, but to certain definite physicians and surgeons named by directors of the funds which represent both employee and employer.

The panel physicians should be men of general medical and surgical training. The English act provides that there should be adequate medical attendance and treatment given to the patient. But the panel physician contracts to give only treatment of a kind that can, consistent with the best interests of the patient, be undertaken by a general practitioner of ordinary competence and skill, and if the condition of the patient requires more than this, the practitioner shall advise the patient what steps to take to obtain the treatment which his condition may require. In Germany the definitions are put in more general terms and it is required that a physician shall do all in his power for a patient.

Under this present scheme before you there are contemplated panels of physicians on which any or all physicians of a district may be registered. These panel physicians may or may not be members of a county or State society. These district panels of physicians may

group together and form a separate association by which the entire panel physicians of a section or State may have the advantages of collective bargaining, if they so choose, in the discussions of their compensation. They may deal collectively with the funds or deal singly, as they choose. They may do it through a special association, as I have said, or through the organized county and State societies. There must be among these panel physicians free choice on the part of the patient, subject to the agreement of the panel physician to care for said patient. There must, however, be the power in the local medical committee to allot any left-over patients who have no assigned doctor to care for them.

Also there are contemplated in this law salaried physicians under the establishment funds as, for example, the salaried physicians in some districts in which the employees of big manufacturing establishments practically compose the entire population. If these physicians adequately fulfill the medical, surgical, and sanitation duties and cares of that district, they should be permitted to act in the same capacity as the panel physicians. It is also here permitted that if at any time there be salaried district physicians performing their duties in the same manner, these should act in the same way as the panel physicians. In some districts and States, however, it will be found that the profession will accept only the idea of panel physicians. In other States probably all three will be permitted. These physicians are for the ordinary everyday care of the sick. There should, however, be regularly designated specialists, such as eye, ear, nose, and throat, such as genito-urinary or gynecological, and a number of dentists to care for the teeth of the community to prevent the enormous number of infections which cripple so many of the working classes. So much for the ordinary care.

For the second opinion that may be needed there should be a group of physicians and surgeons designated as consultants for a given neighborhood, and they should be designated for their individual ability and not on account of positions they may hold. A second opinion on any given patient should be granted whenever asked for by the panel physician, by the patient, by the medical officers, or by the directors of the fund, and this second opinion should be given either by some general practitioner of medicine and surgery or by specialists. These men should also be the ones to whom the directors of the fund would turn if there were a persistent appeal against the decision of their medical officer or ordinary referees.

We come now to the dispensaries and hospitals. A health insurance law will radically change the position in the community of the ordinary dispensary. It is a question whether the present charitable dispensaries under private funds or even public dispensaries will

readily fall in with the real requirements of the health insurance law. In the end, however, it would seem that they must come into the logical development of the scheme. That is, they must become the places for group medicine; they must become the places where anything more than ordinary diagnosis and treatment shall be performed. They must be the places where the second opinion can be obtained. They must be the places where the specialists usually are congregated and to which any patient may go for treatment which they may think they require. In such dispensaries there should be no place for the ordinary medical class of practicing physicians. All patients should be cared for by their own physicians outside of the dispensary. The internist of the dispensary should be a man to whom his fellow practitioners send their patients for diagnosis or for an opinion on therapeutic care, and each patient should be sent back to his ordinary panel physician with such an opinion. If, while in the dispensary, it may seem wise to turn a patient over to a specialist, it should be done. If the patient requires special treatment, it should be given him. Except in cases of emergency, the panel physician should first be so informed. This is for the ambulant patient. The dispensary may be used only for consultations in the specialties and every patient seen there must be sent back to the outside doctors, whether family physicians or specialists.

For the patient who requires hospital care there should be sufficient hospital accommodation. The men on the hospital staff should be paid for their care of the patients under this insurance fund the same as any panel physician is paid. Whether or not it will be the full attending physician or surgeon who shall do this or whether it will be one of the assistants on the staff is a matter for detailed regulation and not necessary to be put in the fundamental law of the State, but there is no question in my mind, as expressed in my report last year to the American Medical Association, that it is wiser that an assistant and not the full attending physician should care for these patients. There thus will be prevented much jealousy and many troubles, and freedom from complaints will be attained if the head physician is not on the panel but attends to all those in the ward alike, so that if one patient be under the insurance law and another be not, the full attending physician will not be accused of favoritism. An assistant can easily do this work without the incessant heartburnings that would otherwise arise. And this is not a small matter in the human equation.

As at present constituted no physician on a public hospital staff can receive any fee, but there should be some regulations devised by which some of the younger assistants may have their just fees for the care of these patients. In the present scheme of things we all recog-

nize the fact that private hospitals will accept the fees from the insurance commission and not give them to their attending staff, or the public hospitals will charge them up against the commission and not permit them to be given to the individual physicians. This exploitation of the physicians because of their known habitual charity must cease, and it is time for the public to realize that a physician is worthy of his hire even when treating the poor, and the poor should not always be put on the basis of medical charity.

Dr. B. S. Warren, of the Public Health Service, has advised and published a well-thought-out scheme for medical organization under health insurance. I append a diagram of this organization.<sup>1</sup> The health insurance commission under this scheme acts in a supervisory manner over all administration. The administration is done through a director's office. Under the director there is an assistant director of the financial division who supervises cash benefits, an assistant medical director who supervises medical benefits, and an assistant director detailed from the health department who supervises the work of all medical referees and health matters. Under supervision of the director's office there are various district offices scattered over the State, and in each district executive office there are the representatives of the clinical portion of the medical profession and the officer detailed from the health department. Here also there is a group of employers with one representative from each carrier in a district, and also a representative of the employees of each carrier. Moreover, the director of this district office is to be selected by the employer and employee members. It corresponds practically to the directorate of the local funds in the previously described scheme, with a district chairman, and having on its directorate two members of the medical profession. The medical referees are detailed from the State health department. The duties of the medical referees, according to Dr. Warren's scheme, are to examine the insured persons claiming to be disabled and to issue certificates in accordance with the regulations promulgated by the commission, to advise with the physician attending sick insured persons as to measures which will shorten the period of disability, to have supervision of all hospital and dispensary relief, to advise the administrative authorities of the carriers and all contributors to the funds as to the best measures for the relief and prevention of sickness, and to perform all such other duties as may be fixed by regulation. There is further a medical committee composed of physicians, dentists, nurses, etc., which first attends to all matters coming up to the district director's office through these various panels.

<sup>1</sup> See Chart 2, facing p. 646.

These two schemes of organization, while differing materially in their fundamental scheme of executive organization, differ particularly in the amount of control which the health department assumes through the medical referees. In the first scheme the commissioner of health is on the advisory medical board. In Dr. Warren's scheme he is a member of the health insurance commission. In the first scheme the local health officer is on the local medical committee and in that way has the power to see that the local regulations of the health department are properly promulgated and are properly carried out; and the advisory board of physicians in the first scheme, having the health commissioner upon it, forms the standard by which the medical referees may be chosen, and in this way insists upon their adequate knowledge of preventive medicine and health department matters. In Dr. Warren's scheme the control of the practical carrying out and everyday work of the health insurance is under the direct control of the health department, and the entire profession of the State must give up its independence and individuality to the control of the health department referees. At present preventive medicine and the study of sanitation have become a specialty. The development has been so broad and the problems of preventive medicine have been taken up with such a broad and comprehensive view that specialization has become necessary, but in so doing it has been necessary to neglect the everyday therapeutic care of the medical and surgical troubles with which the ordinary practitioner is familiar. True it is that an ordinary practitioner, without further study, is not fit to be a referee in matters of preventive medicine, but it is at present equally true that an ordinary detailed physician from the health department is equally unfit to be a referee on matters of medical and surgical subjects. The profession of medicine is not a crystallized closed science or closed book. It is one of the most actively and rapidly developing professions in the world, and any member of it who through stress of work, through overwork, has not the time to keep up with the growth of his profession, falls behind in his development and falls behind in the standards of the care with which he is able to treat his patients. Moreover, the work of the medical profession is peculiarly individual, and it can not be subject to hard and fast bureaucratic control without injury to the individual physician and to his development, and thereby injuring the results obtained in the work that he gives his patients.

There has been a good deal of criticism of the first scheme of health insurance brought to your notice here, as lacking the essentials of preventive medicine and as not developing the connection with the health department in sufficient intensity. That was true

in the first draft that was given out, but with the further development, as presented to you here, this objection has been adequately met. The present scheme has drawn into its mechanism the State commissioner of health, and it has on every local medical committee a representative of the local health department so that the requirements of preventive medicine are adequately provided for on an equal footing with the other specialties in medicine and surgery. Moreover, this health insurance law does not in any way abrogate the police power and control now exercised in the State and local health departments, but increases their powers and activities. I frankly admit that Dr. Warren's scheme places preventive medicine as a dominant controlling feature of health insurance, because through medical referees they are able to dominate the care and control of the sick and all supervision of hospital and dispensary relief, and they are to advise the administrative authorities as to the best measures for the relief and prevention of sickness. They are medical executive officers, and the administrative authorities would necessarily, and must necessarily, rely upon them for their opinions. I do not believe that the profession at present is willing to submit to the absolute control of the entire profession by the various health departments of the States. This may be a development of the future, but at the present moment I feel sure it is impracticable.

Diverging from my written paper for a moment, I will repeat that by appointing all the medical referees from the health department, it puts the absolute control of the whole thing, in supervising, and so forth, into the hands of the health department. We may arrive at that point in the future, but we have not arrived there yet. There is no question that to-day preventive medicine is a specialty, the same as other specialties, and being such, those engaged in it have not been able to keep in touch with the ordinary medical and surgical work of the day. In the diagnosis of infectious diseases there are specialists, and they are far ahead of the rest of the profession, because they see more of these diseases; but in the ordinary medical and surgical care of patients they are not competent to be referees, any more than the ordinary medical man to-day is competent to be a good health department official unless he has taken up the specialty. Therefore we must admit that the medical profession as a whole are not willing to-day to be put under the absolute control of the health department. Therefore Dr. Warren's scheme is not feasible to-day. Now that seems like a strong statement to make, but if I had five minutes to talk this over with Dr. Warren, he and I would come to an absolute agreement. We may seem far apart, but we are not far apart at

all. It is just a case of two medical minds discussing a matter of detail, in which they have expressed their opinions, and in five minutes they will not differ at all. If anyone here thinks he can see a great difference of opinion between these two schemes, he is making a mistake, because the difference applies only to a detail of organization on which an agreement can be reached.

We now come to the much mooted point of compensation for medical services.

In both England and Germany the medical profession has been placed in a false position, and in struggling against it the profession has injured its standing in the eyes of the general public. The fight has been in Germany between the profession and the sick funds, and in England between the profession and the friendly societies or, practically, the carriers. So bitter has been the fight that neither side could appreciate or deal justly with the other side's point of view. In both countries, for years before the insurance laws were put in force, the medical profession had gladly given their services to the poor, often for nothing, and always for a very much diminished rate of payment. Many physicians in good standing could afford to give this charity, for charity it was, because they were earning elsewhere a sufficient livelihood. This action by the medical profession had caused the general public to consider it part of the duty of the medical profession to give its services for nothing or for a mere pittance whenever the poor came into consideration. All health insurance laws deal naturally with those who can not obtain adequate medical care without them, hence the point of view of the public that the medical profession should give to the schemes of health insurance full service of the best that was in them, for no compensation, or for compensation on a basis which placed them in economic starvation. It did not concern the general public as to how a medical man should live, but they still felt he should give to charity what seemed to them to be a necessity of the poor. Carr, Garnett, and Taylor,<sup>1</sup> in discussing the National Insurance Act in England, in referring to the antagonism aroused in the medical profession by this act, say—

There have been few things more surprising to the public in connection with the national insurance bill than the unexpectedly threatening attitude assumed by the medical profession. The community has been so accustomed to regard medical men as amiable weaklings in business matters, easily gulled by piteous tales or flattering remarks about the magnanimity of the profession, that the idea of what was called a strike of doctors seemed to be rather amusing; and it was only after several months that the public began to realize that the profession was showing itself in a new light and was determined at all costs to insist on certain definite provisions being included in the bill.

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<sup>1</sup> National Insurance, second edition, London, 1912, p. 52.

This was equally true in Germany, as described in Ewald's *Social Medicine*. We must, therefore, realize that in considering, under insurance, any compensation to the medical profession the profession must be paid adequately in order to live up to their professional standards. It has cost them more than any other profession to obtain their education. They have entered their profession at an older age than other professions, for it has taken them longer to acquire the necessary skill to be trusted. The professional standards are not the standards of the workingman. They have the economic standard of the other professional classes of the community. It is often hard for the general lay public to appreciate as services rendered what often seems to them a mere bit of advice. They are paying in those cases for an abstract service. The abstract service of the legal profession may keep a man out of jail, and thus be appreciated. The concrete service which a surgeon at times gives is more readily appreciated than that which a physician gives. An appendix dangling in a bottle is easily appreciated, but the advice by which self-control in living prevents the degenerative diseases of heart and kidneys may cause such disagreeable self-control that it is resented and naturally not appreciated; it is an abstract service, and remains unappreciated though it may save the patient's life. Health-insurance laws will change the economic standing of the profession throughout the entire country and place the practice of medicine on an entirely different basis. No clear-headed business man, therefore, nor anyone outside the profession must be surprised that the profession insists that it shall know definitely how its economic status is to be changed before it willingly acquiesces to this change.

In most countries the details of medical organization and compensation is left to the regulations of the executive commissions. That is, it is not contained in the fundamental law of the State in which action of the legislative bodies have to be taken before it can be changed, but executive regulation can change the law quickly and thereby justice can be more easily obtained and injustice more easily rectified. The workman's compensation laws, however, have in several States, especially in New York and Massachusetts, worked such injustice to the medical men and produced such unsatisfactory results to both patients and surgeons that it is doubtful if the medical profession will be willing to leave the medical organization of any insurance law to executive regulations after the law is passed, but will insist on definite enactment in the law itself.

The methods of remuneration of the physicians under health insurance are, broadly, three in number: (1) Straight capitation, (2) payment by visitation, and (3) a modified combination of the



two. By straight capitation is meant that a certain sum is paid to the physician per patient per year. At the end of each quarter the number of patients on his panel are averaged for the quarter and he is paid accordingly. There are certain modifications of capitation in England which could be followed. The total amount given for capitation is divided into a fund for straight capitation and a fund for special services, it being determined by the physicians whether, in dividing this amount, the capitation or special services shall take precedence in payment.

Capitation has certain inherent evils. It is the method of lodge practice and payment under this method would make remuneration to physicians under the insurance law one of lodge practice developed to the  $n$ th power. The evils of it are that it produces overcrowding of work on the part of the physicians, forcing hurried and inadequate service, and worst of all, under such circumstances that the really sick patients who need the greatest amount of attention are the least adequately cared for. It produces the kind of contract practice against which the profession has protested for years, and because in the past it has forced overwork and underpay to the physician and the poorest kind of returns to the patient, it has been invariably bitterly condemned by the profession. It can be argued that if the number of patients on a physician's panel are limited to 1,000 insured, or 500 families, this overcrowding will not occur. This may be true, but there is the invariable tendency to neglect the really ailing and the sickest patients. It is also worthy of consideration that you start in on a basis of a kind of practice that is held in contempt and against which there is a strong antagonism, and you are dealing here with a social force the antagonism of which should be avoided.

Capitation, it is true, has the advantage of a known lump-sum of money given for medical service by the fund and can be most easily calculated. But even with that there comes the payment of specialists, there comes the payment of consultation fees for the second opinion, and there comes the other outside payments which can not be so accurately calculated. In England this method of payment has produced the hurried service, the overcrowded panels, and the inadequate service to the patients, but it has been easily calculated as far as it went. It has also left, in that country, nothing at all for a second opinion, nothing at all for the consulting fees and the necessary work of the specialists.

At the other extreme of methods of remuneration to physicians is the payment by visitation, in which the physician treats his patients as in ordinary private practice and charges each visit pro rata against the funds. This has always been found to be the most expensive

method of treatment. But unless the increased expense is shown to be prohibitive, this is not a valid objection against this method of medical remuneration. We are not discussing here any scheme of public charity. We are considering what is the best method to obtain the best medical services in order that the sick may be guaranteed adequate medical and surgical care, and this can not be obtained by cheapened medical services nor by medical services on a charity basis. There has always been the accusation that under this method there are too many visits made. If this proves to be true, there must be a procedure by which a dishonest physician may be dropped from the panels and, in future, unless reinstated, prevented by law from receiving remuneration for services to patients insured under the health insurance law. There is no question that under the visitation method the patients receive the best care. It is more satisfactory to both patient and doctor. There is kept up the time-honored relationship of confidence and privacy between physician and patient which from time immemorial has been considered as most desirable. There is, however, no known way to obtain any but an approximate idea of its cost in any given time, and that is to the funds a very trying situation as they can not calculate their expenses in advance beyond a fair approximation. But after a few months this margin of error would become small indeed. This method of remuneration is customary in the town of Bremen, Germany. It seems to work satisfactorily there and it is in vogue in certain of the rural districts in Germany. But I believe that the town of Bremen is the only place in which it is carried out on a large scale.

A compromise between capitation and visitation would seem to be possible. In Leipzig a lump sum is given to the medical society for medical services. All medical services are reckoned according to points, such as an office visit, for instance, 1 point; a visit to the house, 2 points; a night visit, 3 points, and so on. Some small operations might be 5 or 10 points, that is decided according to a regular stated schedule. At the end of the quarter the number of points made by the physicians are handed in to the medical society and the lump sum given for that quarter is divided by the total number of points, each point possessing a varying value depending on the morbidity of that quarter and the amount of medical service rendered, and each physician being paid according to the number of points of service he has given.

Of course in all these schemes I am taking for granted that there is free choice of physicians. Under capitation on the panel there is free choice up to a certain limited amount. Under visitation there is certain limitation up to a broader amount, and in this combination

of the two methods there should be free choice subject to the agreement of both physician and patient. In this combined method of remuneration there is the possibility that in any great stress of work, in an epidemic or in a season in which the morbidity is high, the value to the physician of each point is materially diminished so that in the end a physician may do double the work and only receive for it the same amount that in ordinary times he would receive for half the work. To remedy this, therefore, in the beginning, it seems to me that there should be a calculated amount of morbidity and a provisional value of any given point agreed upon. Then if the morbidity should be increased so that the work of the physicians is greatly increased—if it be increased above a certain amount—then the physician should be paid according to a stipulated average value per point of work done. That is, for instance, if the total sum to be paid was \$50,000 and there had been 100,000 points charged against this, each point would be valued at 50 cents. If there were an epidemic in which there were more than 115,000 points handed in, then for every visit above the 115,000 points each physician should be paid 50 cents a point more. Points between 100,000 and 115,000 would be given to the funds because if there should prove to be only 85,000 or 90,000 points charged against the \$50,000 it would be given to the physicians.

Some such agreement as this could be brought about so as to prevent the excessive work being paid for according to the law of diminishing returns. In the beginning there would have to be approximation of what would probably happen. After a year's experience a fair idea could be obtained of what would be likely to happen. As soon as three or more years' experience had been accumulated the probable morbidity and the value of the point for excess of work could be calculated on the basis of the previous three years' average. This method would have the advantage of a definite amount to be allowed for by the sick funds and there would be a fair approximate idea of the amount of work that a physician could be expected to do. If the number of patients on a panel of physicians were limited so that he could not fall into the evils of too much work and hurried service, there would remain to a man sufficient time to keep up with his profession and he would not fall into the crystallized, unprogressive condition of the overworked and poorly paid practitioner. The number given above as 1,000 insured, or 500 families, would probably, in ordinary times, cause a physician to see from 20 to 30 patients a day, and would seem to be a fair limitation. There is the advantage, moreover, that under the scheme suggested here the physicians themselves will prevent excessive visiting, because if a physician does unnecessary work, endeavoring to grab more than his share of a given sum which must be divided among all, it is to the disadvantage of

all the other physicians, and therefore it is to the advantage of all that they keep a controlling influence on each other. This lump-sum idea of capitation, according to points of visitation to patients, has been tried in Salford and Manchester, England. The patients there like it much better than straight capitation, and the physicians are well satisfied with it. The accusation that it increases the number of visits among the physicians was investigated and found to be untrue; later the physicians have stated that they could control, and did control, the members of their profession, because it was to their self-interest to do it, and they had caused the dismissal of some dishonest physicians from the panel.

I have given you here but a bare outline of medical organization, and while the outlines have been broad and hampered as little as possible with detail, I believe there is sufficient detail for an equitable and just scheme to be worked out. There must be some details left for development by executive regulation which can only be worked out in that way. There must be the definite agreements with the physicians and definite regulations for druggists and nurses, definite regulations regarding surgical appliances, etc., by which the working of a huge scheme of this nature can be brought about. I do not believe, however, that it is necessary to go into further details at this time. I append here a copy of the model health-insurance bill and the medical organization as worked out by committees of physicians and the social insurance committee of the American Association for Labor Legislation.

**TENTATIVE DRAFT OF HEALTH-INSURANCE LAW, SUBMITTED BY THE COMMITTEE ON SOCIAL INSURANCE OF THE AMERICAN ASSOCIATION FOR LABOR LEGISLATION.**

AN ACT To establish a system of compulsory insurance to furnish benefits for employees in case of death, sickness, and accident, not covered by workmen's compensation, and for their dependents in case of sickness and accident, and to furnish maternity benefits, and to provide for contributions by employers, employees, and the State, and to create the health insurance commission.

**HEALTH INSURANCE LAW.**

**ARTICLE 1.—Short title, definitions, and persons insured.**

**SECTION 1. Short title.** This chapter shall be known as the health insurance law.

**SEC. 2. Definitions.** When used in this chapter:

- "Commission" means the industrial commission;
- "Fund" means a local or trade fund, as the case may be;
- "Society" means an approved society;
- "Hospital" includes sanatorium unless otherwise provided;
- "Insurance" means health insurance under this chapter;
- "Disability" means inability to pursue one's usual gainful occupation;

"Employer" means a person, partnership, association, corporation, the legal representatives of a deceased employer, or the receiver or trustee of a person, partnership, association, or corporation and the State or a municipal corporation or other political division thereof;

"Home workers" are persons to whom articles or materials are given out to be made up, cleaned, altered, ornamented, finished, or repaired, or adapted for sale, in the worker's own home, or on premises not under the control or management of the employer;

"Earnings" shall include actual expenditures for or reasonable value of board, rent, lodging, and similar advantages given employees by the employer and gratuities received in the course of the employment from others than the employer.

SEC. 3. *Compulsory insurance.* Every employed person engaged in manual labor in the State, and all other employed persons earning \$100 a month or less, unless exempted under section 4 of this chapter, shall be insured in a fund or society as provided in this chapter.

SEC. 4. *Bailment.* For the purposes of this chapter, any person operating a vehicle or vessel for hire, the use of which is obtained under a contract of bailment, in consideration of the payment of a fixed sum or a share in the earnings or otherwise, shall be treated as an employed person and the owner of the vehicle or vessel as an employer.

SEC. 5. *Persons exempt.* The following persons shall be exempt from the provisions of this chapter:

Employees of the United States;

Employees of the State or of municipalities for whom provision in time of sickness is already made through legally authorized means which in the opinion of the commission are satisfactory;

Inmates of charitable or reformatory institutions when employed for the purposes of the institution with or without maintenance, if provision for maintenance and medical attendance during sickness is made;

Casual employees not employed for the purpose of the employer's trade or business;

Members of the family of the employer who are not paid money wages;

Persons employed as agents and paid by a commission or fees or a share in the profits, where such person is not mainly dependent for his livelihood on his earnings in such or a similar employment.

SEC. 6. *Persons who may be exempted.* The commission may exempt:

Home workers, who, owing to the irregularity of their work or other circumstances connected with their work, can not for administrative reasons be included in the system of insurance;

Persons employed for periods of not over one week at a temporary employment;

Members of religious societies employed in nursing, educational, or other activities of public benefit, who receive no money compensation.

SEC. 7. *Voluntary insurance.* Subject to the conditions of this chapter the following persons may insure themselves voluntarily:

Self-employed persons whose earnings do not exceed \$100 a month on an average;

Persons formerly compulsorily insured who, within one year from the date on which they ceased to be insured, apply for voluntary insurance;

Members of the family of the employer who work in his establishment without wages.

ARTICLE 2.—*Benefits.*

**SEC. 10. Cases in which benefits paid.** Benefits as provided in this chapter shall be paid or furnished in cases of sickness or accident, or of death or disability resulting therefrom, except cases in which any liability for compensation or other benefits is imposed by the workmen's compensation law, or in which liability for damages, compensation, or other benefits is imposed by any act of Congress.

**SEC. 11. Reimbursement of fund.** If benefits in the form of cash are paid to any person by any fund or society under this chapter in any case in which liability for compensation exists under the workmen's compensation law, such fund or society shall to the extent of such benefits be entitled to reimbursement out of such compensation, and upon notice to the carrier under the workmen's compensation law the claim for reimbursement shall be a lien upon the compensation. If other benefits are furnished by the fund or society in such a case it shall, to the extent of the actual expense incurred in furnishing such benefits, be subrogated to the right of the employee or of the person furnishing such benefits to reimbursement therefor under the workmen's compensation law. When treatment in such case has been begun by or through a fund or society the care of the case shall not be transferred to the carrier under the workmen's compensation law except upon the request of such carrier.

**SEC. 12. Minimum benefits.** Every fund or society must provide for its insured members as minimum benefits:

Medical, surgical, dental, and nursing attendance and treatment;

Medicines and medical and surgical supplies;

Sickness benefit to the insured person or the dependent members of his family;

Maternity benefit;

Funeral benefit;

Medical, surgical, and nursing attendance, and medicines, and medical and surgical supplies, for dependent members of their families.

**SEC. 13. Beginning of right.** The right to benefits, with the exception of maternity benefit, begins with the day of membership. The maternity benefit shall be payable to any woman insured against sickness for at least 9 months during the 12 months preceding the confinement, to the wife of any man so insured, and, as respects confinement for a child of her husband, to the widow of any man insured for at least 9 months during the 12 months preceding his death.

**SEC. 14. Medical, surgical, dental, and nursing attendance, and treatment.** All necessary medical, surgical, and nursing attendance and treatment shall be furnished by the fund or society to insured persons and the dependent members of their families, from the first day of sickness or the happening of an accident, provided notice has been given; otherwise from the date of such notice. In case of disability such attendance and treatment shall not be furnished to the same person for more than 26 weeks of disability in any consecutive 12 months. All dental services for necessary extraction and filling of teeth shall be furnished to insured persons by the fund or society. In case the fund or society is unable to furnish the whole or any part of the benefit provided in this section it shall pay the cost of such service actually rendered by competent persons at a rate approved by the commission.

**SEC. 15. Medical and surgical service.** The fund or society, subject to the approval of the commission, shall make arrangements for medical and surgical attendance and treatment by means of:

(1) A panel of physicians to which all legally qualified physicians, surgeons, hospitals, dispensaries, and associations of such physicians and surgeons shall have the right to belong, and from among whom the patients shall have free choice, subject to the right to refuse patients as provided by regulations made under this chapter; provided that no physician on the panel shall have on his list of insured patients more than 500 insured persons with the dependent members of their families, except that for every insured person with no dependents he may have one additional such person;

(2) Legally qualified physicians on salary and in the employ of the fund or society among which physicians the insured person and dependent members of their families shall have reasonable free choice;

(3) Legally qualified physicians on salary and in the employ of the fund or society engaged for the treatment of insured persons and dependent members of their families in prescribed areas;

(4) Combination of above methods.

**Sec. 16. *Nursing service.*** The fund or society, subject to the approval of the commission, shall make arrangements for nursing attendance and treatment with nurses, dispensaries, hospitals, district nursing organizations, or associations of nurses.

**Sec. 17. *Laboratory facilities and specialists.*** The fund or society shall provide proper laboratory and other facilities for diagnosis and treatment, and shall make arrangements with specialists, including dentists, for consultation, treatments, and operations.

**Sec. 18. *Medical and surgical supplies.*** Insured persons and the dependent members of their families shall be supplied with all necessary medicines, medical and surgical supplies, dressings, eyeglasses, trusses, crutches, and similar appliances prescribed by the physician or surgeon. Insured persons shall be furnished with all necessary dental treatment not provided for in section 14 and the supplies required for such treatment. The aggregate cost of treatment and supplies under this section shall not in any one year exceed \$50 for an insured person and the dependent members of his family.

**Sec. 19. *Hospital treatment.*** Hospital or sanatorium treatment and maintenance shall be furnished, upon the approval of the medical officer of the fund or society, instead of all other benefits (except as provided in secs. 27, 32, and 37), with the consent of the insured member, or that of his family when it is not practicable to obtain his consent. The fund or society may demand that such treatment and maintenance be accepted when required by the contagious nature of the disease, or when, in the opinion of its medical officer, such treatment is imperative for the proper treatment of the disease or for the proper control of the patient. Sickness benefit may be discontinued (except as provided in sec. 27) during refusal to submit to hospital or sanatorium treatment. Such treatment shall be furnished during the period for which sickness benefit is payable, and shall be provided in a hospital or sanatorium with which the fund or society has made satisfactory financial arrangements approved by the commission, or in one erected and maintained by the funds and societies with the approval of the commission.

**Sec. 20. *Medical officers.*** Each fund or society shall employ at least one medical officer, who shall be a legally qualified physician and possess such other qualifications as the State medical advisory board may prescribe. The appointment of a medical officer shall be subject to the approval of the local medical committee, but in case of failure or refusal to approve, an appeal may be taken to the medical advisory board, whose decision shall be final. No medical officer shall practice in any capacity under this chapter.

**Sec. 21. Duties of medical officers.** A medical officer shall make such inspections and reports as the local medical committee shall direct, which reports, if of violation of sanitary laws, ordinances, or regulations, and all other reports required by the health authorities, shall be forwarded by the health officer upon such committee to the local health authority; and, upon charges of failure or neglect to make such inspections or reports, a medical officer may be removed by the arbitration committee after a hearing. The decision of the arbitration committee shall be final.

**Sec. 22. Local medical committee.** There shall be in each district formed in accordance with section 60 and in which there is a panel, a local medical committee of not less than 7 or more than 15 members. The commissioner of health in each city in which there is a commissioner of health, or local health officer elsewhere, shall appoint a member of his staff, who shall be a physician, as a member of the local medical committee of each district within his jurisdiction. The other members shall be legally qualified physicians and surgeons, and shall be elected for terms of three years, part by the physicians on the panel of the funds in the district, part by the staffs of attending physicians and surgeons of the hospitals which have made agreements with funds in the district to treat insured persons. The commission, subject to the approval of the medical advisory board, shall determine the proportion of members of the local medical committee to be elected by the panel physicians and by the attending physicians and surgeons of said hospitals. The committee shall elect its own officers and shall serve without compensation.

**Sec. 23. Meetings of the committee.** The committee shall meet at least once every month and may be called together at any time on three days' notice by the chairman or by a call signed by five members. A majority of the members of the committee shall constitute a quorum.

**Sec. 24. Powers and duties of the committee.** All regulations and proposed contracts affecting medical, surgical, or nursing attendance and treatment made by the board of directors of a fund or society shall be submitted to the local medical committee of its district, and shall not take effect until after the next regular meeting of the committee, or unless sooner acted upon by the committee, except that the board may issue temporary regulations for the period of three months. Any dispute in regard to such attendance or treatment or any charge brought against a physician because of his work for a fund or society shall be referred to the local medical committee of the district before action is taken by the board of directors. If the committee and the board of directors can not agree, the matter shall be referred to the arbitration committee.

**Sec. 25. Arbitration committee.** Any dispute between a fund or society and a physician or any dispute submitted as provided in section 24 shall be referred to an arbitration committee, composed of one member appointed by the local medical committee, one member appointed by the board of directors of the fund, and a third member, who shall be chairman, appointed by a judge of the county court or by a justice of the supreme court in counties in which there is no county court. The decision of the arbitration committee shall be final unless an appeal is taken to the commission within 10 days from the date on which the decision is rendered.

**Sec. 26. Sickness benefit to insured.** A sickness benefit, equal to two-thirds (66 $\frac{2}{3}$  per cent) of the weekly earnings of the insured person, shall be paid beginning with the fourth day of disability on account of illness or accident. It shall be paid only during continuance of disability, and shall not be paid to the same person for more than 26 weeks in any consecutive 12 months, and shall



not be paid for more than 26 weeks on account of the same case of disability. This benefit shall be paid to an insured woman when disabled on account of pregnancy, except that it shall not be paid to her during the period when she is receiving cash maternity benefit. The weeks during which sickness benefit to the insured is discontinued because of refusal to accept hospital treatment shall be included in computing the period of 26 weeks.

Sec. 27. *Sickness benefit to dependents.* A sickness benefit equal to one-half (50 per cent) of the earnings of the insured person shall be paid to the dependent members of his family, if any, while he is in the hospital or sanatorium, or while he refuses to submit to such treatment for each week he would otherwise have been entitled to sickness benefit.

Sec. 28. *Certificate of disability.* A certificate of disability shall be issued only by a medical officer, and only after his personal examination of the patient and upon a statement by each attending physician, if any. Sickness benefits shall be paid only upon a certificate of disability. A medical officer may visit at any time persons recommended for or receiving sickness benefits.

Sec. 29. *Computation of benefits.* For the purpose of computing the sickness benefits weekly earnings shall be taken as the earnings during the last six days on which the employee worked full time preceding disability not including earnings for overtime, unless such overtime is a regular occurrence in the employment; but if this computation would be unfair to the employee, his weekly earnings shall be taken as six times his average daily earnings for the days actually employed at full time during the three months preceding disability.

Sec. 30. *Periods of payment.* Sickness benefits shall be paid weekly where possible, and in no case less frequently than semimonthly.

Sec. 31. *Maternity benefit.* Maternity benefit shall consist of—

All necessary medical, surgical, and obstetrical aid, materials, and appliances, which shall be given insured women and the wives and widows of insured men.

A weekly maternity benefit, which shall be payable to insured women only, equal to the regular sickness benefit of the insured, for a period of eight weeks, of which at least six shall be subsequent to delivery, on condition that the beneficiary abstain from gainful employment during the period of payment.

Benefits under this section shall be in addition to all other benefits under this chapter.

Sec. 32. *Funeral benefits.* The fund or society shall pay the actual expenses of the funeral and burial of a deceased insured member, as arranged for by the family or next of kin, or in absence of such by the officers of the fund or society, up to the amount of 100. This benefit shall be paid in case of death of a former insured member within six months after discontinuance of sickness benefits because of the exhaustion of the time limit, provided he has not, within those six months, become insured in another fund or society.

Sec. 33. *Benefits from other sources.* If the insured person receive cash benefits from other sources his sickness benefit under this chapter shall be so reduced that in addition to the other benefits it shall not exceed his earnings. The fund or society may withhold sickness benefit under this chapter at any time until the insured person has disclosed the amount of cash benefit to which he is entitled from other sources.

Sec. 34. *Payment of damages from other sources.* In case the insured person, his heirs or assigns, are paid damages from another source on account of sickness, accident, or death, the fund or society shall be entitled to be reimbursed, out of such damages when collected for the reasonable cost of all benefits given the insured person on account of such sickness, accident, or death.

Sec. 35. *Suspension of benefits.* No benefit shall be paid or furnished to an insured person while he is (1) serving a term in prison, (2) in an insane

asylum, home for the feeble-minded, or a public institution for other defective persons, except that, while such person is in an insane asylum, a sickness benefit equal to one-half of his earnings shall be paid to the dependent members of his family for a period not to exceed the unexpired period for which he would have been entitled to sickness benefit.

SEC. 36. *Assignments and exemptions.* Claims for benefits under this chapter shall not be assigned, released, or commuted and shall be exempt from all claims of creditors and from levy, execution, and attachment or other remedy for recovery or collection of a debt, which exemption may not be waived.

SEC. 37. *Additional benefits.* A fund or society may grant the following additional or increased benefits if the commission be satisfied that its income is sufficient for the purpose:

Extension of sickness benefit to exceed 28 weeks, but not to exceed 52 weeks.

Funeral benefit for members of the family.

Increased amount allowed for medical and surgical supplies and appliances.

Increase in the period of extended insurance.

Dental work in addition to extraction, treatment, and ordinary fillings, either up to a certain amount per year or by contribution of part of the cost.

SEC. 38. *Extension of insurance.* When contributions cease on account of unemployment not due to sickness, the right to benefits under this chapter shall continue in force for 1 week, if the insured person has paid contributions during 4 weeks immediately preceding unemployment, and for an additional week for each additional 4 weeks of paid-up membership during the 28 weeks immediately preceding unemployment.

SEC. 39. *Persons resident abroad.* No person shall be entitled to any benefit while resident in a foreign country, except Canada.

SEC. 40. *Prevention of disease.* A fund or society may, with the consent of the commission, make appropriations for prevention of disease and the education of its employer and employee members in disease prevention and hygiene, and include the amount so appropriated among its expenses of administration.

ARTICLE 3.—Contributions.

SEC. 50. *Apportionment of contributions.* The full cost of insurance provided by this chapter, including contributions to the reserve and to the guaranty fund, shall be borne by employers, employees, and the State in the following proportions: Employers, two-fifths; employees, two-fifths; and the State, one-fifth, except as provided in section 51.

SEC. 51. *Contribution of low-paid workers.* If the earnings of insured persons are less than \$9 a week, the shares of the employer and employee of the amount paid by them jointly shall be in the proportion indicated in the following table:

If earnings are under—	But not under—	Employer (per cent).	Employee (per cent).
\$9	\$8	60	40
8	7	70	30
7	6	80	20
6	5	90	10
5	-----	100	0

The contribution of the State shall remain one-fifth of the total.

SEC. 52. *Amount of contributions.* The amount of the contributions shall be computed so as to be sufficient for the payment of benefits, the expenses of administration of the fund and its reserve, and the maintenance of the guaranty fund.

SEC. 53. *Payment of contribution.* Every employer shall, on the date on which he pays his employees, or at least monthly, pay to any local or trade fund the total contributions due from him and from his employees to such fund. If such contribution is paid at such time, he may deduct from the earnings of any employee the share of that employee in the contribution which shall be in proportion to his earnings, but must inform him, in a method to be approved by the commission, of the amount so deducted. Approved societies shall provide by regulation, to be approved by the commission, for the payment of contributions by their members. The employer of each such member shall be excused from contributing in respect to him to the local or trade fund, as above provided, only upon proof that such contributions to an approved society have been duly made in respect to such member and not otherwise.

SEC. 54. *Rates of contributions.* In funds in which employees in several industries are insured, contributions may be fixed at different amounts for different industries according to the degree of sickness hazard in those industries, and shall be so fixed if the commission finds a substantial difference in the degree of sickness hazard.

SEC. 55. *Establishments with excessive rate of sickness.* If the establishment of any employer shows an excessive rate of sickness, a fund may, subject to the approval of the commission, increase the rate of contribution of such employer in proportion to the excess of such rate of sickness above the normal rate. Such additional contribution shall be paid by the employer without the right of deduction from the earnings of his employees.

#### ARTICLE 4.—*Carriers.*

SEC. 60. *Division of the State into districts.* The commission shall, within six months after this chapter goes into effect, divide the State into districts, no one of which shall contain less than 5,000 persons subject to compulsory insurance.

SEC. 61. *Establishment of funds.* The commission shall before January 1, 1918, hold one or more hearings in each district, notice of which shall be given by advertisement in at least one newspaper published in the district and by any other method approved by the commission, and shall thereafter establish one or more local funds, and in their discretion may establish one or more trade funds in such district. The commission shall then provide in each district for the election of delegates, half of whom shall be elected by employers, half by employees affected, to conventions for each fund which shall have power to adopt constitutions. The expense of the elections and conventions shall be paid by the State as expenses of the commission are paid.

SEC. 62. *Consolidation or division of district.* The commission at any time on its own motion or on the petition of the board of directors of any local or trade fund may consolidate two or more districts, or detach a territory, from one district and annex it to another, or create a new district from parts of several districts or from one district already in existence, and shall make such disposition of the property of the dissolved fund as shall seem to it proper.

SEC. 63. *Establishment of trade fund.* On application of employers whose principal places of business or establishments are within the same district and who employ 250 employees in the same trade or branch of a trade, or on the application of 250 employees employed in the same trade by employers whose principal places of business or establishments are within the same district, the commission, after a hearing within the district which shall be duly advertised and notice of which shall be sent to the boards of directors of the local and trade funds within the district, may authorize the formation of a trade fund

If there be no other trade fund within the district for the trade or the branch of the trade, and if the establishment of the new fund will not impair the solvency of any local or trade fund in the district. The new fund shall receive a proportionate share, to be determined by the commission, of the reserve and other property of each fund to which any of its insured members belong at the time of becoming members of the new fund.

**SEC. 64. *Temporary establishment fund.*** If a sufficient number of persons are employed temporarily, the commission, of its own motion or on the application of the board of directors of any fund affected, may order the creation of an establishment fund for the duration of the work. The commission shall divide any surplus left in such fund between the employers and employees in proportion to the amount of their contribution after having provided for all the obligations of the fund.

**SEC. 65. *Authorization by commission.*** No fund shall begin business until it is authorized by the commission. The commission shall authorize a fund only after approval and filing of its constitution and after the names and addresses of the board of directors elected for the first year have been filed with the commission.

**SEC. 66. *Dissolution of fund.*** The commission may, after a hearing in the district for which a fund is established, withdraw its approval and dissolve the fund:

If rendered necessary by the consolidation or division of a district;

If the number of insured members is so small as to endanger the solvency of the fund;

Upon the petition of a majority of the board of directors or of the committee.

The assets and property of a dissolved fund, after provision for benefits and for the payment of its obligations, shall be divided among the funds and societies which its former insured members join, in such proportion as the commission may determine.

**SEC. 67. *Continuance of existence of dissolved fund.*** A dissolved fund shall, nevertheless, continue in existence for the purpose of paying any existing obligations, disposing of, collecting and distributing its assets, and doing all other acts required in order to adjust and wind up its business affairs, and may sue and be sued for any of the purposes of this section.

**SEC. 68. *Powers of funds.*** Funds shall be corporations and shall have all the power necessary to carrying out their duties under this chapter, including the power to verify by audit pay rolls of employer members for the purpose of determining contributions for which employer members are liable.

**SEC. 69. *Constitution of fund.*** Subject to the provisions of this chapter, the constitution of a fund shall contain:

Name of the fund and location of its principal office;

If the fund is a trade fund, designation of the trade or trades for which it is created;

Maximum percentages of earnings, as provided in sections 89 and 90 of this chapter, at which the regular contribution of employer and employee may be fixed; which maximum, inclusive of the State contribution, shall not exceed 4 per cent of such total, except with the approval of the commission, and shall in no case exceed 6 per cent of such total;

Nature and amount of benefits and length of time during which they shall be given;

Manner of election, number, powers, duties, and time of meeting of the committee;

Number, powers, duties, and time of meeting of the board of directors;

Method of amendment of constitution ;

And such other provisions as may be directed by the commission.

**SEC. 70. Committee of the fund.** There shall be a committee of each fund which shall consist of not less than 20 and not more than 100 members, to be elected in the manner provided in the constitution, one-half by the employer members of the fund, one-half by the employee members. The committee shall cause an audit of the accounts of the fund to be made each year, and shall pass upon the same and upon the annual report and budget of the board of directors.

**SEC. 71. Employers' votes.** Each employer member shall have as many votes for employer members of the committee as he employs workmen subject to the insurance who are members of the fund, except that no one employer shall have more than 40 per cent of the total vote unless otherwise provided in the constitution.

**SEC. 72. Board of directors.** The board of directors shall consist of an even number of directors, not less than 8 and not more than 18, one-half of whom shall be elected by employer members of the committee and one-half by employee members of the committee, and one director in addition who shall be chosen for a term of three years by a majority vote of the directors so elected. No one shall be a member of the committee and a director at the same time and all directors must be citizens of the United States and a majority of both employer and employee directors must be residents of the State. The directors elected by the members of the committee shall be elected for three years, but the directors first elected shall by lot be divided into classes so that as nearly as possible an equal number shall go out of office each year. The compensation of the members of the board shall be not more than \$5 a day for each day of attendance upon the meetings of the board. No director shall hold any other office under this chapter.

**SEC. 73. Removal of directors.** If a board of directors violate or fail to comply with this chapter, the commission may, after a public hearing, remove the directors, appoint temporary directors, and call a meeting of the committee to elect directors to fill the unexpired terms of the directors removed. The directors appointed by the commission shall serve until the directors thereafter elected by the committee qualify.

**SEC. 74. Appointment of directors by commission.** If at any time the number of directors be not sufficient to carry on the affairs of the fund, and if after notice from the commission the committee fail to elect directors, the commission may appoint directors who shall serve until those thereafter elected by the committee qualify.

**SEC. 75. Powers of the board.** The board shall :

Fill vacancies in its own number for unexpired terms, provided that only employers' representatives shall vote for employer directors, only employees' representatives for employee directors ;

Appoint all officers and employees of the fund and fix their salaries ;

Elect a president and secretary from their own number ;

Make regulations necessary for carrying out the purposes of the fund ;

Make contracts with physicians, nurses, hospitals, dispensaries, pharmacists, institutions, and associations, and any other persons necessary for the business of the fund ;

Prepare and submit to the committee annually a financial account and a report for the past year and a budget for the ensuing year ;

Represent the fund and direct and administer its affairs except as otherwise specified in this chapter.

**SEC. 76. Officers' bonds.** All officers of a fund who are intrusted with its moneys shall be bonded for amounts to be determined by the board of directors with the approval of the commission.

**SEC. 77. Reserve.** Every fund shall accumulate a reserve. The board of directors shall transfer to such reserve one-twentieth of the annual increase income of the fund until such reserve is equal to one-sixth of the total expenditures for the preceding three years. The reserve shall be maintained at least at this level. Any surplus which may accrue from the investment of such reserve may be transferred into the general account of the fund.

**SEC. 78. Membership in fund.** Every person subject to insurance shall, by virtue of this chapter and without regard to his physical conditions, be an insured member of the trade fund of the trade at which and in the district in which he is employed, or if there be no such fund of such local fund of the district as provided by the regulations of the commission; provided that while he is a member of an approved society he shall be excluded by the board of directors from membership in a fund. The commission shall provide by regulation for the case of persons regularly occupied at one trade but temporarily employed at another. Membership in a local or trade fund shall cease as soon as the insured person becomes a member of another local or trade fund. Every employer shall by virtue of this chapter be an employer member of all funds of which any of his employees are members.

**SEC. 79. Membership in societies.** A person, subject to insurance, shall become a member:

Of an establishment fund on the day of entering employment in the establishment and shall, except as otherwise provided by law or in the constitution or by-laws, cease to be such member on quitting employment in the establishment;

Of a labor union or a benevolent or fraternal society on being accepted by it, and shall cease to be such member on his resignation or expulsion, except as otherwise provided by law or in the constitution or by-laws.

**SEC. 80. Membership during disability.** Insured membership shall continue during receipt of sickness or cash maternity benefits or hospital treatment or during discontinuance of sickness benefit because of refusal to accept hospital treatment, except that no such insured member shall have a vote or be included in the number of insured members on which the vote of any employer member is based.

**SEC. 81. Residents without the district.** If an insured person reside in the State, but temporarily or permanently outside of the district of the fund of which he is a member, the trade fund of the same trade, or if there be none the local fund in the district in which he resides, shall supply the minimum benefits provided in this chapter and shall be reimbursed by the fund of which the insured person is a member. Other benefits shall be paid in cash if not provided for by agreements between funds or otherwise. The commission shall provide by regulation for insured persons residing permanently or temporarily without the State.

**SEC. 82. Determination of district of employment.** The district in which the establishment in which an insured person is employed, or if he be not employed in an establishment, the district in which the principal place of business of the employer is located, shall be, for the purposes of this chapter, the district of employment, but the commission may for the convenience of administration, either permanently or temporarily, establish as such district that in which the insured member is actually employed or in which his wages are paid.

**SEC. 83. Voluntary insurance.** A person entitled to voluntary insurance must be admitted on application to membership in the trade fund of his trade in the

district in which he is employed, or if there be no such fund, then in such local fund of the district as is provided by the regulations of the commission: *Provided*, That, except for persons who have been compulsorily insured persons within one month, the by-laws of any fund may prohibit the admission to voluntary insurance of a person who has not passed a satisfactory medical examination by its medical officers. The contribution and benefits shall—

(1) Be based upon such an amount of earnings, in the case of a person formerly compulsorily insured, not exceeding the earnings upon which his contributions and benefits were based immediately preceding the date upon which he ceased to be so insured, and in the case of other voluntary members not more than upon actual earnings nor more than \$100 per month, as the member may elect.

(2) Be the same as for a compulsory member of the same trade. The full contribution in the case of a voluntary member shall be borne by the member and the State in the following proportion: The member four-fifths and the State one-fifth.

**SEC. 84. *Loss of voluntary membership.*** A person voluntarily insured shall lose his membership if he acquire membership, either voluntary or compulsory, in another fund or society, or if he be in arrears for one month in the payment of his contributions, unless this period be extended by the fund.

**SEC. 85. *Fines and penalties.*** Funds and societies may fine their employer and insured members and suspend insured members from benefit for violation of their rules or regulations or for fraudulent representations made with the intent of securing or aiding another to secure benefits, in accordance with rules approved by the commission providing for and limiting such fines or suspensions, but contributions will in every case be required in respect of each such suspended member. If an employer fail or refuse to pay any contribution due to funds under this chapter, the fund to which the contribution is due may recover from such employer the whole amount of contributions due from such employer and his employee, with interest at 6 per cent, by suit in a court of competent jurisdiction, and the employer shall not be entitled to deduct any part of such sum from the earnings of his employee or employees.

**SEC. 86. *Approved societies.*** A labor union, a benevolent or fraternal society, or an establishment society shall be approved by the commission only after the local or trade funds affected, and only if—

It is not carried on for profit, but reasonable salaries paid officials shall not be considered profit;

If it is under the absolute control of the insured members in so far as the insurance regulated by this chapter is affected, except that the employer may appoint one-half of the governing body of an establishment society;

It shall satisfy the commission that it is in a sound financial condition;

It grants at least the minimum benefits provided in this chapter;

It has a membership of at least 500 persons insured for at least the minimum benefits provided under this chapter or their equivalent, except that in the case of establishment societies in which the employer satisfactorily guarantees the payment of benefits, the minimum number of members may be determined by the commission.

Its operation will not, in the opinion of the commission, endanger the existence of any local or trade fund.

In case of an establishment society, a majority of the employees subject to insurance request approval, and the employer's contribution be at least equal to that of all the employees.

The approval of the commission may at its discretion be withdrawn at any time upon its finding, after hearing the society affected, that any of the

required conditions are no longer satisfied, or that the society is conducted in a manner prejudicial to the purposes of this law. The commission may, after a hearing, permit an establishment society to accept, on conditions satisfactory to the commission, as members all persons subject to insurance in its district.

SEC. 87. *Employers' contributions.* The commission shall assess upon every employer any of whose employees are insured in an approved society other than an establishment society, a sum equivalent to the employer's contributions had such employees been members of funds. This sum shall be paid in monthly installments into the guaranty fund established by the commission.

SEC. 88. *State contributions.* The State shall contribute to every approved society one-fifth of its total expense for health insurance under this chapter, subject to the provisions of section 104.

SEC. 89. *Wage classes.* A fund or society may, with the approval of the commission, divide its members into wage classes, and fix the rates of sickness and maternity benefits and the rate of contributions in each class.

SEC. 90. *Basis of contributions and benefits.* A fund or society may, for the purpose of calculating benefits and contributions under this chapter, estimate the average earnings in any employment or grade or branch thereof, and on the approval of the commission the average so determined shall form the basis for the calculation of such benefits and contributions.

SEC. 91. *Property of the fund tax free.* The property of any fund, and such part of the property of any approved society as is used for the purposes of this chapter, shall be exempt from all State, municipal, or local taxes.

SEC. 92. *Contributions a preferred claim.* Contributions due and unpaid shall have the same preference or lien, without limit of amount, against the assets of the employer as is now or hereafter may be allowed by law for a claim for unpaid wages for labor.

SEC. 93. *Health insurance union.* Two or more funds or societies may combine for the administration of the medical benefit subject to the approval of the commission. The commission may, after notice to and hearing of the parties of interest, withdraw its approval and dissolve the union, making such disposition of its property as may seem to it in the best interests of the insured.

#### ARTICLE 5.—Commission.

SEC. 100. *Health insurance commission.* The health insurance commission is hereby created, consisting of three commissioners, to be appointed by the governor, one of whom shall be designated by the governor as chairman and one of whom shall be a physician. The term of office of members of the commission shall be six years, except that the first members thereof shall be appointed for such terms that the term of one member shall expire on January 1, 1919; one on January 1, 1921; and one on January 1, 1923. Each commissioner shall devote his entire time to the duties of his office, and shall not hold any position of trust or profit, or engage in any occupation or business interfering or inconsistent with his duties as such commissioner, or serve on or under any committee of a political party. The commission shall have an official seal which shall be judicially noticed.

SEC. 101. *Secretary.* The commission shall appoint and may remove a secretary at an annual salary of \$5,000. The secretary shall perform such duties in connection with the meetings of the commission and its investigations, hearings, and the preparation of rules and regulations under the provisions of this chapter as the commission may prescribe.



**Sec. 102. Officers and employees.** The commission may appoint such officers, other assistants, and employees as may be necessary for the exercise of its power and the performance of its duties under the provisions of this chapter, all of whom shall be in the competitive class of the classified civil service; and the commission shall prescribe their duties and fix their salaries, which shall not exceed in the aggregate the amount annually appropriated by the legislature for that purpose.

**Sec. 103. Salaries and expenses.** The chairman of the commission shall receive an annual salary of \$6,500 and each other commissioner an annual salary of \$6,000. The commissioners and their subordinates shall be entitled to their actual and necessary expenses while traveling on the business of the commission. The salaries and compensation of the subordinates and all other expenses of the commission shall be paid out of the State treasury upon vouchers signed by the chairman or one of the commissioners designated by him for that purpose.

**Sec. 104. Offices.** The commission shall have its main office in the capitol of the State and may establish and maintain branch offices in other cities of the State, as it may deem advisable. Branch offices shall, subject to the supervision and direction of the commission, be in immediate charge of such officials or employees as it shall designate.

**Sec. 105. Powers of individual commissioners.** Any investigation, inquiry, or hearing which the commission is authorized to hold or undertake may be held or undertaken by or before any commissioner, and the award, decision, or order of a commissioner, when approved and confirmed by the commission and ordered filed in its office, shall be deemed to be the award, decision, or order of the commission. Each commissioner shall for the purpose of this act have power to administer oaths, certify official acts, take depositions, issue subpoenas, and compel the attendance of witnesses and the production of books, accounts, papers, records, documents, and testimony.

**Sec. 106. Powers of commission.** The commission may adopt all reasonable rules and regulations and do all things necessary to put into effect the provisions of this chapter.

**Sec. 107. Payment of State contribution.** The commission shall estimate the State contribution annually before the 1st of January of each year and shall, before that date, apportion it among the funds and societies in proportion to their estimated expenditures for the purposes of this act during the year and shall notify the State treasurer of the sum to be paid on March 31, June 30, September 30, and December 31 of the current year to each fund and society. The treasurer shall pay the amount out of the unexpended balance of any appropriation in his hands for the purpose.

**Sec. 108. Guaranty fund.** The commission shall reserve 10 per cent of the contributions of the State to the funds and societies and pay it into a fund to be known as the guaranty fund, from which it may contribute for the relief of any fund or society, on the application of its board of directors after investigation by the commission. A contribution shall be made only where, in the judgment of the commission, the necessity arises from epidemic, catastrophe, or other unusual conditions, and shall never be made where, in the opinion of the commission, the deficit is due to failure or refusal of the directors to levy proper rates of contributions. When and so long as, in the opinion of the commission, the guaranty fund is sufficient, the commission shall make no reservation for this purpose.

**Sec. 109. State treasurer custodian of fund.** The State treasurer shall be the custodian of the guaranty fund; and all disbursements therefrom shall be paid by him upon vouchers authorized by the commission and signed by the chairman or another member designated by him in writing. The State treasurer

shall give a separate and additional bond in an amount to be fixed by the governor and with sureties approved by the State comptroller conditioned for the faithful performance of his duty as custodian of the guaranty fund. The State treasurer may deposit any portion of the fund not needed for immediate use, in the manner and subject to all the provisions of law respecting the deposit of other State funds by him. Interest earned by such portion of the guaranty fund deposited by the State treasurer shall be collected by him and placed to the credit of the fund.

**Sec. 110. Report of commission.** Annually on or before the 1st day of February the commission shall make a report to the governor, which he shall lay before the legislature, which shall include a statement of the apportionment of the State contributions, statistics of sickness experience under this chapter, a detailed statement of the expenses of the commission, the condition of the guaranty fund, together with any other matter which the commission deems proper to report, including any recommendations it may desire to make.

**Sec. 111. Health insurance council.** The health insurance council shall consist of 12 members, 6 of whom shall be elected by employer directors and 6 by employee directors of the local and trade funds; their term of office shall be two years, except that in the first election 3 of the employer and 3 of the employee members of the council shall be elected for one year; they shall receive a compensation of \$5 a day for each day spent on the business of the council and shall be reimbursed for reasonable expenses incurred in connection with such business, to be paid as other expenses of the commission are paid.

**Sec. 112. Officers of council.** The council shall elect a president from its own number; the secretary of the commission shall act as the secretary of the council.

**Sec. 113. Meetings of council.** The council shall meet during the first week of January, of April, of July, of September, each year. Special meetings shall be called by the president on the request of at least 5 members of the council or of 2 members of the commission at any time.

**Sec. 114. Duties of council.** The annual report and recommendations of the commission shall be laid before the January meeting of the council before transmission to the governor, and the council may approve them or make a separate report and recommendations to the governor. All general regulations proposed by the commission shall be laid before the council at a regular or special meeting for discussion before final adoption, except in cases of urgency, to be determined by the commission, and in this case the regulation shall be laid before the next regular meeting of the council or a special meeting called for the purpose.

**Sec. 115. Medical advisory board.** There shall be a medical advisory board of 11 members. The State commissioner of health shall be ex officio a member of the board, 6 members shall be chosen by the medical society of the State, 2 by the homeopathic medical society of the State, and by the eclectic medical society of the State. The term of office of chosen members shall be three years, except that the members first chosen shall choose by lot 3 of their number to go out of office at the end of one year and 3 at the end of two years. The board shall elect its own chairman and other officers. Its members shall be paid necessary expenses, but no salaries.

**Sec. 116. Powers of medical advisory board.** All regulations of the commission relating to the medical benefit and to the relations of physicians or surgeons to the insurance shall be referred to the medical advisory board and shall not be approved by the commission until after the first regular meeting of the board after such reference, unless sooner acted upon by the board, except

in case of an emergency, when the commission may issue a temporary regulation for a period of not over six months.

**Sec. 117. Meetings of the medical advisory board.** The board shall meet at least once every three months and may be called together at any time on one week's notice by the chairman or by a call signed by any five members or by the commission. A majority of the members of the board shall constitute a quorum.

**Sec. 118. Nurses' advisory board.** The State nurses' society shall choose a nurses' advisory board, which shall be consulted on all matters relating to nursing service.

**Sec. 119. Settlement of disputes.** All disputes arising under this chapter shall be determined by the commission either on appeal or in case of disputes between funds and societies, by original proceedings. The commission may assign any dispute, except disputes in regard to the medical benefit, for hearing and determination to a dispute committee composed of one employer and one employee member of the council, and a member of the commission, as chairman, the members of the council to serve in turn on the dispute committee for periods of one month. Either party may appeal to the commission from the decision of the dispute committee within 30 days from the date of rendering the decision.

**Sec. 120. Medical disputes.** All disputes regarding medical benefit, which have been appealed to the commission, shall be referred by the commission to the medical advisory board which shall report to the commission and the commission shall not decide any such dispute until after a report has been made by the board.

**Sec. 121. Suits at law.** Suit shall not be brought in any court on any matter on which an appeal is allowed to the commission, until after a decision by the commission or of a dispute committee, and the statutes of limitations shall not begin to run in such cases until after the decision is filed.

#### ARTICLE 6.—General provisions.

**Sec. 130. Limitation of claims.** No claim for benefit shall be valid unless made to the board of directors of the fund or society within one year from the time when the benefit was due.

**Sec. 131. Disclosure prohibited.** Information acquired by the commission or a fund or any of their officers or employees, from employers or employees pursuant to this chapter, shall not be open to public inspection, and any such officer or employee who, without authority of the commission or pursuant to its rules or as otherwise required by law, shall disclose the same shall be guilty of a misdemeanor.

**Sec. 132. Unauthorized deductions from wages prohibited.** An employer shall not deduct from the wages of an employee any part of any contribution required to be borne by the employer, or make any agreement with the employee for the repayment of any part of such contribution. Any employer who violates this section is guilty of a misdemeanor and upon conviction shall be punished by a fine of not more than \$10. Every deduction or repayment in the case of each employee shall constitute a separate violation.

**Sec. 133. Penalties.** Any person who—

(1) Prevents or obstructs the audit of a pay roll as authorized by this chapter;

(2) Knowingly makes any false statement or false representation for the purpose of obtaining any benefit or payment, under this chapter, either for himself or any other person; or

(3) Willfully violates or fails to comply with this chapter or any regulation or order made by the commission, is guilty of a misdemeanor.

Sec. 134. *Technical rules of evidence or procedure not required.* The commission or a commissioner or dispute committee in making an investigation or inquiry or conducting a hearing shall not be bound by common law or statutory rules of evidence or by technical or formal rules of procedure, except as provided by this chapter, but may make such investigation or inquiry or conduct such hearing in such manner as to ascertain the substantial rights of the parties.

Sec. 135. *When to take effect.* This chapter shall take effect immediately, except that the provisions as to the payment of contributions shall not take effect until January 1, 1918, and the first payment of contributions by the State shall not be made until March 31, 1918; the provisions as to the benefits shall not take effect until April 1, 1918: Provided, That if a fund or society is authorized after January 1, 1918, the provision as to the benefits shall not take effect until three months after authorization.

## **EXISTING CONDITIONS OF MEDICAL PRACTICE, FORMS OF SERVICE UNDER HEALTH INSURANCE, AND PREVENTIVE WORK.**

**BY DR. MICHAEL M. DAVIS, JR., DIRECTOR OF THE BOSTON DISPENSARY.**

In boiling down an extensive subject within the ironclad time limits of this conference I will confine myself to three points: First, I shall try to sketch existing conditions in medical organization; second, to indicate certain forms of service under health insurance in medicine; and finally, to suggest some ways in which preventive medicine may be made an effective part of the health insurance organization.

In relation to existing conditions of medical practice, those who are not in close touch with medical work and intimately familiar with existing medical conditions perhaps hardly appreciate how very complex medicine has come to be. The traditional idea of a large number of practitioners, each serving his special clientele of patients, no longer exists in many communities. I shall very briefly sketch the outlines of the situation and illustrate it concretely by some figures concerning the city of Boston and its vicinity.

The development of medical science has altered the work of the general practitioner both qualitatively and quantitatively—qualitatively, because it has made it necessary for the practitioner if he is to do the best for himself and his patients to have facilities for diagnosis and laboratories and elsewhere and also facilities for treatment. Such facilities for diagnosis and treatment require expensive equipment and special skill. They are expensive to the physician because of the training he must have if he does the work himself and because of the equipment which he must purchase; and they are therefore expensive to the patient who may not be able to afford them if he has to foot the bills himself. If the general practitioner works unprovided with the resources which modern medicine has developed he is not able to do the best, not even the best that he knows.

Quantitatively, the field of the practitioner has in part been taken by three growing branches of medical work: First, the specialist—a dozen kinds of them—each taking one or another field for himself and largely excluding the general man in medicine.

Second, the medical institution—the hospital, the dispensary, or the sanitarium. The growth in the number of medical institutions:

and in the variety of their work in recent years is a very striking development indeed. There is not time to go into the statistics of hospitals and dispensaries in this country, but the figures of even the last 10 years show advance by leaps and bounds. The increase has not been merely in members nor has it been merely in the large cities, although it is in the larger cities, especially in the East, where the hospitals and dispensaries have grown most. The progress has also been in the kind of work, in the development of medical organization, utilizing scientific means of diagnosis—laboratories, X-ray departments, etc.—and also the teamwork of physicians, bringing together the general medical point of view and the points of view of many specialists in one organized whole. So the hospital and dispensary stand for well-equipped charity, not merely for good facilities for surgical or medical treatment, but also for a new type of medical work, that is to say, the organized or cooperative type as distinguished from the individualistic type that is traditionally familiar.

The third agency which has taken a portion of the field from the general practitioner is the public health department. This has taken over the actual treatment of certain contagious diseases and a very large part of the educational work which was done by the family physician through his personal relation to those families who employed him year after year.

Can we evaluate the relative significance of these different functions in medical service to-day? Can we state the proportionate parts which the general practitioner, the specialist, the medical institution, and the public health department perform? We should find it impossible to do this in any general statement. For one reason, they would vary widely in different parts of the country. A highly organized urban community would contrast sharply with most rural communities. Another reason is that we have no statistics from private medical practice. The amount of work done by hospitals, dispensaries, sanitariums, and public health departments can be approximately ascertained, but there are no accessible records of the general practitioners and the specialists.

I can present some figures which are merely illustrative of the medical situation which I have described. They relate only to Boston and I present them with the hope that some one may be stimulated to secure some similar data for some other community.

In Boston, with a population of about 750,000, there are from the most recent local medical directory 2,018 physicians, which means 1 physician to every 352 persons, a very high ratio compared with many parts of this country or compared with the usual ratio in Europe. In Greater Boston, I might add, with a population of about 1,500,000, there are about 2,750 physicians, or approximately

1 to every 548 people; and in Massachusetts as a whole, with about 5,900 physicians, the ratio is 1 to every 624 persons. The divergence in the number of persons per physician is quite considerable between Boston and the State as a whole, the ratio of physicians to population being nearly twice as high in Boston as in the State of Massachusetts outside of cities of 100,000 population and over. The number of specialists included in the city of Boston among those 2,018 physicians it is difficult to state exactly, because it is hard to find out just who are specializing wholly or mainly in a particular branch of medicine. Estimating on the basis of certain sample groups selected from the directory of physicians I came to the tentative conclusion that certainly not more than 25 per cent could fairly be designated as specialists.

The institutional facilities of Boston are unusually good. There are somewhat over 100 hospitals, of which about two-thirds are public or semipublic, the remainder being wholly private. About half of the nonprivate hospitals have out-patient departments or dispensaries, and there are in addition about 15 dispensaries unconnected with hospitals.

Now it is a very striking fact that of the 2,700 and odd physicians in Greater Boston only about 23 per cent are on the staffs of the hospitals and dispensaries. This figure is a maximum, as it includes consultant and honorary positions. Probably 15 per cent of the local profession in Greater Boston do 90 per cent of the hospital and dispensary work. It seems to me this is a point of great importance. The resources of the hospitals, with the exception of the private hospitals open only to physicians whose patients can afford to pay relatively high rates, are practically cut off from 75 per cent of the local profession. If the diagnostic and therapeutic resources of the well-equipped hospital or dispensary and its facilities for consultive and cooperative work are important to patients, and if they are important for the training and personal improvement of physicians, then it is certainly unfortunate that so few physicians have access to their advantages.

The recent sickness survey made in Boston by the Metropolitan Life Insurance Co. showed that among nearly 100,000 persons, about 2,000 were sick and that about 20 per cent of these were receiving care in hospitals. It is more difficult to estimate the number given care in the dispensaries of Boston, but I judge that from 12 to 20 per cent of the medical care of ambulatory cases in Boston is given in the dispensaries of the city.

Thus the great bulk of medical service in Boston—at least four-fifths—is given as individual medical service. Those who are interested in medical institutions sometimes fail to look at the situation from the community standpoint, and forget this highly significant

ratio. On the other hand, it is hardly less important to remember that the important facilities for service and for self-improvement afforded to physicians by hospitals and dispensaries are of direct advantage, in Boston, to only one-fifth or one-quarter of the local profession. Surely this is not the most desirable system for the medical organization of a community. The separation between the rank and file of medical men and those who have access to the best diagnostic resources is a serious fault which should ultimately be overcome by any system of medical organization which is worked out in health insurance. At the present time hospital and dispensary work is generally unsalaried, and only three classes of physicians can afford to do it: (1) Physicians of independent private means; (2) young physicians who are just starting practice, who therefore are not yet busy and who are ambitious; (3) physicians who can earn a good income by devoting only a part of their time to private practice (charging substantial fees which the well-to-do pay). The mass of practitioners have to give their whole time in order to make a living, and while most give a wonderfully large amount of free service in cases of individual need, they can not afford to allot regular periods of time to institutional work.

If medical advantages are to be democratized for all physicians and medical service improved for all the people, hospital and dispensary work must be paid for, so that every physician who is properly trained can have opportunity to gain its advantages. The financial resources of medical institutions supported as charity will be inadequate. The needed change in the system of medical organization can be worked out only by the financial support of the community as a whole, or, better, by placing the major share of the responsibility upon the social factors most directly concerned—the employer and the employee.

A second very serious deficiency in existing medical organization is the lack of direct economic stimulus to good medical service. It does not directly pay the doctor, the employer, or the community as a whole to have good medical service carried out on a large scale—a 100 per cent scale; the same is true in even greater degree in preventive medicine, for under the existing system we do not find an immediate and direct stimulus to those most concerned, those upon whom the burdens of illness especially fall, to prevent disease or to utilize existing knowledge for disease prevention. Unless health insurance supplies such a stimulus, in both curative and preventive medicine, it will fail to meet a need of the first importance.

I have sketched the existing system of medical organization, and illustrated it concretely by some local data, in order to bring out certain general conditions which must be met by any reform movement which is to improve medical service to the mass of the people



in a substantial degree. Let me now make certain detailed applications to the immediate subject of this discussion, the proposed legislation for compulsory health insurance.

Providing the general practitioner with diagnostic aids has already been recognized as a public need, and has been undertaken by public authorities to a limited degree, chiefly in the field of contagious diseases. The provision of laboratory facilities for the practitioner by the public health departments of the city and the State should be extended, and this extension would undoubtedly be stimulated by any properly organized system of health insurance.

In the second place, in communities provided with excellent facilities for diagnosis and treatment in medical institutions, those diagnostic facilities should be dealt with by the carriers in contracts made between the carriers and the institutions, so that the facilities could be made use of by the mass of physicians.

It seems to me even more important that the principle of medical organization according to groups, as well as by panels composed wholly of individuals, should be recognized in the health insurance system. The principle of choice of physicians by patients may reasonably carry with it the principle of choice of physicians by democratically organized groups of patients; and the principle of organization of physicians into medical societies for the purpose of mutual protection and for upholding medical standards may carry with it the organization of physicians into voluntary groups of men associated for the purpose of providing medical service as a group by such cooperative methods as they can best work out. The inclusion in the group of certain specialists would enable the specialist services needed under health insurance to be provided at minimum cost, while at the same time allowing these specialists to contribute in the most effective way to the efficiency of the general medical diagnostic work. The most recent draft of the health insurance bill of the national committee of the American Association for Labor Legislation provides that groups as well as individuals may be registered on the panel. Such groups of physicians might be the staff, or a portion of the staff, of a medical institution, a hospital, or dispensary. They might be a group of physicians who would form their own institution and provide their special facilities, thus practically forming a hospital or a dispensary for certain purposes. In any case, it seems to me, the principle of group practice as well as of individual practice ought to be recognized and given opportunity to develop, exactly as it has during the past dozen years developed even under the individualistic or competitive system of medical organization which is now dominant. Health insurance would bring about a great organization, and any attempt to cut off under this organization the opportunity for further development of group practice would be a grave mistake.

On the other hand, it would be wholly impossible, even if it were desirable, to attempt any scheme which would not make the general practitioner the present basis of the system; because from the nature of the work to be done, and the great bulk of work to be done, we should nowhere have enough resources to do the work without the general practitioners. The practitioner, furthermore, is needed *per se*. He represents the invaluable personal aspect of medicine, which can never be dispensed with. If the medical institution, or group practice, ever comes to replace the practitioner, it must learn somehow to provide for personal relationships to patients as well as for merely efficient medical diagnosis.

Here arises a practical point which might be of some assistance in working out the relationship between the panel physician and the hospital or dispensary. There have been evils in connection with workmen's compensation practice due in a measure to a real exploiting of physicians through the hospitals and dispensaries. Dr. Lambert has referred to that this evening and it was mentioned yesterday. If a patient needs certain medical service under workmen's compensation or health insurance, it is entirely unjust that a medical man should be paid for his work if he gets the patient at home or office, but be unpaid if the patient comes to the hospital or dispensary. All medical service under these forms of social insurance should be paid for. As an aid to effectuating this, it should be possible, and under certain conditions it should be obligatory, that contracts for the performance of medical service in the institution be made separate from the contracts made for covering the board and other administrative expenses of the hospital or the dispensary. By separating the two kinds of charges you make it easy to enforce the rule that the practice under health insurance by the physician, whether carried on in the patient's home, in an institution, or in the doctor's private office, shall be paid for, and paid for at a rate which is equivalent to the service rendered.

Now in relation to the second great aspect of this matter—preventive medicine. I have said earlier that what we need most of all is a motive to prevent disease, a motive that will work all the time. It seems to me that the health insurance system proposed does provide a constant economic incentive, a steadfast economic pressure upon those who have daily opportunity to prevent disease. The same motive would, it seems to me, provide a stimulus to the study of the causes of disease and the enlistment of brains in that study.

Preventive work needs expert guidance by trained public health officers; but prevention largely depends on education, and the spirit of prevention should be infused into all of the medical factors engaged in the operation of the health insurance system. It is not wise to specialize the doing of preventive work too far. The public health

man must lead and direct, but the cooperation of the patient, of the well man who does not want to be a patient, of his employer, and of the average physician who ought to be a teacher as well as a curer—all must be enlisted. Adequate expert guidance means the necessary staff and facilities, and therefore, of course, more money for health departments.

The scheme as outlined by the national committee in Dr. Lambert's paper seems to me to cover the main points of the preventive aspects of medical service under health insurance. There are, however, two or three items to which I should like to add slight suggestions.

In the first place, the medical officers provided for under this scheme, employed by the carriers as the national committee has suggested, might well be required to report certain specified data to the State medical board, or such other body as might be provided, in order that the facts automatically gathered by them in the course of their employment should be of use in the administration of the preventive system under the auspices of the local and State health departments.

In the second place, it seems to me that these medical officers might well be grouped into districts, each under the chairmanship of the district health officer of the State (at least in those States which have full-time district health officers). While such groups of medical officers would be without formal powers, their advisory relationships would be important because of the close connections between the medical officers and the carriers. The personal linking up of these medical officers with the State health department would be of great benefit.

Finally, the medical officers might well be allowed and encouraged to perform such sanitary or other public health functions in the course of their other activities, as might be agreed upon by the carrier with the approval of the insurance authorities, including the State medical board. Their work as sanitary officers would, of course, be under the control of the sanitary authorities of the State.

The final and most important point is that the voluntary consent and desire of the parties in interest is a vital factor in cure, and especially in prevention. In curative work the cooperation of the employee as well as the cooperation of the employer is necessary, not only for reasons which any self-respecting democracy must regard, but is necessary in order that the medical work be efficient.

In preventive work this is even more true. For preventive work, if it depends upon anything, as the layman may regard it, rests upon education. It depends upon an acceptance by the public of the desirability of doing certain things the results of which will appear in the future. Any progressive public health department to-day

knows of more things to do than it can find public support for doing. Its work hangs back, not because of its lack of knowledge but because of its lack of public support; and no system can push preventive work beyond the point that the consciousness of the public, as expressed through governmental authorities and in the general sense of the community, will support. The attempt to push a health insurance system in a preventive direction so far as to involve compulsory elements, enforcing preventive work, will, it seems to me, defeat its own purpose. The same defect is fatal in the plan of extending preventive work through the medium of industrial hygiene departments in business establishments. Unless a scheme of curative and above all of preventive work enlists the cooperation of the worker it can not largely succeed. Unless the scheme is one in which he has a responsible part, it can not enlist the worker's real and continuous cooperation. Unless he has a share in the financial support of the scheme real responsibility can not be had.

What is to be done by medical officers in preventive work for insurance carriers must be done with the consent of the carriers, nay, more, with their comprehension and cooperation, and with enlistment of their initiative, or it can not get very far. On such a basis the work may advance more slowly, but its foundations will be firm. What is to be done by panel physicians, or hospitals, or dispensaries, or medical officers, for the individual worker to make him well or keep him well requires that the worker be regarded not as an industrial pawn but as a man and a citizen. Probably this is, or will become politically necessary, for workers have votes. But whether it will be politically requisite or not, it is medically necessary all the time, for only the worker's comprehension, share in support, and administrative participation can bring him and his fellows into the spirit that is effective to cure and necessary to prevent disease.

## MEDICAL SERVICES UNDER HEALTH INSURANCE.

BY I. M. RUBINOW, M. D., PH. D., EXECUTIVE SECRETARY, SOCIAL INSURANCE COMMITTEE OF THE AMERICAN MEDICAL ASSOCIATION.

[This paper was submitted but not read.]

If there is any one distinctive feature in the American health insurance movement, notwithstanding its careful study of European precedents, it is the great emphasis placed upon the preventive feature of a complete social reform in its relation to public health.

The slogan "health first" promises to become as popular as its predecessor, "safety first," in connection with compensation legislation, and perhaps more productive of positive results. Perhaps it is not universally understood that, in the field of prevention, health insurance must prove a very much more important feature than accident compensation.

The contribution of the compensation movement to the "safety first" ideal is, after all, indirect only. A great deal has been said and written about the advantage of making accidents a burden upon industry and thus creating a commercial stimulus for better accident-prevention work. The possible results of the "safety first" movement should not be lightly disregarded; yet I believe that the extravagant character of those hopes will soon become evident to every impartial student of the movement. Even in Germany, with its 35 years of compensation and accident prevention, much more effective results have been obtained in minimizing the effects of accidents rather than in reducing their frequency, and there is at least a justifiable suspicion that in accomplishing these results medical care was of greater moment than the purely engineering aspects of accident prevention. Be that as it may, the relation between cause and prevention is very much more direct in health insurance than it is in accident compensation.

Every case of illness properly treated is important in itself and a factor in preventing the recurrence of disease.

From the point of view of public health, therefore, the medical benefits are by far the most important aspect of any system of health insurance and this is true even if the financial aspects are considered.

In my computations of the probable cost of health insurance in California, the cost of financial benefits does not much exceed 1½ per cent of the wages, as against 3 per cent for the net cost of the proposed health-insurance system in its entirety. In fact there is a good deal of truth in the pithy remark of one student of the subject that health insurance, as at present advocated in this country, is only one-third insurance and two-thirds cooperation in medical

service. This problem of medical service becomes *the* essential problem of a proper system of health insurance.

Such discussions as have developed within the short period of history of the American health-insurance movement indicate at least three distinct aspects, each more or less independently considered, at least, from the point of view of one who represents at this particular time in an official capacity by far the larger part of the American medical profession:

1. The quantitative aspects of services to be rendered.
2. Organization of medical aid.
3. The method of remuneration of the medical profession.

#### QUANTITATIVE ASPECTS.

It is indeed fortunate that with regard to this most important problem some definite standards have developed. Thirty years ago, when the compulsory health-insurance movement was in its infancy in Europe, it was perhaps possible to consider the medical benefit as a comparatively unimportant detail and to limit that aspect of health insurance to the provision of a doctor's services. The tremendous progress in medical science, which seems to have proceeded at such an accelerated rate during the last quarter of a century, has put an entirely new valuation upon the possibilities of medical aid.

The more important and efficient German funds have adjusted themselves to this new situation independent of any change in the written law, and the failure of the British health-insurance system to take this new viewpoint as to possibilities of medical services is perhaps the greatest shortcoming, among the many shortcomings, of that complex and imperfect piece of social legislation. In the American health-insurance movement thoroughly adequate provision for medical aid has been emphasized from the very beginning and there is little danger that any such limitation of medical aid as the British law contains will be tolerated in any American act. Not only the services of the ordinary family practitioner but also the expert services of the specialist, adequate hospital facilities, and unlimited provision for drugs and supplies must be included in the minimum medical program that any serious advocate of health insurance in this country would be willing to accept. It is more than probable that we shall go even further, so as to include at least some provisions for nursing not only in hospitals but also in the homes of insured wageworkers, and that we shall require dental aid as a part of an adequate medical aid.

#### EXTENSION OF MEDICAL BENEFIT TO THE FAMILY.

The effect of the preventive ideal upon health insurance will be found to be even broader. Very early in the history of the bill, which was introduced in Massachusetts, New Jersey, and New York early

this year, arose the question of extension of medical service to the dependents of the wageworkers. The careful and cautious members of the drafting committee, while admitting the desirability of such extension on general social grounds, were yet afraid of including these dependents in the bill. It was argued that although precedent for such extension already existed in the acts of Hungary, Norway, and Roumania, nevertheless the more important health insurance systems, as, for instance, those of Germany, Austria, and Great Britain, did not make such extension compulsory; that while in actual practice many of the large and efficiently organized municipal funds of Germany did grant such benefits it was a result of development of many decades and it would be safer to leave similar extension to gradual development by voluntary action. It very soon developed, however, that the change in terminology "from workmen's insurance" to "social insurance" was not a change in name only, and that a limitation of the medical benefits to the wageworker alone would be strongly resented by wageworkers as well as by social workers and representatives of public medicine and hygiene.

My own experience in testing as well as shaping public opinion on health insurance matters in the State of California convinces me that it would be impossible to create any general enthusiasm for a law containing such limitation; that the great value of health insurance in the broad national movement for health conservation would be seriously jeopardized unless the wives and children were included.

#### ORGANIZATION OF MEDICAL AID.

Assuming a unanimous agreement that health insurance should furnish its beneficiaries with adequate medical aid, including the right to all forms of relief or cure that modern medical science can offer, the next important question is what should the organization of medical aid or service be in order to accomplish these desired results. This is an administrative problem, to be sure, and perhaps the detailed discussion of administrative problems may appear somewhat premature while we are still in the stage of propaganda for health insurance. Yet the rapidly growing flood of literature on this specific problem indicates its importance and the necessity of arriving at some definite constructive standards. The situation is somewhat complicated by the fact that upon the proper solution of this question depends not only the efficiency of the health insurance system but also the economic interests of the medical profession. It is, of course, obvious that the interests of the profession can not and should not be the most important aspect of a movement which concerns perhaps 30,000,000 wageworkers. Nevertheless no social reform should be advocated without taking into consideration a profession of 150,000

persons since every one of them may be vitally affected by the form of organization of medical aid. Before we are ready to formulate any very definite conclusions it may be worth while to establish a few general principles. The need for social health insurance, as for any other form of social insurance, is based upon the economic status of the classes concerned. The medical benefit is introduced because of the inability of the wageworker to purchase necessary medical aid. A maximum limit of income is usually provided for persons insured because it is recognized that for incomes exceeding that limit the cost of medical aid is not prohibitive.

Upon these principles a fairly general agreement may probably be achieved without much difficulty. In addition, however, a few important considerations have been advanced concerning which there is at present a much wider difference of opinion. It is claimed:

(a) That not only the quantity of medical aid which the working-man purchases but also the quality is very deficient.

(b) That this is true not only of the wageworker but even of the middle class. In fact, the catchy statement is very frequently quoted that "only the very rich and the very poor are receiving proper medical aid," the argument being that the very poor, through properly organized hospitals and institutions, can obtain better services than the middle class through private practice.

(c) That the causes of this low quality of medical service actually received by wageworkers and people of middle class must be looked for in the inherent shortcomings of private practice and the insufficient use of institutional facilities, and also, perhaps, in the low professional standing of a certain proportion of the medical profession in this country.

It is impossible to deny that there is an element of truth in all these contentions. The actual practice of medicine is very frequently far behind the highest degree of efficiency made possible by recent medical discoveries, as indeed the actual practice of any profession must necessarily lag behind its latest scientific achievements. Constructive proposals are presented that the benefits of health insurance and especially of its medical features should be extended beyond wageworkers into the group of persons enjoying middle-class incomes and also that medical services under health insurance should be thoroughly organized on institutional lines. In actual application, according to some enthusiasts, it should mean a body of carefully selected medical officers connected with thoroughly equipped institutions doing the entire work under a system of health insurance. It must be admitted that institutional medicine offers certain elements of efficiency that are lacking in private practice. There is, however, a very serious practical problem involved as to how far this movement for improving conditions of medical practice should



be made a necessary part and parcel of a health insurance propaganda. It is when a practical answer to this question is sought that the interest of the medical profession must be taken seriously into consideration. The entire economic status of a large and important profession can not be revolutionized in a day. Private practice has been and still is the predominating form of practice of the medical profession. Even if that were the only consideration it is doubtful if the health insurance movement in its initial stages could afford to disregard and go entirely contrary to these feelings, even though they were only the prejudices of the medical profession, but as a matter of fact the situation is much more complex. Private practice in medicine exists not only because 100,000 physicians are used to it and prefer it but also because 100,000,000 citizens, or most of them, are used to it and prefer it. A health insurance system affects the interests of most elements of the population in various important ways; and the employees, the employers, and the taxpayers all must be educated to the new principles of compulsory health insurance. Is it desirable at this time to tie the entire health insurance movement to any definite program for reform of the practice of medicine? That a certain tendency toward institutional medicine, toward group practice, toward higher standards of medical education, toward a larger utilization of laboratory facilities, etc., exists is quite evident.

Any health-insurance law which would go contrary to this tendency and commit itself to the system of private practice as has been done in England should be severely criticized, but it is doubtful in my mind whether at this time it is advisable, even if it were possible, to force into health-insurance legislation advanced ideas of what the organization of medical aid ideally should be.

It is easy enough to criticize the principle of free choice of physicians by the patient because of the palpable errors that are made every day in the absence of any scientific criterion by which the layman can exercise this choice, but in the matter of the intimate relation of physician and patient it is much harder to convince 100,000,000 people to relinquish this privilege of free choice.

While the interest of the medical profession may be considered as a matter of comparatively small importance, it should nevertheless be taken into consideration. The profession will insist upon the principle of free choice not only because it is used to the conditions of private practice, but also because it sees in that principle the only guaranty that health insurance will not lead to an exaggerated form of "lodge practice" or reduce the majority of physicians to the status of salaried employees—this being a desirable development in the opinion of some and undesirable at present in the opinion of the majority—and that it may in some way altogether destroy the means of

livelihood of a certain proportion of the medical profession by concentrating the work in the hands of a few. The extreme enthusiasts of organized medicine insist that under conditions of free choice and the preservation of the basic principle of private practice it will be almost impossible to accomplish any improvement in the quality of medical service; but after all, while in any individual case it is possible and even desirable to select the best physician available, the quality of the sum total of medical services rendered to the people of this country will depend upon the efficiency of the profession as a whole as well as upon the facilities with which the profession is furnished. The improvement in the quality will therefore depend entirely upon the raising of the general status of the medical profession. This can not be accomplished through any legislative dictum, and as a matter of fact it is gradually being accomplished through raising the standards of medical education throughout the country. Of course there is, and always will be, a certain proportion of inefficient within the profession, but the problem of elimination of the inefficient is a very much different one from the problem of the organization with the denial of the right of free choice. Here, again, it is well to learn the lesson of European experience, where the principle of free choice has been almost universally insisted upon by the medical profession and is gradually gaining because of the attitude of the masses, notwithstanding the opposition from the management of the health-insurance institutions, an opposition largely based upon the consideration of cost. Yet no one would seriously deny that conditions of medical service in Europe have been improving under health insurance as well as outside of it. The conclusion is therefore inevitable that at present the principle of free choice must be taken as a foundation of medical service organized under health insurance, and that conditions of private practice must be largely left undisturbed for the present; yet it is quite certain that there will be a gradual development of group practice and a gradual increase of institutional medical work—in other words, a gradual organization of medicine—and that the principle of salaried work will probably continue to make inroads upon the established customs of private practice, just as it has done for many years in the past. In fact, the more I consider the problem of organization of medical aid, the more I discuss it with various interests involved, the more I learn of the varied divergent views within the medical profession itself, the more I am convinced of the wisdom of the decision of the social-insurance committee of the American Association for Labor Legislation, in its initial drafting of the bill proposed, to begin with various alternative principles rather than to force only one plan upon the patient and

physician. The best methods of organization of medical aid will be found only through patient experimentation with all available methods.

#### METHOD OF REMUNERATION.

In comparison with the first two problems, the last one, that of the method and amount of remuneration, undoubtedly appears as of less importance if the social aspects of health insurance are considered. From the point of view of the medical profession, however, this must necessarily be a very vital matter, indeed. It would be Utopian to expect a profession of 150,000 to disregard their own economic interest altogether. Such a disregard was not the experience of any of the countries of continental Europe or more recently of the United Kingdom.

Yet it is possible to overemphasize this aspect of the situation, and it is frequently being done not only by the physicians but even by laymen. It is obvious that a proper solution of the problem must be one which will be satisfactory to the physician as well as to the community at large. No social remedy should be adopted without consideration of the economic interests of any professional or occupational group involved. Moreover, it needs no demonstration that the proper development of medical practice depends upon a prosperous medical profession and that a satisfactory organization of medical aid under health insurance can not be expected from an injured or disgruntled medical profession. There are reasons, however, to believe that the problem need never acquire the acute aspect it has occasionally reached in European countries. The paying capacity of the American wageworker is, after all, substantially higher than that of the German. Moreover, the more equitable distribution of the burden between the employer, employee, and the State proposed in most American suggestions, as compared with that in the German act, makes the financial aspects of the problem less important to the wageworker here than it does in Germany. In England the great error of including the premium rate in the law converted every demand of the medical profession for more equitable remuneration into a danger to the entire financial structure of health insurance. It is not likely that such errors will be repeated in this country, and when it is understood that all possible differences of opinion between the medical profession and the insurance carriers as to the proper rate of remuneration may reduce themselves to something between 5 and 6 cents a week to be distributed between employer, employee, and the State, I do not expect that very serious conflicts can arise on that point. No one knows at present what the proper rate of remuneration should be, for no one can tell with any degree of accuracy the amount of medical work that will have to be rendered nor the proper

rate of payment per unit of work which will give the medical profession a fair income. But after all, all these questions submit to a statistical inquiry and determination within the first few years of application of the health-insurance system.

The methods of remuneration of physicians will largely depend upon the particular organization of medical aid. After some 30 years of experience several methods have developed in Europe. Perhaps in this country it may be decided to select one of these standard methods; perhaps we may construct a new and a better one. If full-time physicians are employed they will inevitably be remunerated by definite salaries, and if free choice and private practice remain undisturbed the selection will lie between a capitation and visitation charge. Each of the two methods has its adherents and opponents, and each has its advantages and disadvantages. Perhaps the greatest disadvantage of the capitation system is its tendency to limit the patient to one general practitioner, which is not conducive to the best organization of medical aid. Also, the prejudices of the medical profession against a capitation charge, based upon experience with so-called "lodge practice" will have to be taken into consideration. Perhaps some combination of the two methods, as in the Leipzig and several other German funds, where the total cost of medical aid is determined upon a capitation basis, but distribution of the medical funds among physicians is made in proportion to the amount of work done, may be finally introduced in this country. After all, these are details, and with some 48 jurisdictions drafting the laws and perhaps thousands of mutual funds conducting health insurance, no dead level of uniformity can be expected or should be looked forward to. But with the amount of medical work increasing, as it necessarily must, and all of it being paid at some rate or other, with the amount of medical charity reduced to a minimum, the medical profession must eventually see the advantage of a system that will produce more certain and larger incomes even though services are rendered at a lower rate of piecework. Probably the principle of collective bargaining will be substituted for individual competition, and even though occasional disagreements may arise it is reasonable to expect that any such conflict as there is in England will be avoided in this country.

This optimistic forecast is based, however, upon one very important consideration—the workers, on one hand, and the physicians, on the other, should be expected to agree as to what will be a fair rate of remuneration of medical services, provided there is no intermediary trying to find a source of profit in the organization of medical aid. What the public at large is able to pay for medical aid and what it considers a fair price should go for the benefit of the medical profession. The public should not be asked to pay more than that and

the medical profession should not be expected to be satisfied with less than that. There should be no margin for commercial profit, as little margin as possible for expenses of administration, and none for wasteful competition. Thus, irrespective of many other considerations, the proper organization of medical aid and of payment for same is conditioned upon the elimination of commercial interest from the organization of health insurance.

In view of my official connection with the American medical profession, as secretary of the special committee appointed by the national organization to study this problem, a brief statement of the present attitude of the medical profession may be expected. I think that I may state without exaggeration, that the very appointment of such a committee is an extremely hopeful sign and promises to prevent in this country such conflicts as have unfortunately occurred in Great Britain. At present the American medical profession has no *official* point of view upon the problems involved in the organization of medical benefits. The two comprehensive reports made by the chairman to the annual meetings of the association in 1915 and 1916 are probably well known to every student of the health insurance movement. In addition the committee has initiated a series of publications about social insurance, of which five have already appeared. The character of these publications I believe indicates the spirit of unprejudiced inquiry as to methods, combined with a general support of the movement as a whole, which I think characterizes the committee and perhaps the American Medical Association itself. It may be proper, however, for one who has been in very close contact with this question for some eight or nine months to state certain impressions gathered through meeting physicians in a large number of States, though it should be understood that these impressions may be subject to modification in the near future.

The attitude of the medical profession to health insurance can not be described unless it is first resolved into its numerous elements: The profession's attitude as to the desirability of compulsory health insurance as such from the point of view of the masses and for public health consideration; its attitude from the point of view of a natural and legitimate concern for its own economic interest; its opinions as to the proper organization of medical aid under a health insurance system, if such is to be established.

It need not surprise anyone that at this early stage of the movement there is no unanimity on any one of the above three problems involved, yet a very wholesome growth of sympathy toward the health insurance movement may be observed within the medical profession. That part of the medical profession which may perhaps be best described as institutional—public health officers, hospital officials, and the teaching force of the larger medical schools—

I found enthusiastically in favor of health insurance because of its promises of better medical organization. Physicians connected with industrial plants and in touch with conditions affecting the wage-worker, and the growing number of physicians doing social medical service will form a nucleus for health insurance propaganda within the medical profession. Practitioners of medicine of experience and standing very often are more enthusiastically in favor of it because they themselves recognize that their own services remain unavailable to the working masses except through channels of public or private charity. Though considerable opposition appeared to emanate from the medical profession at the few public hearings held up to date, it usually proved to be opposition to details, with an admission that the general purposes are socially desirable.

It is useless, however, to deny that there is a very decided fear as to what the consequences of a health insurance legislation would be upon the economic and social status of the medical profession within the American community. It is feared by a good many members of the medical profession that in some way health insurance will mean overworked and underpaid physicians, leading possibly to the deterioration of the quality of medical service; and that it will destroy the present independence of the medical profession.

While I am convinced, as already stated, that the development of medical aid under health insurance will have no such dire effects upon the status of the medical profession, one must recognize that certain conditions at present at least explain, if they do not justify, the existence of those fears. To a very large extent these fears are based upon the experience of medical practice under workmen's compensation. Under most compensation acts in this country the choice of the physician is left to the employer, and by him, through an insurance contract, is delegated to an insurance company. In most cases it is a private insurance company operating for profit. In the beginning the medical profession found cause for complaint in the low rate of remuneration established in most States by compensation acts. This was largely due to a comparison with general medical fees rather than with the paying capacity of the injured workman. On the whole, my observations have led me to the conclusion that this cause for complaint is rapidly vanishing.

But another source of irritation has been gradually growing up, and that is, the concentration of surgical work under workmen's compensation in the hands of a small proportion of the medical profession. It is difficult to convince the medical profession that this is due entirely to a desire for higher efficiency, especially considering that the work is often concentrated in the hands which can not claim higher efficiency. Commercial insurance companies operating for

profit can not all escape the imputation of seeking cheapness as well as efficiency in medical aid.

It has been necessary to refer to the controversy concerning medical service under workmen's compensation in order to emphasize its effect upon the character of discussion of health insurance within the medical profession. The most popular note at present is the argument that irrespective of any promises made at this time, what has happened under workmen's compensation is more than likely to happen under health insurance; and that the organization of health insurance will fall, whether intentionally or not, into the hands of private insurance capital; that it will lead to the exploitation of the medical profession in various subtle ways; that it will concentrate the work into the hands of a small proportion of the medical profession and that a good many physicians at present practicing among the wageworkers will find themselves not only with a diminishing income, but perhaps entirely deprived of their medical practice. It is obviously necessary to convince the medical profession in as authoritative way as possible that its legitimate interests are recognized and will be protected, and that there will be no exploitation of the medical profession by private insurance interests.

If the principle of free choice is guaranteed and if insurance capital is definitely kept out of health insurance I think that a great deal will have been accomplished in gaining the enthusiastic support of the medical profession for the practice as well as the principles of health insurance.

## DISCUSSION.

Dr. RICHARD C. CABOT, Harvard Medical School, Cambridge, Mass. If we can find ourselves in substantial agreement on what we want to do, I believe the details of how to do it can also be agreed upon. This afternoon I felt myself in substantial harmony with everybody who spoke except Mr. Hoffman. Mr. Hoffman did not agree with himself. Mr. Hoffman says things are all right as they are. Now if there is anything in the world that we know, it is that things are not all right as they are in this or any other field. I have spent a considerable portion of my life in connection with the sick poor, and if any man or woman who has seen much of the sick poor thinks that they are now getting anything that we can in any wise be satisfied with in the way of medical attention or treatment, then I do not agree with that man or woman. But with the exception of that single statement it did seem to me this afternoon that we did not differ nearly as much as we thought we did.

Most of the gentlemen seem to assume that if we had health insurance we would have to wipe out about everything else that is good. Now if that is so, I do not want health insurance, and I never saw anybody else who did. If health insurance has got to come instead of all that we are trying to do now for the public health, and instead of all the hospitals and establishments and all the things that life insurance companies are doing, then health insurance will not be worth it; but I do not believe there is any necessity for such an assumption.

My chief interest for many years has been this very thing we are talking about here. Long before we talked about workmen's compensation or health insurance I have been laboring over these problems in different fields of medicine. I want the poor to get something good in the way of medical care. I want the rich to get something decent, too. Just now we are talking about the poor, and I am glad of it. I like to see something done for the poor, also the rich, and anybody else. Our medical system is weak now—almost all of it. That is not because doctors are bad, or even because they are ignorant, but because the system is wrong. We are just beginning to see the right system, and those of us who are trying to work under that system do not claim that we ourselves are any better than other doctors. We simply think we have got the better way. When a man is going in an automobile he is going a little



faster than the man who is walking. He does not think he is holier than the man who is walking. He thinks he is going faster because he has organization and machinery under him.

The medical profession is badly disorganized to-day, and it is the only big profession trying to tackle any big problem that is so disorganized. What this bill proposes, and what I have been working for all my medical life, is medical organization for the sake of better doctoring for less money—better doctoring for the rich for less money, better doctoring for the poor for less money. We need it, and we can get it.

Now, it is not because I think all that is being done now, such as was described this afternoon by various gentlemen, is not worth while. I know, for instance, of the magnificent work that is being done by some plants and establishments for their employees. I have seen it at first hand, and I know that we must include it in any scheme that comes about under health insurance. Such work as I have seen done by big manufacturing plants and employers is a thing to be really proud of in this country, and one of the very few things in this country in the way of medical work that I am proud of. Then the work done by some insurance companies, through their nurses, for their policyholders, is magnificent work. The work done through the literature they send out is work which we must continue, which must not be allowed to go down. Then the work that is done by charitable organizations and hospitals is a great work. If we have got to wipe out hospitals, as it has been suggested perhaps we should have to do, by this legislation, then I do not want this legislation; but the greatest hope I have of this legislation is that it will bring about more use of the hospitals, that the hospitals will be used by a great many more people than now use them, and that a great many more hospitals will be built and used. Why? Because hospitals are not merely places to which you can go, if you are so poor that you can not get service elsewhere, but they are places to which an increasing number of people go because they know they can get better service there than from a private practitioner. I know that, because I have worked in both ways. I also know perfectly well, and any honest physician will tell you the same thing, that the work the physician does in the hospital for nothing as part of a hospital group is a much better service than that which he performs for fees alone in his office. That is all wrong, and it is not going to be allowed to continue. Health insurance is one of the ways of changing it, as I believe. That is the reason I feel so strongly about health insurance.

Why do I speak in that way about hospitals? Because a hospital means group work. That is an expression we have begun to use in relation to medicine nowadays, but it is really a very old idea. It is simply the idea of organization, of specializing functions, of the co-

ordination of different men to do a job that is too big for any one man to do. I suppose most of my hearers are laymen. Do you know that there is not any one physician who knows enough to-day to make a thorough examination of the whole of your body when you are well or when you are sick? No one man can do it alone any more than any one man can make a good shoe all by himself in a little back kitchen. We have got to have different people doing different parts of the job, and it is that simple principle of group work by different men who know how to do different parts of the job, that principle which we have in every industry except medicine, that has got to come into the service of the public in health insurance, and I hope in many other ways besides health insurance.

Other schemes were presented to us this afternoon. We had a wealth of material set before us. I do not suppose any of us took in everything presented to us. I am sure I did not. There were several gentlemen who spoke whose ideas I should like to study in print, so that I might digest them more thoroughly. They did not seem to me, as I say, to be nearly so mutually conflicting as they thought; but, at any rate, we have not had time to digest them thoroughly. If any man can show me that all the benefits which can be reasonably hoped for from health insurance can be better obtained in some other way, then I want that other way.

What does health insurance do? I am not going into the details. Dr. Lambert has given them. Dr. Davis has given them. One thing that health insurance will do is to let in the light on methods of medical practice which will not bear the light of day. When you let in the light, they will spontaneously improve. They will improve just because somebody knows about it. Most doctors in this country do not keep any records. I know it and doctors here know it. But you can not do good medical work without keeping records, and if nothing else is done by this scheme except to force some doctors to keep records and somebody else to look at those records, it will do good.

I do not think all our hopes for health insurance will be fulfilled, but even if two-thirds of the hopes fail, there is still enough in the plan to make it better than the present system.

One other thing. Half the suffering that I see among the sick poor, the sick rich, and everybody else, but especially among the sick poor, is mental suffering, anxiety, and the nervous disturbance that comes to the heart and muscles and every part of the body, from emotional strain and worry. Now, the cash-benefit feature of this system, I think, will have a distinct medical effect by diminishing anxiety, by diminishing nervous diseases, and the aggravation of organic diseases that comes from anxiety.

I hope, of course, as all those who have spoken before also hope for prevention. We all of us agree, whatever else we differ on, that preventive medicine is the medicine of the future, that it is the hope of the present, that it is much more important than cure. But this point I want to emphasize: Let no man hope too much to-day from preventive medicine. Not because it is not the best, for it is the best, but because we do not know enough to-day to prevent the most troublesome diseases. If you gave us unlimited money and an infinite amount of such knowledge as we have to-day, focused upon this problem, we still could not prevent a great deal of disease. We could prevent some. We have the means now to prevent a good deal; but if you will study the commonest causes of death mentioned in the United States census, such as hardening of the arteries, cancer, tuberculosis, and pneumonia, you must admit that we do not know enough to prevent them to any extent. We can do something about the last two of them; we can do very little about the others. The more you study these causes of death the more you realize that we don't know enough now to do a great deal in the way of prevention. That does not mean that we are not going to do anything. We surely are. We know to-day how to stop malaria. There is no reason why malaria should exist in this country, and in the southern part of this country it is a perfectly unnecessary curse. We know how to stop typhoid. It is perfectly ridiculous that there should be any typhoid fever in the country. Those are two things which we can do, and which our health officers have been telling us to do and showing us how to do for a long time; and I believe fully, as Dr. Lambert said, that we should link health insurance with the public health service, as well as every other existing agency, to the very limit. I can see no reason why we should not do it.

One of the things which I hope from health insurance is that we shall imitate the United States public service in one other respect, namely, that we should have periodic examinations of all our physicians, and not merely when they are graduated from the medical school, to see if they are good enough to keep up with the times. You know how it is with some branches of the public service in the United States. A man can not be promoted, and he can not go on in the same grade indefinitely, unless he shows that he is progressive and is accomplishing something. Under health insurance it would be perfectly possible to have periodic examinations of all physicians, and nobody ought to be excluded. We need to see whether any of us are worth our salt. I do not see how we are going to get that without health insurance, and it seems to me quite easy to arrange it under such a system.

Another thing. I have often heard physicians say, and sometimes have heard laymen say, in speaking of health insurance, "Oh, yes, we know what that is; that is the lodge system." We know what the lodge system is and the lodge doctor. We all know it is the worst medicine in the world. But I can not see why we should repeat the lodge system. Lodge medicine has no inspection from above. There is nothing to let in the light from above. There is nothing to make doctors keep records or to test them and check them up against the facts. So when anybody tells you that health insurance is a modification of lodge medicine, which we all know of and know is the worst medicine there is, I do not think there is any reason why we should believe it.

The CHAIRMAN. I have frequently met a jury who had Dr. Cabot's ideas about the medical profession—when they were against me.

Dr. FRANK BILLINGS, chairman, council on health and public instruction, American Medical Association. I, too, like Dr. Cabot, have practiced medicine among the poor. I have also attempted to teach medicine for 36 years. As a teacher I have been necessarily a worker in dispensaries and hospitals, and in those dispensaries and hospitals one necessarily comes in contact with the abject poor. Some of the poor go to hospitals because they are penniless and some go there from choice, because they have learned, as Dr. Cabot has said, that the practitioner who is, perhaps, ill paid does not give one the service, even for the small pittance which the poor man pays, that can be had free at the hospital. He goes where he can get into groups of physicians. Anyone who has studied among the poor knows that disease and poverty are skeleton twins in the household, or that one begets the other. Anyone who has practiced among the poor must feel always a desire to help them to get away from those conditions. One who has watched among the poor and seen the worker in an industry pass from an earner of enough to support his family to a condition of poverty, where he is forced to seek public aid, must feel that our existing management of the poor is absolutely bad.

We spend enormous amounts of money for the end results of sickness. It was stated here to-day that Cincinnati has a city hospital costing \$4,500,000. We can go better than that in Chicago. It is true that a great deal of the money spent did not go into the walls of the hospital, but into the pockets of the politicians. Nevertheless it was built for the poor. There is an enormous amount of money spent in other semipublic hospitals and in dispensaries for the care of these people, and in the State of Illinois there is spent for the care of the State dependents the enormous sum of \$5,000,000 a year. In Illinois we have an enabling act by which any municipality or county of a

certain population, or any district of several counties, may by vote make a direct tax for the care of the tuberculous poor. Cook County has adopted the same system for Chicago, and the annual tax amounts to \$1,000,000.

It is intended in the beginning to try to prevent, but in the management of conditions such as they are, it is taking care of the poor and unimprovable—simply easing them toward the grave. Knowing that one necessarily must ask, What means may we take to improve the methods of caring for our sick, not only those who are sick and out of employment, but those who are engaged in industrial pursuits? Naturally the first thought is prevention. As Dr. Cabot has said there has been no great, organized effort in America to prevent. I have not Dr. Cabot's pessimism about our ability to prevent many of the industrial diseases, had we the machinery, had we the opportunity to work it out. I believe that to work it out it must be standardized. I believe that the National Government should have a hand in it. I think we ought to have a department of health. I have long believed that, but if we can not have a department of health, let us have a bureau of health. Let us have something which can not go into the States of course, but which can set a standard in the States, which will enable the health officers of each State to bring to the problem the things which the National Government alone may command, as a part of a scheme to prevent disease among the people, both poor and rich. With such a scheme as that, coordinating with some form of industrial insurance, and that cooperating with existing agencies, a great deal of help for the sick could be worked out.

As Dr. Cabot has said, we must not disturb the agencies already at work. We must not be destructive in what we do, but we must be constructive. There are agencies at work in every big city, and to a lesser degree in rural districts, and there must be therefore a coordination between the city and the country. What are you going to do with your manufactories which are necessarily located outside of cities, in small town, sometimes 20, 50, or 100 miles from the larger centers where there are dispensaries and hospitals worthy of the name? What are you going to do with those people for dispensary and hospital care? There must be some relation drawn between those smaller centers and the big ones.

Dr. Cabot has said to you that a hospital is better than any other form of management of the sick, because it is done by groups of people, making one qualified whole under one management. That is true of some hospitals. Four walls and an equipment do not comprise a hospital; after all it is the organization which comprises the hospital. As my experience goes, that hospital is hardly worthy of the name which alone takes care of the sick. It must investigate as well. It must be a teaching institution. It must be the center of hygienic

teaching of its neighborhood if it fulfills its entire functions as a hospital. Let me relate a little incident bearing directly upon this. In one sectarian hospital in Chicago of nearly 400 beds they had an out-patient department to which students were permitted to go. Students were not permitted to go into its doors. I was on the consulting staff for many years, and fought hard with its trustees to make it a place of publicity—that is the point—of teaching in the institution, and I was refused. Another institution with which I was directly related was a teaching institution with an equal number of beds. The president of the first-named institution came to me one day and said, "We are going to make the hospital a teaching institution. You have been after us so long to do this that I want to tell you why. When our poor people had no money they came to us. We found that many of them, when they had money enough, went to this other institution. We inquired the reason and found that they went there because the professors talked to the students about them, and they got better management. Now if our poor people, when they get money, go to the other institution because they are talked over and because they are publicly examined, then we must make ours a teaching institution, too." In other words, the examination by group individuals that Dr. Cabot has mentioned, can come about only when your dispensary or your hospital is a teaching institution, and you do not have many of those even in big cities. Therefore, when you speak of hospital care under industrial insurance or social insurance, you have a lot of work to do to standardize the institution where the work is going to be done.

I can not conceive of an insurance carried out under any plan without a State head. I believe it must have organization. I can not conceive that you can carry out or standardize sick insurance benefits of any kind unless back of it is the machinery of the State. I can not conceive that you can carry out a thing of that kind unless you can command the full time of the medical officers, at least many of them. I can not conceive that an individual can take enough interest in the sick, in the causes that made him sick, and in the prevention thereof, to remove those causes, to help him fully, without some method that does something more than simply to take care of him when he is sick. It seems to me that prevention and removal of the conditions that made him sick, and the cure of the individual, or rather his management until he becomes well, are one and the same thing, and unless you can command more time than the plan outlined gives I do not see how it is practicable.

I have had something to do with the care of sick among those employed by large corporations. I have had something to do with organizing not only the medical staff to care for the sick, but with examining their employees, to see that they were taken to the proper

hospitals or dispensaries, offering nurses and social service. That works well, but it costs money. The group of doctors get salaries that mean something to them; that enable them to live. The fault with the system, as I see it, is that they examine every applicant for employment and in two institutions that I have looked into pretty carefully something like 10 per cent of the applicants for employment are rejected. Where are they thrown? What becomes of them? What are you going to do with them? It seems me, as Dr. Cabot and Dr. Lambert have said, you have got to cooperate with existing health conditions. The whole machinery is so complicated that it seems to it must be worked out more carefully even than it has been. After all, the medical profession—those engaged in preventive medicine and in the cure of disease—forms the crux of the situation. If you can not get them to do wholehearted work, to do efficient work, that efficiency being measured by the time in which the individual goes back to work and to functioning properly, it will fail.

Dr. B. S. WARREN, surgeon, United States Public Health Service. My interest in health insurance measures is due to its possibilities as a measure for prevention of disease. I see in it wonderful possibilities for the prevention of disease and I would regret very much if anything I should say along this line should be used to prevent the passage of a proper health insurance measure. I want to say that in reply to what Dr. Lambert has stated as to our differences. Now, as to the plan which he says is my plan,<sup>1</sup> I do not claim it for my plan any more than anyone else, but it is just a plan worked out to correlate or coordinate a health insurance system with the State health agencies or the State health departments. In this plan I would make the commissioner of health of the State a member ex officio of the health insurance commission. The director's office I would not divorce entirely, but I would place the clinical provisions of the health insurance system under a medical man and the health provisions under a director for health. Such a plan would necessitate the division of the director's office into three divisions—(1) financial, (2) medical, and (3) health—in charge of three assistants to the director, the chief of the finance division to be a business man, the chief of the medical division to be a physician, and the chief of the health division to be a doctor of public health detailed from the health department. Then I would divided the State into convenient districts and in those districts I would have a district directorate or committees with a chairman or director, and that directorate would administer the medical benefits and supervise the administration of the cash benefits. In the office of the district directorate I would

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<sup>1</sup> See chart facing p. 646.

have one physician to administer the medical benefits and a health expert to administer the health matters. On the board of directors, in addition to the director and the two assistants, I would have employer directors representing each local carrier and employee directors representing each local carrier. Leaving out of consideration the clinical features I would place the medical referee under the supervision and control of the health director. I would also have a sufficient number of medical referees to examine all claimants of cash benefits. Now, I can not see why the medical profession should object to supervision by doctors or medical referees employed by the State any more than they would to supervision by doctors employed by the local fund. This plan leaves the clinical side of the health insurance system to the doctors and it leaves the health machinery to the health expert or the health director and I believe is a decided improvement in the measures proposed.

The provision for adequate financial and medical relief for sickness, nonindustrial accident, and childbearing would undoubtedly prevent much disability. The provision for joint control and maintenance of the funds of employers and employees would furnish a basis for cooperative action and a financial incentive for the prevention of disease. The more extensive statistics of sickness made available from the disability certificates would be of value in epidemiological studies of disease. But it is very probable that these features would develop in local, independent, and unrelated ways, unless provision is made for their proper direction by men skilled in matters of disease prevention. It is not sufficient to point to the workmen's compensation laws and the nation-wide "safety first" movement, and conclude that sickness insurance will automatically result in a "health first" campaign. It must be remembered that loading all the cost of accident upon the employers creates a direct financial incentive for them to prevent accidents, whereas the distribution of cost among employers, employees, and State would necessarily cause a diffusion of the financial incentive, and one should hesitate before forecasting a "health first" campaign. Unless some provision is made for machinery whereby the financial incentive may be organized and given proper direction, and the other forces utilized in the prevention of disease there is little reason to hope for the full preventive effects of health insurance.

To public health officials the question then naturally arises as to what additions and amendments are required to make the proposed measures directly preventive of disease as well as measures for adequate financial and medical relief of sickness. In other words, what machinery is necessary to bring together, organize, and direct the forces which would be created by the enactment of these measures? In view of the fact that the States are already paying for depart-



ments organized for the prevention of disease, it would seem best to utilize these existing agencies rather than create new and independent ones. In States where the health department is efficiently organized it would be easy to extend its operations into this new field of public service. But in those possessing inefficient health departments it would appear that the building up of such would be wiser than the placing upon the State the burden of maintaining two health agencies, each operating independently of the other. This phase of health insurance was considered at the last annual conference of State and Territorial health authorities with the United States Public Health Service, held in Washington, D. C., May 13, 1916, and the report of the standing committee on health insurance adopted by the conference contained the following:

In the bill for health insurance that has been introduced in the several State legislatures the German plan has been followed, the matter of providing medical benefits has been left in the hands of the local bodies, and no provision has been made for correlating the system with existing health agencies. These are serious objections, since without such provision a health insurance law will have little value as a preventive measure, although it may meet with the approval of those who advocate it as a relief measure.

As I have already stated, it was proposed that this coordination of the work of the health-insurance system with the public-health machinery should be effected in the following manner: (1) By providing efficient corps of medical officers in the State health departments to carry into effect the regulations issued by the State insurance commissions and to supervise the medical service; and (2) by providing for a close correlation of the health-insurance system with State, municipal, and local health departments and boards.

To carry this into effect the following plan is suggested:

1. Make the State commissioner of health an ex officio member of the State health insurance commission.

2. Detail a medical director from the State health department to assist the commissioner in supervising the administration of the medical benefits and to act as health adviser and director.

3. Detail district medical directors from the State health department to aid in the administration of the medical benefits in their respective districts.

4. Detail from the State health department a sufficient number of local medical officers to act as medical referees and to sign all disability certificates and to perform such other duties as may be authorized by law or regulation. This would provide a health machine composed of a corps of trained sanitarians subject to control and direction.

To give some idea of the size of such a corps it may be tentatively estimated that it would require one medical referee to every 4,000

insured persons. In a State with 1,000,000 wage earners this would mean 250 local medical officers giving their entire time to the study of the health of the insured persons. This, of course, would be in addition to the medical treatment furnished by the panel physicians.

The objection could not be offered that such a corps would be too expensive, for it must not be forgotten that all the measures now advocated provide for medical referees. The only additional expense incurred by this plan would be for the medical director and the district medical directors. Even if the expense of the whole corps were an additional expense, the cost would not be prohibitive because the medical referees would more than save their salaries in the disallowances of unfair claims. Furthermore, while an estimate can not be made of the amount to be saved by the entrance into the homes of the sick insured person of these health experts, it is safe to say it would be many times more than the sum of their salaries.

The feasibility and the advantage of this plan may be reviewed briefly:

#### CORPS OF FULL-TIME MEDICAL OFFICERS.

The plan proposed above is primarily based on the organization of a corps of full-time medical officers to be detailed from the State health department.

*Qualifications and duties.*—It is proposed to select these officers according to civil-service methods, their qualifications to be based upon their knowledge of preventive as well as of clinical medicine, and to make their term of office permanent after a probationary period of service satisfactory to the health administration, subject to removal only for inefficiency or immoral conduct. It has been suggested that they should be subject to periodic examinations in order to determine their efficiency. Their duties have been outlined as follows: (1) To examine all insured persons claiming to be disabled, and issue certificates in accordance with the regulations promulgated by the commission; (2) to advise with the physicians attending sick members as to measures which will shorten the periods of disability; (3) to advise the administrative authorities and all contributors to the funds as to the best measures for the relief and prevention of sickness, and (4) to perform such other duties as may be fixed by regulations.

*Some advantages of the plan.*—The consensus of opinion among students of health-insurance is that medical referees are necessary for efficient administration, but there appears to be some difference of opinion as to the party to which the referee must be responsible. As Dr. Alexander Lambert has pointed out, "there are three antagonistic

groups in your health insurance law—the interests of the carrier, the workman, and the physician,”<sup>1</sup> and it seems hardly necessary to suggest that the control of referees by any one of these interests might be unfair and very probably would be detrimental to the operation of the insurance fund. On the other hand, if the referees are State officers and employed under the State department of health they would be untrammelled in the exercise of their duties,<sup>2</sup> and would bring to the health insurance system many other important advantages.

This plan can be very easily fitted into the measure proposed by the social insurance committee of the American Association for Labor Legislation by amending the section which provides for the employment of medical officers (medical referees) by the individual carriers so as to provide for their employment by the State under the health department as referred to above. This would be directly in line with the development of public health administration in the United States in which the all-time local health officer is considered the proper unit of a model health organization, since the referees would not only act as medical referees, but would also be the all-time local health officers possessing the authority of the State and also an unprecedented opportunity for preventive work. The advantages of this method of employment are far greater than would be the case if the medical officers were locally employed by the carriers. Among the advantages may be mentioned the following:

1. *In the selection of medical officers.*—The prestige of State appointment and the permanent tenure of office will attract better men at the same pay than would local appointment with a tenure of office subject to the whim of the local management of a carrier.<sup>3</sup> Men of this type are not to be found in every locality, so that the question may well be raised as to whether physicians with the proper qualifications would usually be obtained if employed by the carriers. The probability is great that local politics, personal considerations, relations with other local physicians, and the absence of qualified men in a locality would often interfere with the selection of medical offi-

<sup>1</sup> Discussion in the section on preventive medicine and public health, sixty-seventh annual session of the American Medical Association, Detroit, June, 1916, abstracted in the Journal of the American Medical Association, Sept. 30, 1916, p. 1018.

<sup>2</sup> “Make State officials the referees. The referee is then not considered as one of the medical corps. Because, just as soon as you make the man who decides whether a patient is sick, also decide whether he shall go to work, you incur the expenses and put a possibility of undue influence between the patient and the physicians which is human and can not be ruled out.”—Lambert. *Sup. cit.*, p. 1018.

<sup>3</sup> The tentative draft of the health insurance act submitted for criticism and discussion by the committee on social insurance of the American Association for Labor Legislation provides: “Section 11. Medical officers. Each carrier shall employ medical officers to examine patients who claim cash benefit, to provide a certificate of disability, and to supervise the character of the medical service in the interests of insured patients, physicians, and carriers.” *American Labor Legislation Review*, June, 1916, p. 248.

cers who are qualified to pass on the diagnosis of other physicians, to supervise the character of the medical service, and to initiate and direct measures for the prevention of disease. Certainly the unfavorable experience of small localities, and even of some large centers, in the selection of local health officers has afforded an example in the development of public-health administration in this country which is not without its significance in this connection. If, however, the medical officers are selected as State officials by examination according to a uniform standard of qualifications, the chances for obtaining properly trained men and for eliminating the local obstacles to the work of referees are greatly increased. If the further requirement of special training and experience in preventive medicine is provided, there would be made available for each carrier or local group of carriers a trained health officer who would be skilled not simply in diagnosing disease when it occurs, but also in recognizing and removing disease-causing conditions.

2. *In an organized corps.*—There would be created an organized corps of medical officers with a centralized health administration within State, district, and local boundaries. These officers would constitute a mobile corps, capable of being shifted after specified periods of service in any given locality to other localities. This would tend to eliminate local influence of any sort, increase their independence in action, and permit them to have a better perspective. By this interchange of station the experience of one locality would be more easily available for other localities, and the officers themselves would become better trained and more fully equipped for all of their duties. The very fact that they would belong to an organized corps would greatly accrue to the advantage of their work and of the health insurance system. Inevitably there would be developed a spirit of teamwork, in itself of incalculable value. The opportunity for conference among members of the corps and for the interchange of experience and opinion, which is regarded as so necessary in all lines of service, would be afforded. Progress toward standardization of all practices would be possible.

3. *In completeness and accuracy of statistics.*—The value of the statistics of disability, which have been so generally urged as an important argument in favor of health insurance laws, would be greatly increased if the records were made by trained medical men, organized into a corps. In fact, the question may well be raised whether, except for the increase in number, the reports of disability furnished by medical officers employed by local carriers would be more valuable than the statistics now available. According to the recent report of a committee of the vital statistics section of the American Public

Health Association<sup>1</sup> there were "no plausible guaranty of accuracy in at least 41 per cent of the (death) certificates as now presented to the registrar of records of the New York City health department." If, on the other hand, the reports of disability were made under the supervision of a central authority and by such a corps of officers as has been suggested, there is every reason to believe that they will be more uniform, more scientifically correct, more accurate, and therefore of far greater value for epidemiological purposes than could be otherwise possible. The reports would be subjected to continual epidemiological analysis not only by the local medical officers but also by the district and State medical directors.

4. *In extension of laboratory facilities.*—The diagnostic facilities afforded in laboratories maintained by State health departments would be greatly extended not only by a wider use of existing laboratories but by calling into existence more laboratories for this purpose. The advantages of X-ray, chemical, bacteriological, and biological methods of diagnosis would be rendered available for all persons, instead of for the comparatively few who now obtain this service from public or private agencies.

5. *In making free choice of physicians more practicable.*—With a corps of medical officers to sign disability certificates and to supervise the medical service, the medical and surgical treatment provided for beneficiaries could safely be left to the physician of the patient's choice, and payment made on a capitation basis regardless of whether the patient was sick or well, after the manner of the English national insurance act. This method of selection and payment of physician for the medical and surgical relief would offer every incentive to them to keep their patients well and to endeavor to please by rendering their most efficient service. In other words, such a method would place a premium upon health, so far as the panel physician is concerned.

6. *In the directly preventive character of the work of medical officers.*—It is plain that the activities of these medical officers would be of a distinctly preventive character.

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<sup>1</sup>U. S. Public Health Service Public Health Reports. Sept. 22, 1916, p. 2539. The report said "While completeness of records of death is desirable, it is of no more importance than the accuracy of the causes themselves as stated on the death certificates. The primary necessity for reliable and adequate statement of cause of death is obvious. The high percentage of inaccuracy in certificates of death is well known to registrars, to life insurance companies, and to pathologists, who can compare clinical diagnoses with the demonstrated cause of death at the autopsy. If the 189 titles of the international list are studied in the light of present-day knowledge of clinical and pathological experience, it will appear that there is no plausible guaranty of accuracy in at least 41 per cent of the certificates as now presented to the registrar of records of the New York City health department. In this 41 per cent we find 2,875 deaths in 1914 attributed to causes that can be accepted as reliable only after autopsy and 27,995 which are capable of verification by exact observations as by chemical, bacteriological, and biological tests before death, but, failing such specific proof, represent no reliable statement of death without autopsy.

In order to certify as to disability, the medical officers would have to enter the home of every sick insured person. This would mean that the character of the medical service rendered by panel physicians would be subjected to intelligent survey by independent State officials. It would permit a trained health officer clothed with governmental authority to see the actual conditions under which all insured persons and their families live, and would mean that every patient would have a double service—clinical and preventive. The personal connection between the home and the health officers, which is so greatly desired in public-health administration, would be possible. The value of such a service in the prevention of disease can hardly be overestimated.

For prompt and efficient dealing with infectious and contagious diseases, the presence of a medical officer who is conversant with local conditions, trained in the methods of control and possessing the authority to act, is generally conceded to be the first essential in the eradication of these diseases. It would mean that, equipped with prompt, complete, and accurate reports of morbidity based on the diagnosis of a skilled medical officer, action could be taken early enough to limit the number of foci to the minimum, and thus greatly facilitate the work of restricting the spread of disease. The health agency would thus be placed on the job without loss of time and be in the closest possible touch with the situation. Since the medical officer would be clothed with the authority of the State, he would have the power to put remedial measures into effect, not simply to recommend what measures ought to be taken. In other words, the much-desired all-time local health officer would be provided in every locality where there are wage earners.

As a representative of the State, the medical officer would be in a more independent position to fix the responsibility for disease-causing conditions than he could be if appointed by the local carriers. This implies not merely that he would be unbiased because of his specialized training and his scientific point of view, but that he would represent primarily the interests of the public rather than the interests of any one party involved. "Without fear or favor" he could place the responsibility for conditions where they belong. For example, the presence of harmful dusts or fumes in a manufacturing process, or the lack of screens in the home, or the presence of a polluted water supply, would be fixed as the responsibility of the employer, the employee, the owner, or the local municipality, as the case might be. His work would not be regarded as the efforts of a radical reformer or the welfare activities of an employer. He would not be subjected to such conditions as may impel a company doctor to be more lenient in signing sick certificates in times of labor scarcity, or to be more strict in times of labor

abundance, or as may cause a benefit society physician to be complaisant in signing certificates in order to increase the amount of money relief in "deserving cases." Medical inadvisability to work, rather than inability to work, would more generally be the basis of sick certificates when the referee is subject to State control than if he were employed by the carrier.<sup>1</sup> This would allow time for complete recovery without the charge of malingering.

#### **CLOSE CORRELATION OF HEALTH INSURANCE WITH STATE HEALTH AGENCIES.**

From the foregoing considerations it seems clear that a close correlation of the health-insurance system with State, municipal, and local health agencies would be effective by the plan outlined, and that the disease-preventing efficiency of both would be greatly increased. The medical referees would be selected, appointed, and supervised by the State. The State and district health departments would also be represented in the administration of the health-insurance system.

The organized, centrally supervised corps of State medical referees would be a part of the health administration of the State. They would be local health officers with a distinct and definite field for work. In large centers, a division of the labor of the municipal health officers and the health-insurance medical officers could be made so as to avoid conflict of duties, while in small industrial towns, where there are no municipal health officers or only part-time officers, the health-insurance medical officers could be the local health officers. The possible advantages from such an arrangement at once suggest themselves. It is a well-known fact that in many industrial cities and towns the sections occupied by wage earners, especially the poorly paid, are most neglected from the standpoint of public health. It is with the conditions in these sections that the medical officers detailed to the insurance funds would be especially concerned. Health conditions in factories, mills, mines, and stores would be an important part of their special field of work. In short, that part of the population which now stands in the greatest need of the most careful, scientific, and close personal health administration would be afforded that administration. The contribution to preventive medicine and to public health work which the intimate knowledge gained daily by the visits of trained sanitarians into the homes of wage earners could afford would be almost incalculable. For only by

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<sup>1</sup> Rubinow, loc. cit., p. 1018. "The preventive effect of health insurance can not fully be realized until it is understood that not merely physical disability but medical inadvisability, certified by a responsible medical officer, and subject to rule of reason and review, should be the basis of the sick benefit."

such methods can the tangled mass of disease-causing conditions—such as housing, congestion, insanitary conveniences, diet, and the like—be untangled and proper importance in the causation of ill health be definitely assigned to each. In fact, this arrangement would go a long way in attaining one of the ideals for which all health agencies are striving—the presence of a whole-time health officer in every locality.

#### CONCLUSIONS.

The prevention of disease has come to be thoroughly recognized as essentially a public function. No other interpretation can be placed upon health legislation, upon the trend of the development of public health administration, and upon the character of the modern weapons against disease. If a State health insurance measure, designed to affect a very large proportion of the public, undertakes to be preventive at all it should expect of the State that the State's own machinery for exercising this function be utilized to its fullest extent, in direct and close coordination with the health insurance machinery for distributing the cost of sickness. The question is of the method by which the public health agencies can serve the health-insurance system and yet be working in their legitimate field of service—the care and improvement of the public health. It is believed that the plan of coordination which has been reviewed in the foregoing pages constitutes a method which is at once feasible and of great advantage not only to the work of preventing disease but to the popularity and efficiency of the health-insurance system itself.

Dr. LOUIS I. HARRIS, Department of Health of the City of New York. It is proverbial that doctors disagree, and in order that that proverb may not suffer by default, I am going to disagree with certain of the statements made by Dr. Cabot in particular. I am speaking now in my unofficial capacity as a man and as a physician. Dr. Cabot has opened the family closet and has brought to light the family skeleton. He sees many skeletons. Now though some of us have read the popular magazines and have perhaps become familiar with some of the cynical utterances of Dr. Cabot about the low estate to which the doctor has fallen, yet I should feel that it would be indeed a sad day if the doctor, one of the important instruments in the administration of health insurance, should it come to pass, is found to be absolutely wanting. I have yet a certain fundamental faith, a certain fundamental loyalty, a certain fundamental reverence for the doctor at his best, and the good doctor is to be found in practically every community. Not every doctor may be a good doctor, but a good many of them are; in fact, there are enough of them to win the tribute of respect that they richly receive. So much for that.



Dr. Cabot wants a periodic examination of the doctors. That is a splendid idea; but will you open your hospital and let the average doctor who lacks personal charm and who lacks social prestige enter and enjoy all the opportunities that are so richly and abundantly provided? When you do you will get splendid doctors. By all means give them periodic medical examinations. Throw open to them, however, the portals of the hospitals, and let them do the splendid work of which so many of them are capable and you will be able quickly to separate the competent from the incompetent; and I think in time it will be found that the competent will probably greatly increase in number. There is food for thought in this for those doctors who, like Dr. Cabot, have acquired a rich measure of respect, and who hold splendid positions which they would not yield to anybody else, so that those others might acquire the experience so sorely needed by a great many doctors.

Of course the group idea in medical treatment is an excellent one, and a great deal of the work that has been done is splendid. But assuming that you were an employer of labor, and a crane was out of order, I do not believe you would want an architect, a sanitary engineer, a shop foreman, and a whole host of administrative officers to be called in as a group to determine how to fix the crane; and a great many of the ills that flesh is heir to are such as can be diagnosed by men competent in the ordinary sense. They require no group for their treatment. The idea can be pushed to extravagance.

Dr. Edsall has done wonderful work in occupational disease, and would that all physicians were aware of the value of it.

"The survival of the fittest" is a law of nature which has had a large share in shaping the history of society. A social conscience which was born centuries ago and for which men were crucified and suffered martyrdom is to-day no longer a private virtue but a public duty. Social insurance is just one expression of that new sense of responsibility of the community and of government.

The extremists have tugged hard at this conference, reflecting in a small way the tug of war that is now so intense between the opposing interests of labor and the directors of labor. Neither all the truth nor all the error lies one way or the other.

One gentleman stated that they bore false witness who asserted that poverty was widespread in America. He had visited many homes and knew better. At last reports there were still a few trustworthy men and women who could testify that poverty is not yet extinct. Even a few of the most radical political school have begun to doubt whether their panaceas will succeed in eradicating it.

Occupational diseases are not a "gold brick," as one speaker termed it. The men who, as a result of the use of wood alcohol in industry, have within a few hours died from the effects of its inhala-

tion, or have been made permanently blind are, to use a grim characterization of Prof. Jacobi's, 100 per cent dead. The 3,692 men known as sand hogs whom Dr. Loomis treated for bends as a result of digging tunnels for a certain railroad company, or the several hundred in New York City who were likewise affected during the last year, would not perhaps agree that health insurance is a "gold brick." They feel perhaps that they are holding such bricks now. The men who have died from anthrax as a result of handling hides, Chinese, and other hair, etc., might have a contrary opinion; as would also the hatters who have the shakes from mercury poisoning.

As one who has inaugurated one of the few occupational clinics in this country I may venture to assert that the district occupational disease diagnosis station and the hospitals that specialize in this can at best be only research stations to guide the factory owner and the workers by educational work and doctors, too. As a substitute for health insurance they will be at best wholly ineffective. Workers will not voluntarily come to them. We have gone through our city drumming up employers and drumming up labor unions, using our best efforts to persuade them that here we have something to offer them, from which they might be led to a better understanding of the hazards to which they were exposed, and through which the owners of factories and the managers of factories and the workers as well might perhaps learn how those hazards might in a measure be mitigated. While we examined over 42,000 people in our first year, few of these came voluntarily to our clinic for examination or were sent for the purpose by their employers. If such clinics are to be free from undue influence exerted by those who may desire to have it proved that certain industries are not hazardous, or by the laboring men who may wish to secure an extreme indictment of sanitary conditions and methods in certain factories, they must remain stations for impartial, dispassionate study, and for the education of all concerned.

The factories that have established voluntarily a department for the industrial hygienic care of their workers are doing a splendid bit of work, and they deserve the highest commendation. But that is no substitute for health insurance any more than would be the best sort of businesslike administration of government by private groups. As Dr. Alice Hamilton has said, the worker is at least a party of the second part, and would like to have a chance to cooperate in the arrangement. He would like to have something to say of the terms which he will accept before affixing his signature. And so as to mutual-benefit organizations. I once fell into great disrepute with one of the organizations, whose chief function it is to bring about picnics for workers and to organize brass bands, by saying that much of the stuff that is called welfare work consists really after

all of palliative measures, and must be so regarded. I really and truly appreciate them immensely, but they are lollypop remedies. Before the days of anesthesia an old method of surgical treatment was to allow certain young patients to suck most diligently at a little candy stick, and meanwhile you could do a few minor operations. That was the old practice, and that is practically true with reference to some of the welfare work. At best it is only a palliative and a substitute for better wages, better housing, and many other benefits that are perhaps associated with higher wages and other conditions too intricate and complex to be dealt with or enlarged upon here. But they are all important. I was sorry to hear Dr. Geier this afternoon say he had lost enthusiasm. I think it was just a momentary spiritual torpor. I am still youthful enough to regard enthusiasm as an important part of public work, and it is sometimes a good thing to see elderly men who are still youthful. Dr. Edsall, Dr. Billings, Dr. Kober, and a long list of others whom I might mention, are men of enthusiasm. I believe that progress will go on. I am firmly convinced that all the splendid things that are so essential to our welfare will not be abandoned. I have that confidence, and I will not abandon it until I must.

The doctors must share in this work of social progress. Are they ready? Yes; some were ready long ago. Some of them are unprepared. Some of them are not well educated. It is easy to speak in the most cynical fashion of those who are less fortunate than ourselves. Let us not do that. That is not constructive criticism, and we need constructive criticism as well as destructive criticism. You will have health insurance and preventive medicine at its best if you will cooperate with the doctor, for you will find that he will indeed become the best instrument for preventive medicine, for clinical medicine, and every other kind of medicine that the Government or society may call upon him to administer. So the doctor is not after all a creature who is to be looked upon with scorn, or to be exalted too high. Let us not be too extreme one way or the other. He is a human being, and thoroughly human. As I say, the doctors must share in this work of social progress. Some of them have been ready a long time. Dr. Edsall has not been working alone in the Massachusetts General Hospital. He has had companions. He has had young men who have been reflecting the influence of his instruction and guidance, and they show us what can be done with the profession at large.

This social insurance measure should not be rushed through. That is a most important thing, because there are so many defective things about it. There is the limitation of 26 weeks' sick benefit, as if the disease that is encountered in the course of industry will voluntarily submit to being cured within the legal period and automatically

cease at the end of 26 weeks. We can not leave a man stranded after 26 weeks.

No provision is made for the unemployed. To the unemployed the framers of this measure, to paraphrase the old vulgar song of the street, say "If you have no money you needn't come around"; if you are unemployed, you needn't come around. It is our obligation to take care of such men.

Now, finally, I will speak of the part the departments of health should play. The health department must be an integral part of the social insurance system. If its function is the prevention of disease, then how can it fulfill it unless it is a part of the machinery, of which social insurance is another part, for the prevention of disease? The highest function of the manufacturer, the highest function of society and of its health departments is the prevention of disease. There should be a system of penalizing those manufacturers in whose places the conditions are the worst, and the penalties should be lifted from the shoulders of that manufacturer in whose plant conditions are splendid and fine, as indeed they sometimes are. The law should make some distinction between different types of manufacturers. How can departments of health prevent disease unless they are all intimately associated with the system, and help administer that part which will give them an idea of where the dangers exist? The important thing, then, from the health point of view is that the health department shall be intimately and vitally associated as a part of the machinery of social health insurance, acquiring that knowledge of disease and health hazards that will enable them to fulfill their highest function and their highest duty, stepping into factories and mercantile establishments, and using the law as far as public opinion will permit them to correct conditions which need correction and to protect the health of workers. That is a function which I can only suggest and which you, I think, must help to make good—all of you who are interested in the constructive features of this measure.

The CHAIRMAN. The subject will now be thrown open to general discussion, and I will call upon the gentlemen who have sent up their names here.

DR. EDEN DELPHEY, New York City. I should rather defer my remarks and allow Mr. Dawson to speak first for the reason that I have asked him his opinion about a certain matter which has been brought to his attention.

The CHAIRMAN. Dr. Delphey yields to Mr. Dawson.

MILES M. DAWSON. I wish to say that the papers which we have heard to-night are to my mind absolutely high-water mark compared to everything that I have ever heard anywhere on social insurance.

I have not the least disposition to decry the meetings of the international congresses abroad, or any other meetings in this country. but the papers which I have heard here to-night are absolutely the best I have ever heard on the subject.

The thing which Dr. Delphey asked me to express an opinion about is the following proposal—that the insurance carriers shall make all contracts for medical attendance and treatment only with organizations composed of the physicians of one or more panels in an insurance district, to which organization every panel physician must belong.

As I stated the first time that Dr. Delphey brought forward this or a similar proposition, I am very much in favor personally of the panel method, which means that all the physicians of the community who are willing to practice under the health-insurance law shall send in their names, and being legally qualified are permitted to practice until something occurs which causes them to be barred from such practice by competent authority.

I think the question about which Dr. Delphey has asked has really been answered by the preceding speaker. It would be unwise to fasten up a plan of this sort to a single method of procedure, namely, collective bargaining with physicians who might not be willing to collect themselves in order to bargain. It is one way, and it is a way which will doubtless very frequently be used. In some cases it will not be used in the form of collective bargaining, but by the determination by the fund of what it is willing to pay, and by those physicians who are willing to work upon those terms, working upon those terms. I have, as some of you know, represented the railroad brotherhoods recently in this 8-hour matter in a legal capacity. I have great confidence in the wisdom of the men at the head of those organizations, and I am very much in favor of union labor; but I should be exceedingly sorry to see, instead of the law which was passed, for instance, a law which would compel all the railroad companies of the United States to deal only with the unions. In like manner the law should not compel the health insurance funds to deal only with a doctors' union.

I was exceedingly interested, and I always am, in what Dr. Warren had to say. The difference between Dr. Warren and our committee is a very small difference, a difference which it seems to me ought to work itself out in practice. We consider that the medical officer is especially a man employed by the health insurance fund to examine persons and report whether they are entitled to cash benefits, and then to keep in touch with them and examine them finally to report whether they are ready to go back to work. We are perfectly willing, according to our view, that provision should be made for such officers being ex officio health officers of the State, for the purpose of

reporting everything that the health department may require. It seems unwise in the extreme that they should be paid by the State. In the first place the State would probably be unwilling to do it; and if it should be willing to do it, that would remove them entirely from the control of the institutions whose funds they would be disbursing, and they would be the real disbursing officers. It would also put them in a position where they would be free from control, and could not be required to make reports promptly, and in many ways it would prove unworkable. On the other hand, if these were ex officio health officers they could be kept under the control of the health department as regards their work for it.

The limitation of 26 weeks has been mentioned, and I wish merely to say that all the members of our committee would be perfectly willing and, indeed, very glad, to see this extended to cover permanent invalidity as well as sickness. That is one of our standard provisions. The only reason it has not been put into the bill is that the general impression throughout the country was that we had better try to handle temporary sicknesses and short period matters first. We understand perfectly well that there are other things to be done in social insurance, and that one of the early things to be undertaken is invalidity insurance. If it should be preferred in any State, our committee would be willing to undertake a revision of the bill so as to provide for invalidity insurance in the health insurance bill.

Dr. DELPHEY. AS I said this afternoon, I believe my position here is unique; that I am the only person present who represents the physicians who will do the work under the proposed law; that I come "as one sent."

This is the most important subject that has ever come before the medical profession. I have studied the subject most intensely for some time and am a member of the health insurance committees of two different organizations of medical men. I have heard Dr. Lambert speak on the subject four times and Dr. Lambert has heard me speak on the subject four times. Every time I feel that we are getting nearer and nearer together, and we are very close together now. Twice I have used the quotation from Mr. A. S. Comyns Carr about the physicians being regarded as "amiable weaklings in business matters, easily gulled by piteous tales and flattering remarks about the magnanimity of the profession," and to-night he uses the same quotation; so you see we are even using the same language.

Whether we are in favor of compulsory health insurance or whether we insist that we shall have more time to carefully study the subject in order that we may determine what is best not only for the physicians but for the sick insured wage earners also, there are

five fundamental propositions which we insist should be inserted into every health insurance bill which is presented to the legislatures:

1. Adequate and proper representation on the commission, councils, and on all other boards having to do with medical matters.

2. The formation of lists or panels of physicians, on which lists or panels every legally qualified medical practitioner shall have the right to have his name recorded.

3. The sick insured wage earner shall have the right to choose any panel physician on any panel to attend and treat him, subject only to the acceptance of the patient by the physician.

4. The insurance carriers shall make all contracts for medical attendance and treatment only with organizations composed of the physicians of one or more panels in an insurance district, to which organization all panel physicians must belong.

This last clause may sound like unionism. I do not mean to threaten but merely to predict that after this law is enacted, if it ever is enacted, it will be a very short time before the insurance carriers will try to grind down the physicians, getting them to engage in a scramble for the opportunity to engage in the practice of medicine among these wage earners. The result will be that the physicians will get together, organize, and then we may have strikes just as the doctors have struck in Leipzig, in Berlin, and in England. We do not want to strike. We want to have such an article inserted into the law so that we can go to the carriers and say, "Gentlemen, let us bargain together." The law makes the wage earners join together for collective bargaining; let it do the same for us. Reference has been made to the Brotherhood of Engineers. What would you think of a law which would compel the railroad managers to combine for collective hiring of the engineers and left the engineers out of consideration? What would have happened in the late cloak makers' strike in New York City if the law had compelled the manufacturers to combine and had left the employees separate? Do you not think the workers would soon organize and strike for their industrial freedom? We want to avoid that waste of energy and it can be done only by making the contract in that manner, with the organization composed of the panel physicians. Then the doctor can do the work wherever he pleases. He can do it at the patient's home, in his own office, at a dispensary, or in a hospital, according to the necessities of each individual case. He is the one to get paid for the medical attendance and treatment; the hospital or dispensary simply furnishes the place, the board and lodging, and the nursing, and is paid for those things only. The compensation for the medical and surgical services should be entirely divorced from the compensation for the hospital care.

5. Impartial referees—medical officers—appointed by the commission and paid by the State, who shall decide when an insured wage earner is incapacitated by illness, when he has recovered and can return to work, whether he shall remain at home or go to a hospital, and who shall act as experts for the commission, councils, etc., and perform such other duties as the commission shall direct.

This is quite different from the proposition in the tentative draft. There the physician is to be employed and paid by the insurance carrier. What will be the result? If a person is employed by certain interests he will work for those interests and no matter how good a man the doctor may be he can not help having a leaning toward the interests of the man who employs him. That is perfectly natural, for the human factor is very strong whether the man is a physician or not. Such a system would tend to coerce a man to return to work sooner than he ought and that must be avoided.

There are other matters which will come up for determination, among which are:

1. The maximum number of patients which any one physician can properly attend and treat.

2. The method of compensation to the physician, whether it shall be by a capitation fee, a visitation fee, or by a capitation fee plus a small visitation fee to prevent trivial and unnecessary calls.

3. The arrangement for the treatment of the sick wage earner by specialists, consultants, attendance by nurses, and for laboratory service.

4. The determination of the status and relation of the panel physician to the hospitals caring for the sick wage earner, whether these hospitals now exist or are to be created.

This is the subject on which Dr. L. I. Harris spoke so eloquently. If more physicians were engaged in hospital practice as attending or assistant attending physicians they would have more opportunity to study and learn and would be more competent.

I do not know whether having the doctors examined periodically would work out or not. Some years ago, before I studied medicine, when I was a pharmacist, the State wherein I resided passed a pharmacy law and appointed a board of pharmacy. The members of this board got up a lot of questions for the candidates. One of the members of the board jocularly remarked: "Suppose we try our own questions." They did so and to their surprise and disgust they could not pass on their own questions.

The method of remuneration, whether by capitation fee or otherwise, will be determined by the contracts with the panels, each panel being able to choose whichever method it thinks best. Other matters can well be left to the determination and direction of the commission, as they are largely matters of administration. But the five funda-



mental propositions must be incorporated in the law in order that it may be just, fair, and equitable to the physicians doing the work. The one on which we especially insist is: Collective bargaining by the physician as well as by the patient.

The following is suggested as a working plan for the organization of the commission, councils, etc., for the application of a compulsory health insurance law in so far as it affects medical men, and one which the writer believes to be better and fairer than the one recommended by the American Association for Labor Legislation:

1. Temporary commission (four members) appointed by the governor of the State. Chairman, representing the State; member, representing the employers; member, representing the employees; member, representing the physicians, made from nominations by the State medical societies, and who must be a physician in active general practice at the time the law is enacted.

2. Permanent commission (five members) appointed by the governor of the State. Chairman, representing the State; member, representing the employers, from nominations made by them; member, representing the employees, from nominations made by them; member, representing the physicians, from nominations made by panels; the State commissioner of health, ex officio, who shall have a voice and vote in matters of sanitation and public health only.

3. Supreme council (seven members) appointed by the commission. Chairman, representing the State; two members, representing the employers, from nominations made by them; two members, representing the employees, from nominations made by them; two members, representing the physicians, from nominations made by panels.

4. Superior councils (three to ten in the State; seven members each) appointed by the commission. Chairman, representing the State; two members, representing the employers, from nominations made by them; two members, representing the employees, from nominations made by them; two members, representing the physicians, from nominations made by panels.

5. Panels in each insurance district. The panel physicians shall organize and may, with the consent of the commission, perfect a complete State organization in order to weld themselves together for the purpose of better carrying out the application of the law.

All purely medical questions decided by the referees may be appealed to the panel, the superior councils, and the supreme council, in succession; and when and if the decisions of the supreme council are approved by the commission, the result shall be final. In all disputes between the panel physicians and the insurance carriers appealed to the councils, etc., the physicians in the councils and the commission shall each have two votes in order to equalize the voting power of the disputants.

The commission shall have general administrative control and direction of the entire enforcement of the law, and its members shall be appointed for varying lengths of service so that the term of no two of them shall expire at the same time.

The councils shall have consideration of the disputes appealed to them, the approval of the regulations suggested by the insurance

carriers or the panel physicians, and such other matters as may be referred to them by the commission.

The CHAIRMAN. We will next hear from Dr. Otto P. Geier, of Cincinnati, Ohio, the gentleman who is said to have lost his enthusiasm this afternoon; but I have some evidence which I am not going to disclose, that between the close of the afternoon session and the opening of this session he recovered his enthusiasm.

Dr. OTTO P. GEIER. This has been a very instructive evening. The doctor who called attention to my spiritual torpor was, I am afraid, taking a little nap this afternoon preparing for his wonderful flight of ideas this evening. At least I assume he did not follow me in the points I tried to make in reference to the particular subject to which I addressed myself this afternoon. Coming, however, to the things before us this evening, the cry has been all through for adequate medical service. The doctors have sat in judgment upon themselves to-night and have frankly admitted that there is no such thing to-day as adequate medical service. I want to enter my plea that we, the medical profession, who are to uphold the structure of this supposedly much desired sickness-insurance program, shall first clean house and prepare ourselves, and be ready to be of real service in the matter of improved public health as well as to the institution of social insurance.

I certainly want to commend Dr. Warren for bringing to our attention the absurdity of separating social insurance from the health department service. As a matter of fact, of course, we must start out with this hope that social insurance is at least going to socialize medicine. If it does not do that, then of course the particular social insurance scheme that is handed us is really a gold brick. And let me plead again with you to listen to Father Warren on this matter, and be sure to adjust any scheme of social sickness insurance to that of making the health department a definite arm of the service.

I can not see how you are ever going to hope to build up something for society which is at all worth while in the direction of a health department unless you give it more funds. The previous speaker said, "Give the health department motive." Yes, and let us give it something else—money. And that one thing all our health departments to-day are not receiving. They may have plenty of motive, but they have got to have motive power, too, and that is money. Let us give our health department that first. And why not organize now? Let us get this matter in such shape that when health insurance comes our health departments will be ready. They can hire just the same people, the same diagnosticians, as would be secured in the group plan or system outlined by Dr. Lambert.

I am just reminded of one other expression from the enthusiast up in New York, who says he is running an occupational disease clinic which is not well attended. He spoke of the lollypop method of the industrial welfare agency in making a success of their work. Possibly, since he himself testifies that industry has succeeded so well, he might introduce a little bit of this saccharine method into his industrial clinic and thereby attract more patients.

But seriously, what we really want after all is what Dr. Cabot has been pleading for, and that is light. It is the only thing that is really worth while at this stage of the game. Let in some light upon this medical situation—the relationship of patient to hospital and patient to doctor. Let the bare fact stand out that we as a medical profession are not ready to-day for social insurance. Let us begin with the industrial hygiene method that was suggested this afternoon. Let us develop that as an arm of the health department. Let us make it compulsory. Let us see that the industries employ the proper kind of medical men. Let us have a reorganized health department with all the brains you can buy. Let the health department supervise the physicians who are doing industrial work. Let it see that the laborer is protected from any injustice. Let the industrial physician cog with the health department. Let industrial hygiene departments supply a lot of the data that to-day the health department can not get. The industrial physician has it in his power to give the health department and the community information about the industry itself, and about industrial work that you can obtain in no other way. If one industry can reduce the incident of illness 75 per cent let us include that method of reducing illness in our community. If this reduction of illness can be brought about for the industrial worker, the same spirit for better health can be handed over to the families of the industrial workers.

I plead then first for a health department worthy the name. And if we are really in earnest about sickness insurance, we must admit that we as a medical profession are not ready for it. Let us get these diagnostic stations established under the health department. Let us give the health department plenty of money so that it may gather together a group of men, intelligent, wise, scientific, who can cooperate with this new social idea and then perhaps there will be a great many more people ready to join hands with the proponents of this social insurance.

DR. WILLIAM C. WOODWARD, health officer, Washington, D. C. I am glad to have heard so many arguments in favor of combining in a definite and positive way administrative action looking toward health conservation and such administrative duties as may be incident thereto; and some of the strongest arguments have come from per-

sons who did not know they were arguing in favor of that side of the question. It seems clear that this health-insurance law as originally proposed was not framed primarily for the prevention of disease, because in framing it the large medical and health organizations of the country do not appear to have been consulted as such. They were consulted after the act. But now we are told that this law is essentially a health measure, but that we must not make any direct connection between the administrative forces that may be created under this proposed law and those which now exist in relation to health administration.

We are told that the enactment of a health-insurance law will serve to create a demand for better health protection. Just how that is going to be brought about I do not know. We are told in a vague way that the law will create an economic pressure that will lead to a demand for such a law. But what are the facts? Everyone who is advocating a health-insurance law will admit that such a law is not itself going to create any new economic pressure. The arguments that I have heard in favor of the enactment of a health-insurance law are all to the effect that it will diminish economic pressure. We are told that by reason of the availability of the cash benefits the distress of the patient and of his family will be diminished, and a cure more promptly and thoroughly effected. We are told that by reason of the more skilled treatment that will be made available a more prompt and effective cure can be expected. And it is certainly demonstrated beyond the peradventure of a doubt that such economic pressure as does exist by reason of illness among workers is going to be more widely diffused, and therefore less felt. So that health insurance not only will not create any new economic pressure, but it is going to relieve and distribute such pressure as does exist; and to that extent will serve as an anodyne, to prevent rather than to hasten the enactment of proper legislation looking toward the conservation and promotion of health. Any legislation that does not definitely and very specifically tie up the administration of a health-insurance law with the existing public-health agencies can hardly be looked upon as a health-conservation measure.

Since the original draft of the proposed law now under consideration was framed two methods have been suggested looking toward the tying up of the administration of the health-insurance law with health administration. Both are mere shadows of correlation. On the one hand it is suggested that representatives from the health department be on the advisory board, mere minority members with advisory powers only, and meeting but seldom. This certainly is not an effective association of health insurance and health protection. It is suggested on the other hand that it may be possible that the referees employed by the board charged with the administration

of health insurance will be active in some way with respect to the conservation of health, while still acting under the direction of the board controlling health insurance. How that is coming to be we are not told.

Mr. Dawson, for whose actuarial opinion I have great respect, says that the effort for closely associating health administration and the administration of the health-insurance act is impracticable. In one breath he tells us that if these referees are under the control of the health department, prompt reports can not be assured and accountability for their work under the health-insurance law can not be expected; but in the very next breath he says that those very same referees in the employ of the board charged with the administration of the health-insurance act may serve *ex officio* as officers of the State board of health, and in that way they can be held to a strict accountability. How they can do one and not do the other I am unable to see.

The fallacy of the argument advanced here to-day with respect to the incompetence of medical referees employed by health departments, as against the supposedly assured competence of referees employed by the health-insurance boards, has been thoroughly exposed. One agency is just as capable of employing competent men as the other.

One argument in favor of the correlation of health conservation and health administration that was brought out by a speaker unwittingly, I think, had reference to the alleged differences between boards of health and the medical profession. We are told, as one of the objections to such correlation, that boards of health are out of harmony with the medical profession. The medical profession, however, would be just as much out of harmony with any body of supervisory or referee officers if they came out of heaven itself. It is not the board of health that is objected to, but it is supervision engrafted on the work of the medical profession, which is a novel thing to the medical profession. But leaving that aside, if there are any misunderstandings between the medical profession and boards of health, do not let us perpetuate them, as is proposed, by providing that the health administration of the country and its medical profession shall be kept forever apart. By all means now is the opportunity, while we are legislating, to adopt some method for drawing these public administrative agencies and the profession at large together.

I was told to-day by one speaker who favors a close coordination of health work and the health-insurance work, with some distress of mind, that those of us who are interested in the close coordination of public-health administration with the work that may be created by a health-insurance act will be blamed for any possible failure of a health-insurance act. I see no reason why that should be the case. In

fact, I believe that the close correlation of a health-insurance act with health work and conservation will gain for this measure support that it can gain in no other way. A health-insurance bill will appeal primarily to the relatively small group who are going to be benefited by the payment and the medical services that they receive under the act; conservation of health will appeal to every one. And the minute this bill is framed in such a way that we can go before the public and say, "Here is a measure that will protect incidentally the health of the worker but is going to protect the health of you and your children, whether you are a millionaire, an Army officer, or a prosperous merchant, or whoever you may be," we will get the support of the community for it in a way we can not do otherwise.

One other thought that I think is essential to the wise framing of this legislation is this: Any health-insurance legislation of any kind that tends to make the medical profession a less attractive profession than it is, is going to work harm to the community. If we are going to drive desirable men from medicine into engineering and law and into commercial pursuits, then I say we are jeopardizing the public welfare. We can not expect to get better medical services under health-insurance legislation than we now have unless we provide security of tenure and adequacy of pay, and we must look that fact directly in the face. Anything that is going to drive men from our medical colleges, or at least to drive an adequate number of men from our medical colleges, is going to prove hurtful.

The CHAIRMAN. I am going to call on the last speaker whose card is here, and then I am going to ask Dr. Lambert to sum up the discussion.

Dr. HILLS COLE, chairman committee on health insurance, American Institute of Homeopathy. I want to speak particularly of Dr. Lambert's remarks. He has said that physicians can get together and agree perfectly in five minutes. I think he and I can. I doubt whether Dr. Cabot and I could.

First of all, Dr. Lambert represents the American Medical Association. I come here as the official representative of the American Institute of Homeopathy, including 15,000 physicians practicing homeopathy who are not members of the American Medical Association, and on their behalf I wish to say that we believe that in order that a national insurance scheme shall be workable you have got to let the insured choose the physician who is to treat him. That is the principle of the panel method, or something of that kind, upon which minority schools of medicine can have representation just as much as the majority school of medicine.

If I understood Dr. Lambert correctly, I think he suggested that some State medical society representation would be advisable. Not

if it means the State medical society of one particular school of medicine—no. Homeopathy is doing its service in public health work and in preventive work. If any of you do not know what it is doing, ask Montgomery Ward & Co. of Chicago. A broader work is not being done in this country than is being done for that great mail order house by Dr. Wieland.

Personally, although I am an ex-health department man, I do not believe that this scheme is going to be workable if the health departments are going to control it, because I do not believe that the ordinary general practitioner, who has got to work the scheme for us, is yet ready to be controlled by any health department. And certainly it will be the medical profession itself who will agree to, or should invite the control of the health department. The medical profession is not going to submit to the dictation of the health department in things of this nature.

Dr. ALEXANDER LAMBERT, chairman social insurance committee, American Medical Association. I can relieve the feelings of my homeopathic confrère by assuring him that they gave me the work of an hour and a half to do in 20 minutes, and in racing through my paper I skipped that part of the organic law which says that the homeopathic medical society shall appoint two members of the medical advisory board, and any legally qualified physician may be a member of the local committee. There is no difference in that opinion at all.

Now, if my good friends of the health department had digested the medical provisions of this health-insurance law before they came here, they would realize that on the local committee there is a delegated official of the health department—and I drew attention to this—that on the medical advisory board there is the commissioner of health to make the standards under which the medical referees and officers of the funds are appointed. Now, if you can not take care of your preventive medicine in the health department by the standards you set up for any man to be appointed as a referee, all right; but I think you can. Moreover, on every local committee there is a representative of the health department. This representative is there to act, and all medical regulations must come before that committee before they can be approved and put in force. If you can not control those men and get those things done which your department wishes, come around to see me and I will show you how. You have put up a man of straw and have been throwing things at it. What you wanted is all there.

Dr. Woodward says there was no one representing the health department on the committee that drew up this act. Dr. Goldwater, who has been a commissioner of health of New York City, is on the committee, and we flatter ourselves in New York that we have

a good health department. I think you have been after imaginary evils which do not exist in that act as we are promulgating it and in the bill as presented. It is a combination by which the health department is strengthened. There is no police power of the health department that is abrogated in any way. The police power of the State, as represented by the health department, is a necessary force, recognized by all communities, and it is pretty nearly an absolute force as far as New York State is concerned. It has been pretty arbitrary there, and the court of appeals has always held up its hands, because it has been represented by men who have used good judgment in what they have done. Dr. Delphy says the referee and the health officer as designated here will serve either the employer or the employee; that they can not serve both. He says they are officers of the fund. He forgets that the directorate of the fund is composed of half employees and half employers.

Dr. DELPHEY. I did not say that.

Dr. LAMBERT. That is what I understood you to say, or that was the argument, that they must be officers of the State and not of the fund.

Dr. DELPHEY. Yes.

Dr. LAMBERT. Now that fund is represented by the men who pay the bills, as the employer and the employee pay four-fifths of the cost, and the State pays one-fifth. Now the people who are paying four-fifths of the cost are the men who are paying that referee, and they must have control of their referee or he will not do their work. I know that is where we differ. You have got to do that. It is the only practicable way. If you make him a purely executive officer of the State, if appointed by the State, how are you going to get him appointed? By what standard? To whom is he responsible? You lose the efficiency of your act. You can not, as constituted at present, have him come down from the executive commission of the State and be a good, efficient officer of the men who pay the bills, because halos do not come with that examination. It is not in human nature. At least I want to give you my opinion. You must have authority equal to that responsibility and fixed where it can be exerted, and where you will get the most efficient action for it.

Now there is the question of what compensation must be paid to the physician. That is a matter to be decided between the physician and the commissioners, or in the law, as you choose to make it. But whether or not you do that, the crux of the whole matter is that you must separate the care of the patient from the supervision of the question of determining when his sickness ceases, and the referees must have power to supervise both his treatment and the time when he ceases to be sick and be able to demand and obtain a consultation



at any time. When you read what I have written you will find that there is a provision by which at any time a man may obtain a second opinion, and he may obtain it just as quickly as he wants it.

Now the development of group medicine and the potentiality of it is in your dispensaries, for this development is coming in every active State, and in every active place where the medical profession is developing. The medical profession is not a crystallized profession. There is no more active, and no more actively developing profession than the medical profession to-day. It is developing toward greater prevention of disease, toward greater care in the treatment of disease, and it is developing for the benefit of the people that it endeavors to treat. I have not yet reached a pessimistic viewpoint regarding my profession.

The CHAIRMAN. The conference stands adjourned.

**FRIDAY, DECEMBER 8—MORNING SESSION.**

**CHAIRMAN, DR. EDWARD T. DEVINE, COLUMBIA UNIVERSITY.**

**INVALIDITY AND OLD-AGE INSURANCE, PENSIONS, AND RETIREMENT ALLOWANCES.**

**I. EXISTING AGENCIES.**

**MILES M. DAWSON**, consulting actuary, New York. My paper has been printed; all of you who really take much interest in it will read it; I am not quite sure in my own mind whether I shall read it or not. Before starting to do so, in any event, I may say that the health insurance bill drawn by the social insurance committee of the American Association for Labor Legislation stops short with what is known as sickness insurance, meaning sickness of reasonably short duration, that is, 26 weeks, not because that committee did not believe that invalidity should be taken care of, but because social insurance perhaps may best be introduced by stages, as it always has been. It is quite true that after you have covered a part of it, the thing that it really does is to point out clearly that the other part of it is not covered. It is quite true that when people have been sick 26 weeks and are not well, the need of provision for them is more apparent than ever. Invalidity, in other words, is merely prolonged sickness. The committee in the standards, which were adopted before drafting the bill at all, put in provision for invalidity. The question as to whether invalidity was to be covered by the sickness insurance bill itself was repeatedly before the committee, and that was reluctantly abandoned because it did not appear that there was anything like so much education in favor of it, as there was in favor of health insurance itself. I speak advisedly when I say that, should any legislature wish to take up the question of combining invalidity with sickness insurance, we should be very glad to cooperate to prepare amendments to the standard bill, which will make that provision.

This brings me to the relation between invalidity and old age, which I think it would be proper for me to say a few words about. The truth is that people resent being retired if they are really capable of doing their work, merely because they have reached a certain age. I refer particularly to workmen; that is not so true of staff employes, who are, not infrequently, impressed with the fact that the time has

come when their services are not worth as much as formerly, and they, having probably saved considerable money, can look forward to a comfortable life upon a pension. But the workmen as a general rule do not wish to quit their work until they have to; in other words, nothing but invalidity forces them to accept the pension. The British Friendly Societies, before there was a law on the subject at all, provided invalidity pensions. Had there been an old-age pension law in Great Britain before sickness insurance, it is my opinion that there never would have been an old-age pension law; there would simply have been sickness insurance and invalidity insurance, and whenever a workman became broken down and unable to do his work at any age, whether 18 or 80, the invalidity pension would start. Something similar to that could be done here if we desired.

I think these remarks are not out of place concerning private employers, because precisely the same problem confronts them. What shall they do about these matters? There has been a much larger development in this country of service pensions and pension funds than of any other form of social insurance so far as private employers are concerned.

(Mr. Dawson then read his paper.)

### SERVICE PENSIONS AND PENSION FUNDS.

BY MILES M. DAWSON, CONSULTING ACTUARY, NEW YORK.

Service pensions and pension funds have reached a much greater development in the United States than other forms of establishment fund activities. In many cases pensions are promised, though no other sort of benefit, such as medical aid, sickness benefits, or funeral benefits, is provided.

Two reasons may be assigned. First, when an enterprise has continued so long that employees retire on account of superannuation, its managers look upon employees of long standing with peculiar sympathy; and, second, when a number of employees are becoming inefficient through age the management wishes to secure better service by means less forbidding than by dismissal of faithful old employees without provision for their support.

Both these considerations have more weight as the supply of employees increases, enabling closer sifting, and as the disposition grows to put young, inexperienced persons in the lower positions and fill places requiring experience and skill by promotion.

Once the idea of pensions or a pension fund is conceived, other arguments for it are sure to be advanced, among them that greater permanency will result, that preference will be given this employment by the steadiest employees, in view of the pensions, and that, in the event of labor dispute, many employees, and they the best,

will be loyal to the employer rather than to the union, or the common cause, so as not to forfeit their right to pensions.

Undoubtedly these considerations are present in every case, though some are unlikely to be realized, especially if expectations be set too high. This is peculiarly so, as will be shown later, if it be thought that this plan can be relied upon to break a strike; yet it may be useful in fostering the spirit of mutual forbearance that prevents a labor dispute resulting in a strike.

Contributory pension funds have been instituted and service-pension plans entered upon with expectations as regards costs which have not been realized and which, it could readily have been learned in advance, were unrealizable.

Despite all disappointments, the results have so generally been highly beneficial that, as has been said, service pensions and pension funds have reached a much greater development in the United States than other forms of establishment fund activities.

The degree to which reasonable expectations of employers will be realized will depend upon adequacy of plan—adequacy of the benefits and adequacy of the contributions and other provisions to provide the benefits.

If the pensions be what I once heard the German old-age pensions called, "too little to exist on and too much to die on," they are hardly an inducement to the employee to contribute or, in case contributions are not required, to continue in the service if a change is otherwise desirable. Moreover, an employee retired upon such a pension is certain rather to resent his retirement and loss of wages than to appreciate the pittance provided. This may even be true when pensions are small though adequate; but the sentiment rarely counts unless the resentment be justified.

A prime consideration, therefore, is: What should be the minimum?

Thus, if the pension is to be 1 per cent of earnings for each year of service, with a 20-year minimum period, this will work out at one-fifth wages for employees who have served but 20 years upon reaching the superannuation age. If wages be \$8 a week this would yield only \$1.60 a week, obviously too little.

In enterprises where low wages rule a minimum of at least \$10 per month, or even \$12 to \$15 per month, should be fixed; and while these amounts may suffice for the bare support of superannuated low-wage employees, especially women accustomed to serve themselves in matters such as cooking, chamber work and laundry, about \$20 per month is the lowest subsistence figure for superannuated male employees.

In considering minima it is well to bear in mind that, when old-age pensions come to be provided by law, whether out of the public

treasury or joint contribution, they will be fixed at some generally recognized minimum. In Great Britain this is 5s. per week, i. e., about \$1.25, roughly equivalent here in purchasing value in ordinary times to \$2.50 a week. Our standard of living is higher as well as our retail prices and rents. Probably \$20 per month will be the figure here. Larger minima in service pensions or pension funds might cause a larger minimum for old-age pensions, already recognized to be reasonable, to be demanded.

The minimum for total disability in workmen's compensation laws is in most States \$5 a week or full wages, whichever is smaller.

Maxima are not so important, except that a few large pensions might upset calculations based on averages; a frequent figure is \$100 per month, but in staff-pension plans it is often much higher.

Adequacy of the financial provision is a much more serious question and attended with much difficulty.

If a strictly service-pension plan, i. e., without contributions by employees, is under consideration, this question is, or may be, whether the employer will or will not be solvent at the time the pensions are to be paid. Indeed, that is the question unless there is no obligation to pay pensions or the obligation is transferred to a fund.

If there be no obligation to pay the pension, i. e., if every payment is a separate purely voluntary gift, as is sometimes the case, ostensibly the solvency of the employer is not involved, but really three things are involved, viz, the employer's solvency, his continuation in business, and his maintenance of the pension plan.

The withdrawal from business of the United States Express Co. deprived its old employees of pensions, because, though granted, they were not obligations of the company.

There has been such miscarriage even when the employer had retained deductions from employees' pay for this purpose, as by the decision of the New York courts in *Dolge v. Dolge*, reported in 70 A. D., 517. But, with all due respect, this seems rather judicial misconception than the plan's natural consequence.

If the employer alone contributes, it may be questionable whether or not it is best that he should guarantee the pensions or should create a fund to provide them. His guaranty may give better security than the fund.

If he does set up a fund, how shall it be done?

First. Shall he contribute the present value of pensions as granted?

Second. Shall he contribute percentages of the pay roll sufficient to provide the pensions?

Third. Shall he set up an endowment fund the income of which will provide all pensions?

The last mentioned is ideal, but seldom, if ever, realized. It is also not sound in theory, because, in theory, the entire fund is untouched

when the last dollar of pension has been paid. Virtually all such funds have proved, however, altogether insufficient.

The second at first blush looks right; in practice, it offers great difficulties. In the first place, most service-pension plans do not require the same rate of contribution as respects each employee. The employer, paying it all, is pretty certain to require some simpler way of getting at the aggregate amount than by figuring the contribution for each individual.

This difficulty can be overcome, subject to adjustments as the result of experience; but there remains the difficulty about what disposition is to be made of contributions in respect to employees who quit the service. This must be credited back (which may arouse dissatisfaction) unless contributions are adjusted to take into account such forfeitures or unless such forfeitures are carried into an emergency fund.

Enough has been said, perhaps, to indicate that the constitution of such a fund so that it is adequate is not without difficulties. In point of fact, it requires careful calculation and great caution to introduce safeguards to assure complete adequacy. Experience tables suitable for the purpose are usually wanting, and the use of tables deduced from experience in other pension plans, or even from past experience under the plan itself, must be most guarded. Such are indications at most of what may be expected and are not to be relied upon blindly.

Frequent valuations should be made to test the sufficiency of the fund and of rates of contribution.

In case a fund is maintained solvent, assurance can thereby be given against pensions failing, as regards actual pensioners, because of the employer's retirement from business or his insolvency, and, as regards other employees at the time of retirement or failure, this plan would result in a fund being on hand representing accumulations to date toward supplying their pensions when due under the rules. The last mentioned, few employers who grant service pensions care much about, and accordingly they rarely make provision in this way.

Endowing the entire pension system is less likely in actual practice to be adopted, and if adopted very likely to prove inadequate. Most enterprises are growing—especially those which adopt such systems—and such provision made at the outset can not possibly meet conditions as they arise; it would call for a forecast of the future quite beyond the most expert.

Were this not so, the method could hardly be desirable. If adequate when the pensions are at their maximum, the endowment would be more than adequate during the earlier years before the highest pressure came and in the later years as that pressure waned.

Both would result in accumulations. There would, too, inevitably be efforts to reach the principal of the fund as the beneficiaries became fewer in number. Loose construction of the trust might make the outcome of such a struggle dubious.

These things appear clear from the foregoing, viz:

1. The payment of pensions, once granted, should be assured by the employer's guaranty, by the creation of an adequate fund, or by both.

2. In event of discontinuance of the service-pension plan, provision should be made for assuring the payment of pensions already granted, preferably by purchasing annuity policies in a reliable life insurance company.

3. Whether or not the employer, under a service-pension plan, shall contribute as services are rendered, thus building up a fund sufficient, according to the calculations, to provide the pensions as they fall due, will be determined according to the employer's view, either that pensions are a mere reward for reaching the pension age in the service after at least the minimum period, or, instead, are in effect withheld compensation to be paid at such age and therefore to be accounted for if that plan is abandoned.

Though other causes are at work, the implications of the last-mentioned proposition are the chief reason why it has not been more extensively adopted in service-pension plans. The implication that full wages or salaries have not been paid is itself offensive and yet more the implication that, if the employer contributes to the fund in respect to individual workmen, the accumulations ought to be paid in event of their death, withdrawal, or dismissal. Few employers, in setting on foot a service-pension plan to be maintained by their contributions only, would be willing to subscribe to any portion of that program. Even if willing to contribute toward death or other benefits, they would refuse to base pension contributions upon such a principle.

Therefore, as regards service pensions, pure and simple, the second method described, viz, of purchasing pensions as the service is rendered by current contributions by the employer to build up a fund to maintain them, is not likely to find favor save in exceptional cases, and when availed of it is likely to be for purposes of internal administration only, not as a part of the understanding with employees.

The third mentioned method, i. e., by endowing the plan, has been tried and may from time to time be tried, notwithstanding its obvious disadvantages; it is virtually certain that it will always need to be supplemented by further endowments or contributions.

Usually the employer makes contribution as the money is required, sometimes when required in order to provide the present values of

pensions when granted, but far more frequently merely when required to pay pensions.

Plans for pensioning wage earners in use in the United States nearly always provide out-and-out service pensions. Only one railway corporation—the first to adopt a pension plan—operates its plan by calling for contributions by employees. Here and there are stray efforts to encourage accumulation of savings in this form; they are seldom successful.

There are many reasons for employers, as well as employees, preferring straight-out service pensions for wage earners instead of pension funds with contributions by employees. The most important is the impermanence of the wage earners' employment compared with that of an office or sales staff, for instance; next in importance, workmen's opposition to contributions. Salaried employees may look forward to continuing in the service and to promotion; wage earners do not, as a rule, think of it that way at all. The complexities of a pension-fund system, discussed later in this paper, are always more serious when wage earners are concerned.

In connection with service pensions the question is sure to come up, What is to be done for an employee who has completed the specified minimum term of service and who has become incapacitated although not of the full age designated for pension, as, for instance, 61 years old instead of 65? Provision is sometimes made to cover this by granting a pension, at the option of the management, either upon its own motion or upon application. This may be extended to authorize granting pensions—say, between the ages of 60 and 65—in case it is found to be to the best interests of the service. This, however, is usually equivalent to naming a lower pension age, for there is always pressure to replace elderly employees by promoting younger men.

Moreover, if 60 is the minimum age for which a pension may be granted for incapacity, how about the employee—say, in the employer's service since a boy—who becomes incapacitated at 59, or even earlier?

There are really two problems involved, viz: How to provide for those who in fact are retired on account of age and how to provide for those who must retire earlier on account of invalidity. The former may well be taken care of by a service pension; but ought not the latter to be provided for by joint contributions, the income to be available at any age if total and permanent disability supervenes while in the service? If done this way a plan can be worked out that will be much more beneficial and acceptable. One great advantage is that the service-pension age can be higher, since all who become incapacitated before reaching that age will be meanwhile provided for. This is important, both because it makes the cost of service pensions much lower and because it avoids an ob-



jection to them which often greatly reduces their attractiveness, viz, that the plan requires retirement at any age when one may still be doing good work. This argument loses force by the time the age of 70 is reached, but it is yet potent at 65. If retirement is enforced then there is much grumbling, and if not enforced the plan becomes virtually pensions for invalidity after age 65, with great difficulty about retiring any employee except for that cause.

It must be borne in mind that, generous as the employer may be who provides service pensions, they usually represent a large diminution in the employee's income and are really welcome only when this is unavoidable. A relatively high pension age, with retirement rigidly enforced unless the service of the employee is exceptionally valuable, avoids all reasonable objections.

The rules usually provide that the employee may, without forfeiting his pension, engage in the service of any other employer, provided it be not prejudicial to the interest of the former employer. Abuse of this rule is not likely; but a Canadian railway company which had not engaged to pay pensions except at its pleasure, recalled retired employees to its service upon the occasion of a strike, on pain of forfeiting their pensions. This involved depriving an old employee of the reward of a lifetime of service unless ready to dishonor himself by betraying a brotherhood of which he had been a member for a quarter century or longer.

This illustrates from a new angle, as did the failure of the Dolge Co. and the withdrawal from business of the United States Express Co., the desirability of a definite obligation to pay the pension, once it is granted, both to assure the employees the payment of the promised pensions and to protect a weak and unwise management from temptation to resort in times of stress to anything discreditable. Should such a thing become at all common, service pensions would be regarded as mere schemes to entrap workmen.

When service pensions are introduced, as in a steam or electric railway company or a manufacturing enterprise where wage earners are employed, they virtually always cover salaried employees as well, no distinction being made.

But when the employer has few wage earners on his pay roll, as in the case of a bank or trust company or a school or college, or when he merely desires to institute a plan for salaried employees only, the problem is very different.

The degree of permanency of employment is likely to be much greater, and a much larger proportion will reach the pension age in the employment. This calls for greater outlay. Such employees, unlike wage earners, generally expect increases of salary from time to time and also look for promotion, so that before the pension age is reached they receive maximum salaries. Moreover, unlike work-

men, they will look forward to retirement at an age lower than necessarily means incapacitation by old age. As a class, they are far more likely to ask for a low retirement age than a high one. They exhibit a lower death rate, both before retirement, which brings more of them up to the pension age and means pensions for more persons, and after retirement, which means pensions paid for a longer average period per person.

All this greatly increases the costs, so that for the staff alone the costs might run 10 per cent of the pay roll when the plan was in full operation, while for wage earners or all employees when wage earners greatly preponderate, the costs might be a third of this or less.

These considerations make a pension-fund plan better adapted for providing staff pensions, especially when for salaried employees only.

There are also further grounds for this conclusion. Salaried employees do not so much resent compulsory saving. They have not the same suspicion about intrusting savings to the employer or trustees. They better understand the somewhat complicated scheme. They will not so often change employment and withdraw their contributions; and, generally speaking, they are in better position, both by training and by experience, to take part in the management of a fund.

These employees are also on the average likely to have greater need of retirement pensions. The pressure of their standards of personal and family living upon their incomes, often not higher than, or even so high as, the incomes of wage earners, renders it peculiarly difficult to save for an emergency. The attempt to educate children and grandchildren—not to speak of other children who may become dependent upon them through deaths of relatives—often absorbs what might otherwise be saved, or even constitutes a heavy drain in the later years of life when one may be nearing the time of compulsory retirement.

Their greater need more inclines them to be willing to contribute, provided the plan be attractive and the employer contribute also. This, together with the proportionately heavier burden upon the employer, should be undertaken providing service pensions, combines to make a pension fund more acceptable in such cases.

The practical problem of instituting and maintaining a solvent pension fund is very serious. Careful investigations are necessary to determine what mortality rates, what decrement rates by (a) earlier incapacity, (b) dismissal, and (c) withdrawal from service, and what rates of promotions and increases in salary are to be expected. None of these can be accurately ascertained, even though there has already been considerable experience upon which investigation may proceed, because the future experience may be influenced by new conditions. In the case of a fund newly to be established the

difficulties are greater, because assumptions must be made from experience in other pension funds, and, obviously, these may not be strictly applicable.

Notwithstanding, the actuary, if supplied full information concerning the nature of the business, the number, sexes, ages, occupation, duration of employment, and wages or salaries of the employees, should be able to compute, within reasonable limits, the pensions which can be granted for given rates of contributions, and frequent valuations of such a fund should in time disclose any departure from the assumptions which might have the effect of calling for readjustment of contributions or of pensions.

The problem is rendered the more difficult as there is sure to be conflict between the urgent demand for big pension rates in return for a low rate of contributions and a demand, sooner or later too urgent to ignore, for at least each of the following things:

1. The payment of all contributions (both of the employee and his employer), with interest, upon the death of the employee before entering upon his pension.

2. The return of the employee's contribution, with interest, upon his withdrawal from the service or his dismissal.

In addition, urgent demands, which may be resisted, will also be made for the following:

1. The allowance of a pension for incapacity before reaching the pension age or, at the very least, payment of all contributions (both employer's and employee's) with interest.

2. The payment of all contributions (both employer's and employee's) in event of withdrawal or dismissal, especially after many years' service.

3. That in case the pensioner die before the aggregate amount of pensions paid at least equal the accumulation of contributions as it stood at the time the pension was granted, the payment of pension will be continued to the pensioner's family until that aggregate amount has been paid.

4. The privilege of withdrawing in cash the accumulation of contributions upon reaching the pension age, instead of taking the pension.

If any of these things are provided, the plan becomes, up to the moment of entering upon the pension, merely a savings proposition, so far at least as the employee's contributions go, with free insurance against incapacity; and, when the pension is entered upon, its amount is lower because of the condition that payments may continue beyond the life of the pensioner. Yet a big pension for the amount contributed is one of the requisites of an attractive pension-fund plan.

The complicated nature of the problem reenforces the argument that the employer should introduce it only after a thorough investigation of costs and benefits. It is unsafe to depend upon rates of contributions and benefits in another concern being sound and applicable. They may be unsound; they are virtually sure to be inapplicable. Moreover, the cost and effect of changes, however small they may appear, must be investigated carefully.

One of the problems is the apportionment of the costs between the employer and the employees. The usual way is equal contributions. Yet the employee's contributions are returnable, while the employer's contributions are usually forfeited upon the death, discharge, or withdrawal of an employee. They may still remain in the fund for other purposes. To preserve equality of contributions under these conditions and provide for proper application of the funds set free by forfeiture is a task calling for the greatest nicety of computation and for the exercise of skillful judgment.

So much for the nature of service pension and of pension funds. Many of the most important railway corporations, some of the great industrial corporations, a few important mercantile corporations, and here and there some other enterprises are granting service pensions, without contribution by employees. This has also been done by many municipal or other corporations, not infrequently without really knowing what they were about. Several of the leading banks and trust companies have introduced pension funds, as have a few of the larger private schools, usually—perhaps always—under expert guidance and presumably on an adequate basis. Contributory plans for teachers' pensions were introduced in several of the larger cities, without investigation or competent advice, at a relatively early day; these are now encountering precisely those disasters which they should have been able to avoid. Of late much progress has been made in illustrating what such pensions will cost if adequate provision is made for them, but not much toward making them acceptable either to teachers or the public.

The question naturally arises, *Cui bono?* Why should an employer take the trouble or go to the expense?

Primarily, the explanation is that the man or men in charge have social vision. The ideal which is the slogan of social insurance appeals to them, viz, that the faithful and industrious should not come to want in the helplessness of age.

It commenced in this country with railroads. These became accustomed early to those social and economic adjustments which life's contingencies necessitate. They were the earliest to arrange for "first aid"; the "railroad doctor" was the pioneer; the railroad company the first employer to have an understanding with hospitals. Then they "took care" of the maimed employee when able to return to

work, by assigning him a gateman's, a watchman's, or a switchman's post, something which he could handle and which, during good behavior, gave him a means of earning a living.

It was but a step to service pensions and a step easily taken. As railroads existed long enough for their employees to reach old age, the problem of retiring the superannuated became an acute one. The most serious phase to a manager accustomed to "take care" of unfortunate men was what to do when faithful employees of 30, 40, or even 50 years' service had not saved enough to support them during their declining years. That problem, as regards staff employees chiefly, had been solved in Great Britain by pension funds; in some cases, as regards all employees, by service pensions. American railway companies which did anything about it, for the most part—indeed, almost without exception—elected to grant service pensions. Other employers took their cue from them.

I am not unaware that a different account of this could be given, not without some claim to credence. The first railway company to essay a solution of the problem did so by a pension fund of a primitive sort, following a labor strike. Undoubtedly, one purpose was, if possible, to lessen the attractiveness of the labor unions and to make the men loyal to their employer rather than to one another or to any brotherhood.

If that was the main purpose, it failed; for decades ago the railroad brotherhoods became as strong upon that road as upon any other, and for years now the president of that road has rightly been regarded as one of the fairest and most unbiased of the railroad presidents regarding all union matters. And as regards the famous old president, in office when the plan was adopted, his whole career was proof that his conception could not have been wholly so narrow.

The same notion may have been cherished in other instances; if so, it has never resulted as expected.

Yet there are good results to an employer and real returns, even though the plan can not be counted upon to prevent employees joining unions. The pension plans do accomplish much for industrial peace. They promote a friendly spirit and discourage unjustified antagonisms; the same spirit which prompts pensions also inclines those in authority to listen patiently before they condemn the demands of employees. Moreover, in the best conceived service-pension plans and in practically all pension funds there are other social insurance features in which representatives of the employer and representatives of the employees cooperate—a thing which automatically leads to better mutual understanding and wards off those acerbities and stubbornnesses which so often prevent agreement or compromise.

At their best, service-pension plans and pension funds, voluntarily set up by employers, are well in advance of the highest standards set by social insurance of a public character. As in other features of social insurance, so also in this the progressive and alert employer, keenly alive to the new ideals and to the solid advantages of the better course, leads the van. That the pensions accrue only to those who are faithful to his service and whom he is willing to retain in his employment is true; that is unavoidably the nature of this plan, and he could not make it otherwise if he would. The State or Nation must take hold if old-age pensions are to be general.

But the employer does not confine himself to minimum pensions; his lowest is higher than the highest under any old-age pension law and his highest is often a very decent income for a whole family.

There will be room for such, even after as a people we have done our full duty in providing against bitter want for the old; there has always been room for such in other countries under the most advanced social insurance systems, and the voluntary plans carried on there by the most enlightened employers far exceed in beneficial character anything the State has done or, in the nature of things, can do—always confining these benefits to persons who are faithful to the given employer's service and who are such as he has been willing to retain in his employment. In the end, under well-developed social insurance, this will not fail to have its good effect upon men and industry; and in our day, when public old-age provision (save through charities) is wanting, it is a bright beacon to point other employers to what can be accomplished here and now upon their own motion only and without waiting for legislation.

## UNITED STATES STEEL AND CARNEGIE PENSION FUND.

BY J. B. ERSKINE, MANAGER, UNITED STATES STEEL AND CARNEGIE PENSION FUND.

[This paper was submitted but not read.]

The United States Steel and Carnegie Pension Fund was established in the year 1910 by the joint action of the United States Steel Corporation and Andrew Carnegie, and began operation on January 1, 1911. Its purpose is the payment of old-age pensions to employees of the United States Steel Corporation or of any other corporation a majority of whose capital stock is owned or controlled by the United States Steel Corporation. These pensions are paid from the income of a joint fund, toward which the United States Steel Corporation provided \$8,000,000 and Andrew Carnegie provided \$4,000,000 by the Carnegie Relief Fund originally created on March 12, 1901, and are applicable only to employees of the Carnegie Steel Co. and its affiliated companies. The fund is administered by a board of directors through a manager appointed by the board.

The pension rules originally provided for compulsory retirement at age 70 for men, age 60 for women; for retirement at request of either an employee or his employing officer at age 60 for men, age 50 for women, and for retirement by reason of permanent total incapacity regardless of age. Minimum service requirement in all cases was 20 years.

The monthly pensions were and are still computed on the following basis: For each year of service 1 per cent of the average monthly pay received during the last 10 years of service—no pension to be more than \$100 per month nor less than \$12 a month.

The general regulations contained the following stipulations:

Pensions to be paid only to those who had given their entire time to the service. Acceptance of a pension prohibited employment in other business of a character similar to former employment.

No employee receiving a pension might reenter the service.

Credit for service was given for absence not exceeding six months on account of leave of absence or suspension and for absence not exceeding two years on account of disability or lay-off on account of shutdown or reduction in force. If absences exceeded these limitations or in the event of dismissal or voluntarily leaving the service, the continuity of service would not be broken provided reinstatement occurred within another two years. Absences prior to the establishment of the fund were accorded even greater leniency.

Pension might be withheld or terminated in case of misconduct, and ceased with payment for the month following that in which the pensioner died.

The term "service" meant employment by United States Steel Corporation, by one or more corporations a majority of whose capital stock was owned or controlled by United States Steel Corporation, or employment by their predecessors.

Pensions were neither assignable nor attachable.

The pension plan was a purely voluntary provision and constituted no contract and conferred no legal rights.

The manager decided all administrative questions relating to employees subject to right of appeal to the board of directors.

Provision was made for changing the basis for pensions, if advisable, when the total demands exceeded the total funds available for pensions.

An annual report of the fund and its administration would be posted at all mills, mines, railroads, shops, and other works, and published in the newspapers.

When the pension fund commenced operation it assumed the obligations of the Carnegie Relief Fund, before mentioned, also the obligations of the pension fund of the American Steel & Wire Co., a subsidiary of the United States Steel Corporation. Among these obligations were 623 pensioners from the former fund and 529 pensioners from the latter fund, so that on January 1, 1911, the pension fund started with 1,152 pensioners, and, in addition, with accrued liabilities presented by the cases of employees who were immediately eligible to participation in the pension fund, as well as other cases in which pension charges had been accruing. The rapid extension of the pension list—from 1,152 on January 1, 1911, to 2,521 on December 31, 1914—and the consequent increases in pension disbursements—from \$281,457.37 in 1911 to \$511,967.90 in 1914—indicated the necessity for an adjustment of the requirements for eligibility to pension, conforming more accurately to the conditions revealed by the 2,000 cases of employees retired in the four years 1911 to 1914, inclusive. For those 2,000 cases the average age at retirement had been slightly above 65 years, and the average length of service had been 30 years.

Therefore, the pension rules were changed to conform to the retirement age and to the service requirement suggested by this experience. Effective April 1, 1915, the age for retirement at request was fixed at 65 years for men, 55 years for women, and the minimum service requirement was fixed at 25 years. The age for compulsory retirement continued unchanged; but the service requirement for this class was changed to 25 years. Any employee who has served 15 years and who is permanently totally incapacitated through no fault of his or hers as a result of sickness, or injuries received while not on duty, may apply for a pension. In every such case it must be shown to the satisfaction of the board of directors by physical examination that the employee applying for a pension is permanently totally incapacitated to continue in the service.

Other changes in the rules were made with a view to discourage absences from the service. The total absence permitted because of leave of absence or suspension is six months, and because of lay-off on account of shutdown, reduction in force, or disability, a total of two years; but no service credits are given for such absences. An employee dismissed from the service for cause may restore the continuity of service by reinstatement within six months; but an employee who voluntarily quits the service thereby relinquishes title to credit for all prior service.



The modifications in the pension rules, as recounted, were based upon experience, and were decided upon only when it was apparent that they would impair neither the adequacy of pensions to be granted nor the purposes, the usefulness, or the efficiency of the pension fund. Increasing the optional retirement age to 65 years and increasing the minimum service requirement to 25 years were justified by these facts: That they accorded with the fund's experience in those directions, thus indicating that neither one was unreasonable; that such employees as were unable to comply with these requirements, because of physical disqualification, were provided for by the physical incapacity rule permitting retirement after 15 years' service; that the working conditions now surrounding the employees are immeasurably superior to the conditions existing even a few years ago, and that the pressure on the available funds was somewhat relieved without resorting to any change in the pension basis. In establishing any fixed set of rules applicable to such a vast army as is employed by the United States Steel Corporation, it seems inevitable that there will be some isolated instances in which apparent hardship may occur. The few cases which have arisen have been fully cared for through the generosity of the steel corporation.

As to withholding service credit for time during which an employee is absent, it would seem that the theory of industrial pensions is that they are given in recognition of services rendered in excess of such as have been compensated for by the regular daily wage of the employee. In other words, the employee who remains continuously in the service is more valuable to the organization than the transitory employee, although the wages of the two may be the same. Unless the long-time employee is able to advance into higher grades of employment it is generally impossible to calculate the increased value of his service or to compensate him for it, due partly to practical difficulties of administration, and partly to the fact that this increased value is intangible and progressive with the length of his employment. Hence all that can be done is, at the end of a stated period, to recognize the value of continuous employment by making the employee eligible to a pension. On this theory the only proper basis for computing pensions is the period of actual service. While it may be unfortunate for the employee to be absent, it is also unfortunate for the employer, and if, during the employee's absence, there are pension charges accumulating, the burden upon the employer seems incommensurate.

The provision for retirement because of permanent total incapacity after 15 years of service, instead of after 20 years' service, and requiring merely disqualification to continue in the service, instead of disqualification for work in any gainful occupation in any line of endeavor, as formerly, was prompted by the knowledge that an employee who has rendered the best service of which he is capable,

and who through physical misfortune is prevented from continuing to render such service until the time when he would ordinarily become eligible to a pension by reason of long service is at a serious disadvantage, in that he is not only unable longer to compete with able-bodied men in the service, but he would be hindered from obtaining remunerative employment elsewhere. To alleviate this condition and to obviate his becoming a charge upon society he is offered material assistance in the form of a pension.

Eighteen months' operations under the revised rules indicate that the revision works no disadvantage to the employees and that the pension fund benefits by the reduced demands upon it.

Every effort is made to safeguard the moneys of the pension fund, with an eye single to the interests of its beneficiaries. This is reflected in the very low administrative cost, which has equaled, annually, for the five years of the fund's existence ending December 31, 1915, but 2.83 per cent of the total sums expended.

Any excess of funds required for the pension plan over the actual income of the pension fund has been supplied by the United States Steel Corporation.

Attached is a tabulated statement giving a comparison of the operations of the pension fund. The death benefit and accident benefit payments represent obligations assumed from Carnegie Relief Fund.

UNITED STATES STEEL AND CARNEGIE PENSION FUND: COMPARATIVE STATEMENT OF OPERATIONS, 1911 TO 1915.

Year.	Active cases Jan. 1.	New cases.	Discontinued cases.	Active cases Dec. 31.	Disbursements.
<b>Pension:</b>					
1911	1,152	565	111	1,606	\$281,457.37
1912	1,606	363	126	1,843	358,780.92
1913	1,843	425	176	2,092	422,815.14
1914	2,092	612	183	2,521	511,967.90
1915	2,521	667	216	3,602	659,389.42
					<b>\$2,234,410.75</b>
<b>Death benefit:</b>					
1911	188	25	94	119	43,488.00
1912	119	7	57	69	24,432.50
1913	69	4	45	28	10,817.00
1914	28		28		2,368.00
					<b>81,105.50</b>
<b>Accident benefit:</b>					
1911	62	10	16	56	23,535.00
1912	56		1	55	19,190.00
1913	55		2	53	18,618.00
1914	53		3	51	17,766.75
1915	51		3	48	17,282.50
					<b>96,392.25</b>
<b>Summary:</b>					
1911	1,402	600	221	1,781	348,490.37
1912	1,781	370	184	1,967	402,403.42
1913	1,967	429	223	2,178	452,260.14
1914	2,178	612	213	2,572	532,192.65
1915	2,572	667	219	3,050	676,671.92
					<b>2,411,908.50</b>
<b>ADMINISTRATION.</b>					
		<i>Salary.</i>	<i>Expense.</i>		
1911		\$7,592.31	\$5,213.93	12,813.24	(3.67%)
1912		8,926.21	3,626.81	12,553.02	(3.12%)
1913		9,806.90	3,961.53	13,767.42	(2.96%)
1914		10,847.95	4,639.16	15,487.10	(2.83%)
1915		11,203.68	4,387.65	15,591.63	(2.25%)
				<b>70,232.41</b>	<b>(2.83%)</b>
<b>Total disbursements</b>					<b>2,482,140.91</b>

## UNITED STATES STEEL AND CARNEGIE PENSION FUND: CLASSIFICATION OF PENSION CASES, AND AVERAGES.

Year.	Compulsory retirement.		Retirement at request of employee.		Retirement at request of employing officer.		Permanent incapacity.		Total.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
1911.....	178	32.4	298	54.3	49	8.9	24	4.4	549	100
1912.....	45	12.4	257	70.8	27	7.4	34	9.4	363	100
1913.....	54	12.7	259	61.0	37	8.7	75	17.6	425	100
1914.....	74	12.1	380	58.8	75	12.3	103	16.8	612	100
1915.....	60	8.6	467	67.0	48	6.9	122	17.5	697	100
Total.....	411	15.6	1,641	62.0	236	8.9	358	13.5	2,646	100
Add cases assumed from Carnegie Relief Fund during 1911.....									16	
Total cases.....									2,662	

Year.	Average age (years).	Average service (years).	Average pension per month.
1911.....	66.66	30.40	\$20.75
1912.....	63.69	29.14	20.29
1913.....	63.73	28.82	20.35
1914.....	63.33	28.76	20.40
1915.....	62.84	28.34	20.56
General averages.....	64.00	28.05	20.65

The CHAIRMAN. A paper prepared by Mr. Marsden G. Scott, president of the International Typographical Union, on "Trade-union benefit funds," will be read by Mr. Frank Kruck, secretary and treasurer of the Richmond Labor Council, of Richmond, Va., and member of the Virginia Workmen's Compensation Investigation Commission, appointed recently by the governor of Virginia.

FRANK KRUCK, secretary and treasurer, Richmond Labor Council. This is the first time I ever had the opportunity to attend any conference of this kind and I am here on behalf of the working people of the State of Virginia as one of the commissioners appointed by the governor of Virginia on the investigating committee of the workmen's compensation law.

## TRADE-UNION BENEFIT FUNDS.

BY MARSDEN G. SCOTT, PRESIDENT, INTERNATIONAL TYPOGRAPHICAL UNION.

[Read by Frank Kruck, secretary and treasurer, Richmond Labor Council.]

Three benefit funds have been established by the International Typographical Union, as follows: The Union Printers' Home fund, the old-age pension fund, and the mortuary fund.

### UNION PRINTERS' HOME FUND.

The Union Printers' Home fund derives its revenue from a per capita tax of 20 cents per month, paid by every member of the International Typographical Union for the maintenance of the Union Printers' Home at Colorado Springs. The main building of the home was erected and furnished in 1892 at a cost of \$70,000. With the exception of a gift of \$10,000, made in 1886 by George W. Childs, of the Philadelphia Ledger, and Anthony J. Drexel, of the banking firm of Drexel, Morgan & Co., the home was erected and has been maintained by the members of the International Typographical Union. With the completion of an addition to the main structure at a cost of about \$50,000, the International Union will have expended more than \$250,000 in the erection of buildings at the home.

A summary of the receipts and expenditures on account of the home from its inception to May 31, 1916, is as follows:

#### RECEIPTS.

Contribution of Childs and Drexel.....	\$10,000.00
Contributions and interest from June, 1886, to Oct. 31, 1890.....	16,933.63
Contributions, assessments, and interest from Nov. 1, 1890, to Apr. 30, 1892.....	52,889.37
Per capita tax and assessments from May 1, 1892, to June 30, 1898.....	144,893.87
Hospital annex assessment to June 30, 1898.....	14,013.95
Julia A. Ladd bequest.....	1,045.00
Cummings memorial fund.....	13,203.43
Per capita tax and all receipts of fund from July 1, 1898, to May 31, 1916.....	1,840,064.95
Total .....	1,593,064.20

## EXPENDITURES.

Building and furnishings, main building.....	\$70, 114. 44
Building and furnishings, hospital annex.....	22, 062. 54
Building and furnishings, superintendent's cottage and addition thereto.....	3, 824. 57
Building laundry, machinery for same, etc.....	12, 241. 55
Heating plant addition.....	14, 376. 87
Library, building addition to and furnishings.....	42, 297. 79
Main building addition.....	14, 023. 15
Open-air pavillon.....	9, 902. 80
Additional land purchase.....	8, 500. 00
Maintenance, salaries, repairs, improvements, etc., from opening of home to May 31, 1916.....	1, 365, 181. 02
<b>Total</b> .....	<b>1, 557, 544. 73</b>
Balance in fund May 31, 1916.....	35, 519. 47
<b>Total</b> .....	<b>1, 593, 064. 20</b>

From its opening in July, 1892, to May 31, 1916, 1,844 applicants have been admitted to the home. Any member of the International Typographical Union who has been such for 10 years, 3 years of which are continuous, is eligible for admission to the home. Members suffering from tuberculosis are admitted to the sanatorium after a membership of 18 months. Application for admission to the home must be made upon the form provided by the trustees, be indorsed by the local union with which the applicant is affiliated, and set forth his physical condition at date of application. If passed upon favorably by the admission committee, a certificate of admission is issued by the secretary of the board, which certificate must be presented to the superintendent by the applicant upon arrival at the home.

Tuberculous patients at the home are under the care of physicians who are specialists in the treatment of tuberculosis. Specialists in the treatment of the eyes, ears, nose, and throat and nervous diseases are also employed.

The average number of residents during the fiscal year 1916 was 202.

The management of the institution, which will accommodate about 250 with the completion of an addition to the main building now nearly finished, is in the hands of a superintendent, who acts under the direction of the board of trustees. The superintendent's wife is the matron, and is appointed by the president, with the concurrence of the trustees. The nurses and other employees are selected by the superintendent. The physicians are appointed by the board of trustees.

Everything possible is done by the board of trustees and the superintendent to make the residents of the home comfortable and happy. They are furnished with suitable food and clothing, medical at-

tendance is provided, and the necessary care and attention is given to those who are confined to their rooms. Each resident receives a pension of 50 cents per week, and an additional allowance is granted to those who assist in caring for the grounds or buildings.

The annual meetings of the board of trustees are held at the home. The trustees are elected by the members of the International Union, the president and secretary-treasurer of which serve as president and secretary-treasurer of the Union Printers' Home Corporation.

The receipts for the home fund from May 1, 1890, to May 31, 1916, were as follows:

1891 -----	\$21, 548. 36
1892 -----	30, 110. 51
1893 -----	28, 907. 51
1894 -----	20, 923. 96
1895 -----	18, 307. 24
1896 -----	18, 193. 48
1897 -----	34, 798. 70
1898 -----	35, 415. 60
1899 -----	37, 618. 15
1900 -----	38, 600. 73
1901 -----	38, 639. 84
1902 -----	46, 433. 97
1903 -----	51, 162. 28
1904 -----	55, 670. 00
1905 -----	56, 235. 95
1906 -----	54, 227. 80
1907 -----	61, 931. 40
1908 -----	77, 752. 95
1909 -----	86, 518. 31
1910 -----	89, 199. 46
1911 -----	92, 365. 95
1912 -----	97, 483. 76
1913 -----	100, 766. 95
1914 -----	105, 697. 61
1915 -----	107, 662. 02
1916 -----	120, 149. 07
Total -----	1, 526, 496. 56

Originally each member paid 5 cents per month for the maintenance of the home. That amount was later increased to 10 cents per member per month, and in 1908 the apportionment was made 15 cents per member per month. To permit of increasing the capacity of the home the per capita was increased 5 cents per month on January 1, 1916, and the home fund now receives 20 cents per member per month.

#### OLD-AGE PENSION FUND.

The old-age pension fund derives its revenue from an assessment of one-half of 1 per cent on the individual earnings of each mem-

ber of the International Typographical Union. The collections of the assessment of the old-age pension fund began in March, 1908.

The law as originally adopted provided for the payment of \$4 per week to members 60 years of age, having a continuous active membership in good standing of 20 years, unable to obtain sustaining employment at the printing trade and not earning more than \$4 per week at the trade. In 1910 the law was amended to render eligible to the pension members 70 years of age having a continuous active membership in good standing of 10 years. Provision was also made in the law for members totally incapacitated for work whose applications for admission to the home had been disapproved by reason of their affliction, such members to have a 20 years' continuous active membership in good standing.

In 1911 the pension law was again amended, and as it now stands the law provides for the payment of a pension of \$5 per week to three classes of members:

First. Members 60 years of age who have been members in good standing for a period of 20 years, including and antedating the enactment of the pension law, and who find it impossible to secure sustaining employment at the trade. Applicants under this provision of the law must have been members in good standing at the time the pension law became effective and maintained active membership since that time.

Second. Members who have reached the age of 70 years and who have been in continuous good standing for a period of 10 years and who find it impossible to secure sustaining employment at the trade.

Third. Members who are totally incapacitated for work, who have been continuous active members for 20 years, and whose applications for admission to the home have been disapproved because their afflictions are such as to render them ineligible for entry to that institution.

The total number of old-age pensioners on May 31, 1916, was 1,440. Pension checks are mailed each four weeks from the office of the secretary-treasurer in Indianapolis.

The number of pensioners and the payments from this fund for the years 1909 to 1916 were as follows:

Year ending—	Pensioners.	Amount.
May 31, 1909.....	542	\$67,580
May 31, 1910.....	642	106,740
May 31, 1911.....	808	123,672
May 31, 1912.....	1,038	160,657
May 31, 1913.....	1,108	242,650
May 31, 1914.....	1,210	264,735
May 31, 1915.....	1,342	297,340
May 31, 1916.....	1,440	353,320
Total.....		1,694,354

Ordinarily 13 payments are made each year. Fourteen payments were made in the 12 months which ended on May 31, last. The first payment from the fund fell due immediately after the close of the year which ended May 31, 1915, and therefore covered a part of the preceding year. These payments are made for periods covering four weeks each, and thus the fourteenth payment was practically completed on May 31 of this year. For the purpose of comparing the payments made in 1916 with the payments made during the preceding 12 months, the sum of \$24,185—the amount of the fourteenth payment—should be deducted from the total paid in 1916.

The total receipts for the last fiscal year, not including interest on investments, were \$313,263.92. Interest on investments amounted to \$22,906.68. The total payments for the year (not including the fourteenth) were \$328,735.

A summary of the receipts and expenditures of the old-age pension fund for the year closing May 31, 1916, follows:

## RECEIPTS.

June 1, 1915, balance in fund.....	\$338,468.82
May 31, 1916, one-half of 1 per cent assessment.....	313,263.92
May 31, 1916, interest.....	22,906.68
May 31, 1916, pensions returned.....	30.00
<b>Total</b> .....	<b>974,669.42</b>

## EXPENDITURES.

Paid to pensioners.....	\$352,920.00
Clerical work.....	2,730.00
Books and printing.....	428.85
Maintenance of register system.....	2,289.69
<b>Total</b> .....	<b>358,368.54</b>

Balance in fund May 31, 1916.....	616,300.88
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The executive council of the International Union is permitted by the laws of the International Union to invest its funds only in Government, State, county, municipal, and school bonds.

The assets of the old-age pension fund on May 31, 1916, were as follows:

Continental National Bank deposit.....	\$3,352.43
Fletcher American National Bank deposit.....	31,069.84
Fletcher Savings & Trust Co. deposit.....	30,000.00
Indiana National Bank deposit.....	1,237.66
Merchants' National Bank deposit.....	1,924.02
National City Bank deposit.....	45,215.95
City of Milwaukee bonds.....	37,192.40
State of Massachusetts bonds.....	42,625.00



Hawaiian Government bonds.....	\$101, 200. 00
New York City bonds.....	100, 500. 00
City of Chicago bonds.....	124, 687. 50
Province of Ontario bonds.....	10, 170. 00
City of Calgary bonds.....	9, 869. 00
City of Toronto bonds.....	8, 389. 80
Vigo County (Ind.) bonds.....	9, 752. 00
City of South Bend (Ind.) bonds.....	6, 000. 00
City of Indianapolis (Ind.) bonds.....	9, 000. 00
City of Colorado Springs bonds.....	25, 000. 00
City of Victoria bonds.....	9, 445. 87
City of Ottawa bonds.....	9, 669. 41
<b>Total</b> .....	<b>616, 300. 88</b>

**MORTUARY FUND.**

The mortuary fund also derives its revenues from an assessment of one-half of 1 per cent on the individual earnings of each member of the International Typographical Union. Prior to 1912 the burial benefit paid by the International Union was but \$75. With the creation of the mortuary fund, the payments were increased, and on the death of each member in good standing there is paid to the designated beneficiary:

For a continuous membership of one year or less, \$75.

For a continuous membership of more than one year and less than two years, \$100.

For a continuous membership of two years and less than three years, \$125.

For a continuous membership of three years and less than four years, \$200.

For a continuous membership of four years and less than five years, \$300.

For a continuous membership of five years or over, \$400.

The following table gives the total number of mortuary benefits paid by the International Typographical Union each year since 1892:

Year.	Benefits.	Amount.	Year.	Benefits.	Amount.
1892.....	228	\$11, 500. 00	1906.....	512	\$55, 840. 00
1893.....	439	21, 950. 00	1907.....	561	30, 270. 00
1894.....	507	25, 500. 00	1908.....	538	28, 650. 00
1895.....	435	23, 090. 00	1909.....	509	28, 175. 00
1896.....	378	22, 065. 00	1910.....	574	43, 045. 00
1897.....	395	23, 700. 00	1911.....	689	47, 920. 00
1898.....	384	23, 040. 00	1912.....	558	41, 850. 00
1899.....	430	25, 800. 00	1913 <sup>1</sup> .....	97	33, 848. 55
1900.....	419	25, 140. 00	1913 <sup>2</sup> .....	687	294, 457. 69
1901.....	406	25, 245. 00	1914.....	713	255, 534. 21
1902.....	474	30, 810. 00	1915.....	606	249, 600. 79
1903.....	476	30, 940. 00	1916.....	755	274, 822. 31
1904.....	578	38, 925. 00	<b>Total</b> .....	<b>12, 955</b>	<b>1, 700, 008. 76</b>
1905.....	567	39, 690. 00			

<sup>1</sup> Paid from mortuary fund at the increased rate from Apr. 1 to May 31, inclusive.

<sup>2</sup> Includes 4 benefits due under old law at \$75 each.

The increase in the reserve in this fund was \$41,798 last year. The receipts and disbursements of the fund from June 1, 1915, to May 31, 1916, follow:

RECEIPTS.

Balance in fund.....	\$205,455.00
One-half of 1 per cent assessment.....	313,854.13
Interest on fund.....	7,564.23
Unclaimed benefits returned.....	222.30
<b>Total.....</b>	<b>527,096.62</b>

EXPENDITURES.

Benefits paid.....	274,822.31
Clerical work.....	2,730.00
Maintenance register system.....	2,289.68
<b>Total.....</b>	<b>279,841.99</b>
Balance in fund May 31, 1916.....	247,254.63
<b>Total.....</b>	<b>527,096.62</b>

A summary of the receipts and expenditures of the mortuary fund from January 1, 1912, to May 31, 1916, follows:

RECEIPTS.

One-half of 1 per cent assessment, January 1, 1912, to May 31, 1916.....	\$1,292,623.13
Interest on fund.....	19,115.00
Benefits returned.....	1,477.05
<b>Total.....</b>	<b>1,313,215.18</b>

EXPENDITURES.

Benefits paid.....	1,046,963.76
Clerical work.....	10,098.15
Printing.....	282.77
Maintenance register system.....	8,615.87
<b>Total.....</b>	<b>1,065,960.55</b>
Balance in fund May 31, 1916.....	247,254.63
<b>Total.....</b>	<b>1,313,215.18</b>

The assets of the mortuary fund on May 31, 1916, were as follows:

National City Bank deposit.....	\$46,927.00
Fletcher American National Bank deposit.....	82,391.63
Hawaiian Government bonds.....	50,800.00
San Francisco Geary Street Railway bonds.....	28,050.00
City of Nashville bonds.....	10,187.00
City of Saskatoon bonds.....	12,285.00
Porto Rican bonds.....	16,614.00
<b>Total.....</b>	<b>247,254.63</b>

Aside from these benefit funds many subordinate unions have established local age pensions, sick and unemployment benefit features, and mortuary funds. In some instances the individual mortuary benefit paid by subordinate unions exceeds the \$400 paid by the International Union.

With the close of the present fiscal year the total expenditures of the International Typographical Union for these three benefit features will be approximately as follows:

Union Printers' Home.....	\$1, 700, 000
Old-age pensions.....	1, 970, 000
Mortuary benefits.....	1, 975, 000
Total.....	5, 645, 000

The average paying membership of the International Typographical Union for the year ending May 31, 1916, was 60,231. The receipts from the 1 per cent assessment for the old-age pension fund and for the mortuary fund were \$627,118.05. The receipts from per capita tax for the Union Printers' Home fund for the fiscal year were \$120,149.07. For the maintenance of these three benefit features the members of the union paid \$747,267.12 last year, or about \$12.40 per capita.

In the establishment and maintenance of these three benefit features the International Typographical Union has not solved the problems of trades-union insurance against old age, illness, or death.

Even a casual comparison of the receipts and expenditures for old-age pensions will reveal the fact that there must be a readjustment of the administration of this fund in a few years. In all probability it will be found necessary to increase the assessment for both the old-age pension fund and for the mortuary fund.

The writer holds that the members of the International Typographical Union have voluntarily assumed a burden which should not rest wholly upon their shoulders. Printers do not become ill simply because they are members of the International Union. It is a safe assertion that the sanitary conditions maintained in union composing rooms are better than the conditions in the average composing room where nonunion printers are exclusively employed. This is accounted for by the fact that the International Union has for many years urged its subordinate unions to insist that the work-rooms in which their members are employed shall be kept clean.

Printers do not become old or incapacitated more rapidly because of their membership in the union. Father Time deals as relentlessly with the nonunion printer as he does with the member of the International Union, which has generously, and perhaps unwisely,

provided that printers joining even at the age of 60 may participate in the benefits of its old-age pension system.

Since the inauguration of local campaigns for better sanitary conditions, under the direction of the International Union, the average age at death of members has increased from 41.25 years in 1900 to 51.73 years in 1916. These figures are the unanswerable evidence of the fruitfulness of our health campaigns.

While it is true that the establishment and maintenance of these benefit funds has not solved the great problems which demand our attention, the writer believes that the International Typographical Union has pointed the way to the solution of those problems so far as it affects the members of our organization. Long years ago some wise philosopher discovered that there was nothing new under the sun. The writer cheerfully concedes that he has discovered nothing new.

While the benefit features of the International Typographical Union provide for a modest old-age pension, for a modest mortuary benefit, and for admission to the Union Printers' Home, these benefit features are not themselves insured. Their stability and future existence depend entirely upon laws and regulations which may from time to time be changed by the members.

The writer holds that the printing industry should bear a part of the burden which the members of the International Typographical Union have assumed. A modest tax paid by the industry would place the old-age pension, mortuary, and home funds on a permanent foundation. Such an arrangement necessarily involves the further insurance of permanent industrial peace in all printing establishments contributing to these funds. Our arbitration system for the adjustment of all controversies with employers points the way to the establishment of permanent industrial peace.

## DISCUSSION.

WILLIAM GREEN, secretary-treasurer, United Mine Workers of America. In dealing with questions which would completely change the social order it is but natural that groups of individuals would disagree as to the manner and method in which these social changes should be brought about, and not only is it natural that groups of individuals would disagree as groups, but it is also natural that groups of individuals should disagree among themselves. I think we had a very emphatic object lesson regarding this last night when we found the medical profession differing very much among themselves. So it is but natural that in dealing with these subjects the group of individuals known as trade-unionists and working people would disagree as to methods and means by which these social changes may be brought about, and I want to assure you, ladies and gentlemen, that we have the same divisions, the same differences of opinion regarding the best methods that may be employed, as was evidenced by the medical profession last evening. Perhaps sometimes our discussions of these subjects become just a little more vigorous than that of last evening. I know we all appreciate that in approaching these subjects we are dealing with something of vital interest and public concern. The solution of these problems upon a basis that is correct, fair, and just is most difficult indeed. I am sure we will all agree that discussion of these needed social changes has been brought about largely through the growth and development of industry. Heretofore in America we have hardly found it necessary even to discuss these questions, but gradually and surely they are coming to the front. It has been brought about by the concentration, the growth, and the development of industry.

In this matter of invalidity, old-age pensions, etc., it is fortunate indeed that certain private agencies have pioneered in this matter, as it were. I think they will serve this great purpose of furnishing us information and a basis upon which to proceed. I do not believe, though, that this matter should be dealt with exclusively by a private agency, be it either employers or trade-unions. The question of meeting invalidity and of providing old-age pensions belongs to society as a whole. The burden of taking care of invalidity, of providing health insurance, and of providing old-age pensions should be borne by three distinct factors; first, industry—and, of course, in the last analysis it must all come from industry—second, the employers,

and, third, the employees and the State. These three elements of society and industry should bear the burden. Why? First, because each is interested in the welfare of society, each and all are factors, a part of the social system. They go to make up the social units, and in the last analysis the burden of taking care of them must rest upon society. Second, because in order to maintain freedom of action, and the independence of men and women, it is essential that these three elements bear this burden. My good friend, Mr. Dawson, has pointed out most forcibly the evil effect of this being conducted by private agencies. That was shown in the case of the Canadian Railway. There it was used for the purpose of robbing the employees of their freedom and independence; any system that robs the employer or the employee—putting them both on the same basis—of their freedom and independence is fundamentally wrong and can not succeed.

Now, there are some who might raise objections to a scheme in which these three elements of society would equally bear their share of the burden incident to taking care of working men and women when they become incapacitated or superannuated. That has been emphasized in the discussion of health insurance. It is the feature of compulsion against which some protest. Now, I am not in the least afraid of that. I can not understand how any scheme of health insurance or the taking care of working people when they become incapacitated, when they are invalids, or when they reach that stage of old age when they are no longer able to work, can be successfully carried out unless there enters into it the element of compulsion, compulsory contributions on the part of employees and employers, compulsion even on the part of society through the action of the State and Nation requiring that certain things be done by statutory enactment. And then when that is done and each becomes a party to the arrangement each should be represented in the control of the fund and in the methods of administration; that gives each one an opportunity, an equal opportunity, if you please, in the administration of the funds necessary to take care of these unfortunates. That encourages again the spirit of independence and freedom, freedom of action, because each is a manager in his own affairs, and it is highly important that in doing a thing we find out the right way to do it and do it that right way. So I know that I can speak with some degree of knowledge, based upon information which I have secured, that the working people will not object to a form of compulsion, to the introduction of such an element of compulsion that in the last analysis means the taking care of them when they are absolutely helpless and when they need care.

You will observe in the very instructive paper by Mr. Scott, of the typographical union, that he raises the point in a most forcible manner that it is unfair for trade-unions and working people to bear

the burden absolutely out of their earnings. It is unfair for them to be expected to take care of their incapacitated members, and he points out most convincingly that industry as well as working people should contribute toward the proposition, and I go further and say that that element of society not directly interested in industry should be incorporated and included in any scheme which might be finally arranged. I want to say in connection with this matter that the unions as a private agency are taking up this matter. Our great organization, the United Mine Workers of America, the largest union in America, numbering one-half million members, at the last international convention held in Indianapolis during January, 1916, adopted a resolution creating a committee which is authorized by action of the convention to investigate this whole subject, the subject of taking care of old and disabled members in a home that might be erected by our organization similar to the home of the printers' union. I am in hearty accord with what has been done in the investigation, in the gathering of data, in the work that our organization has planned to do, but, as I said, in the end these private enterprises, trade-unions, employers, etc., will only serve this purpose of pioneering on the whole subject. I want to emphasize again that the burdens incident to the care of these unfortunates should and ought to be borne by the three elements of society to which I have referred.

Rev. Father O'GRADY, Catholic University, Washington, D. C. I am glad that we have one trade-unionist among us who is not opposed to compulsory sickness insurance. In regard to Mr. Dawson's paper, I would say that there was one point not sufficiently developed, namely, the control of the membership of pension systems. This, it seems to me, brings us to the very heart of the question. A pension system must never be looked upon as a substitute for trade organization, and if it is, in the factory in which it has been established, then its usefulness may be seriously questioned. A pension system has so many social implications that it seems to me it is not a good policy to give any private organization such control over it. I have known of a case recently in which a large organization in this country notified all its old men that if they did not return to work in the event of a strike they would lose their pensions. Is that just?

The problem in which I have been interested for some time and to which I wish to refer is the progress of the pension idea among the trade-unions in this country. Mr. Weyl, in his study of the Benefit Features of British Trade Unions, mentions the fact that in 1901 British trade-unions, with a membership of about half a million, were providing pensions for their disabled members. At that time scarcely any American trade-union was making provision for its aged and disabled members except through charity. During the past 15 years the introduction of machinery and the gradual disappearance of the old

fraternal spirit has made the problem of superannuation a very serious one for the American trade-unions, hence it is that all the important unions have thought seriously about the establishment of pension systems. Four American labor organizations have pension systems in operation—the granite cutters, the typographical union, the bricklayers, and the Brotherhood of Locomotive Engineers. The Order of Railroad Conductors has established an indigent fund for the care of its aged and disabled members. At the last convention of the United Brotherhood of Carpenters and Joiners the delegates, by a unanimous vote, decided to establish a pension system, and the question is at present being submitted to a referendum vote of the membership. The United Mine Workers are also considering the advisability of pension benefits for their aged members. Three American trade-unions have instituted pension benefits to be put into operation as soon as a sufficient reserve has been accumulated.

Since the trade-unions until very recently had no accurate statistics in regard to the age distribution of their members, they were compelled to base their pension assessments on rough estimates. The assessment imposed by the typographical union has not only been sufficient to defray the expenses of the pension fund but has enabled the organization to accumulate a reserve of about \$640,000. In the case of the bricklayers and granite cutters the assessment has not been sufficient to defray the expenses of the fund. The bricklayers were facing a deficit of \$60,000 at the beginning of the present year, and the granite cutters expect to have a deficit of \$5,000 this winter. In order to meet their deficit the bricklayers had to increase their assessment from 25 to 35 cents a month. The granite cutters expect to draw on their general fund until such time as provision is made for an increase of dues.

In establishing pension systems trade-unions are actuated principally by fraternal ideals. But as in the case of employers, control of membership is also an important factor. When the pension system of a trade-union gives the organization too much power over its members, when it gives the union the power of depriving its old members of a pension because they refuse to go out on strike with very little hope of recovering their jobs, it is open to the same objections as employers' pension plans.

Capt. WM. P. WHITE, U. S. N., retired. We started in our country as individuals, and up to a comparatively recent time we have insisted upon the individual's right to conduct his life in his own way. The Declaration of Independence says that this Government was formed so that we might pursue individually life, liberty, and the pursuit of happiness; but the complications of modern society are bringing about the feeling that upon the whole body of society rests the responsibility for caring for those who in the race have been



crowded to the wall. And every civilization that has existed with some part of the community has depended upon the State for its protection, for its care, has gone to the wall.

There is one great Nation that has existed for 4,000 years, and it exists to-day potentially the strongest people on the globe. They have believed in the individual, or family; and they will succeed—if they still stick to that idea—after all the rest of the nations of the earth have disappeared. Now, if we want to protect our civilization, we have got to insist on individual responsibility. We can not shift individual responsibility to society. We have got to teach the principles of thrift; we have got to teach the principles of industry. We can not allow our young men to grow up in the faith that society in the long run will take care of them, if through their indifference to their own care they should fall by the wayside.

In regard to the pension systems that have been inaugurated by corporations, they are still, you might say, in the trial stage. They have not yet weathered the storms of old age, because corporations grow old just as individuals do; but you will notice that the corporations that are using this method invite to them the best and strongest members, the most acute who are in the labor field. A great many who enter the employment of these corporations, after they have been in the employment for a certain time, leave the employment and go elsewhere. Now so long as they are in the employment they are protected against the hazards of that employment by the methods that are used by the corporation for their protection, but as soon as they leave that employment they have no right to the funds that have been accumulated for that protection.

In regard to mutual organizations: mutual organizations, for instance, have other kinds of insurance besides sickness insurance. We find that some mutual corporations exist for a certain time and then die; the Royal Arcanum is a very recent example, because it started out with an entirely wrong principle in regard to contributions. If you are going to have insurance it must be on an actuarial basis and worked in the same manner as the great insurance companies. If you wish to find out what it will cost to insure yourself against old age, consult an actuary and see how much money or what part of your income is necessary to contribute from the time you start in in order to protect yourself in your old age, and then you may estimate something of the burden that is going to rest upon society when the individual is not required to take care of himself.

WM. J. GRAHAM, department of group insurance, Equitable Life Assurance Society. Following Capt. White, I would like to indorse what he has to say with reference to getting and keeping pension funds on sound basis. While I might qualify as an insurance actuary, in the meaning used by Capt. White, I am not rising to speak

as an actuary, but to point out as an insurance man that life insurance companies stand ready to contribute services of their experts and lend of their equipment to forward the cause of sound pensioning. As Capt. White has said, behind the solvency of pension funds are large questions, the treatment of which requires actuarial skill. Life insurance companies have within their organization not only the actuarial talent but the equipment in men and machinery for expeditiously, accurately, and scientifically dealing with pension data and rendering service. Here the life insurance companies are prompted by the desire to render public service which they are equipped to render and not in the thought of having any particular service or policy to sell. This pension advice and service has been gratuitous, and I am sure that, broadly speaking, the life insurance companies of this country will be found not only equipped but ready to help in making present pension funds and pension systems sound and in forwarding the establishment of new pension plans and systems upon a sound basis.

The debate with reference to who should pay for the pension and in what proportions seems to be introducing the thought that it must be either the employer or the community. There seems to me to be no necessity for conflict on this point. The answer may be either the one or the other or both, depending entirely upon the purposes of the pension and whether it is voluntary or involuntary. When the employer finds from both humane and business reason that he can afford to provide pensions to the employees at the cost of the business he is fully justified in doing so as a business measure. Here, too, pensions would justify themselves by being a common benefit to the employer and employee alike. The employee would receive the benefit at the cost of the employer, it is true, but presumably the employer would benefit by voluntarily establishing this plan and thus making this employment more attractive. If voluntary pensions at the expense of the employer will serve to attract a better type of employee, obtain larger results from the employee, promote contentment and consistency in the service, the extra cost of such pensions becomes fully compensated. This, then, is the field of individual establishment and fixes the cost in the best possible way upon the employer. On the contrary, where the pension is compulsory, such as would be the case under any compulsory old-age plan of pensioning, the problem passes from the employer and becomes a community problem. Old age in this instance is not a problem of industry, for people grow old despite all human things. Plainly, the employer, under any compulsory plan, would have only such portions of the burden to bear as could reasonably be imposed upon him as a taxpayer.

It seems to me that the differences of opinion on this subject expressed by Messrs. Green, Scott, and White are not due to any neces-

sary conflict of opinion, but merely that these gentlemen are talking about different problems. The voluntary problem of pensioning is in a way a profit-sharing plan. This distinguishes it from the compulsory problem. An employer can spend a large sum of money in constructive plans, such as old-age pensions, on the theory that in addition to the full pay envelope and all other reasonable privileges of competitive employment there remains a large field in which good will between employer and employee can be justified by the employer doing more effective service than he otherwise would do.

To illustrate this by a reference that has nothing to do with insurance or pensioning or any of the matters before this Congress at this time, I would respectfully call attention to the Ford plan. Henry Ford's system of increased pay has, I understand, produced commensurate results, showing the enormous field for increasing the efficiency of employees by putting a premium on their jobs. I mean the kind of a premium which subtracts nothing from that which has gone before and which is a plus benefit without stipulation for a plus service. The plus service will follow, it seems, equally gratuitously. There may be, as has been hinted, employers willing to use pension funds and pension systems to tie up the employee to the employee's disadvantage in some way not made entirely clear. Any such expenditures are utter folly. Can any man tie you up to him by treating you unfairly? Can you be attracted into the "spider's parlor"? I don't question that there are unthinking types of reactionary employers who might attempt something of this sort, but they need only a slight experience to show the utter folly of any such efforts. Personally, out of a rather wide experience in meeting and discussing these problems with employers, I have not met this type.

Let me say again that individual pensioning, establishment pension funds, and other establishment benefits have their field and will always have their field so long as the idea of cooperation is an active force in our American life. Cooperation means individualism at its best. Even if we are called upon in later years to deal with the community problem of compulsory pensioning, I hope we will always stand for individualism and voluntary action. Mr. Scott says that the trade could very well contribute to the fund of the typographical union. Why did he plead that? For industrial peace, the greatest reason on earth for all these establishment funds.

Father O'GRADY. Do you find any strong trade-unions, in your experience, organizing any pension establishments?

Mr. GRAHAM. We find that the trade-union problem in pension establishments has no bearing either on pensions or on group insurance. The employer does not consider trade-union problems at all; if he did, he would have the trade-unions on his ears.

## **II. COMPULSORY INVALIDITY AND OLD-AGE INSURANCE PENSIONS, AND RETIREMENT ALLOWANCES.**

The **CHAIRMAN**. The time has come for the next subject on this morning's program.

I would like to make an announcement. Immediately after this morning's session, presumably soon after 12 o'clock, two motion-picture films will be shown in Keith's Theater, Fifteenth and G Streets. The one represents the work of the Massachusetts savings fund and the other the Metropolitan Life Insurance welfare work.

The first paper on the next subject, "Compulsory invalidity and old-age insurance, pensions, and retirement allowances," will be presented by Mr. Magnus W. Alexander, of the General Electric Co. I would like to remind the audience that Mr. Alexander was chairman of the Massachusetts Commission on Old-Age Pensions and Annuities of 1908-1913, the first State commission appointed in the United States to investigate old-age pensions.

### **COMPULSORY INVALIDITY AND OLD-AGE PENSIONS, INSURANCE, AND RETIRMENT ALLOWANCES.**

BY **MAGNUS W. ALEXANDER, OF GENERAL ELECTRIC CO., WEST LYNN, MASS., CHAIRMAN MASSACHUSETTS COMMISSION ON OLD-AGE PENSIONS, ANNUITIES, AND INSURANCE OF 1908-1910.**

The problem of legislative action in the field of old-age insurance or pensions can not be said to be upon us, but by many signs we know it is approaching. There is a great deal of discussion on the subject, and it is well that it is so. It behooves us to take council together and consider the matter in all its aspects. We are fortunate that at the present time there is no general demand or pressing need for hasty action in this field.

The title of the subject assigned to me limits my treatment of the old-age pension problem to its legislative consideration and eliminates therefore extended discussion of many interesting plans instituted by individual or corporate employers, by employers' associations, and by labor unions and fraternal organizations. A great deal has voluntarily been done by these agencies that is worth while studying, much of which points a very definite lesson as to the cost of these systems and their effect upon the beneficiaries. Such knowledge, based on thorough investigation, is most valuable and should

be secured before any attempt is made for legislative enactment of an old-age pension system. Even this knowledge alone, however, is insufficient and should be augmented by a careful study of old-age pauperism in the United States and of its extent in foreign countries before and since the enactment of old-age pension laws. Moreover, the social effect of these foreign laws and the cost which they have entailed during a period of years should be definitely learned. When this knowledge is at hand and has been translated into terms of American conditions and costs a broader consideration of the advisability and necessity of old-age pension legislation will become opportune and pertinent.

It is a favorite argument of the proponents of various social insurance schemes that Germany has adopted and fostered them. The social value of these German laws is always painted in glowing colors, even though scientific, impartial investigators inside and outside of Germany know that there are many unsatisfactory phases of the German social program. The admirers of German methods, however, neither preach nor practice the very important German habit of first investigating and then legislating. We in America, on the other hand, have frequently proved that we prefer first to legislate, and then, if at all, to investigate the conditions which legislation was supposed to remedy.

Fortunately legislative action in the field of old-age pensions or insurance is not a pressing problem in this country at present and is not in such general demand as to require hasty or ill-considered legislative action. The matter, however, is being seriously recommended and discussed, and it behooves us therefore, to give it careful consideration.

Along with other branches of social insurance, that of old-age provision is charged with many uncertainties and with much hidden dynamite. No valid legislative precedents exist for our guidance. What not to do is written large on the map of the experience of others; what to do is nowhere indicated in the example of an adequate system in satisfactory operation, even under the social and political institutions of its own country. Any plan would set at work influences of far-reaching effect in our national life. That would not be cause for alarm if we knew the extent or direction of these influences and could measure their effect. But who among the students of this question pretends to have such conclusive knowledge?

On the statistical side we have practically no definite information in this country by which to determine the nature and extent of the old-age problem. What will be the cost of a system in harmony with our wage scales and standards of living? Where will the burden of a particular system ultimately fall? Will it encourage dependence

and discourage self-reliance? What will its effect be upon the efforts of the worker, through himself or his organizations, to secure a full and just share of the product of industry? Shall we have a Federal or a State system? Can any plan of efficient and nonpolitical administration be devised? These are a few of the questions which stand at the very threshold of the old-age pension problem.

We are still learning the expensive lessons of workmen's compensation legislation and are emerging very slowly from the chaos created by our first impulsive rush into this field. Here existed the greatest possible need for a stable and uniform system, yet with one exception, no two States have the same workmen's compensation law; and where similar provisions do exist in various laws, we find them given different interpretation in different States. A greater measure of justice has undoubtedly been obtained for the worker through the enactment of workmen's compensation laws, but at the price of an unequal and unnecessarily expensive burden laid upon industry. Although there has been for some time quite general recognition among all classes of the justice and necessity of applying the compensation principle to industrial accidents, even with this initial advantage our handling of the question is an indictment of our national intelligence. Our experience with workmen's compensation laws contains many lessons for us in connection with proposed legislative action in the different fields of social insurance.

As to legislative old-age pension provisions, it is my feeling that we should be very sure of what we want to do in this country and why we want to do it before we do it, and that those interested in this question should be very careful to foresee the probable consequences of their plans before they commit us to any decisive action. We should give the whole question of social insurance the fullest thought and investigation in all its different phases and elements before we begin to experiment. There are those who claim that we are already committed to a legislative program of social insurance because of our acceptance of the workmen's compensation principle. The fallacy of this contention is easily proved.

Workmen's compensation is not social insurance. Morally and legally it is based, not upon the duty of society, but upon the duty of industry to the worker. Legally its foundation principle is found in the old common law rule that the employer must furnish his employee a safe place to work, including the selection of careful and competent fellow workmen. It is a logical and natural extension of this rule to hold the employer responsible to the worker for any injury arising out of or in the course of his employment. Underlying the whole theory of workmen's compensation is the recognition that when the worker devotes his services to a particular industry, he

subjects himself to the peculiar hazards of its environment and that the injuries incurred during the course of his service are in the general nature of things part of the accepted incidents of production and therefore part of the ultimate cost of the product.

Inasmuch as the employer has control of the product and fixes and receives the price for it, the burden of the cost of injury should rest upon him. In this final placement of the cost for workmen's compensation upon the particular industry, no question of society at large enters. The employer has not discharged a social duty: he has merely done justice as between himself and his employees. By no logic can workmen's compensation be called social insurance, nor can our legislation on that subject in this country be considered as an opening wedge demanding the general adoption of a scheme of social insurance. Workmen's compensation is a matter that rests between the worker and the particular industry in which he is employed, even though the State rightfully assumes supervisory charge of the system. The industry with the greater hazard pays the larger premium because it owes a larger duty. If that duty belonged to society at large and not to the particular industry, why should one industry be charged more than another?

Eliminating, therefore, the argument for legislative old-age provisions as another step in an already started program of social insurance, we must deal with the old-age pension program on a *de novo* basis and critically analyze it as to its fundamental justification and its probable effect upon the individual and upon society. What are the chief reasons for advocating pensions for aged persons? The one is the belief that persons arriving at the age of incapacity for efficient work, but without the means of supporting themselves, should be taken care of through a system of periodical allowances; the other looks upon a pension as a reward for long service. The one is largely humanitarian; the other largely economic in conception. Either may find legislative expression in a universal noncontributory or a partial noncontributory pension system or in compulsory, contributory insurance with State subsidy and supervision. A noncontributory system applied alike to all citizens of pensionable age was first advocated in England but not put into effect. A noncontributory system restricted in application to the deserving aged poor is embodied in the old-age pension acts of Great Britain and Australia. The principle of compulsory contributory insurance is the basis of the German law dealing with old-age provision, and of other governmental systems patterned after it. Only the last two propositions are being seriously considered for legislative enactment in this country; they are generally spoken of as the noncontributory and the contributory systems of old-age pensions. Let us analyze them.

A noncontributory pension system must be supported by general taxation; it is alluring because it is so simple of administration. It also seems at first glance to be in accord with our democratic institutions in that it treats all alike. Yet such a system is built upon misconceptions and filled with dangers. It recognizes attainment of age and evidence of dependency as the justification for a pension; it is not based upon a proper concept of a reward for service rendered. It becomes therefore a gratuity pure and simple; in other words, a charity. It violates, however, the first maxim of modern charity, which declares that the best way to help a man is to help him to help himself. It has the evil effects of charity promiscuously given in that it discourages thrift and self-reliance. Under the English system of old-age pensions, nearly 75 per cent of all persons who reached the specified age have been able to qualify for the pension list by giving the required evidence of dependency and poverty.

It is also claimed that the aged worker has not received a full quid pro quo for the value of his services and that even if his wages were a fair remuneration on the basis of a fair division of the profits of production, he has in addition increased the wealth of society and has therefore during his active life made contributions to the public funds from which he is entitled to draw during old age. Mr. Lloyd George expressed this view by saying: "The worker who has contributed by his strength and his skill to the increase of the national wealth, has made his contributions to the fund from which his pension is to come when he is no longer able to work."

This argument for a noncontributory pension is plausible but unsound and dangerous. If it were sound, a pension under this theory would come from a fund resulting from involuntary contributions from many workers in which, however, only a few of them will ultimately share, besides some who have not been wage earners at all. The injustice of the proposition is clear. The families of the many who die before the pensionable age are deprived of what, under the theory of a pension as a deferred wage, is their rightful property. Moreover, a pension based on the argument of an unfair or a deferred wage would be directed at the result of an evil rather than its cause. It would treat the symptom of a disease rather than the disease itself. More than that, it would tend to cover up and make more difficult of correction the real defect in the social machine which was the cause of the unfair or inadequate wage. Granted for argument unequal or unjust distribution of the profits of production and inadequacy of the prevailing wage—this becomes a powerful argument, not for but against the concealing and palliatory device of non-contributory pensions.

The cost of such a gratuitous pension system will prove to be a much more serious item than is generally supposed. Referring



again to England, which has a noncontributory old-age pension system for needy aged persons and whose population is about two-fifths of that of this country, we find that the pensionable age is 70 and the annual pension varies in amount from about \$15 to about \$65; but even the payment of such small pensions entailed in the year 1912 an expenditure equivalent to about \$57,000,000. The minimum amounts suggested for an old-age pension in this country range from \$150 to \$200 a year. Even if the State should legislate for a smaller annual pension, there is every reason to believe that a legislative amendment would soon raise the amount to that just stated. If we multiply the cost of the English system by two and one-half to equalize the difference in population and again by four to bring the amount of the pension somewhere near our requirements, we have \$570,000,000 a year as the probable annual pension cost in this country. It must be admitted, of course, that we may not have the same proportion of old-age dependents in this country as in England, yet it must not be overlooked that estimates of the probable number of pensioners before the passage of a law have always proved too low while there has always been a tendency for a constant increase in numbers after the law was enacted.

Here is the proof of this contention. The number of pensioners under the English law was 667,000 on August 31, 1909, according to a consular report of our Consul General John L. Griffiths at London, whereas the official estimate for that year was 386,000. At the time of the enactment of the English pension law it was estimated that there were in all 173,000 persons in Ireland 70 years of age or over of whom a considerable portion would not be eligible for a pension. Yet in 1909 there were 184,000 pensioners under the law in Ireland, or 11,000 more persons than the estimated total population of 70 or more years of age. And to come right home: President Cleveland pointed out that in 1818 the number of pensioners when the Revolutionary pension bill was under discussion was estimated as 374, while actually 20,485 pensions were allowed after the passage of the bill.

Another serious consideration is the fact that a system of gratuities supported by general taxation becomes immediately the football of politics. It would not be democratic nor would it be popular to deprive the pensioner of the right to vote. The desire of politicians to curry favor with this large and increasing list of pensioners would lead to constant changes in the amount of benefits, the age of retirement, and other conditions surrounding the granting of the pension.

Then the probably unfavorable effect of a noncontributory old-age pension system upon the wage scale must not be overlooked, and this consideration becomes so much the more important when in-

dividual States rather than the United States as a whole enact legislation of this nature. With individual State action a large number of workmen will be attracted into the States holding out the promise of an old-age reward. This overcrowding of the local labor market and the greater willingness of workers expecting old-age pensions, to accept a reduced wage or at least not to press for a higher wage, must have a tendency to lower the general wage rate.

The economic history of this country shows that there has been a steady increase in the wage rate, and particularly so during the last few years; whether economic pressure or legislative enactment has been the determining factor does not matter in this consideration. There has also been a marked increase in the savings of the people, as indicated by the wonderful development of the savings bank system; and, as a corollary, there has been a steady decline of pauperism. Will a noncontributory old-age pension system check the savings habit and correspondingly increase pauperism in this country? England's experience gives an emphatic affirmative answer to this question.

The progress in social betterment in this country has been brought about in large part by individual initiative, independence, and self-reliance, and by an awakened ambition among the people at large to rise to a higher level of material and spiritual life. This process will continue unless the forces that have brought it about are undermined by unwise social legislation. A noncontributory old-age pension system might strike directly at the mainspring of social betterment.

It has been argued that a noncontributory pension system will reduce the cost of other forms of poor relief, yet there is no evidence on hand to bear out the correctness of this prediction. The contrary has been proved in most foreign countries in which the system has been tried.

Important, however, as the cost of a noncontributory pension system is when considering its adoption, opposition to it on financial grounds should not and could not avail in the end if the system were sound in principle and productive of social advancement. I believe it to be neither. I fear, and foreign experience with it gives justification for my fear, that a noncontributory old-age pension system, if enacted in this country, will strike at the happily growing habits of thrift and self-reliance, at individual responsibility and family integrity; that it will weaken the many voluntary organizations of self-help which foster these qualities which are fundamental to a people striving for industrial efficiency. Such a system, to quote from W. E. H. Lecky in *Forum* of February, 1900, "proposes to teach the whole working population to look to the State and not to

themselves for that provision for their old age and for the old age of those who might be dependent on them, and thus to destroy the most powerful of all motives to thrift, the very mainspring of productive and self-sacrificing industry." In similar strain, President Arthur T. Hadley, of Yale University, has said: "We need measures which shall increase individual responsibility rather than diminish it, measures which shall give us more self-reliance and less reliance on society as a whole. We can not afford to countenance a system of morals of law which justifies the individual in looking to the community rather than to himself for support in old age or infirmity."

The establishment of a noncontributory system would definitely abandon the hope that any large portion of the poor will ever be able to provide for their old age by improving their wage income and increasing their capacity for independence and self-reliance.

The Massachusetts Commission on Old-Age Pensions, Annuities, and Insurance, in its report of January, 1910, very succinctly sums up the situation by the statement:

A noncontributory pension system is simply a counsel of despair. If such a scheme be defensible or excusable in this country, then the whole economic and social system is a failure. The adoption of such a policy would be a confession of its breakdown. To contend that it is necessary to take this course is to assume that members of the working class either can not earn enough, or can not save enough, to take care of themselves in old age. If that be true, then American democracy is in a state of decay which no system of public doles could possibly arrest, but would rather hasten.

If the noncontributory old-age pension system were made universal in its application, giving a pension to every person at a certain age regardless of need, additional serious objections to the proposition would immediately arise. Not only would the cost of such a system be double and perhaps even treble that of a restricted plan, but the granting of gratuitous pensions to well-to-do aged people would involve large, needless, and wasteful expenditures of public moneys, not justified on common-sense grounds.

From whatever angle, therefore, a legislative noncontributory old-age pension system is viewed, it must be rejected for this country, both as not required by prevailing conditions nor generally called for, and as unsound in principle and disadvantageous in effect.

It may be pointed out that almost all private employers in this country, who have voluntarily inaugurated pension systems for their aged employees, have made the systems strictly noncontributory in character. Yet this fact does not disprove the validity of the objections stated to a noncontributory pension law. We are dealing in the latter case with a social and in the former with an industrial proposition; the two have different fundamental motives. The basic idea of all industrial pension plans is the desire on the part of pri-

vate employers to attract desirable persons into their service and to keep them in continuous employment for an extended period. These employers feel that they are receiving a substantial equivalent for the annuities granted, both in the length of service and in the continuity of employment; they recognize the value of long-continued faithful service beyond that expressed in the payment of regular wages. The pension schemes of private employers are planned primarily with a view to an increase in the efficiency of the business, even though they may to some extent have their root in humanitarian motives. They usually develop a higher morale of the organization and a more effective cooperation of a group of workers through a long period of service; they tend to increase the skill and efficiency of the individual worker and, by keeping him in service, to save the expense of hiring and firing.

Whether these aims or private noncontributory pension schemes are being realized is yet to be proved; personally, I am of the opinion that they are not fulfilling the expectations of their promoters, and I believe that they would more nearly approach fulfillment if they were predicated on a contributory basis, thereby arousing the personal and continued interest of the employees without interfering with their mobility or independence, inasmuch as they would be assured of the return of their own contributions whenever they should leave the service before attaining the pensionable age.

Coming now to a consideration of contributory pension laws, under which the future beneficiaries pay a part or all of the cost through periodical contributions, we must admit that they are sound in character; for they are based on the principle of thrift and initiative. They remove the chief argument for old-age pensions, namely, old-age dependency, by enforcing old-age independency through accumulated savings.

It may be said that the wage may be too small to leave a margin above the cost of the necessaries of life, in accordance with our standard of decent living, for adequate provision for the old age. If that be so, then let it be clearly shown that the wage is inadequate and let its recipient fight for an adequate wage by all fair means, by himself or in conjunction with his fellow worker, the presumption being that he is working honestly and is using with due care and economy what money he earns. It may be said that the exigencies of business may deprive a willing worker of the opportunity to work, or that the misfortune of sickness may rob a person of his usual wage, or that wrong conduct may make a man a charge upon society in old age. If that be so, then offer to the one a humanized poor relief from which the stigma of pauperism and the loss of citizenship rights are removed, and to the other a modernized correctional institution.

A contributory pension law, to be effective, must be compulsory. Objection to compulsion may be raised because of its un-American character. Such objection is not valid, for the State has as much a right to enforce old-age independence of its citizens for the protection of society against the burden of old-age pauperism as it has the recognized right to enforce general education and sanitary conduct of its citizens for the protection of society against ignorance and disease.

If it should be deemed advisable to enact in any Commonwealth in this country a pension law, it would seem obvious from the reasons herein stated that a compulsory contributory law would serve social advancement and justice. The German system is pointed to as the ideal in this respect, and its adoption here is strongly urged, but there are several reasons why the German system can not be transplanted to this country in so far as those things are concerned which go to make up its efficacy. First, the German system is actuated and controlled by the national, rather than by the individualistic, spirit. Second, it is administered under the direction of a beaureaucratic monarchy and not a democracy. Third, to a far greater extent than would be possible in this country it is non-political in character.

Evidence is also not wanting that the German system reveals some serious tendencies in social insurance. Dr. Friedensburg, in a pamphlet widely circulated a few years ago, claimed that the working class of Germany has reached a state of pension hysteria under the social-insurance system. Dr. Friedensburg was for a long time president of the senate of the "Reichsversicherungsamt" (Imperial Insurance Office). The most extreme bias on his part could not affect his authority on a matter of fact, knowledge of which he had obtained through long and intimate observation and experience.

It must also be borne in mind that in Germany pensions for invalidity and old age are part of a general system which includes workmen's compensation and sickness insurance. By reason of the paternalistic interest of the German Government in industry and the fact that the national plans and ideals are based largely upon industrial development, industrial efficiency and national efficiency are almost one and the same thing. The fact largely justifies contributions by the employer to the invalidity and old-age funds. It is consistent with the national program. It is a quid pro quo for the kindly and benevolent assistance of the Government, which is extended to the employer in many forms. It is in line with the program of a greater Germany built upon national industrial efficiency. Moreover, the German system is rooted in a different conception of relationship between employer, employee, and the Gov-

ernment than prevails in this country. While it should serve as a valuable guide, should the enactment of a pension law be decided, the fact of its operation in Germany, even if it had there proved eminently satisfactory, can not be made a principal argument for superimposing it on our social and political institutions.

However, the question remains whether there is present need in this country for any pension law. No doubt there are some people in this country, and I fear there will always be some, who arrive at old age in a condition of dependency and pauperism and who have to be taken care of by public authorities, if private agencies or family members do not or can not fulfill this function. But how many of these needy aged persons are in this country for whom the State must care? Reliable statistics are not available, yet surely we should not predicate an expensive, and in its effect far-reaching, law upon mere assumption of the existence of a considerable amount of old-age dependency. I do not know of any serious student of this question who asserts definite knowledge of extended old-age pauperism and dependency.

My own experience in the State of Massachusetts, during a period of almost four years on State commissions dealing with the pension problem, failed to reveal any considerable extent of old-age pauperism, and no evidence has since been presented which would alter the conclusion arrived at in 1914.

This statement permits of two deductions: Either the facts are not known to us, and in that case we should set out to obtain the facts before we plunge into legislation, or filial duty in a broad sense and private agencies are now adequately coping with the problem of aged dependents. I feel inclined to subscribe to the latter conclusion, and I rejoice in this evidence of humane consideration of man for man.

So, while I do not object to a pension law if need for it be proved, I honestly question such need in this country at the present time. I do assert, however, that if an old-age pension law is to be enacted it must be contributory in principle in order that it may be based on social justice and statesmanship, and it must be restricted in its application to needy aged persons in order that the public money may not be squandered.

I am now, however, in favor of a contributory old-age pension system in the public service of the country, but for reasons that do not justify its general application to all aged persons. It is a well-known fact that old persons remain in public service long beyond the age of usefulness, and that for a number of obvious reasons it is practically impossible in a democracy like ours to drop them from the pay roll when the results might be to leave them without adequate means of support. Nay, more, it is even difficult to eliminate

a public servant from service when he has passed the years of usefulness, even though he is known to be able to take care of himself during the remainder of his life. One justification, therefore, for pensions in public service is the increase in the efficiency of the service which would be secured if superannuated employees were retired upon a pension, leaving their places to be filled by those younger and more efficient.

To sum up: From an economic standpoint the old-age pension is a redistribution of wealth, either from the productive years of an individual to his nonproductive years or from the funds of all to the superannuated. Redistribution in the one case is by savings, in the other by taxation; or, in other words, stimulates self-reliance in the one case and reliance upon State guardianship in the other. If this is the country of wealth it is also the country of individualistic ideals and achievements. It was founded to secure individual liberty of thought and action with opportunities for working out one's own salvation. This is its peculiar destiny and its special mission, and its greatest contribution to humanity will be in terms of character rather than wealth. Not for any reasons of sentiment, but because our national progress under the individualistic ideal has been such as to demonstrate its wisdom and soundness, do I believe we should take no steps calculated to take us away from this path of development.

One of our greatest needs in this prodigal country is the teaching, encouragement, and practice of thrift. Under our institutions an ideal plan for old-age provision clearly lies along the line of individual savings, made effective for adequate old-age insurance through actuarial principles. Should our old-age problem ever reach the point of becoming so acute as to require legislative action, the logic of the line of reasoning would point to a system based upon compulsory savings of the system's beneficiaries.

The CHAIRMAN. The program is in error in stating that Mr. Crowell has been asked to open the discussion. Mr. Crowell has prepared a paper on the "Reasonableness of pensions," and is entitled to 20 minutes.

## OLD-AGE PENSIONS.

BY JOHN FRANKLIN CROWELL, EXECUTIVE OFFICER, CHAMBER  
OF COMMERCE, NEW YORK STATE.

Probably no other country of the world has had so much experience in dealing with pensions of a given kind as the United States. For some years our largest item in Federal expenditure had been the pension list. For the past 50 years the pensioners have been with us, and they are so widely distributed among the communities of the country that there are few places which do not know of the existence of a recipient of the Federal pensions. How largely this feature stands out, as a means of providing for the dependent population of 65 years of age and over, is shown by the fact that in a total of 1,123,172 of such dependents, the United States pension list included 744,188 persons. The other dependents were found in public institutions or cared for by public or private outdoor relief.

In spite of some of the ugly aspects of the pensioning experience of the Federal Government for its soldiers and sailors of the Civil War and their dependents, it must be admitted that the meeting of these claims has not been a hardship to the people of the country. These pensions may have been obtained in ways that are not commendable; they may have been much larger than necessary. From both political and economic viewpoints the whole system may have been criticizable. Nevertheless, it is within the scope of reasonable conviction that the self-respect of the Nation has been maintained by sinning on the side of liberality rather than by a policy of penuriousness toward the veterans of the Civil War and those who were dependent upon them.

We must look at this question of old-age pensions increasingly from the standpoint of national self-respect. Some of us believe that as communities we are not far from the point where, if a city or a county or a township does not provide properly for its aged and indigent, the State authorities will do as they did in Massachusetts some years ago. There a municipality refused to issue bonds for the construction of a high school for the education of its children, and the State authorities, following the decision of the courts, gave the municipality the alternative of doing it or of the State authorities doing it and charging it to the municipality.

But this is prediction rather than fact. It is taken for granted that the facts of old-age dependency in the United States are



familiar enough to the readers of such books as Squier's on the subject, and such reports as those which the Massachusetts Commission on Old-Age Pensions published in 1910. Still later the popular attitude toward the subject may be read in even more forceful terms in Alfred Russell Wallace's *The Revolt of Democracy*, where the workers' claim and the Government's duty are set forth. The workers' program contains these words: "We are determined that destitution must be stamped out; and our remedy resolves itself into this: A national minimum of wages, housing, leisure, and education. That is labor's battle cry for the future" (p. 21). Labor's program calls for justice—not pensions.

The remedy proposed by the Massachusetts commission was one which should find its basis in savings. Whether or not this view is sound would require more investigation than some of us have given to the subject. It is enough to say that probably an increasing number of economists and specialists in social improvement matters see little prospect of dealing with the old-age dependency from the Benjamin Franklin standpoint. The view seems to be gaining ground that men and women among wage earners who have maintained themselves in the industrial life of the community to the age of 65 are, by virtue of what they have contributed to the wealth of the community, entitled to a so-called service pension, over and above wages and during their unproductive years. That system is to a certain extent in operation in England. There it appears to be a source of stimulation to men and women who hold their own until the goal of relief is reached in the form of a pension income. Another form, a pension based on contributions, such as the teachers' pensions in New York City or elsewhere, has not been successful enough to commend itself to general adoption in the United States. A third form, that of depending upon annuities, has much in its favor. But as it usually comes as a gift from the employer, or as the achievement of an employee who has saved for the purpose, it does not meet the needs of many who lie outside of these two classes. We are therefore left either to the alternative of putting off the problem for more light or of accepting the most direct road to attainment.

In this question of old-age pensions, as in many other questions, a solution may be found by dividing the problem. If we take the industry as a unit, we begin to see light. But the stability of the relation between employer and employee in many of our industries is as yet so uncertain and irregular as to cause grave doubts of the workability of old-age pensions. Nevertheless this phase is passing away. Permanency in employment is increasing. Large employing corporations are realizing that any element of stability which they can add to the employment relation will, in the long run, pay for itself. Consequently, in large corporations the pensioning system has made

much headway. It is accomplished commonly by setting aside 1 per cent of the wage total. Railways are beginning to realize its advantages, and other industrial concerns look at the matter in the same light.

Standards of efficiency are beginning to have their effect upon progress of the pensioning movement. Retirement at the age limit of 65 eliminates from Government service, as well as private employment, a class of employees which facilitates the improvement of standards. Anyone familiar with Federal administrative conditions is aware of the difficulty of attempting to accomplish the best business results so long as a considerable proportion of the employees in any given branch or division is above the age limit of retirement, and it is equally difficult in planning their system of clerical work to have the quick-witted and alert men and women of 25 or 30 years fit into arrangements where the slower speed of the worker of 60 is the determinant of the rate of speed. Still more is the employee who over-stays his efficient years a hindrance in any system of promotion. This leads to the conclusion that the Government service, as well as corporate service, would be materially improved by a systematic provision for old-age pensions.

As to the cost of these pensions, it is not believed that they need be burdensome to the Public Treasury, if derived from that source alone. The fact of the availability of pensions at the retirement age would materially contribute toward settled conditions of service by the relief from anxiety, by the certainty of insurance against destitution, and by the consciousness that the closing years of life would not entail upon the individual the loss of self-esteem and the social rank in which the individual was reared and lived.

Among the group of provisions which will probably be made within the next decade under the head of social legislation generally and of social insurance in particular old-age pensions could probably be the most conveniently provided for. The claim on funds need not be large, at half the beneficiary's wage or salary. The period during which benefits are normally payable is not long, and the benefit itself comes back to the community through the expenditure of the income of the beneficiary.

I am *conditionally* in favor of old-age pensions. On these general grounds their reasonableness can hardly be denied. What remains is to work out a plan whereby the end can be achieved—the pensioning of the worthy without cumbering the program with excessive machinery or blundering and stupid administration. We can afford *earned old-age pensions, if they are wanted.*

## DISCUSSION.

MILES M. DAWSON. I have made a few notes on the different addresses and have a few words to say in regard to each. In connection with Mr. Alexander's address, as to whether old-age pensions should be contributory or noncontributory, if nothing but old age is dealt with, a contributory pension system would be difficult to enforce. It also would defer any benefits for a long period of years and they would be contributing money for 20 or 30 years before anybody would receive anything.

There is great necessity for immediate relief and benefits, and that is the reason why some plan must be devised promptly for old-age pensions. In Germany they have an invalidity-pension system, which has given very small invalidity benefits, and which has worked very badly. The contribution of the German system is the invalidity-pension plan, as a supplement to health insurance, so that it fastens right on at the end of sickness insurance as the British Friendly Societies did, and need not be a pension starting at a certain age, but starting when the man becomes broken down. It probably could be carried out on a contributory basis, whereas old-age pensions by themselves must almost certainly be noncontributory.

I think there has been an error about pensions checking the savings. In any country where it has been adopted, in Denmark, Great Britain, New Zealand, etc., the amount of savings has been continually enlarging.

They claim that Germany is becoming degenerated and demoralized. "It is to smile." Whatever we may think of the present war, we certainly don't think the Germans are either degenerated or demoralized.

In every country that has adopted the pension system the establishment funds which were permitted to run in that country are giving larger benefits. In other words, the ideas of the most enlightened employers concerning what should be done relative to their employees are always far in advance of what compulsory legislation is or what it should be.

Mr. Graham's suggestion was an interesting one. I am reminded thereby of a story of a lawyer in Detroit who was asked for a curbstone opinion while crossing the street, and gave it. Later, the case being brought into court, he took it, and discovered that his curbstone opinion was wrong; he then told his client that he got what he paid for. Several other things may be said about it. First, have

policyholders been consulted concerning this free use of their funds? Second, is there perhaps a hope that this will bring business to the company, create an obligation as it were? Third, might it be expected that thus employers will be led to favor admitting private insurance companies when social insurance bills are on their passage? And, finally, does the attitude of certain actuaries who might be consulted (say, Dr. Rubinow or myself), that private companies should be excluded, create a desire that they be not consulted?

I was very much interested in what Father O'Grady had to say concerning control over employees. It is true that some employers think that the system can be used to control employees. It can not work out and has broken down always in all countries where it has been tried. There is no substitute for trade-unions, and it has not succeeded in weakening their organization. One of my own clients tried that, and the result was a complete breakdown of the insurance system. The story about what will happen to you or your pension if you don't come back in case of strike, amounts to nothing, for when the time for the pension comes it is all forgotten.

In Mr. Green's address, please observe that the pension systems of the unions are for impoverished members only. I have investigated the locomotive engineers to see whether they could introduce an old-age pension system, but the cost turned out to be so heavy that such a thing could not be introduced. The only casualty figures upon which a union can introduce an old-age pension, and I have one statement to make——

WM. J. GRAHAM, Equitable Life Assurance Society. I would like to know if Mr. Dawson means to state that he and Dr. Rubinow are the only authorities as actuaries on pensions, whether he means to put his authority against the whole actuarial society.

MR. DAWSON. I do not think I am the only actuary in the United States, nor would Dr. Rubinow claim such a thing.

Capt. White's little statement concerning China interested me greatly. Capt. White, I know, has a great personal acquaintance with that country. The philosophy of China has, however, always been in favor of social insurance, their Government has always been paternal, the families are completely organized, and it has always been considered a duty to take care of their old.

I quite concur with Mr. Crowell's views that we should go slow—but not too slow. It is necessary, however, to have two kinds of people in a movement of this sort—one who furnish the motive power, and one who furnish the brakes. It would be unwise to go too slow, but undoubtedly three, four, or even five years would not be too long to frame an act of this sort. Nearly three years have already been devoted to health insurance.

**FRIDAY, DECEMBER 8—AFTERNOON SESSION.**

**CHAIRMAN, ERNEST P. BICKNELL, DIRECTOR OF CIVILIAN RELIEF, AMERICAN RED CROSS.**

**MATERNITY BENEFITS AND MOTHERS' PENSIONS.**

**I. MATERNITY BENEFITS.**

The **CHAIRMAN**. Anyone who has been attending these meetings of the last few days must be impressed by a sense of the real progress which we are making in this country in the consideration of social advance—of the solution of social problems. Look over the subjects which have been under discussion by this conference and recall the views expressed by the speakers and the manner in which these views have been received.

Such a conference could not have been held a quarter of a century ago. Topics calmly discussed here this week had not been thought of then, and if they had been advanced their sponsors would have been dubbed "cranks" or "Socialists" or "dreamers."

We are prone to complain about the slow progress of needed reforms, and we grow impatient and discouraged over what seems to us public apathy and shortsightedness. Yet it requires only the slightest review of the period which all here can personally recall to show that we have made and are making enormous progress. The thinking which people do and the talking, as at such meetings as this, are necessary preliminaries to the realization of permanent results. You here are the scouts, the signal corps, the engineers, who go on ahead to map out the way along which the main body of public opinion later will advance and "dig itself in."

**MATERNITY INSURANCE AND BENEFIT SYSTEMS.**

**BY HENRY J. HARRIS, LIBRARY OF CONGRESS, WASHINGTON, D. C.**

At the very beginning of the movement for health insurance in the United States, we are met with the fact that the first bills introduced into State legislatures carefully eliminated all provision for maternity benefits. These bills were prepared by the American Association for Labor Legislation; in its standard bill on health insurance the association had included sections containing certain benefits for maternity relief, but on presenting this bill to the State legislatures removed these sections in order to forestall any opposition to the general movement because of these features. The fact is, therefore, that at the present moment a measure containing maternity benefits for

wage-earning women is regarded as practically impossible of enactment, and for those interested in child welfare this situation is a matter of serious concern.

Obviously, the care of the mother means the care of the child, and with this double reason for taking up the problem the recent developments in the United States call for a discussion of what is being done to aid the wage-earning mother during the period of childbirth. The present paper is a brief summary of a special study made for the United States Children's Bureau for the purpose of presenting to American readers an account of the scope and methods of systems of providing maternity benefits, in the various countries of the world. It is expected that the study will be published as a bulletin of the Children's Bureau in the near future.

On the very threshold of this matter we are met by the deplorable fact that in the United States there is no information available about the wage-earning mother more recent than the data collected by the census of 1900. This lack of recent information is, however, not a sufficient reason for taking no action in this phase of legislation for the welfare of women and children. We do know a number of very important things about childbirth and the deaths of infants; for instance, we know that in the registration area in 1914 there were about 10,000 women who died from causes connected with childbirth, and that means that there are approximately 15,000 deaths each year from this cause. We know from the same source that in 1914 there were approximately 80,000 infants who died before the end of their first year of life; in France the number was 88,000 in 1910, and we also know, from French investigations, that out of this 88,000 about 30,000 died during the first four weeks of life; we know that leading French authorities report that most of these 30,000 deaths could have been prevented. It is not unreasonable to conclude that the American loss of infant life could also be prevented, and that the loss of 15,000 American women annually could be greatly reduced.

Most of the countries of the world have recognized the need of the mother for a period of rest following confinement, and have endeavored to provide this rest by prohibiting employment during the four weeks after the date of birth. There has been a gradual recognition of the fact that depriving the mother of her income at the time when she is especially in need of it, was but an imperfect solution of the problem and the provision of maternity benefits has finally been adopted as the best means of securing this rest.

The list of countries having some form of benefit for mothers during maternity is impressive; all of the larger and most of the smaller countries of Europe, as well as the Commonwealth of Australia, have made some provision for their women wage earners at the time of childbirth.

The action of these countries is not a matter of recent date: the national insurance system of Germany began with the year 1884, though there was provision by the local governments before that date; Austria in 1888 and Hungary in 1891 adopted plans similar to the German. Other countries gradually introduced relief in this field, until at the outbreak of the European war practically all the leading countries had fallen into line. It is worthy of note that the interest in maternity relief was not due to the frightful loss of life caused by the war, though the war has directed the attention of the world to the subject of infant mortality and the care of mothers during childbirth to a greater extent than ever before. In 1910 Italy instituted a national maternity insurance fund; the health-insurance laws of Great Britain and Switzerland came in 1911; Russia and Sweden passed similar laws in 1912; while Australia in 1912 and France in 1913 provided special systems of allowances to mothers during childbirth.

There is much variety in the industries and occupations protected by these laws. At the one extreme is Australia, which has ignored industries and occupations altogether by declaring that every woman shall receive the substantial sum of \$25 on the occasion of childbirth. The health-insurance systems of Germany and Great Britain also cover practically all industries and occupations. Italy, on the other hand, restricts membership in the national maternity insurance fund to wage earners in manufacturing industries, though requiring membership for women employed in rice fields. The restrictions are usually due to the difficulty of providing administrative machinery to meet the conditions, for instance, in the home-working industries, or in the case of casual workers who change employers every week, or in the case of agricultural workers, who would be scattered thinly over wide areas. Because some countries have special legislation affecting domestic service, such as requiring the employer to provide medical care for servants living in his household, this occupation is frequently omitted from health and from maternity benefits of the insurance systems. In recent legislation there is a clearly marked tendency to include all occupations and all industries in systems of health insurance, and this is particularly true of maternity insurance and benefit systems.

The scope of the maternity benefits is also varied by the limits as to the persons included. There is a general agreement on the inclusion of wage earners; the salaried employees—that is, those who are engaged in clerical work in the minor administrative positions, etc.—are sometimes omitted because they usually have a more permanent employment status than those doing the work involving physical labor. As a rule, there is a restriction on the class of persons insured by excluding those earning more than a specified sum; in Great

Britain the limit is placed at £160 (about \$800) annual earnings; in Germany it is 2,500 marks (about \$600).

Great diversity of practice exists in the treatment accorded the wife of the wage earner, who is not herself insured. Under the British law she is entitled to maternity benefit; under the German law it is optional with the local organization which administers the insurance to provide the maternity benefit, although the special laws in force during the war provide practically the same benefit as for the woman who is included because she is a wage earner. The tendency in recent legislation is to make liberal provision for the wife of the insured wage earner.

One of the most humane features of these maternity systems is the treatment of the unmarried mother. In no country is she excluded from the aid, though in Great Britain she is not allowed to receive the additional maternity benefit which is granted to married women.

The benefits provided by the various countries consist of—first, a sum of money either in one payment or in weekly payments; second, medical and surgical service and medicine; third, a small weekly sum paid while the mother herself nurses the child. In one country, France, a system of instructing and advising the mother through visiting nurses or volunteer visitors is in force.

As in most countries it is the wage-earning woman who is protected by the insurance system, the maternity benefit is practically a partial substitute for wages. The usual amount varies from 50 to 75 per cent of the wages, with a distinct tendency in the recent laws to increase the amount.

The time during which the sick wage is paid ranges from 2 to 12 weeks. In most of the countries this period is divided from 2 to 4 weeks before childbirth and the rest of the period after that date. In the laws recently enacted, such as the Netherlands law of 1913 and the temporary German laws of 1914-15, the mother is granted the benefit for three months after the birth of the child.

The British and Australian plans simply grant a specified sum to the mother, to be paid on proof of the birth of the child. This method simplifies the administration, but the reports of the operation of the laws seem to indicate that it produces less satisfactory results than the weekly-payment system. The weekly sick-wage payment also makes it possible to require the mother to refrain from factory or other work under penalty of withholding the benefit. In France it is used also to require the mother to observe fundamental hygienic rules.

In the majority of these countries the mother is provided with free medical attendance and medicine, though in some of the larger countries, such as Great Britain, no such aid is furnished.



One of the more recent benefits provided is that for nursing mothers. This is granted by Germany, Switzerland, Roumania, and France, and consists of an amount varying from one-half of the regular benefit in Germany to a sum of 50 centimes daily in France. While these amounts may seem insignificant under American conditions, they are of great importance in aiding the European mother to devote herself to the child's welfare during the period when breast feeding is of the utmost importance. The benefit is paid for a period ranging from 4 to 12 weeks.

In all but three countries the maternity aid is joined with the health insurance system. The reasons are obvious; the group of the population to be aided is, for all practical purposes, the same as that included in the health insurance; next, the benefits needed are the sick wage and the medical service, the same as in the health-insurance system. The three countries which do not follow this plan have no systems of health insurance; thus Italy, with its separate system of compulsory maternity insurance for women wage earners; France, with its maternity allowance for those dependent on their earnings; and Australia, with its maternity allowance for its citizens.

All sorts of combinations have been made in distributing the expense. At one extreme are Roumania and Denmark, where the wage earner pays the entire cost, though there is a slight amount of aid from the National Government; at the other extreme are Australia and France, where the Government bears the entire cost. The majority of the systems distribute the cost between the insured person, the employer, and the State, with the wage earner bearing the largest share.

As it is rather difficult in a short space to give any idea of the operation of these laws, it will not be attempted. But it is important to call attention to the fact that practically the entire wage-earning population of Austria, France, Germany, Great Britain, and Russia—the largest countries of Europe—are in receipt of some sort of aid during the period of childbirth, while in the Commonwealth of Australia every case of childbirth receives a substantial money grant. These countries disburse large sums on this account; thus in 1914 the Federal Government of Australia paid out \$3,000,000 in maternity allowances and this sum represents 3 per cent of the consolidated revenue of the Government. In France the maternity allowance calls for \$1,000,000 annually from the National Government and another million from the local governments. These two instances are mentioned as showing the extent to which governments are willing to assume financial burdens to relieve the financial strain on the wage-earning population caused by childbearing.

## DISCUSSION.

The CHAIRMAN. We are very fortunate in having Miss Lathrop, of the Children's Bureau, to open the discussion of this interesting paper of Dr. Harris.

MISS JULIA LATHROP, Chief of the United States Children's Bureau. We shall all agree that Dr. Harris's paper on maternity benefits and insurance in foreign countries is a valuable statement in a field of social insurance singularly unfamiliar in the United States.

I trust you will not think that I am missing the point of health insurance if I turn aside from any attempt at technical discussion and use my time to emphasize briefly the vastness and intricacy of the practical questions which are raised when we begin to consider the application of any form of maternity benefit and insurance in our own country.

Plainly, the European experience offers us little that can be applied directly here. It certainly must impress us with the duty of finding out American needs. This is not a question of protecting various groups of wage earners from industrial risks that can be eliminated by safety devices or good shop hygiene. This is a general question inevitably permanent. The question is that of setting up a standard for the protection of women in the exercise of a perfectly normal function, indispensable to society, and of securing for all women an adequate measure of protection if they can not command that protection independently. I am sure none of us would be willing to admit that the matter should be stated in less general terms.

But even if we restrict ourselves to those who under the terms of the tentative bill are insurable by compulsion or voluntarily, or who are in receipt of cash income less than \$100 per month, it is fairly certain that the large proportion of the 2,500,000 women who become mothers each year would be included.

The study of the Children's Bureau in Manchester, N. H., which is now in press, showed that 93.6 per cent of all the 1,564 babies born in the year ending October 31, 1913, were in families where the father earned less than \$1,250.

While maternity is a normal and healthful function, there is a certain—or rather a very uncertain—degree of mortality and morbidity involved. Indeed, the probable extent of sickness and death is startling, as shown by the census figures quoted in the tentative draft, and in greater detail in Dr. Meigs's study of maternal mortality. Of

special importance in this connection is the fact pointed out by Dr. Meigs that all authorities agree that the greater part of the loss of life and health is preventable. Thus we have a solvable problem, however vast. It involves adequate rest and protection in normal cases and whatever special facilities are needed for exceptional cases. It is complicated, difficult, costly, but not impossible.

Where are these cases found? We are inclined to view social insurance as a city matter, a problem of industrial communities. Yet we know well that three-fifths of the people of the United States lived at the last census in towns of 2,500 or less, and that many thousands live in remote places under pioneer conditions, isolated from hospitals, physicians, and nurses.

Unfortunately, as has been said, we do not know how many mothers are at work in shops and factories, but there is no room for doubting the value to them of rest before and after the birth of a child if it is accompanied by enough income so that the standard of living comfort is not lowered. The working mothers on farm and ranch are perhaps more in need of such relief, but still less do we know how to estimate their proportion. We have, however, one statement made recently which gives a hint as to the maternity risks in rural communities. Prof. James Glover in his comment upon the United States life tables prepared under his direction upon the basis of the 1910 census data says, "From the ages of 25 to 31 the female rate of mortality is actually higher than the male rate of mortality and from the ages of 20 to 45 the female rate of mortality approaches more nearly to that of the males in the rural part of the original registration States than is the case among other classes of the population." As Dr. Glover himself pointed out recently at the meeting of the Public Health Association in Cincinnati, there is nothing to explain this sudden leaping up of the death rate among women of these ages in rural communities except the fact of maternity. A few studies made by the Children's Bureau during the last year in rural communities go to show the hazards of maternity in many parts of the country.

Since the question is so large, and since it would be a pity to take it up in any but an adequate fashion, I hope very much that it may be considered practicable to add to the draft of any laws proposed for introduction in this initiatory period, provision for an advisory committee composed largely of women, upon which physicians and social workers would be represented; this committee to be directed to observe the workings of the provision for maternity benefits, the needs, if any, not covered by the law, and to report from time to time their observations to the commission, and the commission to have the power to turn into rules having the effect of law such recom-

mendations of the committee as it may accept. I think some provision of this kind will allay the anxiety of those who feel dissatisfied with the terms of the suggested provision for maternity insurance.

I think the publicity and advertising power of such a committee would stir the public intelligence and conscience to provide the necessary cost. For, mind you, this is a costly business upon which we are bent, entailing equipment and expenditures far beyond the power of any insurance assessments. The maternity provisions in Germany and France have already brought protests from the men insured because of the burden to the funds.

It is a business upon which we should have embarked before this, and we may well be glad that the discussion of health insurance has brought the protection of maternity to the fore.

Dr. MEEKER. Mr. Chairman, may I make a statement?

The CHAIRMAN. Yes.

Dr. MEEKER. Let me hasten to say that I have no intention of discussing maternity benefits. That, I hope, will relieve your minds. A statement was made yesterday regarding the fullness of ignorance possessed by the American people in regard to women in industry. The most of that ignorance was charged to the culpability of the Federal Government. The Federal Bureau of Labor Statistics is sufficiently culpable, but it has dug out some information regarding women in industry. I know that some of this information is now in existence in this audience.

Miss MARY CONYNGTON, United States Bureau of Labor Statistics. The objections to including a maternity benefit for working women in a scheme for social insurance seem to be based on two propositions—that we don't know enough about the number of married women in industry, and that the work of married women is not consistent with American standards, and that therefore we don't want to do anything to encourage it.

As to the first point, it is quite true that we do not know as much as we should like to about the number of married women in industry and the proportion which they form of all married women. On this last question we shall probably be left in the dark until the publication of the belated census figures; but after all, this is not a matter of vital importance. If we know that there is a large body of married women in industry, then for the sake of the next generation it is equally wise to make some provision for them whether they form something over one-twentieth of all married women, as in 1900, or more or less. And as to the number of married women gainfully employed, we have a good deal of information in the Federal Report on the Condition of Women and Child Wage Earners, in the bulletins of the Bureau of Labor Statistics relating to women in industry, and

in the reports of the Immigration Commission. All these studies tend to show that the married woman is an important factor in the industrial world. One study made by the Bureau of Labor in 1907-1909 deals with a group of 61,656 women employed in 23 different factory industries scattered throughout 17 States. The only principle of selection practiced was that of taking industries which employed children or women or both. This group is sufficiently large to be considered representative. Of the whole number, 12.4 per cent, practically one-eighth, amounting to 7,645, were married.<sup>1</sup> This is an increase of 5.1 per cent over the proportion which married women formed in 1900 of all women in manufacturing and mechanical industries, among which these factory occupations would be included. But many of the industries included in the bureau's study employed large numbers of young girls, among whom the married would naturally be few, so a fairer idea of the numerical importance of married women can be gained by considering only those aged 20 or over. These formed half of the total group, numbering 30,890, and among them over one-fifth (22.6 per cent) were married.<sup>2</sup>

In its investigation into the condition of woman and child wage-earners the Bureau of Labor made special studies of four large industries. The number of women employees aged 20 or over among those studied and the proportion of married among these were as follows:<sup>3</sup>

Industry.	Number aged 20 and over.	Per cent of those married.
Cotton textile industry:		
New England group.....	10, 237	28.4
Southern group.....	7, 285	28.3
Men's ready-made clothing.....	6, 513	28.3
Glass industry.....	1, 166	12.2
Silk industry.....	5, 838	16.6

Here the smallest proportion of married women is one-eighth, and from that it runs up to two-fifths. In 1911 the Bureau of Labor found that of 1,267 girls and women engaged in five industries in Maryland 28.4 per cent were married, and that of 1,566 in the same industries in California the proportion married was almost identical—28.3 per cent.<sup>4</sup> In 1911 the bureau found that of 468 women employed in stores, manufacturing and mechanical establishments, and hotels and restaurants in the District of Columbia 12.2 per cent

<sup>1</sup> U. S. Bureau of Labor Statistics, Bulletin No. 175, p. 409. "Married" as used in the Government reports does not include widows or divorced or deserted wives; it is restricted to married women living with their husbands.

<sup>2</sup> Census, 1900, Vol. Occupations, p. ccxxii.

<sup>3</sup> Report on Condition of Women and Child Wage Earners, vol. 18, p. 27.

<sup>4</sup> U. S. Bureau of Labor Statistics, Bulletin No. 175, p. 411.

<sup>5</sup> U. S. Bureau of Labor Statistics, Bulletin No. 96, pp. 416, 417.

were married.<sup>1</sup> In 1913 a New York investigating commission found that of 5,020 girls and women employed in making confectionery in that State 13.6 per cent were married.<sup>2</sup> In 1900 the census found that of 1,803 girls and women in confectionery in New York 9.2 per cent were married.<sup>3</sup> In 1909 the Immigration Commission found that of a group of 90,124 women engaged in manufacturing industries 24.4 per cent were married.<sup>4</sup> In fact, there seems to be no evidence that the proportion of married among the women gainfully employed is decreasing, while there is much to show that it is increasing, but if it is merely remaining stationary, then, as Miss van Kleeck has pointed out, the number of married women gainfully employed is well over a million.

The second objection is urged with even more vehemence than the first.

It is argued that the married women in industry represent an aspect of pauperized European labor, which is contrary to American traditions; that everything must be done to resent the extension of this European tradition on American soil; that only the wives of negroes, non-English-speaking aliens, and defectives and delinquents work for wages in this country; that wage earning by wives of white men is a matter of choice, not of family necessity; and that the maternity benefits, especially the cash benefit, will encourage rather than repress this undesirable tendency.<sup>5</sup>

This view seems to be based on the general principle that everybody knows it is so, the only authority which I have been able to find quoted in support of it being the "personal observation of groups of social workers." This authority, of course, is beyond question as far as it goes, but personal observation is necessarily too limited to carry much weight in matters involving hundreds of thousands of women. Also, we are told, that when the head of the Cheney silk mills installed among his workers a system of health insurance with liberal maternity benefits, married women flocked into his employ in such numbers that he felt constrained to alter his plans and reduce materially the benefit offered.<sup>6</sup> We are not told, however, whether these married women came into his employ from their own homes, or whether, being already gainfully employed, they simply sought the place in which some provision was made for their time of special need. Yet it is evident that the significance of this illustration depends altogether on which of these alternatives is the correct statement of the situation. If the women were attracted from their homes, then the opponents of maternity benefits are justified in feeling that the case lends support to their argument; but if the

<sup>1</sup> U. S. Bureau of Labor Statistics, Bulletin No. 116, pp. 10, 11.

<sup>2</sup> Third Report of New York State Factory Investigating Commission, Appendix I, p. 75.

<sup>3</sup> Census, 1900, Vol. Occupations, p. 352. (Percentage calculated from Table 41.)

<sup>4</sup> Report of Immigration Commission, vol. 20, p. 819.

<sup>5</sup> Rubinow, Standards of Health Insurance, p. 132.

<sup>6</sup> See American Legislation Review, March, 1916, p. 26.

women, being already employed, merely were attracted to this particular mill, then the case only shows that married women at work themselves consider the maternity benefit a desirable thing, to be secured if possible.

On the other hand there is a considerable body of data to show that the industrial employment of married women is by no means confined to those of foreign birth or descent, and that as a matter of fact we have small reason to plume ourselves on the superiority of American standards and practice in this particular matter. In the table already given it will be noticed that the largest proportion of married women was found among the cotton workers of the South. These were all white, and of as genuinely American stock as we have in the country, the immigrant and the daughter of the immigrant being alike unknown among them. Yet a larger proportion of their women workers were married than was the case among the textile workers of New England, where 11 women out of every 12 studied were either immigrants or daughters of foreign-born fathers. It was larger by 42 per cent than among the garment makers, where not quite 1 woman in 12 of those aged 20 or over was of American stock, and larger by 154 per cent than among the silk workers of New Jersey and Pennsylvania, where a little over 3 women out of 4 were either themselves foreign born or the daughters of immigrants. Their excess over the proportion among the garment workers is especially remarkable, because among these the figures were unduly weighted by including a special study of the home workers, who are almost all married; nevertheless, even this inclusion does not bring the number of their married women nearly up to that found among the American textile workers of the South.

The reports of the Immigration Commission contain some interesting data on this point. Their study of the employees in manufacturing and mining industries included some 90,000 women workers, who were found almost exclusively in the manufacturing industries. The following table shows what proportion, among those aged 20 or over, of these women were married, by racial distribution:

NUMBER OF WOMEN AGED 20 OR OVER STUDIED IN CERTAIN INDUSTRIES, AND PROPORTION MARRIED, BY RACIAL DISTRIBUTION.

[Calculated from General Table 41, Report of the Immigration Commission, vol. 20, pp. 788-818.]

Industry.	Native-born, white, of native father.		Native born, white, of foreign father.		Foreign born.	
	Number studied.	Per cent married.	Number studied.	Per cent married.	Number studied.	Per cent married.
Agricultural implements and vehicles.....	50	( <sup>1</sup> )	205	6.8	494	28.3
Cigars and tobacco.....	2,916	25.4	1,946	14.4	2,712	51.7
Clothing.....	401	23.9	1,230	9.9	3,079	35.2
Collars and cuffs.....	440	20.7	366	12.4	151	19.2
Cotton goods.....	1,724	31.3	4,922	26.6	15,828	44.9
Glass.....	90	( <sup>1</sup> )	75	( <sup>1</sup> )	84	( <sup>1</sup> )
Gloves.....	242	53.7	63	( <sup>1</sup> )	76	( <sup>1</sup> )
Leather.....	110	26.9	148	15.5	239	38.0
Shoes.....	2,086	32.6	1,241	16.6	667	37.3
Silk goods.....	833	15.1	1,471	10.9	1,232	40.5
Slaughtering and meat packing.....	268	27.2	335	11.0	1,130	36.7
Woolen and worsted.....	1,427	32.0	2,967	20.8	7,378	42.4
Total.....	10,586	28.1	14,968	19.1	32,730	43.0

<sup>1</sup> Proportion not calculated for groups numbering less than 100.

It is at once apparent that the proportion of married women is larger among those of foreign birth than among those of native stock, but the difference is not great enough to justify much sense of superiority on the part of the Americans of native descent. In the different industrial groups the proportion of married ranges among the foreign born from about one-fifth up to one-half, and among the native born from a little less than one-sixth up to one-half. Evidently such a situation does not lend any support to the claim that the employment of married women is peculiarly characteristic of foreigners, all that can be said is that it seems to be a little more common among foreigners than among those of native stock. Evidently, also, where the numbers concerned are as large as in these groups, it can not be maintained that among white Americans "only the wives of \* \* \* defectives and delinquents work for wages"; and it would be almost equally rash to assert that these American wives are working from choice and not of necessity.

The difference shown in this table between the native born of native stock and the native born of foreign parentage is more striking than that between those of native stock and the foreigners. There is not a single group in which the proportion of married women is as large among these daughters of foreigners as among those of native stock, and in several it is considerably less than half as great. Judging from this table it would appear that one of the first uses an immigrant family makes of its increased prosperity in this country is to withdraw its married women from work. When the family first comes over economic pressure is severe, and everybody must work just as is the case among the mill workers of the South under similar eco-



conomic pressure. But by the time the children born in this country are grown up the family has usually gained a certain degree of prosperity, and the married woman appears much less numerously among their working women than among the Americans, in spite of theories as to American standards and American pride in supporting wives at home.

Summing up the matter it appears that we have abundant data to show that there are between one and two million married women gainfully employed at the present time, that the importance of married women in industry is certainly not diminishing, but in all probability increasing, and that the custom of permitting married women to work for wages is not a foreign innovation but prevails extensively among the purest American stock we have in localities where immigration is practically unknown. As a matter of common sense, not demonstrable by any data at hand, it seems likely that when married women to the number of a million or two are found in the industrial world their presence there is a matter of economic necessity, not of choice. The opponents of maternity benefits say the solution of the difficulty is to increase the husband's earnings, so that there will be no need for the wife to work. The supporters of maternity benefits will not quarrel with any move in that direction, but such a purpose must necessarily be slow of accomplishment, and meanwhile the wives are at work. Refusing the maternity benefit may make the situation much harder for the individual woman, may help to maintain the present high mortality among mothers at the time of confinement, may increase suffering and invalidity among the mothers who do not die, may help to perpetuate a long train of harmful consequences, but will not lessen by a single iota the conditions which now drive married women into industry nor return a single one to her home.

Dr. JOHN FRANKLIN CROWELL, executive officer, Chamber of Commerce, State of New York. Speaking of English contributions to this subject, one of the most interesting was the statement of Bernard Shaw some months ago, in which he said that if he were a woman he would not bear a child for less than \$500; that it was worth all of that, and that women ought to be paid at that rate.

This question brought me to speak, because of the reference to the South. Gentlemen, I served for some years in an educational capacity and was in close contact with the industrial conditions there. I found that these conditions applied—the necessity for maternity considerations of this character applied—to the rural as well as to the industrial districts—the Piedmont district, and mountain dis-

tricts, as well, where certain nursing associations have recently been formed and are doing excellent work, where infant mortality is high, simply because of the far-apartness of the people, and the inability to help one another along intelligent lines. The southern insane asylums have a very large proportion of women in them, largely because as the families increase in size the husbands run away and leave the burden wholly to the mother to bear. You will find a great deal of that among the colored people, particularly, where the income is very low. To a certain extent the problem takes this form in our larger cities in the North, when the mother who has to go out to work to supplement the family income in one form of service or another.

As this question comes up in this larger group of social insurance questions, it seems to me we make a mistake of lumping everything together under the head of social insurance; we ought to impress upon ourselves that these questions stand upon their merits; and if there is anything in this viewpoint, it lies in this fact that every nation of Christendom has come to the door of an abiding sense of an increasing valuation upon the estimate of the human life and human service. The fact appears in nations competing one with another for the mobile portion of the laboring population. This sense of human values is growing rather than diminishing, and we have to reckon with that as the great force that underlies this whole question—the enhancement in the value of the life of the individual man, or women, or child.

Among village industries where mothers work there is a great field for this sort of social service. If any of you wanted to make a special study of the village and home cigar industries in such counties as Lancaster, York, and Berks and others in Pennsylvania you would find whole villages have been literally built out of the income of cigar makers, mostly women, and many who are mothers.

The problem has a wide ramification, inasmuch as it bears directly on every kind of interest that we may have, and is one of the most fundamental. I wish every possible encouragement to those who are working out this problem, and hope only that in due time—probably before many of us expect—something tangible will be expressed in the form of legislation which shall give the mother an equal chance to bear the burden unharassed by the lack of essential means to meet the needs of herself and her child.

The CHAIRMAN. We come now to the other main topic of the afternoon—mothers' pensions.

## II. MOTHERS' PENSIONS.

### THE THEORY AND DEVELOPMENT OF THE MOTHERS' PENSION MOVEMENT.

BY SHERMAN C. KINGSLEY, DIRECTOR, ELIZABETH M'CORMICK MEMORIAL FUND, CHICAGO, ILL.

[This paper was submitted but not read.]

The underlying thought and motive back of the funds-to-parents movement is that mothers of good moral character who are physically and mentally fit should, in spite of misfortune and poverty, be given a chance to be matrons to their own children. It should be interpreted as an effort to make a more just and truer appraisal of the office of motherhood and the intrinsic service which is rendered to society in the rearing of children. It represents the newer phase of thought on social problems, for it is an effort to focus attention upon the home and the family as the unit and basis of our society, and it invites the community to address itself to the task of considering environment and of throwing props and safeguards about the home, and of developing a program and method for such service rather than placing the larger emphasis on the creation of institutions and focusing the major attention on the technique of institutional administration and management.

These statements perhaps fairly represent the point of view of those who are back of the mothers' pension movement. It is no less than a movement, for under one name or another this well-defined objective of keeping children with their own mothers instead of placing them in institutions or other family homes and paying for their care at public or private expense is now written into law in 29 States. This emphasis on the home and the integrity of the family marks a wide divergence from our earlier thought and practice.

The almshouse was the first expression of the charitable impulse of the community. It was a place into which misfits, unfortunates, defectives, and poverty-stricken women and children were indiscriminately gathered—a sort of catchall for finished dependents and victims of chronic illness and general misfortune. It was the public's answer to distress, and nearly every community had its almshouse. Coincident with this scheme of care was the custom of administering outdoor relief to needy persons. Sometimes it was accomplished through turning the work over to the lowest bidder and at other times farming out or indenturing those who needed care, notably the case with children.

The jail was almost equally recognized, since a place was needed for those who became a menace to people's personal safety and property as well as for those who because of their difficulties and abnormalities offended people's feelings and sensibilities and excited pity. Not until trouble had happened did the community get itself into action with its almshouse answer. In time, however, this institution with its lack of classification and its indiscriminating routine failed to satisfy the public conscience. Perhaps the sight of little children among the mass of wretched humanity gathered into the almshouse was the most impelling reason for the next steps in charitable development.

Another general movement followed, resulting in the establishment of institutions for children—orphphanages, half-orphan asylums, refuges, and the like. The movement spread over the whole country, and no community was complete that did not have its imposing buildings and its group of interested people who thus provided for unfortunate children.

Then came another development. Certain phases of institutionalism and congregate care for children did not satisfy the public mind as to children's needs. The public became conscious of routine, of children in uniform dress, of little people marching in groups to church or to school, of the confinement of little people within the walls of buildings or in restricted yards.

Under the compulsion of this consciousness the placing-out system was evolved. There was a long story of indenture, of placement without inquiry and proper care and of abuses due to want of investigation and supervision. This was followed by a period when scrutiny and study were given to placing-out work and high standards of efficiency were evolved which secured for the child, through medical and dental service, careful adjustment to his new foster home and supervision which assured to him the best that family life, schools, and neighborhood resources could secure in a wholesome community.

Then came the juvenile-court movement. This was a further and conspicuous effort to single out the needs of children and to set child problems apart for special study and consideration. It has rendered many important services, but perhaps its "great primary service is that it lifts up the truth and compels us to see that wastage of human life whose sign is the child in court. Heretofore the kindly but hurried public never saw as a whole what it can not now avoid seeing—the sad procession of little children and older brothers and sisters who, for various reasons, can not keep step with the great company of normal, orderly, protected children."

The histories of these children and the resulting studies into their family situations and environment brought out more clearly than

ever before the importance of the family as the special point of community interest and concern. Charity organization workers, nurses, relief agents, all got a new reaction and insight into their own work as from time to time they reviewed this procession and heard individual stories and circumstances related to the judge. New bases for tests of efficiency were afforded when weeping children clinging to their mother's skirts revealed certain phases of family disintegration and breakdown. The case of the widowed and deserted mother, or those where the breadwinner was permanently incapacitated, formed one of the most appealing groups. A new insight was had into the inadequacy of relief as these women, broken by the strain of worry and overwork, filed by the judge. No other agency contributed more strongly to the public desire to give the mother a real chance than these experiences with the juvenile court. These and many other considerations bearing on children's conditions and needs led to a notable conference on the subject, called by the President of the United States and held in the White House in January, 1909. Two hundred men and women met in the city of Washington and held what was known as the White House conference on the care of dependent children. After two days of earnest deliberation and conference, covering every phase of the subject on dependent and neglected children, a remarkable set of resolutions was drafted and unanimously adopted by this group of workers, gathered from all over the country and representing all phases of children's work and all creeds and sects. The first of the resolutions there adopted reads as follows:

Home life is the highest and finest product of civilization. It is the great molding force of mind and of character. Children should not be deprived of it except for urgent and compelling reasons. Children of parents of worthy character, suffering from temporary misfortune, and children of reasonably efficient and deserving mothers who are without the support of the normal breadwinner, should, as a rule, be kept with their parents, such aid being given as may be necessary to maintain suitable homes for the rearing of the children. This aid should be given by such methods and from sources as may be determined by the general relief policy of each community, preferably in the form of private charity, rather than of public relief. Except in unusual circumstances, the home should not be broken up for reasons of poverty, but only for considerations of inefficiency or immorality.

Many of these principles had long been held by members of this conference, but never before had such definite consideration and deliberation been accorded to children and their problems. These articles of agreement have doubtless exerted a strong influence on the development of children's work in the United States and perhaps in other countries. There is no doubt but that the findings of this conference gave a strong impetus and determination to the effort of finding some way to give mothers a fairer chance for satisfactorily performing the office and duties of motherhood.

While the sentiment thus expressed was spreading over the country, it became suddenly crystallized into action when the first so-called "mothers' pension" law was passed by the Legislature of the State of Missouri and was signed by the governor on April 7, 1911. This law was drawn by Judge E. E. Porterfield, of the Kansas City Juvenile Court, and was made applicable only to that city and surrounding county. A month later there went into effect the first law of this character of State-wide application—the original funds to parents law in Illinois. This law was brief but very general in its scope and proved far from satisfactory. Two years later the present law, drafted by Judge Pinckney, of Chicago, was approved and went into effect on July 1, 1913. Once started the movement has made such rapid strides that there are at the present time funds to parents laws in operation in 29 States.

An analysis of these laws shows many variations. The chief items of agreement are that the parent must be needy, must be a proper guardian, and that there must be young children. There is much variation in the person to whom the allowance is to be given. In two States, Colorado and Nebraska, the law applies to any parent who because of poverty is unable to support a dependent or neglected child, but who is otherwise a proper guardian for it. In all other States the allowance is limited to mothers. In California, Maryland, New Jersey, and New York it is paid to widows only; in Massachusetts, New Hampshire, North Dakota, and Utah, to all mothers with dependent children; and in 19 States it is given not only to widows but to other specified classes of dependent mothers. In 13 States the allowance is given to mothers whose husbands are confined in State institutions, such as insane asylums; in 14 States to mothers whose husbands are in penal institutions; in 13 States to mothers whose husbands are incapacitated physically or mentally; in 7 States to deserted mothers; in 3 States to divorced mothers; and in 1 State unmarried mothers are specified. In 4 States the provision is made that the allowance may be paid to some other person or organization for the mother. In 5 States the mother is permitted to do some work away from home. In 3 States it is specified that the mother must be a citizen of the United States; residence in the United States, the State, or the county for varying lengths of time is required in 26 States. The maximum age of the child varies from 14 to 17 years; 14 years in 13 States; 15 years in 4 States; 16 years in 10 States; and 17 years in 1 State. Provision is made for the discontinuance or modification of the allowance at any time in 13 States.

The maximum monthly allowance varies very greatly. In 3 States, Colorado, Kansas, and Massachusetts, it is provided that the aid shall be sufficient to care for the children properly. In 25 States

definite maximum amounts are fixed, varying in Wyoming from \$20 a month for the first child and \$10 a month for each additional child to \$2 a week for each child in Iowa. In Kansas it is provided that the total allowance to any one mother is not to exceed \$25 a month. The most common provisions are from \$10 to \$15 a month for the first child and from \$5 to \$7.50 a month for each additional child. Illinois provides \$15 a month for one child, \$10 a month for each additional child, and a total allowance of not to exceed \$60 a month. Wisconsin provides \$15 a month for the first child, \$10 a month for each additional child, and in no case more than \$40 to any one family. The source of these funds is from the county in 21 States; in 3 States the county and town or city share in the burden; in 2 States the State pays the money; and in 3 States the State shares the burden. In 21 States the juvenile court or court having jurisdiction over children administers the funds; in 5 States the county commissioners have jurisdiction; in 6 States the State board of charities assists in administering the funds; in 5 States special boards of commissioners are provided to oversee the work; in New York State county boards of child welfare, with seven members appointed by the county judge, and city boards of child welfare, with nine members appointed by the city mayor, administer funds. The State board of charities has supervision. In New Hampshire the school board of each town or city and the State superintendent of public instruction have supervision. In 5 States probation officers assist in the administration of the allowance. In only 6 States is any provision made for the cost of administering the funds. The members of the child-welfare boards in New York serve without pay, but are entitled to actual necessary expenses and may employ officers.

The wide discussion resulting from this rapid spread of mothers' pensions in the United States has disclosed a sharp division of opinion on the subject, with many enthusiastic champions and earnest opponents ranged on either side.

The theory of mothers' pension legislation in this country and the arguments which are urged in its behalf are based on the following points:

1. That "the most common instance calling for relief through a period of years is the widow or permanently deserted wife with children too small to help in the family support."
2. That when such a mother goes to work the children do not receive the care, training, and home influence necessary to bring them up properly, and that much juvenile delinquency results from this condition.
3. That many mothers and children are being separated who should be kept together; that institutions are paid for the care of these children.
4. That poverty is not a sufficient reason for taking a child from a mother.
5. That an institution, no matter how good, should supplant home care only as a last resort,

6. That the relief given by public and private charitable organizations is and has been inadequate and uncertain, and has not in general given the mother a real chance.

7. That the stigma of charity is not associated with a pension.

8. That in bringing up a family under the proper influence of home life a mother is rendering a service to society, and should therefore when in need be entitled to assistance.

9. That if given adequate allowances from public funds these mothers would be enabled to furnish their children this essential home training.

While this movement is only of a very few years' duration innumerable books, pamphlets, and articles have already been written on the subject. We have been working more or less directly on the problem of poverty during our whole history. It is impossible in a paper of this length to take up the pros and cons of these questions in detail. There has undoubtedly been much hasty and ill-considered legislation on this subject. Laws have been passed and have gone into effect without adequate study and without providing proper machinery for administration. In launching any such movement upon the uncertain sea of public service there are always risks to be taken and dangers to be guarded against.

Perhaps the objections that one hears most frequently can be stated under three general headings:

1. That pensions do tend to pauperize the individual, on the one hand, and, on the other, offer a corrupting possibility to officeholders, while at the same time tending to relieve relatives and friends of normal responsibility at the taxpayers' expense.

2. Again, that the administration of relief to dependent families can better be done by private agencies, because more attention is given to investigation and to proper supervision; that the services of friendly visitors and of trained and experienced social workers are needed; that it is comparatively easy to raise money from private sources for dependent mothers who are mentally and morally fit and otherwise efficient as home-keepers.

3. Again, it is urged that social insurance or some other more equitable and satisfactory system should be evolved which would meet the twofold object of relief and prevention.

It is declared by advocates of social insurance that "the mothers' pension idea is not in harmony with the principles of social insurance; that it is merely a revamped and in the long run an unworkable form of outdoor relief; that it has no claim to the name of pension and no place in the rational scheme of social legislation and offers no element of prevention or radical cure for any recognized social evil; that it is an insidious attack on the family and injurious to the character of parents; that when administered by the juvenile court it imposes an unjustifiable burden at a time when such courts are having more than they can do to discharge their functions; that it illustrates all that is objectionable in State socialism, without representing the idea of social justice which the socialist movement, whatever its faults, is constantly bringing nearer."



We can give only brief comment on these three general objections. The real friends of the mothers' pension idea frankly recognize the force of all the points covered in the first heading. In many places they have heartily cooperated with the juvenile court or other tribunal charged with the administration of the law. They observe that public functions on every hand need the cooperation, the interest, and vigilance of all good citizens. They readily recognize that the possibility of direct grants from any source offers subtle temptation to designing people, and believe that such laws should be carefully drawn with all proper safeguards provided and that the best grade of work which can be commanded are needed in their administration. They recognize that a thorough knowledge of facts and a proper supervision are absolutely essential.

On the second general objection it is to be observed again that 29 States have already enacted mothers' pension laws. Many of these States have a full complement of charity organization societies and other private relief agencies and systems of outdoor relief as well. These agencies have not succeeded in convincing the public that they have satisfactorily met the problem of keeping mothers from overstrain and worry, from premature breakdown and collapse; or of keeping children around their own firesides—in short, that the scheme of private and public relief has been adequate to the task. The public is aware that private charities are always complaining of deficits; that urgent appeals continually reach the desks of office men and householders announcing that the bitter cold weather has caused unusual poverty or that a hot spell has made an unusual amount of suffering; that unemployment has made it impossible for numbers of people to get work, or that unusual prosperity, while it gives work to those who are able, on the other hand has made commodities very high so that those who are not well or strong are more burdened than ever; that there is an unusual amount of distress which this or that society can not relieve unless the generous public will subscribe. The people are aware that, in addition to these, many other circumstances, such as outbreaks of contagious disease, are the occasion for urgent appeals. They have observed that it is difficult for a society to assure a mother with little children, whose need will extend over a considerable period of time, that she can place dependence on a sum sufficient to keep her from worry and strain and premature breakdown, while the agents of the society who would like to make these promises are not sure of their tenure of office on account of definite deficits or the uncertainty of obtaining sufficient funds.

They have observed also how difficult it is to make an impression on the general administration of outdoor relief, with its fixed rations and its limitations of amounts to be given, and with its rules about

observing the calendar with reference to cold or heat and the months of the year when relief will be granted at all. They have realized that the results of these inadequacies can not be ascertained or determined at any given moment. People do not die of starvation or from the stress of overwork and neglect in any dramatic way or in any large numbers or at given places. The results of lack of care are so gradual as to be almost imperceptible and graduate into many forms of illness and breakdown which lead the victims into hospitals, asylums, institutions for defectives, jails, and other of our institutions prepared for the final results of social neglect.

There is, lastly, the idea that instead of mothers' pensions or direct relief of this sort these needs should be met through social insurance. There is probably no judge of the juvenile court and no relieving agency, either public or private, that would not welcome any measure that would meet these needs in a better way. They would be glad to leap the hyphen and usher in any more perfect order. Indeed many of these people are advocates of social insurance and their experiences in this field only tend to make them more eager for its establishment in this country. They want to be as practical as they can, however. It is not yet installed and as one reviews the families aided by the funds-to-parents law one wonders whether social insurance will ever afford care to the general clientage of the funds-to-parents laws.

Of 337 families in the care of the funds-to-parents department of Chicago, 25 of the breadwinners died at ages 20 to 29, 165 at 30 to 39, 107 at 40 to 49, 25 at 50 to 59, and 3 were over 60. A great many of these men were casual laborers or in unskilled or partially skilled trades. They had in general short tenures of employment.

Without knowing exactly what provision social insurance will make if adopted in this country, one can not tell how many of these people would benefit or what amounts would accrue. As stated before, social workers generally will welcome and are working for measures that will compensate for sickness, accident, and death and that will by their very operation tend to make industry and the public generally work for and install measures of prevention and for health promotion.

However, the meaning back of the mothers' pension idea is that the needs of people in present distress and strain, those who will break and whose families will disintegrate, should not be overlooked. Dr. Levy, president of the Central Board of Charities of Berlin, expressed his opinion on the working of the social insurance in Germany to an investigator for the New York commission:

As to the relief of children, especially that of widowed mothers, which form of relief is rarely questionable as to its claim, the social insurance act can hardly

be said to affect them. I do not think it possible now or at any future time that social insurance could adequately meet these needs. The benefits would have to be so enormous that it is hardly conceivable as to its operation ever being practical. I can not compare any noteworthy effect of our social insurance with present poor relief. Private organizations ever handling the whole problem of public poor relief is beyond my imagination.

The committee of voluntary social workers in New York who were investigating this general question of mothers' pensions stated that if social insurance were in operation "the need for relief would undoubtedly be diminished but would not disappear."

The mothers' pension movement is of too short duration in this country and the facts are not sufficiently organized to warrant any general statement as to successes or failures of such allowances to mothers. Studies have been made in certain places showing its maladministration and apparent failure. On the other hand, experiences in communities where it has been efficiently and wisely administered, as we believe has been the case in the city of Chicago, show that gratifying results have been obtained. Here a public official, the judge of the court, in spite of the most trying political conditions during a part of his incumbency, built up a probation force on the merit system which affords one of the best groups of case workers that can be found anywhere. In one department the question of family budgets has been carefully studied to ascertain their usual expenditures and to establish minimum standards on which families can rear children. Attention has been given to health and educational needs. These studies have helped to standardize relief and to tone up social work in other fields, for they have been a means of bringing this knowledge more definitely than ever before to the public mind. They have in an official way helped to show that there are standards below which people can not fall unless the public pays the penalty in damaged children, in broken-down mothers, in the provision for more institutions for finished dependents, for delinquents, and victims of chronic illness. Is there any intrinsic reason why these same workers can not also gather statistics and interpret the lessons to be learned from losses due to accidents and preventable disease and death?

Through the operations in this same court the need of medical work and of standardizing physical care has also received an impetus which has had its effect not only in Chicago and the State of Illinois but over the country. Thus in the midst of the most trying political conditions this court has demonstrated that a public agency can administer even so difficult a piece of work as that of furnishing relief to families. In this the court has had the loyal support of social workers, representing many different charity and social agencies, Catholic, Jewish, and Protestant. They have shown by their hearty and efficient cooperation that they will and can work as cordially in public capacity as through private organizations.

One impression obtained from the women and from the funds-to-parents workers is that the grants to these mothers give them a sense of security and dignity which is in itself an important fact. The assurance that definite aid will come in for a period of months or years puts something into the mother's life which is a powerful factor. Heretofore she has been perfectly conscious that the burden resting upon her was measured by the years of dependence of the children about her. It has not especially lightened her load that certain inadequate rations have been provided through county relief or that the rent was paid for an occasional month or that a certain sum of money came through private charity now and then.

These observations do not overlook the fact that there are certain inelasticities in the operation of this law which must be supplemented through outside aid. It does not overlook the fact that in some instances relief from private charity is more adequate and discriminating than grants through the court, for it is. And it does not overlook the fact, too, that cases which can not be aided by the court must obtain treatment elsewhere. However, one will look far for any 337 families given as definite and as helpful consideration as are these families through the funds-to-parents law in Chicago at the present time.

The court has not been averse, and is not now, to turning over any of these families to any private agency that wishes to take them and do better for them; but the movement has rather been the other way.

Along with the work has gone this effort toward the standardization of family life. On the one hand the mother is given the benefit of such aids to the physical and mental welfare of the children as are to be had through the schools, through medical inspection, dental clinics, and to other means of help afforded through health departments and similar agencies, for the visitor knows their worth and sees to it that these helpful agencies and influences are articulated with the home. She advises, too, in the matter of food values and balanced diets for the children. On the other hand, this is no counsel of perfection, for with the advice come the funds to make it effective.

The author of this paper was asked to write on the "Theory and development of the mothers' pension movement." We have undertaken to present the matter sympathetically from the point of view of those who have believed in this measure or worked for its successful administration. It will certainly fail of its full purpose if it delays or defeats the coming of any such measure as social insurance. It should be an effort both to meet more adequately present need and to become, itself, a means of hastening any broader or more fundamental measure.

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## EXPERIENCES IN ADMINISTRATION OF MOTHERS' PENSIONS.

BY MRS. H. OTTO WITTPENN, PRESIDENT, NEW JERSEY STATE BOARD OF CHILDREN'S GUARDIANS.

The New Jersey law pensioning widows is entitled, "An act to promote home life for dependent children." It was passed by the legislature of 1913, and went into effect on July 4, 1913. Its provisions are as follows:

1. Any widow who is the mother of a child or children under the age of 16, and who is unable to support them and to maintain her home, may present a petition for assistance to the court of common pleas of the county wherein she has a legal settlement: *Provided, however,* That in counties of the first class in this State the juvenile court shall have concurrent jurisdiction with the court of common pleas of such county to hear and determine all matters pursuant to the provisions of this act. (Laws of 1915, p. 206, ch. 118.)

2. Such petition shall be verified and shall set forth the following:

(a) Her name, the date of the death of her husband, the names of her children, and the dates and places of their birth, and the time and place of her marriage.

(b) Her residence and the length of time that she has been a resident of the State, the length of time she has lived at said residence, and the address or addresses of her place or places of abode for the previous five years, and the date, as near as possible, when she moved in and when she left said place or places of residence.

(c) A statement of all the property belonging to her and to each of her children, which statement shall include any future or contingent interest which she or any of them may have.

(d) A statement of the efforts made by her to support her children.

(e) The names, relationships, and addresses of all her and her husband's relatives that may be known.

3. A copy of the petition provided for in section 2 hereof and a notice of the time and place when it will be presented to the court must be served on or mailed to the overseer of the poor having jurisdiction over the district wherein the petitioner resides and the board of children's guardians at least 40 days before such time. (Laws of 1913, p. 416, ch. 238.)

4. Upon the return of petition and notice the court shall examine under oath all who desire to be heard: *Provided, however,* That the New Jersey State Board of Children's Guardians shall before said hearing examine into the truth of the facts set forth in the above-mentioned petition and shall file a report of its findings with the court, setting forth in full the results of its investigation, and if such State board of children's guardians shall fail to make such report at or before said hearing then the court may, in its discretion, designate any proper society or person or persons to make such investigation or examination and report the findings thereof at such time as shall be fixed by the court, and upon such report being made the clerk of said court shall send a copy of the same to the State board of children's guardians. The court may, in its discretion, issue subpoenas for the attendance of witnesses and adjourn the hearing from day to day: *And provided, however,* The court may refer said matter to a commissioner to be appointed by the court to hear such witnesses as shall be produced by the petitioner or the State board of children's guardians

or others. Said commissioner shall make a report setting forth the facts as proven before him. (Laws of 1913, p. 416, ch. 238.)

5. If upon the completion of the examination provided for under section 4 hereof the court shall find that said petitioner has been a resident of such county for a period of at least five years next preceding the filing of such application, and that unless relief is granted the mother will be unable to properly support and educate her children, and that they may become a public charge, it shall make an order committing said family to the care of the State board of children's guardians and directing that there shall be paid to the mother, through the State board of children's guardians out of the county funds for the maintenance and support of the children under 16, the following amounts, to wit, not exceeding \$9 per month for one such child, not exceeding \$14 for two such children, and not exceeding \$4 per month for each additional child under such age. (Laws of 1915, p. 206, ch. 118.)

6. It shall be the duty of the State board of children's guardians to see that any widow committed to its care, pursuant to the provisions of this act, is properly caring for her children, that they are sufficiently clothed and fed, that they attend school regularly and receive proper religious instruction, and that said family shall be visited at least six times a year. The State board of children's guardians shall report immediately to the court that had the original jurisdiction in the cases any widow who does not properly care for and educate her child or children, or when they find that she is an improper guardian for said child or children, or when they find that she no longer needs such support. The court shall thereupon revoke or cancel any order made pursuant to this act, at any time, with or without notice, and in lieu thereof make any order that in the judgment of the court may protect the welfare of said child or children, or may make an order committing said child or children to the care, custody, and control of the New Jersey State Board of Children's Guardians pursuant to a statute entitled "An act for the creation of a State board of children's guardians, and for defining their duties and powers with respect to the maintenance, care, and general supervision of indigent, helpless, dependent, abandoned, friendless, and poor children now or hereafter to become public charges of this State," approved March 24, 1899, and the various supplements and amendments thereto.

7. No fees or costs shall be paid or allowed by the court for any proceedings held pursuant to this act, nor shall any counsel fee be ordered or collected from any party applying to the court pursuant to the provisions of this act, and all proceedings pursuant to this act shall be in forma pauperis: *Provided, however,* That the court may in its discretion direct a medical examination of the petitioner and of any of the children, and designate a physician of the county to make such examination, the costs of which shall be paid out of the county funds appropriated under the provisions of this act, upon bills approved by the judge ordering such medical examination: *And provided further,* That all birth, death, and marriage certificates required under the provisions of this act shall be issued free of charge upon the order of the county counsel, the probation officer, or the State board of children's guardians. (Laws of 1915, p. 206.)

It will be seen that our law differs from that of many other States, in giving the power of granting and revoking pensions to the county judges and not to a specially appointed commission. The administration of the act is placed in the hands of the New Jersey State Board of Children's Guardians, consisting of five men and two women, appointed by the governor. This board has been in existence

for 17 years, and has under its charge all the dependent children of the State, now numbering 1,688. These children are placed out in carefully selected families and visited by our agents at least every three months. No appropriation was made for the administration of the new widows' pension law, and our board was obliged to do the best it could by using the agents already employed for the work for dependent children. The necessary appropriations were later made, and we now have a well-organized department, under the direction of our general agent, consisting of an assistant in charge of the details of the work and appearing at all court hearings, 10 agents, 2 stenographers, and 2 office assistants. All are women, chosen through civil service.

Our experience enables us to reach one positive conclusion, that the expenditure of the large sums of money given by the counties in pensions can be justified only by definite improvement in the surroundings of the children's homes. One county alone this last year has appropriated \$60,000 for the payment of widows' pensions—that is, only one county in the State. If the home is degrading, if the mother shows herself unwilling or incapable of raising it to the level which we feel we have the right to expect it to reach, then the pension is not justified. The aim of the law is the benefit of the child, not the assistance of the mother. I should have said that the law provides \$9 for the first child, \$15 for two children, and \$4 a month for every child after that. The amount allowed under our law is not sufficient to support the family without other income, and this income is usually supplied through the outside work done by the mother. We are endeavoring to reduce the number of days out, and are urging home work and home washings where practicable. The result of this advice and supervision is that the women, for the most part, are going out of the home less, and when they must be away the children, instead of running wild on the street, as many did heretofore, are being cared for by relatives or friends. As a further result many of the frail, overworked, undernourished women who came into our care are no longer working so hard and the children are less the butt of tired nerves. The nagging, and lack of interest in the little ones' whereabouts, in their health, and in their food has been reduced.

We now have 434 unheard petitions, against 1,535 awaiting hearing on October 31, 1914.

I quote these figures, because they show how we are gradually moving up with our work. Our aim and our object is that no widow shall have to wait more than the length of time necessary to make the investigation into the facts before her case is heard by the judge. This, so far, we have been utterly unable to do, because we have not had enough agents to cover the applications. When the work first began we were confronted with the enormous number of petitions



that came in. We did not have enough help to make the investigations, which are very lengthy, and we can not make more than five or six good investigations in a week, so we are gradually catching up with the number by having a slightly larger number of agents and going about it systematically and slowly, but we hope in a little while, if the number does not unduly pile up, that we will be able to take them as they come, and not have this terrible back number awaiting us, taking as much as a year or 18 months, or even 2 years, before we are able to get hold of that special petition.

The New Jersey Legislature of 1914 appropriated \$8,000 for the administration of widows' pensions. Of this, \$3,964.07 was spent for salaries; \$1,259.68 for traveling expenses; \$1,159.09 for stationery, printing, and supplies; \$393 for rent; and the balance for postage, telephone, etc. The legislature of 1915 appropriated \$15,000, which was expended as follows:

Salaries .....	\$9,462.28
Traveling expenses .....	2,455.06
Stationery, printing, and supplies.....	795.84
Rent .....	786.00
Balance for postage and telephone.	

The New Jersey Legislature of 1916 appropriated \$17,000. This amount has been expended in approximately the same way as in 1915, with a slight increase for salaries and traveling expenses.

The following shows the scope of the work done under "An act to promote home life for dependent children" from November 1, 1915, to October 31, 1916:

ACTIVITIES OF THE NEW JERSEY STATE BOARD OF CHILDREN'S GUARDIANS,  
NOV. 1, 1915, TO OCT. 31, 1916.

COUNTY.	Peti- tions await- ing hearing, Nov. 1, 1915.	Peti- tions filed.	Peti- tions heard.	Famil- ies com- mitted.	Child- ren com- mitted.	Peti- tions denied.	Peti- tions with- drawn.	Deci- sion re- served by court.	Hear- ings held.
Atlantic.....	1	25	19	5	12	11	3	4	3
Bergen.....	17	31	33	22	72	10	7	22	4
Burlington.....	2	10	11	8	30	7	1	4	7
Camden.....	25	42	38	30	86	37	2	7	7
Cape May.....	3	2	4	2	7	2	2	2	2
Cumberland.....	4	6	6	4	20	3	3	1	2
Essex.....	260	110	227	60	202	121	18	49	2
Gloucester.....		5	5	2	3	6			1
Hudson.....	527	152	521	117	283	338	45	33	18
Hunterdon.....	3	8	6	2	7	4		1	2
Mercer.....	34	58	83	57	158	32	1	13	5
Middlesex.....	16	27	35	35	70	18		6	5
Monmouth.....	35	24	49	21	51	34	2	5	5
Morris.....	15	20	26	14	37	23	4	3	3
Ocean.....	1	6	6	1	4	3		3	2
Passaic.....	17	70	77	52	126	28	3	10	2
Salem.....	1	2		1	5				2
Somerset.....	9	3	11	5	9	6	1		2
Sussex.....	4	9	8	4	19	3		1	1
Union.....	55	47	68	33	98	23	4	11	7
Warren.....	2	7	8	2	9	3	1	2	2
Total.....	1,031	664	1,261	466	1,308	712	85	177	97

ACTIVITIES OF THE NEW JERSEY STATE BOARD OF CHILDREN'S GUARDIANS,  
 NOV. 1, 1915, TO OCT. 31, 1916—Concluded.

Nov. 1, 1915-Oct. 31, 1916.	Peti- tions await- ing hear- ing.	Orders re- voked by court.	Child- ren dis- charged.	Child- ren visited.	Child- ren in care of board.	Visits investi- gating peti- tions.	Visits to homes.	Orders modi- fied by court.	Off cal- endar.
COUNTY.									
Atlantic.....	7		5	261	85	270	415		
Bergen.....	15	10	36	338	238	223	375		
Burlington.....	1	4	20	187	79	180	210	1	
Camden.....	9	4	21	401	236	428	521	5	
Cape May.....	1		3	42	20	27	40		
Cumberland.....	4		5	61	36	79	62	1	
Essex.....	143	3	25	467	407	2,494	614	4	3
Gloucester.....			6	57	16	42	62		
Hudson.....	158	2	62	824	448	4,079	750	11	
Hunterdon.....	5		22	22	25	51	28		
Mercer.....	9	3	23	269	303	617	801	6	
Middlesex.....	8	7	59	384	226	297	539	13	
Monmouth.....	10	5	29	368	206	573	472	2	
Morris.....	9	3	22	385	126	184	454	5	
Ocean.....	1		24	13	42	10	10		
Passaic.....	10	12	49	641	303	660	613	5	
Salem.....	3		1	17	5		10		
Somerset.....	1	2	9	69	39	45	140		
Sussex.....	5	1	9	78	32	27	97	2	
Union.....	34	11	64	512	320	628	941		
Warren.....	1	2	6	119	27	81	102		
Total.....	434	60	464	5,516	3,190	11,031	6,774	55	3

We have a large number of children in our care—5,516. You see a very large number of children placed in our care. That does not mean the number of families, because some widow will have three, four, or five children placed in our care in one home.

We have under our care both city and country children, and we have gathered some facts as to both classes, choosing 100 cases of each. These statistics are here given and are surprisingly similar.

ONE HUNDRED CITY CASES.

Nationality:

American.....	66
Italian.....	8
German.....	8
Mixed nationalities.....	18
Average age of applicant (years).....	37½
Average years a widow before relief was granted.....	2½
Number of women going out to work.....	46
Number of women doing work at home.....	31
Average income per month, including relief.....	\$46
Average number of men who died of—	
Tuberculosis.....	29
Pneumonia.....	22
Balance, various other diseases.....	
Average number of men who died through accident.....	10
Amount received from insurance (average).....	\$466.65
Average amount for funeral expenses.....	\$134.30
Average rent paid by women.....	\$8-\$9
Average number of children in family.....	3-4
Average number of children for whom relief was granted.....	2-3

## ONE HUNDRED COUNTRY CASES.

Nationality:	
American.....	67
Italian.....	12
German.....	6
Irish.....	4
Mixed nationalities.....	11
Average age of applicant (years).....	34.4
Average years a widow before relief was granted.....	2
Number of women going out to work.....	51
Number of women doing work at home.....	33
Average income per month, including relief.....	\$35.50
Average number of men who died of—	
Tuberculosis.....	27
Pneumonia.....	17
Balance, various other diseases.....	
Average number of men who died through accident.....	8
Amount received from insurance (average).....	\$2,261.50
Average amount of funeral expenses.....	\$144.56
Average rent paid by women.....	\$6.58
Average number of children in family.....	3.4
Average number of children for whom relief was granted.....	2.3

In summing up the conclusions to be drawn from the attempt made during two and a half years to administer the widows' pensions in New Jersey, I think we may safely say that—

First, it has been once more proved that for the normal development of the normal child family life is essential; second, that when under the law the State is obliged to assume the responsibility for this family life its full duties can be performed only by keeping in close touch with the family by frequent visits, when advice, sympathetic but explicit, can be supplemented by control, and, when necessary, by coercion which becomes the right of the State when it assumes the financial burden; third, that such a system can prove effective only through the employment, the training, and direction of a corps of women receiving sufficient salaries to insure the highest intelligence and efficiency; fourth, that such a corps will necessarily prove expensive; fifth, that the public, and through it the legislatures, must be educated to realize that the expenses of administration must bear an apparently disproportionate relation to the amount given in relief; sixth, that through this kind of supervision we ought to succeed in creating conditions in the homes which will result in producing better American citizens and thus justify all the trouble and expense; seventh, if we look at widows' pensions simply as a novel method of relieving the poverty of the poor widow and dole out monthly pensions without supervision or direction as to their expenditures we are only adding another department to the existing poor relief by granting alms, however sorely needed, without constructive home and character building.

## EXPERIENCES IN ADMINISTRATION.

BY WM. H. MATTHEWS, MEMBER OF BOARD OF CHILD WELFARE, NEW YORK CITY; DIRECTOR OF FAMILY WELFARE DEPARTMENT OF THE NEW YORK ASSOCIATION FOR IMPROVING THE CONDITION OF THE POOR.

The legislation making possible the appointment of a board of child welfare of the city of New York was passed by the legislature of 1915, to take effect on July 1 of the same year, with the proviso that such a board should be appointed by the mayor within 60 days after the act took effect. The board, consisting of nine members, was appointed by the mayor on August 6. The bill carried with it no appropriations either for a staff of workers or for allowances to widows, nor was it mandatory that such appropriations be made, that being left to the discretion of the city's board of estimate and apportionment. How was that situation met?

The board immediately went to work in rooms that were secured for them in the City Hall through the good offices of Mayor Mitchel. Some 2,000 letters from widows asking assistance were received during the first two weeks after the board's appointment. Members of the board personally undertook the work of going over these applications, acknowledging them, interviewing the women who at once began calling at the offices for information concerning the law, preparing blanks on which the information required by the law could be properly gathered together, and so forth. The expenses incident to this work were, for a time, borne by members of the board, and through the cooperation of the New York Association for Improving the Condition of the Poor.

By the latter part of September the board felt that it had acquired sufficient data on which to present an intelligent request for funds to the board of estimate and apportionment. It then submitted its proposed budget for the year 1916, as also a request for 24 investigators to be put to work at the earliest possible date for the purpose of having ready for action by January 1, 1916, as large a number of applications as possible. It requested that \$400,000 be appropriated for the year 1916 for allowances to widows with dependent children as soon as investigation should show that such widows were entitled to the assistance which the law makes permissible. The board of estimate and apportionment, in reply to that request, made provision for 18 investigators for the balance of the year 1915. Appropriation was also made at this time to make possible the engaging of an executive secretary to the board and one stenog-

rapher. No funds for relief purposes were appropriated directly to the board of child welfare at this time, the board of estimate and apportionment making the suggestion that as many investigations as possible be made by January 1, 1916, with a view of determining with possibly more accuracy the amount that would be needed for the relief of eligible cases during the year 1916. This was done as rapidly as possible and on January 4, 1916, the board renewed its request before the board of estimate for \$400,000 to be used for allowances, asking that a part of this amount be made available for use at once. In response to this request the board of estimate and apportionment in the month of January transferred to the board of child welfare budget \$100,000 that had been set aside in the budget for child-caring institutions. With this sum in hand, the first allowances, 157 in number, were granted for the month of January, the payment to begin to these families on January 31, 1916.

By subsequent action by the board of estimate and apportionment we were granted the other \$300,000 asked for, also 8 additional investigators, making a total of 24—2 clerks and 3 stenographers—so that our paid staff for the greater part of the year has been 24 investigators, 3 stenographers, 2 clerks, and an executive secretary. Appropriations for the same sized staff have been made for the year 1917, the total annual pay roll for this purpose being \$33,720; also an appropriation of a million and a quarter dollars for allowances. \$725,000 more than was appropriated for the year now ending, has been allowed for 1917. So far as we can judge from our experiences of this year this will be sufficient for such purposes. One important function of a board of child welfare is to do its work in such a way and to present it in such a way to the fiscal authorities that necessary funds will be forthcoming. In that I believe the New York City board has been fairly successful. In all of this we have been greatly assisted by Mayor Mitchel. His understanding of the problems involved, his sympathy, his fairness have been a most valuable asset to the board's work.

Now, a word as to what has been accomplished. Up to November 1, 1916, the board has received 9,447 applications for allowances. Of this number 4,694 have been acted upon and 1,987 have been disallowed or withdrawn as not coming within the first three provisions of the law.

I should have said before that there are four main provisions in the law that determine eligibility:

1. The husband must have been a citizen of the United States.
2. He must have been a resident of the State at time of death.
3. The widow must have been a resident of the city for two years immediately prior to her date of application.

4. The board must satisfy itself that the mother is a suitable person to bring up her own children and that aid is necessary to enable her to do so.

Six hundred and seventy-two have been disallowed or held over as not being in need, though fulfilling the first three of the law's requirements.

Two thousand and thirty-five have been granted allowances.

Four thousand seven hundred and eighty-three are awaiting action.

The average allowance per family is about \$25.48 per month.

As to the method of granting allowances: We have found the following plan, with some modifications from time to time, to work well. As soon as the mother's name is reached on the list she is sent for to come to the offices of the board. There, with the assistance of one of the staff when necessary, she makes out an application blank which calls for all of the facts required by the law and such information as the board deems necessary before taking action. This statement is sworn to before the notary public in the office. With these facts in hand the field investigation is made, corroboration of facts secured if thought necessary, and a careful visit is made to the woman in her home. The executive secretary of the board, with the opinion and advice of the investigator before him, then makes recommendation as to what he thinks the action should be in this case. It is then passed on to the committee on families, which is made up of five of the nine members of the board, including the president, which committee either approves or disapproves of the secretary's recommendation. That done, the case, with all others passed upon, goes before the entire board at its monthly meeting, and is then sent to the city's financial department with a request that a check for the allowed amount be sent to the woman on the first of each month until further notice.

At the time of such grant a letter is sent to the mother which reads as follows:

Mrs. \_\_\_\_\_,  
 \_\_\_\_\_ Street,  
 New York City.

MY DEAR MRS. \_\_\_\_\_: In behalf of the Board of Child Welfare of New York City I beg to inform you that you have been granted a monthly allowance of \$— by that board, beginning January 1, 1916. In accordance with the law, the allowance is granted for a period of six months only, and may be revoked by the board at any time. The board, however, is empowered to continue such allowance for a longer period at the end of every six months. You will receive your first monthly payment in the form of a check from New York City on or about February 1, and a like amount on or about the first of every following month. The check will be made out to your name and must, when cashed, be indorsed by you. Should you not receive this promptly, you will please notify the Board of Child Welfare, Room 2, City Hall. You will also notify the board promptly of any change in your address.

This allowance is granted you by New York City for the purpose of assisting you to give proper care to your children in the belief that you will make all effort to expend the money in ways that will contribute to the health and education of your children. Further, it is the desire of the board to be of every possible service to you in this direction; therefore, please do not hesitate to call at the offices of the board at any time to consult with us on any matters pertaining to the welfare of yourself or your children.

Yours, very sincerely,

—————, *President.*

I believe we have succeeded in establishing a friendly and helpful relation with most of our families from the very start. In the majority of cases we have had little difficulty in reaching a decision as to what our action should be, but in a few cases (so-called "border-line" cases) it has not always been plain as to whether the granting of a monthly allowance would bring the desired result in the way of improvement. But it is our belief that we must be most careful in drawing the line between a fit and unfit mother. I might say that the general policy of the board in regard to these doubtful cases has been to give the mother the benefit of the doubt for at least six months. That is, to grant her for that time a sufficient allowance to supply her family with the necessities of life. To be sure, in some of these families at the time of making such grants there was evidence of neglect of children, sometimes waywardness, nonattendance at school, and generally poor conditions in the home. But as at least a part explanation of the facts, it was also true that the mother was often working long hours each day away from her home, that the responsibility of the care of the children was left to neighbors who already had enough cares of their own, or perhaps to some 10 or 12 year old child in the family. We have found at the end of three months and six months, after a regular allowance has been granted to many of these families, that a decided change for the better has come. I think it undoubtedly true that a fairly high standard of character and home care may be expected from the mother and that continuous and fairly adequate relief may be used as a lever if necessary to lift and keep families to a reasonable standard in such matters as care of health, regular attendance upon school, and general conduct.

In determining the amount which should be granted families we use the budget plan; that is, all the resources of the family are first determined, the amounts being earned by children of working age, by the mother, and the help that is being given and may be expected to be continued from relatives, etc. Then, on the other side of the budget sheet, is put down under items of rent, food, fuel and light, clothing, miscellaneous work, car fares, the total amount which would seem to be necessary to keep the family in good health and going condition. The difference between this amount and the column

showing the resources of the family is the amount usually granted as an allowance. Variations are made from time to time to suit the individual needs of families—that is, in families where there is tuberculosis, a larger amount is allowed for food, as also, possibly, more expensive housing conditions to allow the patient separate sleeping quarters.

Our relations with private societies have been cordial. We have, of course, relieved their budgets considerably. About 65 per cent of the families to whom allowances have been granted were known to some one of the larger private societies about New York City. In all such cases we send for a report from such society and ask them to give us an opinion of the family if they wish to do so. If such report and opinion are favorable, we are inclined to accept them; if unfavorable, no, not until we have made our own investigation. Among the approximately 35 per cent of families to whom allowances have been granted who are not known to private societies, I might say that we have found some of the most necessitous cases. I remember that one of the objections made to widows' pension legislation was that it would mean the granting of assistance to a good many families who otherwise were getting along by their own efforts. This it has done, and I, for one, am glad, as I have seen evidences of the terrible struggle which some of these families were having, that New York has seen fit to come to their assistance.

Not a great deal has been accomplished by way of taking children out of institutions. In the 2,298 families to whom allowances have been granted there are 5,984 children. Of this number but 468 are children who were in institutions and who have been returned to their parents through the board of child welfare. However, it is more important in my mind to keep children out of institutions than to take them out after they have been once committed, and that we are doing. The number of children committed to children's institutions supported by the city was 984 less during the six months from May 1 to November 1, 1916, than during that same period of the preceding year.

There are some weak spots in our work as it is now being done. We are not, in my opinion, doing the amount of health work among the children of these families that we should. The fact that some 45 per cent of the fathers died of tuberculosis puts a serious responsibility upon us to know the exact condition of health of the children in these families, many of whom were undoubtedly more or less exposed during the latter part of the father's illness. The same careful work should be done in other matters of health; that is, we should be able to know definitely at the end of each six months just what has been accomplished in these families in terms of better health, school



attendance, etc. This will not be possible to any full extent until we have a larger staff of workers than is at present assigned to us. That is one of the things for which we must work this year.

To sum up in a few words the opinion of those who have had in their hands the administration of the law during the first 12 months of its operation—at least I can tell you mine, which I think is shared pretty generally by the other members of the board.

I have come to believe more and more in the necessity for such legislation as also in the value of the work accomplished under it. In spite of the large amount of money raised by private societies in New York City, they were quite unable to meet the plain needs of the families under discussion. Their own records are proof of that fact. This quite independent as to whether such relief would be more safely done by private agencies than by public; as to whether the self-respect and independence would be less endangered by the former than by the latter. Personally, I believe there is more likelihood of getting into the minds of the recipients the fact that return will be expected in terms of good citizenship when such assistance comes from the State than when it comes from private individuals. I believe I have seen evidence of that. I believe the method of administration by such boards as that which the New York law brought into being to be superior to the method that involves the bringing of the mother and children before any sort of a court, as is done in some States.

Further, it seems to me that we might as well give up our belief in democracy if we are to admit that work of this kind can not be done just as efficiently, just as fairly, just as honestly by public as by private officials. It is being so administered in New York City to-day. I do not mean to say it is an easy task. I could tell you of some instances where attempts have been made to influence our action on certain cases. But there has been no yielding to such influences, nor need there be. Of course, I realize that eternal vigilance and unremitting effort must be the price we must ever be ready to pay for success.

One word further: It has sometimes been said that pension legislation such as we are discussing might set back the more important forms of legislation such as this conference has been discussing, namely, general insurance measures against accident, sickness, and premature death. I can not see why it should. Why should it not work in the other direction by throwing into the light the need for comprehensive schemes of insurance against the sickness and death which leaves these women and children practically destitute? These needs are very immediate and can not wait until the measures which some of you are planning are put into effect—measures which we believe will help to prevent much of the sickness and some of the deaths

that bring poverty to these families. While we think of widows' pensions as a necessary measure, may we not also think of them as temporary, the necessity for which shall pass away when more comprehensive measures that shall guard and insure wage earners against the inroads of sickness and premature death shall have been taken? That is the ideal toward which we should work. That and the payment of a wage that shall enable men to provide for themselves and their families the shelter, the food, the clothing that mean health and life in the full sense of these words.

## THE ADMINISTRATION OF THE ILLINOIS "FUNDS TO PARENTS" LAWS.<sup>1</sup>

BY EDITH ABBOTT, ASSOCIATE DIRECTOR, CHICAGO SCHOOL OF CIVICS AND PHILANTHROPY.

The so-called widows' pension law of Illinois was an outgrowth of the juvenile court experience of Chicago. Our juvenile court deals not only with delinquent and neglected children but also with dependent children. The Illinois law had never provided for the boarding out of the dependent child at public expense, but for more than 25 years we have cared for such children by paying subsidies to institutions. The judge of the juvenile court in Chicago and many other people believed, rightly or wrongly, that homes in which there was no breadwinner were being broken up and the children placed in institutions solely because of the poverty of the mother. It is the purpose of this paper to discuss the administration of the pension law, and it is not necessary therefore for me to raise any question as to whether or not the relief societies of Chicago were or were not doing all that should have been done for the widow and her children. The law was passed five years ago, and it is important now to determine not why it was passed but how it is working. What I have already said, however, indicates why the administration of this law was, in Illinois, placed with the judges of the juvenile courts throughout the State. It was a juvenile court device for caring for the dependent child when the only State funds available under the old system were funds for institutional support.

The original law, which was passed in 1911 and went into operation on July 1 of that year, was called, not a "widow's pension," but a "funds to parents" law, for it provided for the children of persons who were not widows. It was a loosely drawn law and provided in general terms that when the parents of any dependent or neglected child were poor and unable properly to care for the child, but otherwise proper guardians, the court might enter an order finding such

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<sup>1</sup> During the past year the department of social investigation of the Chicago School of Civics and Philanthropy has been making a study of pension administration in Illinois for the Federal Children's Bureau; and I am indebted to Miss Lathrop, chief of the bureau, for permitting me to present to this conference, in advance of its publication by the bureau, some of the material gathered. Special indebtedness to two of our investigators, Miss Helen R. Wright and Miss Mary C. Preston, must also be acknowledged.

facts and fixing the amount of money necessary for the child's care. The law then provided for payment by the county agent of such sums as were ordered.

This law vested very wide discretion in the court. The amount of the pension was left wholly to the judge and no qualifications were prescribed for the parents, either father or mother, except that they should be proper guardians for the child. (In 1913, a new and much better law was passed upon the recommendation of Judge Pinckney, of Chicago, which placed very definite limitations upon the power of the court. In the first place, the title of the act was changed and it became an "aid to mothers" instead of a "funds to parents" law.) Fathers could no longer receive grants; deserted wives and divorced women, and women property owners were made ineligible and residence in the county for three years and citizenship were required. The amount of allowances was limited to \$15 a month for one child, \$10 for each additional child, with a maximum pension of \$50 a month. Further changes in the law at the last session of the legislature in 1915 rendered alien mothers of American-born children again eligible for pensions, increased the maximum allowance to \$60 a month, and authorized the granting of an allowance to the wife of a man permanently incapacitated for work by reason of physical or mental infirmity on condition of his removal from the home when his presence in the family was a menace to the physical or moral welfare of the mother or children.

With regard to methods of administration, each of the 102 juvenile courts in Illinois is a law unto itself. I propose to describe briefly the methods of administration adopted in the Chicago court and then the different methods used in the outlying counties of the State.

The experiment in Chicago is on a considerable scale, since in round numbers \$215,000 was expended on pensions last year and 740 families, representing 1,727 pensioned children, were on the pension roll. The report made by Mr. Carstens for the Russell Sage Foundation in 1912 is probably well known to many persons here and it may save time, therefore, if I explain that the work has been very greatly improved since that time. A special group of probation officers known as the mother's pension division of the probation service, and selected by a civil-service test voluntarily adopted by the court, have been trained for doing excellent relief work. The work of organization is under a chief probation officer selected also by a civil-service examination, a supervising officer as the head of the funds to parents division, and a field supervisor.

The district principle of administration has been adopted and the county divided into 12 districts. To each district is assigned an officer who makes the investigation of new applicants in that dis-

strict. The investigation must be carefully made in order to prove eligibility and follows the methods common to good case-work agencies everywhere.

The confidential exchange, known in Chicago as the social registration bureau, is, of course, consulted, and the records of other agencies to whom the family may be known are consulted. Visits are made to the applicant's home and to relatives, and when relatives are found able to help and liable under the pauper act for the support of the children, they are prosecuted under that law before the county courts and a pension is not granted. It is now an established part of the routine of the investigation to verify from official records the following facts: The marriage of the parents, the death of the father, date of his naturalization or application for first citizenship papers, and the dates of birth of the children. Verification is also required of all facts relating to insurance money received on the father's death and its expenditure. If a reasonably exact accounting as to the spending of the insurance money can not be obtained, the investigation halts until it can be furnished. If it is not furnished at all, the application for a pension is dismissed. Verification of facts relating to the possession of property are also required so far as such facts are available.

To put it briefly, the procedure of the court in the matter of the investigation which precedes the court hearing follows the methods of every good relief agency. The court investigation, however, is much more rigorous as to the verification of certain facts and more insistent as to the furnishing of certain kinds of information than is any relief society in Chicago. The court gives no emergency relief. During the investigation, which usually takes about one month but occasionally takes several months, the family is left to its own resources or private charity. When the investigation has produced the facts necessary to establish eligibility an estimated budget, showing the income needed and the amount necessary to supplement the family's own resources, is made by the field supervisor, who is an expert dietician. The case is then presented to the conference committee, which consists of the chief probation officer, the head of the funds to parents division, and the county agent. The county agent, however, makes an independent investigation. This objectionable double investigation is a great hardship to the family, and is a defect in present methods of administration. The excuse for it is that the county agent who is in charge of the outdoor relief is, under the law, the person who pays the pensions. This, he claims, can not legally be done except on the basis of an investigation made from his own office. Occasionally, however, the county agent's investigation has revealed new data. The judge may then reject or alter the recommendation made by the conference committee.

The next point of interest is that of the adequacy of the relief granted. It is, of course, an old story that there is no scientific method of determining what adequate relief is. The Chicago pensions range from \$15 to \$60 a month, depending upon the number of children, supplementary resources available, health of the family, and particularly the health of the mother, who is expected to do some work if the officer finds that it can be done without injury to her health or neglect of her home. The pensions of the Chicago court may not be adequate, but they certainly give the pensioned families larger incomes than are enjoyed by the great mass of independent wage earners' families, when allowance is made for the fact that there is no adult male wage earner to be supported out of the family income. There can be little question also that the standard of relief is more adequate than in the case of families who are being supported by private charities in Chicago.

Interesting evidence on this last point was made available recently in connection with the investigation which we have been carrying on for the Children's Bureau. When the law was changed in 1913, all the alien mothers were dropped from the pension roll. Many of these families were taken over by private societies and a comparison was made possible of the amount of relief given by the United Charities, our great relief agency in Chicago, and the amount of relief given by the court pension. Only 14 out of 64 families got substantially as much from this society as they previously got from the court, and these families, who lost little or nothing by the transfer from a public to a private agency, were the families getting the smaller pensions of \$30 or less. Out of 18 families getting large pensions, from \$40 to \$50, only one got as much after the change and 17 out of 18 got from \$10 to \$20 less than they had had before; 10 got as much as \$20 a month less. That is, they lost about 50 per cent of their income by the transfer. We could not find that this was because any new sources of income had been discovered. In most cases the mother was working much harder than when she had the pension grant.

Discussions as to adequate relief, however, are after all rather profitless. So long as the great majority of wage-earners' families have so much less than an adequate income, relief will never be really adequate. The point I wish to make clear is that the standard of relief maintained in the pension division of the Chicago court, whether really adequate or not, seems to be unquestionably higher than the standard maintained by the greatest private relief agency in the same community.

It has always been recognized by the officers, as well as by Judge Pinckney, that in many cases the allowances must be inadequate, judged by any rational standard of the family's needs. The question of supplementing the family's allowance from other charitable

sources presents a very interesting and difficult problem. The Jewish societies and the United Charities of Chicago have adopted different policies with reference to families in which they were interested before the court's allowance was made. The Jewish charities have taken the position that adequacy of relief or of income was to be sought by all methods. If the court's allowance, together with the family's other income, did not prove sufficient the society would contribute the amounts necessary to bring the family income up to their estimated minimum. The United Charities, on the contrary, took the position that the welfare of the family demanded the reduction to a minimum of agencies dealing in this intimate way with the family life—that the court in estimating the allowance and in making grants should assume responsibility for all the charitable aid given the family; that is, for all the income other than such as came from family earnings and from relatives.

As to the method of paying the pensions, which at present is far from satisfactory, something should be said. Payment is by check, but the women must go for these checks to the county agent's office, where applicants for outdoor relief also go for their supplies. These payments are now made fortnightly, but for four years they were monthly, which worked a hardship and presented temptations to women who were used to a weekly income in smaller installments. The court has recommended some method of paying which will not necessitate the visit to the county agent's office. The old volunteer advisory committee, which is now dissolved, said two years ago in regard to this point:

"The present method of paying funds is deplorable. The women assemble at the county agent's office; await their turn in just the same way as applicants for county aid have always had to do. The result is gossip among the women and consequent dissatisfaction. Such a public distribution is demoralizing and destructive of self-respect among these people. Moreover, children are being kept out of school to accompany their mothers to the county agent's office on the day the funds are paid. It seems to the committee entirely practicable that the payments should be bimonthly instead of monthly and in the homes by mailing a check. Failing this, establishing centers in neighborhood banks might solve some of the difficulties of payment."

The bimonthly payment has, as I have said, already been introduced, and we have hope the other recommendation may be adopted.

The question of supervision is, of course, another subject of great importance. There are now 16 officers in the pension division which, with 740 families, represent about 46 families to an officer. The relation established is one of cooperation by the officer with the mother in the use of her resources. The health of the mother and children

is carefully watched, and more than one-third of the families have been moved to secure better housing conditions for them. A field supervisor, who is a trained dietitian and was formerly employed as a visiting housekeeper by the United Charities, goes over the accounts of their families with the officers. Methods have been worked out for improving the mother's domestic skill and teaching the household arts of cleaning, cooking, sewing, and skillful buying. School attendance of the children is watched, and if the mother works outside of the home the officer scrutinizes carefully the arrangements made for the care of the children in her absence.

I should like to present a brief summary of the history of one or two families that have been under the care of the court for several years. These case histories, I believe, will illustrate the methods of the court more satisfactorily than my narrative has been able to do. The history of the first of the families goes back to the time before the present chief probation officer took office. The frequent change of officers which is to be noted would not occur at the present time.

The court became acquainted with the O'Brien<sup>1</sup> family in July, 1912, a week after the father had died of gastritis. There were five children, ranging in age from 12 months to 11 years. The father, who was American born, had been a teamster, earning \$48 a month. The court's investigation brought out the fact that the family had previously been known to the Cook County agent, the Visiting Nurse Association, the adult probation department of the municipal court, and to the United Charities. The United Charities' record showed that the family had been first reported to them in November, 1904, when the father was ill and the children were begging from house to house; and again in 1908 this complaint was again made about the children. The family at this time was living in a house owned by Mr. O'Brien's mother and was not paying rent. When the application for pension was made, however, the family was living in four rooms in a basement, described on the record as "filthy, damp, and dark." Mrs. O'Brien, a woman 35 years old, complained of ill health and looked frail, slovenly, and discouraged.

The teamsters' union raised a purse of \$100 for the family which just covered the funeral expenses, as Mr. O'Brien had carried no insurance. During the investigation by the court, which lasted a month and a half, the family were dependent on county supplies and the irregular help of relatives. At the end of this time a pension of \$40 a month was granted. This seems to have constituted the family's only income until the two older girls were old enough to become wage earners.

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<sup>1</sup> The real names of the families are of course not used.



For nearly three years Mrs. O'Brien was sick practically all the time. It was difficult to improve her housekeeping, which was very slatternly, and to get the children properly cared for.

In all there were eight probation officers on this case, but each one seems to have given herself to the problems in hand with energy and determination and gradually the standards of living were raised and the mother's health began to show a decided improvement. The family was removed from time to time to more desirable rooms. Medical treatment for Mrs. O'Brien was secured and regular dispensary treatment was insisted upon. The diet and buying of the family was carefully supervised, and Mrs. O'Brien instructed in the art of keeping a clean home.

The pension for this family has been gradually reduced from \$40 to only \$24, as the children have become old enough to go to work. Both girls have good positions, one as a stenographer and the other working for the telephone company. In another year one of the boys will be able to go to work.

In the words of the present probation officer, "This family will soon be self-supporting, has greatly improved in health and standard of living, will probably move to better quarters." The case is a good illustration of the effect that constant, intelligent supervision may have upon the most careless housekeeping habits. The record shows a woman who, when the court began its work with the family, had a miserable home and neglected children; a woman, whose physical resistance was so low that the slightest ailment incapacitated her, has gradually become a woman who washes and scrubs her house, launders her curtains, paints the walls, keeps the children clean and fairly well dressed, and is herself practically discharged from the doctor's care.

Another typical case is that of the Meyer family, which came to the attention of the court when the father had been dead about three years. He had been a wool worker, American born, earning about \$48 a month, and at his death left \$900 insurance. There were four children, ranging in age from 2 years to 9. Both Mr. and Mrs. Meyer had relatives in the city, but they were poor and had large families and were unable to help much or regularly. After paying funeral expenses and debts, the mother managed to support her family for three years on the remainder of the insurance money and what she could earn at home sewing. She managed to keep the family together without charitable assistance, but was doing it at the expense of her health, and the family were not being adequately fed. It was at this time, in January, 1913, that the municipal tuberculosis sanatorium referred the family to the court for a pension. The mother had been found to be tubercular, the three boys had tuber-

cular glands, the children were all undernourished, and the physical condition of the whole family seemed to be going down very rapidly. The doctors said that Mrs. Meyer ought not to work any longer, and she promised to "sew up" what she then had on hand and to stop work until her condition was improved, when this pension of \$10 per child was granted. This \$40 a month was the maximum pension that the court was willing to grant at that time; but as it was not sufficient, in view of the tubercular condition of four members of the family, the White Cross League were asked to contribute and furnished special diet of milk and eggs for nine months. Mrs. Meyer's condition improved so much that at the end of this period she was able to earn about \$7 a month without detriment to her health. In the meantime, the family had been moved from four small rooms over a little grocery store to a new and more desirable flat where, in addition to four larger rooms, they acquired an attic, a garden, and a porch which could be used for a sleeping porch. The municipal tuberculosis sanatorium fitted this with blankets and bedding so that the mother and one child were able to sleep out.

During the three years since the family have been pensioned the officers of the court have cooperated with the municipal tuberculosis sanatorium in restoring them to health. The two younger children were placed in an open-air room and sent to the country in summer. The mother has done her part faithfully, and she is now "paroled" by the sanatorium as a closed case. One child, however, failed to gain as he should, and in the summer of 1916 he was sent to a sanatorium, where he is now improving.

When William, the eldest boy, became 14 the court reduced the pension to \$30 a month, as he had sufficiently recovered to be able to work. But the boy had entered high school and was very eager to finish his two-year business course. Since the court could not continue this pension, the probation officer applied for help to the scholarship committee of the vocational bureau. They arranged that he should remain at school and granted a scholarship fund of \$14 a month, a contribution to the family's income equal to the amount the boy could have earned. This arrangement is now in its second year and William's progress at school has been very gratifying. In the summer he worked in a railroad office, and at present he is doing errands after school hours. He sometimes earns as much as \$3 a week, since a bonus is paid for promptness, and William is both ready and eager. These earnings he faithfully turns over to the vocational bureau to repay them for his scholarship, because both he and his mother feel that no more should be accepted than is necessary to allow him to remain in school. Occasionally, however, the bureau returns some part of his earnings so that he may have some article of luxury,

as a warm sweater, and William is always very grateful for what he calls a "present" from the bureau.

Thus this family, which at the time the court took charge of it, had four tubercular members, has been able, because of a steady assured income and the friendly help of the probation officers, in cooperation with other societies, to move to better quarters, to improve in health (only one member of the family is tubercular) and to keep the eldest child in school until he has had his high-school business course. With all the aid the family has received, there is no evidence of any tendency to regard help as their rightful portion, but instead a sturdy spirit of independence is still so much alive that the boy of 15 is voluntarily and cheerfully turning over his weakly earnings to help pay for his scholarship.

Leaving the Chicago or Cook County court, we find that the administration of the pension law in the outlying counties is a complicated subject.<sup>1</sup> There are outside of Cook precisely 101 Illinois counties, with nearly 101 different pension policies. In 30 no pensions have been granted at all and in the other 71 counties methods of administration are far from uniform. The judge of the juvenile court who is also the county judge, has, of course, the right to determine the pension policy. But the county supervisors must be persuaded to appropriate the money for funds before the law functions. That is, both the judge and the supervisors must agree as to the desirability of providing pensions or none will be granted. Thus in 5 counties the supervisors have made appropriations, but the judge has appointed no pensioners; on the other hand, some counties have not used the law because of the unwillingness of the county commissioners to add to the taxes. The judge in one county, for example, reported that the county board would not levy a tax for the purpose of providing this fund unless compelled to do so by a mandamus suit and the judge added that in his opinion such a suit should be brought "if for no other reason than to convince the county board that the

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<sup>1</sup> It should perhaps be explained that the facts presented relating to the down-State counties come from two sources: First, the data secured as the result of an inquiry conducted by correspondence with the county judges, and, second, information secured by a special investigator who has been visiting the counties where a considerable number of pensions are being granted. This investigator, a former student of the School of Civics and Philanthropy, has been for three years an officer in the pension department of the Chicago court, and her judgment as to down-State work necessarily involves a comparison between that and the work of the Chicago court. These counties selected included all of those in which as many as 30 families were pensioned last year and a number of others selected for special reasons; some because we expected to find the work especially well done and in others badly done. This investigator is still working because we have not yet been able to find any good pension work outside of Cook County, and we do not like to bring the inquiry to an end without at least one "good example." Counties were selected also from different sections of the State, some poor and some rich, some mining, some manufacturing, and some rural. Twenty-three counties had only five families or fewer than this number pensioned; and our plan did not cover investigation in these places.

laws of Illinois apply to them as to any other body of public servants." In another county the judge had actually granted a few pensions which the commissioners refused to pay because they said they had obtained legal advice to the effect that the constitutionality of the law was doubtful.

In spite of this conflict of authority in connection with the use of the law, pensions are now being granted in 71 out of the 101 outlying counties in the State. The cost of these pensions was approximately \$349,200, and as nearly as can be estimated 1,582 families, with 4,850 children, were cared for by this means. Information is not available as to why the law is not being used in all of the 30 counties which are not granting pensions. But, in general, they seem to be the poorer and more backward counties of the State. A letter from one judge throws some light on this point.

In Lake County the judge reported that there had been numerous applications under the act, but he had adopted the policy of asking the local supervisors of the poor to be present at the hearing. In every instance, he reported, the supervisors were "able to furnish the aid required." "This plan," continued the judge, "seems to me to be in the interests of economy, as necessities rather than money are furnished the applicant." This judge, and he is no doubt in some instances typical, saw no difference between the purpose of widow's pensions and the old outdoor relief system.

This judge also added that in his "opinion the principal objection to the law was that the applicant received cash, whereas if the aid were furnished through the supervisor as local poor master they got no money, but only the necessary supplies." There undoubtedly are in the State other judges equally as unintelligent with regard to the purpose of the pension law. In fact a letter published two years ago in the *Institution Quarterly* contains a very similar statement. This judge wrote to the secretary of the State charities commission:

Will say in reply to your inquiry concerning the mothers' pension law that I do not think it a good one. For this reason, there is a supervisor in each township who is the overseer of the poor and he is far better acquainted with the mother who lives there about 365 days in the year than the county judges can possibly be, and the supervisor can look after her and see that the tax money is being spent for the necessities of life instead of frivolities for which some mothers would use the money.

I think that every supervisor in Hancock County would see to it that no family would suffer in his township if he were given any notice at all concerning the circumstances. If we have a hearing, the mother wishing to be pensioned comes into court with a few of her friends, and of course if the court listens to the evidence there is nothing left to do except to grant to her a pension, which she may need a part of the year and a part of the year she does not. Many mothers claim a pension under the mistaken idea on their part that they do not become county paupers if they take under this

law, and they seem to think they have as much right to a pension as any of our war veterans, while they are just as much county paupers as those residing at our county home.

For counties like our own where the population is not so numerous I think the supervisor is well enough acquainted with the families and can deal out better justice to the poor and the taxpayer than can the county judge, and that we are not in need of the mothers' pension law.

The failure to use the law in more than one-fourth of the counties in the State is, however, less important than the methods of administration in those counties in which pensions are actually being given. Before the grant of a pension there seems to be an attempt at an investigation as required by law in all the counties. In more than half of them a probation officer makes the investigation, but in some cases this officer gives only part time to the work and at other times is a doctor, a lawyer, a policeman, or a clerk from the assessor's office: in four counties, the supervisor of the poor; in seven, special volunteer investigators appointed for each case; in two, the State's attorney; in two, the judge himself; and in one, the sheriff is the investigator.

In only 21 of these counties is the court investigator a person regularly employed on a salary. Seven are paid per diem for time spent in the work, five were volunteer workers, one is paid \$10 for every case investigated, and one \$10 for every case that gets a pension.

The law absolutely requires an investigation to be made by a probation officer before a pension is granted, but probably in counties where other investigators are used they are temporarily appointed probation officers.

In any event the investigation is not a careful one. Usually the home is visited, but our investigator has found a few cases of pensioners who had never been visited at all. When the home is visited, that ends the investigation. Relatives are rarely visited or prosecuted, and the statements made by the mother are accepted without further inquiry. Facts which would be verified in the Chicago court, to prove technical eligibility, such as residence, marriage, and citizenship, are not established in any of the outlying courts. In the counties in which a special study has been made it appears that the testimony of the applicant on oath in open court is regarded as sufficient, and although the home may be visited, no verification of the statements of the applicant is made.

The inadequacy of the investigation perhaps explains why so many pensions are granted to women who, under the law, are not eligible for pensions. In every one of the counties visited by our investigator, outside of Cook, pensions are being granted by the judge without regard to the qualifications which the law requires. Thus, although the law specifically excludes deserted women, divorced women,

and women property owners, some of these persons were found receiving pensions in every county. Our investigator, who is an officer in the pension department of the Chicago court, in discussing the subject with different judges, has suggested that certain persons on his list were ineligible under the present law. More than once the judge has replied, "Well, perhaps that is so, but I am operating under the old 1911 law," or something to that effect. One judge said he used the 1911 law, which had been repealed, instead of the amended law, because he considered the earlier law a better one. Another judge told the investigator that he knew that a certain one of his pensioners was not legally entitled to a pension, but it would have "taken a heart of stone," he said, to refuse her what she asked. In one county pensions were granted to women whose husbands were in the National Guard and had been sent down to the border with their regiments. The investigator called attention to the fact that these soldiers' dependents were not eligible for mothers' pensions, but the judge said he acted in these cases under the clause in the law which provided for women whose husbands were permanently incapacitated for work by reason of mental or physical infirmities.

There seems to be a general neglect of the provisions of the law relating to women property owners and to the prosecution of relatives who own property and are able to help.

A case in point is that of a woman in Madison County, divorced by one husband and deserted by another. She had lived in Idaho for five years and her last child was born there. Her husband became ill, was sent to a sanatorium, and she was sent back to Alton, Ill., in 1915 by the public authorities, but probably at her own request. She then sold her piano and brought her husband to Alton, but he soon deserted and she was given a pension of \$6 a month, \$3 for each of her two children. She lives in a house adjoining her mother's, who, with the two unmarried sons, owns the home, which, by the way, contains a victrola, a phonograph, and an Edison talking machine. These unmarried brothers were both working, and they and the mother were abundantly able to support the pensioner, who was technically ineligible, not only because she was a deserted and a divorced woman, but also a woman who had not been in the county for three previous years.

An interesting case in another county was that of a woman whom we will call Mrs. O'Gorman, with two children over three and under 14. She owns property valued at \$4,000 or \$5,000, with a \$2,200 mortgage. Her home is very well furnished with good rugs, piano, etc. Her husband was a saloon keeper and a well-known local politician. After her husband's death she ran for town constable but was defeated, and a pension of \$30 a month was almost immediately se-

cured for her in spite of local opposition. Our investigator was told that Mrs. O'Gorman was locally known as a "financier," and it was charged that her pension was due to political influence. In any event, the ownership of property made her technically ineligible for this particular form of public aid.

Passing on to the subject of the adequacy of the relief granted, such information as we have indicates that in general the pensions are inadequate and that in some counties they are little more than doles. Thus grants of \$2 per child per month are given in two counties; \$2.50 per child per month in two other counties. In general the pension is granted at a flat rate per child per month without any regard to the other sources of income in the family, but of course facts as to total income are not generally known without a proper investigation. The rate in most counties is about \$5 a child, but the total grants in some families are less than \$5 a month, and about one-third of all the families pensioned in 53 counties received less than \$10 a month. The result is that the pensions are frequently supplemented by some other relief agency, usually by the supervisor of the poor—occasionally by a charitable agency (in one county the judge reported that the supervisor of the poor supplemented the pension in every case that was "very worthy").

The inadequacy of the down-State pensions is indicated by the fact that many mothers continue to do more work than they should after the pension is granted. For example, in Springfield, the State capital, out of 11 pensioners selected at random off the pension list and visited, 4 worked all day long six days in the week. The report of the investigator on these families is as follows:

Mrs. Stubbs works every day in the watch factory; at home only in the evening. One child. Eight dollars pension.

Mrs. Dzinidoirz works every day in a clothing factory; children have dinner in a day nursery. Five children. Fifteen dollars pension.

Mrs. Cherry works all day in watch factory. One child. Eight dollars pension.

Mrs. Whitehurst—three children, one over 14, pension \$12 a month; works all day every day in a laundry as forelady. House frightfully untidy, beds unmade, small children aged 12 and 9 at home and looking very desolate and uncared for. The mother and oldest child thought to be tubercular; youngest child suspected according to the probation officer in Springfield, who thinks pension should be large enough for the mother to stay at home.

The record seems somewhat similar in another county, thus:

Mrs. C. works every day in a factory, earns about \$4 a week; gets \$20 pension for two children.

Mrs. W. works all day in laundry, 10 hours, for \$4 a week. She gets \$20 pension.

In another county, Mrs. M. works all day long, six days in the week, in the Illinois Steel & Wire Co. She earns only \$26 a month

but she has only one child, and owns her home valued at about a thousand dollars, and she got \$2,000 insurance when her husband died six years ago. But her mother and a feeble-minded sister, who should be in an institution, live with her, and her pension of \$10, although not legal, since she is a property owner, is nevertheless useful in supporting this household.

With regard to supervision, information was secured by correspondence from 65 counties. Of these, 27 reported no supervision at all and 9 others supervision without any visits, whatever that may mean; 5 others visited three or four times yearly, and 6 reported that visits were made, but number or regularity of visits was not specified; 5 other counties reported visits when necessary; but of 10 families visited by our special investigator not one reported even a single visit of the officer since the grant of the funds. In this county as a substitute for visits the judge says he calls the women into court "about every six months" and reexamines them as to whether or not their need for a pension continues.

In 13 counties out of 65 monthly visits were reported to be made, but in the counties in this group visited by our special investigator it appears that the statement about monthly visits represents their ideal rather than their practice. Proper supervision, of course, can not be expected when the probation work is not done by regular salaried officers but left to supervisors of the poor, deputy sheriffs, and special officers for each case who are responsible to no one and supervised by no one.

In Will County, which was recently visited, the probation officer, a charming young woman, the daughter-in-law of the judge, has never yet made the rounds of her pensioned families, because, as she explained, it was extremely hot last summer.

The lack of supervision is in large measure responsible for many illegal practices. In several counties women were visited who were using the pension money to board out their children. This was probably because the pension was so inadequate, but the practice was none the less illegal and should have been known to the court.

For example, Mrs. C., Madison County: Pension \$6, one child only, woman worked out as housekeeper for a widower, and boarded her child with a friend.

Mrs. A., in another county, worked as a saleswoman and supported herself; received a pension for her one child, and boarded this child.

In the same county another woman, Mrs. M., received a pension for three children, two of whom she placed in a church institution, apparently with the consent of the judge. The boys ran away from this institution and have now been sent to St. Charles, an institution for delinquents, but no change has been made in the pension. That is, a result of lack of supervision is that families are put on the pension



roll and then are not removed when family circumstances have changed and the pensions are no longer needed and no longer legal.

In the case of one woman drawing a pension of \$15 a month, our investigator discovered that she had been married some time ago to a farmer. This was reported back to the court and she was then taken off the pension roll.

In the same county (Rock Island) Mrs. H., with one child, was granted a pension of \$10 two years ago, and had been getting it ever since. Investigator called at the address in county treasurer's book found that Mrs. H. had been a servant in this house; that she had never had the child with her there, and had used her pension to board out the baby. No one knew where Mrs. H. had gone, but people thought that she was married and that the baby was still boarded somewhere. This was also reported to the court by our investigator, and a clerk in the office then said that he had seen a notice of the pensioner's marriage in the local newspaper and had expected to tell the judge to discontinue pension, but had forgotten to do so.

In other cases the pensioners were collecting their pensions, although no one knew where they were living.

Mrs. Pauline J., with four children and a pension of \$10 a month, receives her pension at the Riverton, Ill., post office, but our investigator found that her present address was unknown to anyone; that she was pregnant with an illegitimate child, and that she was supposed to have moved to Springfield.

A similar case in another county was that of Bridget D. Her name was given to the investigator as receiving a pension of \$5 a month. The investigator was unable to find the woman at the address in Moline which was on the county treasurer's list. Neighbors either did not know or would not tell anything of her whereabouts. The landlady was consulted and explained that Mrs. D. had moved about two years ago; that she had said she was going to Davenport, Iowa, to live with her two older daughters. She was getting her checks forwarded by mail. Neither the adult probation officer or the overseer of the poor knew anything of this family.

Again, the investigator found it difficult to locate a woman by the name of Mrs. H. in Madison County. The neighbors said that they had not seen her for months. They explained that "she moved around a good deal." The woman, who was finally found, had just returned from a six-months stay in St. Louis, Mo.; she had returned reluctantly, but she said she was afraid that if she stayed away much longer her pension would be revoked. While in St. Louis she had worked in a hotel and had boarded one child in the German Protestant Orphan Asylum, and two boys in the Newsboys' Home. These boys, aged 10 and 12 years, sold papers and were allowed to keep what they made after their board was paid. The older of the boys went

from St. Louis to Collinsville each month and got the mother's pension check, cashed it, and brought the money back to her in St. Louis. The 10-year-old boy said he had attended school a few weeks while he was away. This woman had been a widow three times. The pension was granted before any of the children was old enough to work. At present the family income is \$55 a month, and the total income, with pension, \$65. The officer in this county is supposed to visit every pensioned family once a year.

Altogether a very considerable number of families were found in which a change of circumstances since the granting of the pension was not known to the court because of the lack of officers to supervise.

In Kane county, Mrs. H., the widow of a German farmer, was granted a pension four years ago, when she had living at home four children under 14, and three children over that age. At the present time five children who live at home are working and earning \$153 a month, and there are now only two children under 14. Included in the family, however, is the illegitimate child of one of the daughters, born since the pension was granted. The children pay board out of their earnings of \$64 a month. Although the probation officer is supposed to visit the family once in three months, she has not recommended any change in the pension, in spite of the fact that the family's situation has changed radically. Nothing has been done to compel the father of the illegitimate child to contribute to its support, and nothing has been done to compel a daughter in a neighboring town to contribute to the mother's support, although she is abundantly able to do so if it is necessary.

In another county, two families were found in somewhat similar circumstances. In one, the earnings are now about \$140 a month, but the pension of \$24 is still continued. In the other, the earnings are \$163 a month, but the pension of \$5 still goes on. This is an abuse that is bound to increase if something is not done to keep a careful watch of the pension rolls, and to compel the withdrawal of pensions for children who have gone to work, and are above the age at which pension grants can legally be made.

In conclusion, two points remain to be emphasized. The first of these relates to the down-State work, which is very badly done and which I believe can not be improved so long as the administration of the law is left entirely in the hands of the local authorities. All social legislation that is left to our 101 different counties to enforce without any supervision and without any help from the State must fail. The widows' pension law can be administered only by good social workers, and we are asking rural counties to do this, when they have no one in the borders of the county who knows anything about social work, and they have no money to provide salaries to pay those

who do. If the State wants a widow's pension law to be properly administered State aid must be provided in some form, a pooling of social resources so that the rich counties can help the poorer and backward counties. If we have to create a State pension fund, it will be only following precedent in Illinois, where we got free schools by creating a State school fund by which the wealthy northern counties helped the southern counties that were too poor to raise the necessary taxes. Each county may perhaps be expected to raise the funds needed for pensions. They can not all raise the additional funds needed for proper investigation and supervision. The widow's pension administration only follows the experience of other forms of social legislation, left to the various counties to support and enforce. The outdoor relief is abominable all through the State, the almshouses are a disgrace, and the county jails are infamous. The insane were cared for under terrible conditions until State authority superseded local control. In the same way widows' pensions will not be properly administered until some form of State assistance, supervision, and control is devised.

The second and concluding point relates to the Chicago situation. Here we have a successful and admirable piece of relief machinery, but it is successful because the methods of the good private relief societies have been adopted. A very select, and relatively a very small, number of the destitute widows of the county are dealt with, and in every case the pension is granted only after a searching investigation, and it is continued under supervision more thorough than that maintained by the largest private relief society in the same community. It is a successful piece of machinery, but it is a piece of relief machinery, and for this reason we should not accept this legislation as any final measure of social justice to the wage earner. Mrs. Kelley warned a meeting at the National Conference of Charities and Correction a few years ago when the care of widows was being discussed that the proper way to provide for the widow and orphan was to abolish them by keeping the breadwinner alive; that is one remedy; the other remedy of course is such a lifting of the wage levels as shall make it possible for the wage earner to provide for his own wife and children without leaving them to be investigated and supervised by any public relief agency.

[Miss Mary A. Barr, member of the Massachusetts Board of Charity, at this time read a paper entitled "Experiences in Administration." It was not possible to secure a copy of the paper, hence it had to be omitted from this report of the conference.]

## DISCUSSION.

MILES M. DAWSON. I hope while I am speaking many other names will come up, for these papers deserve to be well discussed.

I well remember when at the first meeting relating to social insurance, held under the auspices of the American Association for Labor Legislation in Chicago, this matter of mothers' pensions was brought up before a body of people interested in that subject, and I have reason to remember it, because I was personally very much criticized by many of my associates for favoring it. They felt that it was not insurance. Those who know little about insurance are always sure that they know exactly what it is, but some of us who have spent our lives in it are not quite so sure. Then, too, they felt that it was a bad form of charity.

It seemed to me a particularly desirable form of charity, as taking away the opprobrium which certainly ought not to rest upon the mother of a little family, and it seemed also very clearly insurance. I would not regard it the less insurance if some of my friends would take out policies on my life for the benefit of my family, and I can not say that it is any the less insurance because somebody besides the insured persons pay the premiums, and that is all this amounts to in this connection.

It seemed to be clear that it was a good thing for us to pursue this path, because it was an American beginning on this subject.

The papers that have just been read are papers, by the way, so admirable that if there had not been any other cause for calling this conference together they would have been a sufficient justification for it.

The information given by the last speaker relating to the expenditure on the part of these widows' families for industrial life insurance was perfectly astounding to me when she first called it to my attention in Boston, even with the acquaintance with insurance which I have gained during the lifetime spent in it. It shows the tremendous efficiency of the industrial insurance agent. It shows also the frightful sense of need on the part of the majority of the industrial population in this country—an expenditure of close to \$30 a year for burial insurance on the part of those families on the average. All these things signify that we have one great form of social insurance ahead of us, which has hardly even been thought of in the United States and which it may prove in practice that we may

reach before we do some other fields, and that is what they call in Germany, "Witwen und Waisen Versicherung" (widows' and orphans' insurance).

This 54 cents a week that these families are paying does not afford anything but a little money for the burial of the different members of the family. What is needed and what should be there before the father dies is an insurance that will provide for these widows and these orphans, and an insurance toward which that father has contributed, and that insurance should be of a compulsory type and character, and should be contributed to by the community, by the State, and the employers, by all of us working together to accomplish it, precisely like the other forms of social insurance. It has been added to the German system, the very last thing added to it, and we should give it careful consideration in this country. If that were done, chairman, ladies, and gentlemen, the number of these cases that we need to deal with by these methods of special investigation would be greatly reduced. Doubtless there would be an irreducible minimum that we would need to deal with in that manner, even if widows' and orphans' benefits of the type were provided, and it is highly creditable that these things have been done already. If these things have any significance—the subject has been presented to you to-day from almost every kind of a viewpoint—it is that we should introduce, at the earliest moment that we can get our exceedingly intelligent people of this country to appreciate it and to take action regarding it, a system of insurance which will obviate the necessity for this, so far as possible.

HENRY J. HARRIS, Library of Congress. A few minutes ago I said that the Federal Census had furnished us with no more recent information than that collected by the census of 1900; that the 1910 census had collected in its schedules a vast amount of information, but that this information was not available because the tabulation of the material had not been undertaken. A note has just been handed me from one of the experts of the Census Office, in which it is stated that the tabulation of the facts concerning employed women has been started, but that at the present moment it is not possible to state when the material will be published. It seems, however, to be the intention of the Census Office to publish a bulletin entitled "Women at Work" from which we may gather information concerning the employment of married women in industry, the number and ages of their children, and similar data. From these facts we should be able to secure some light on the subject of the mother during maternity and the widowed mother who is compelled to go into a wage-earning occupation in order to support her children. I would urge on those

interested in this subject to write to the Director of the Census and request that the publication of these facts be made at the earliest possible date.

Mr. DAWSON. I would like to add just one word to what I have said. There are a number of employers in the United States who are, through establishment funds and mutual funds contributed to by their employees and themselves, providing insurance for widows and orphans of the exact type I have mentioned already, so that it is not a new thing for this country, and it is not beyond what the most enlightened employers of the United States already believe to be their duty and the duty of their employees, nor does it cost so much that it can not be done.

JOHN F. CROWELL, Chamber of Commerce, New York State. May I ask Mr. Dawson if he would be willing to approve a law to make it compulsory for a man to take out life insurance before he marries?

Mr. DAWSON. I might be willing to do it. I am perfectly willing to consider it. I have no feeling that we can make a thing compulsory unless we can find means of actually compelling. We could not, in my opinion, make it compulsory for people to carry health insurance by taxing them if they didn't. The real reason we have not taxed many men who ought to be taxed is that we could not collect the tax, and the compulsion upon people to take life insurance before they were married would be all right if we could compel them to keep it up after they were married, but that might not be so easy. We can carry out a compulsory system upon wage earners and salary earners—it has been proven the world over—and that is the only thing that it is actually possible for us to do.

The CHAIRMAN. Are there any others who wish to speak on this subject? No other names have been sent to the desk. I will ask Dr. Meeker if he wishes to make any announcements; the discussion seems to have been completed.

Dr. Meeker, have you any announcements to make?

Dr. MEEKER. I have only to announce that we will begin the session to-morrow morning as near 9.30 as possible. I have it on the assurance of Dr. Woodward that this conference is not subject to the 8-hour law. We can work as many hours as we choose, but evidently we don't choose to work up to the 14-hour limit throughout an entire week. I wish that Miss van Kleeck would make a study of those who attend social insurance conferences and compare the overspeeding and fatigue of this industry with the munitions industry, to which she called our attention yesterday. However, I do hope that everyone here will advertise the program for to-morrow. It is a program that just now is receiving but slight interest in this country. I think we are fooling ourselves that unemployment has

ceased in this country, just because we have overspeded industries operating night and day. Now, I happen to know that we have a great deal of unemployment. The reasons for it will be obvious if you stop a moment to think. The turnover of labor in these overspeded industries is something tremendous. All the public employment offices to-day are doing a vastly bigger business than they did in the time of depression. All our private employment agencies are placing more workers than ever before. In fact, these agencies have taken their place among the overspeded industries because of the enormous overturn of labor. I wish it were possible to make the American people wake up and stay awake. We get waked up enough, but the trouble is we don't stay awake.

Dr. Andrews will tell you that two years ago there was an enormous interest in the problem of unemployment. (We have the habit of calling everything a problem, as if it were something entirely unique.) At present there is almost no interest in it, but, take it from me, the problem of unemployment to-day is almost as great in importance as it was two years ago, and the time is not very far distant when the problem of unemployment will be more pressing than it has ever been in our country at any time thus far in our history. I do hope that everyone here will come to this most interesting program and will advertise it just as widely as possible. We have two experts who are authorities—who know conditions as they exist in England—to give the principal papers. And, by the way, while discussion was inadvertently omitted from the printed program following the topic, "Unemployment insurance," there will be ample opportunity for all who so desire to discuss this subject. The other topic—the Massachusetts system of savings-bank life insurance—perhaps, has been sufficiently advertised by the very excellent motion pictures that were given yesterday.

*Friday, December 8—8 p. m.—Meeting in Memorial Continental Hall.*

CHAIRMAN HON. WM. C. REDFIELD, SECRETARY OF COMMERCE.

**ADDRESS BY PRESIDENT WOODROW WILSON.**

Mr. Chairman, ladies, and gentlemen: I believe it is unnecessary to explain to you why I am not here to make an address. I think time would fail a man occupied as I am to make all of the addresses expected of him; but I could not deny myself the pleasure of coming here to-night to bid you a very genuine welcome. You are associated in this conference with members of the Government, and the Government is in a certain sense your host, and as a representative of the Government I want to bid you a very hearty welcome and to say how much it pleases all of us who live here, whether permanently or temporarily, that this should be a gathering place for men and women who come together to discuss some of the most serious aspects of the life of the Nation.

We are living in an extremely interesting time. We have drifted away from purely political questions. We have, fortunately enough, ceased to make constitutional questions the center of discussion and are turning our attention more and more to those things which affect the daily life and fortunes of the rank and file of great nations. We are studying the people whom long ago we ought to have served better than we have served them, and as we get in closer and closer touch with the daily lives of men and women we know how to counsel better, we know how to govern better, we know how to conduct our own individual lives better, with a deeper insight and a truer sympathy.

A conference such as this, to discuss social insurance, gives evidence of the dominant interest of our own time, and one of the best elements of social insurance is social understanding—an interchange of views and a comprehension of interests which for a long time was only too rare. It used to be confined to those who were supposed to be restricted to what the general public regarded as the useless precincts of the university. Now, it has spread to the ranks of practical men and has come to be regarded as a practical study.

I had a very startling insight not long ago into the popular view of a university. A man who had not often appeared outside of university circles made an address which struck some men who had never been university students as very interesting, and one of them said to



another, "That man has got brains." The other said, "Yes, he has got brains to burn." Then the first said, "What gravels me is not a man with as much brains as that should waste 20 years hanging around a university." That is a not uncommon view of the university man, but it is more uncommon than it used to be, just because the fundamental studies characteristic of universities have come out into the field of practical life.

I wish that it could be my privilege to take part in your conferences. I would learn a great deal and profit very much, but the exigencies of public duty confine me to the very pleasant and agreeable task of bidding you heartily welcome.

The CHAIRMAN. Ladies and gentlemen, I am asked to call your attention to the fact that the program continues after to-night, at a session to-morrow morning, and to the other matters upon the printed program. Only a few minutes ago I was reminded that I can look back too inconveniently far for some of my youthful colleagues upon the platform here, to days in factory life when such a subject as that about which you are gathered here was altogether in the future, when a mutual-benefit association was quite a novelty, when the approval of any form of social insurance in industry was rather radical. They called people Socialists and all sorts of things for thinking about it.

As one looks back at the movement which you ladies and gentlemen represent here it is astonishing how rapidly it has grown, and how it is growing. I remember a man who put baths in his factory because he thought workingmen ought to have a chance to be clean, and was roundly criticized for it by his fellow manufacturers, who thought he was several kinds of a fool. The idea that there should be anything in the way of mutual insurance, in which the corporate officer and the workman should join for each other's benefit, as humanly interested in the common work, separated this man from his colleagues by a great gulf, which those who were "back numbers" without knowing it fixed for themselves. From that time we have advanced until to-day the human factor, not only as a doer, not only as a maker, but as the life of industry, the vital core of commerce, the center and heart of our people, has come to be recognized by far-seeing men and women, by the State, and by industry so far as it is enlightened, as the one great central and supreme fact toward which our whole industrial and social creation moves. Out of that spirit, as I understand it, you are here, and in that spirit you have been welcomed by the President of the Republic. In that same spirit will speak to you my dear and valued friend, with whom I have had the privilege of serving in Congress as well as in the Cabinet of the President, himself a man of toil, and in a fine way now the leader of those who toil, the Secretary of Labor, Hon. W. B. Wilson.

## ADDRESS BY HON. WM. B. WILSON, SECRETARY OF LABOR.

Mr. Chairman, ladies and gentlemen, having been notified at the time that I was invited to be present and talk here to-night that my time would be limited, and knowing my own failing and tendency toward verbosity, I concluded to jot down the few thoughts I had to present, so that there would be no possibility of my intruding upon the time of those who are to follow me.

I congratulate the International Association of Accident Boards and Commissions and the people generally on the advance that has been made in the development of social insurance. I realize that it has not been as rapid as some would wish, but it has come with as much speed as the people as a whole have been prepared to accept it. And, after all, that must be the gage of governmental action in dealing with the great economic problems that present themselves for solution. In democracies the government is supposed to represent the will of the people, and whenever any administration proceeds further toward the solution of any problem than the people are ready and willing to follow, it is apt to meet with disaster and be followed by reaction.

The subject of social insurance is not a new one, although it is continually developing new phases. The State has long recognized a part of its duties to the old, the sick, the injured, and the incompetents, as is shown by the establishment of poorhouses and hospitals. But our poorhouses and hospitals have been organized and maintained on the basis of charity rather than as an obligation which society owes to its afflicted members. It has been interesting to watch the development of thought as it gradually moved away from the theory of charity and accepted the principle of giving the means of subsistence as a matter of right. Out of that principle have grown the workmen's compensation laws of a number of States and of the Federal Government. Some of them are crude, it is true; none of them is perfect, but all of them are being gradually rounded into effectiveness, as their defects are disclosed by the searching rays of the lamp of experience. We may rest assured, therefore, that it is only a question of a short time until the workmen's compensation laws will be made as perfect as human ingenuity can make them, and that they will be extended to all of the States of the Union that have not already adopted them.

The development of the idea of mothers' pensions has been more rapid than that of any other one phase of social insurance. Several States have already made provisions for the care of the widows and their children until they are able to care for themselves. Only those who have lived the life of the workers, who have come into close association and contact with them in their homes, can have a full

realization of the heroic struggles of the women upon whose shoulders has fallen the responsibility of providing for a large family of small children when the breadwinner has been taken away. Now that the proposition has been whipped into practical shape, I sincerely hope that the other States will follow the lead of the pioneers and provide the means of caring for those orphans who are to be part of the future citizenship, without destroying that self-respect which is so essential to a rugged and independent people.

Very little has thus far been accomplished in arousing public sentiment to take care of the sick and incompetents beyond the point of establishing poorhouses and hospitals. That is undoubtedly due to the immensity of the problem. The field is so large that a simple glance over it staggers the imagination. Voluntary insurance can not meet the situation. From a financial standpoint it is in exactly the same status as that of child labor. Thousands of children in the years gone by were compelled to work at gainful occupations, not because the parents of the workers were any less mindful of the needs of their children than any other portion of our people, but because they felt that the financial requirements of their households made it imperative that the children should be put to work. It required the enactment of child-labor laws in order to protect the children of the workers from what their parents conceived to be their economic necessities. In voluntary health insurance the same concept of economic necessity that placed the children at work has prevented in many instances, and would undoubtedly continue to prevent, those people for whom health insurance is most needed from making voluntary contributions to such an insurance fund. Only two ways are available by which health insurance can be generally established in such a manner as to relieve the distress that comes from prolonged idleness from sickness. The first of these is the payment of a stipulated sum periodically by the Government to those who are incapacitated through sickness. As I have said, the cost of such a policy would be so great that our people are not yet prepared to assume such a responsibility or to pay the cost. The other method is that of compulsory contributions by the people themselves. The most difficult part of a compulsory contributory system is that the people who are most in need of such insurance are those who are least able to pay, and in many instances they would not be able to contribute at all. Yet, if we are to have universal health insurance at an early date, it can be reached only by a compulsory contributory system.

But it seems to me that the next forward step in the establishment of social insurance will be the adoption of old-age pensions. The application of the theory of charity to the treatment of the worn-out workers is absolutely unjust. Society in carrying out its own ideas

of economic law has left them, after a lifetime of hard labor, completely stranded like shipwrecked mariners on the arctic shores of time. We can not contemplate the closing scenes in the life of a self-respecting working man without feeling some of the anguish that tears the soul—the struggle with poverty on the one hand and the pride that can not bend to accept charity on the other. Then we feel the forcefulness of the words of Burns:

Look not alone on youthful prime,  
 Or manhood's active might;  
 Man then is useful to his kind,  
 Supported is his right:  
 But see him on the edge of life,  
 With cares and sorrows worn;  
 Then Age and Want—O, ill-match'd pair!—  
 Shew Man was made to mourn.

I do not know whether the American people have yet reached the point where they are willing to concede old-age pensions as a right due to the toilers who have given a lifetime of labor to the community, or are prepared to meet the expenses which the adoption of such a policy would incur. But I am fully convinced that the time is not far distant when the spirit of pride and the inherent justice of the American people will lead them to provide as well for their worn-out workers as does any other country on earth.

No one will for a moment contend that any title to property exists anywhere except by virtue of the laws enacted by Government, and the only method by which those titles are successfully defended is through governmental agencies; that is, through the power of the people collectively. Every person who owns land, tools, or other machinery, the products of labor or other accumulations, holds his title to them through the law, enforced by the strong arm of the government. The law prescribes methods by which property may be secured and how it can be retained. It gives and defends the title to all real estate, and acts as the arbiter in all disputes growing out of that title. Every corporation is a law-created, law-protected body that could have no existence but for the law and no power or property but for the Government. No contract mutually entered into can be made binding upon the contracting parties except by the power of the people collectively, expressed and enforced through their laws. Wealth can not be accumulated and held by any individual or corporation in large quantities without the fostering care of the law and government. Destroy both, abolish all law and all government, and immediately property rights cease to exist. The only title would be the strength or cunning of the individual. We would return to "the simple plan"—

That they should take who have the power,  
 And they should keep who can.

It follows then that he who has the greatest amount of wealth receives the greatest amount of protection from law and government. It protects him in the possession and enjoyment of it in life, and in conveying it to his heirs at death. The man who possesses property has a decided advantage in life over the man who possesses none. In order to produce or earn a livelihood, people must have the use of property upon which to work. The man who has the property can dictate the terms upon which he will permit another to use it. The law protects him in that right, consequently he has a law-created and law-protected advantage over the workman who is without property upon which to work. He will not let on any other terms than those he considers profitable. During his entire lifetime the propertyless workman must continue to give a share of what he produces in the form of profits to his employer in return for the opportunity of earning a living. The compensation received seldom exceeds the household requirements "economically administered." When the time comes that the physical and mental faculties begin to decline, when his powers of brain and brawn can no longer be profitably employed, no means have been accumulated by him with which to sustain existence. Surely, then, society at large, to which he has given a lifetime of labor, which protects his employer and others in their title to property, should protect him in his right and title to a comfortable existence during the remainder of his days.

The CHAIRMAN. Ladies and gentlemen, a few days ago there was a little tragedy which illustrated a large one, or made it clear. On a light vessel of our department off the harbor of Charleston a worthy man, now 71 years of age, had served for over 40 years as an officer of the vessel. The salary paid him for his services, which had more than once required him to endanger his life in the path of duty, was such as made it impossible for him to save for his old age. He and his wife had only that to live upon which he was able to earn by his daily labor on the light vessel. About 10 days ago this faithful, long-suffering servant of our great Republic was stricken with paralysis on the deck of the vessel of which he was an officer and was taken by a steamer to his home in the city of Charleston, and there was told that under the wisely beneficent law of this great and powerful Republic he would be paid until the 28th day of November, and after that time he would shift for himself. For we have not yet risen to the point in this country where we are willing to provide that the men who give their lives to dangerous toil on behalf of the people, through whose fidelity possibly you and your families have been rendered safe, shall in their old age receive anything whatever to compensate them for what they have given, although they have been so ill paid during life that saving was to them impossible.

I have the pleasure of introducing to you Mr. Samuel Gompers, president of the American Federation of Labor.

**ADDRESS BY SAMUEL GOMPERS, PRESIDENT AMERICAN  
FEDERATION OF LABOR.**

One great, harmonious chord has been sounded since the opening of this meeting, and under such circumstances it is not a pleasant duty to sound a discord. Yet such a part I have frequently felt myself called upon to play.

For more than half a century out of my 66 years of life I have been concerned in the effort to try to bring light and a greater degree of happiness into the lives and the work of my fellow men, and particularly of my fellow workers. I doubt if there be anyone whose life is more attuned to the misery and the suffering of any one of my fellows than mine. With me it is the thought not only of helping to assuage immediate want or suffering but of maintaining the opportunities of men to struggle for right and for justice.

There has never yet come down from any government any substantial improvement in the conditions of the masses of the people, unless it found its own initiative in the mind, the heart, and the courage of the people. Take from the people of our country the source of initiative and the opportunity to aspire and to struggle in order that that aspiration may become a reality, and though you couch your action in any sympathetic terms, it will fail of its purpose and be the undoing of the vital forces that go to make up a virile people. Look over all the world where you will, and see those governments where the features of compulsory benevolence have been established, and you will find the initiative taken from the hearts of the people.

There are certain species of compulsory social insurance that by their mere statement carry with them the conviction of their self-evident necessity and justice, into which the element of depriving the people of rights can not enter—such as workmen's compensation and old-age pensions. But when compulsory health insurance and compulsory unemployment insurance are proposed, the question arises at once, what are the conditions and regulations to be imposed by the Government to regulate the conduct of the supposed beneficiaries.

By reason of the many duties devolving upon me I have not had the opportunity to prepare a paper. I have made some memoranda, and I ask your indulgence to present thoughts which press upon me in the best way I can within the limit of time set for these proceedings.

The highest standards in the lives of the workers have been secured by the development, the organization, and exercise of the economic power of the workers. Although this economic power is superficially indirect, it is in reality the most potent and the most direct social insurance of the workers. It is the only agency that can readily guarantee to the workers protection against the results of the eventualities of life and give them a feeling of security.

There is more voluntary social insurance among the workers in the United States than in any other country in the world.

The organization of labor, which has secured reductions in the hours of their daily toil, which has secured higher wages and better standards of life, which has secured safety and sanitation, has done more to eliminate poverty and misery and unemployment and sickness than all other agencies of government and private individuals combined.

The trade-union of which I am a member and to which I owe my primary membership, in less than 25 years, as shown by absolutely accurate data, has reduced the sickness of its membership to a marked degree. It has lengthened the lives of the members of that craft on an average more than 16 years. What is true of that organization is true to a greater or less degree of every other trade-union in America.

The organizations of labor provide social insurance in cases of sickness or unemployment far too little to be true to their mission, far too narrow to suit my impatient spirit; but the willingness to fly from the ills we bear to those of which we know not is quite too general among men who are well meaning, yet who are theorists, or who desire to indulge themselves in a fad that involves grave consequences not only to the workers themselves but to the fundamental principles of freedom.

Social insurance can not even undertake to remove or prevent poverty. It is not fundamental and does not get at the causes of social injustice. The only agency that does get at the cause of poverty is the organized labor movement.

Social insurance, in its various phases of sickness insurance, unemployment insurance, and death benefits, provides the means for tiding over an emergency.

The labor movement aims at constructive results—higher wages, which mean better living for the worker and those dependent upon him, better homes, better clothes, better food; and shorter hours of work, which mean relief from overfatigue and time for recuperation, workers with better physical development, and with sustained producing power. Better physical development is in itself an insurance against illness and a certain degree of unemployment. The short-hour workmen, with higher wages, become better citizens, better able to take care of themselves.

Then again, the first step in establishing compulsory social insurance is to divide people into groups, those eligible for benefits and those considered capable of caring for themselves. The division is based upon earning capacity. This governmental regulation must tend to fix the citizens of the country into classes, and a long-established insurance system would tend to make those classes rigid.

Governmental power grows upon that on which it feeds. Give an agency power, and it at once tries to reach out after more. Its effectiveness depends upon increasing power. This has been demonstrated by the experience of the railroad workers in the recent enactment of the Adamson law. When Congress exercised the right to establish eight hours for railroad men, it also considered a complete program for regulating railroad workers, which culminated in the effort to take from them the right to quit work, and conscription providing for compulsory service.

Recently a gentleman of the highest standing stated to me that during the time he was in Germany, and in a position to know, German workmen came to him seeking aid to get out of that country to the United States. They told him that by reason of the taxes which they were compelled to pay into compulsory social insurance schemes, they had no money left except for absolute necessities of life, and were unable to secure sufficient funds to come to the United States even in the steerage. He said to me further that in Germany, where compulsory social insurance has been more extensively worked out than in any other country, the workmen of that country, by reason of their property interests in compulsory social insurance, have been compelled to remain in Germany and work under circumstances, wages, hours, and conditions of employment which forced them to endure conditions below standards of a living wage.

Is it not discernible that the payments required of workmen for this compulsory social insurance interfere very materially with mobility of labor, and constitute a very effectual barrier to the workers' determining their whole lives?

It seems to me that what we in America will have to do is to proceed upon grounds that shall bring not only social insurance of a practically advantageous character, but that shall help to develop individuality and personality and character, and help to recognize the real struggle of the masses of the people, to encourage them in their struggle so that they may have the higher and the better opportunity for self-development. What we should aim to do is to encourage voluntary associated effort of free individuals for their social insurance.

Industrial freedom exists only when and where wage earners have complete control over their labor power. To delegate control over their labor power to an outside agency takes away from the economic



power of those wage earners and creates another agency for power. Whoever has control of this new agency acquires some degree of control over the worker. There is nothing to guarantee control over that agency to employees. It may also be controlled by employers. In other words, giving the Government control over industrial relations creates a fulcrum which means great power for an unknown user.

The introduction of compulsory social insurance in cases of sickness, or compulsory social insurance in cases of unemployment, means that the workers must be subject to examinations, investigations, regulations, and limitations. Their activities must be regulated in accordance with the standards set by governmental agencies. To that we shall not stand idly by and give our assent.

At this moment the peoples of the European countries engaged in this titanic, brutal struggle are organized, and they exhibit a virility and a ferocity unknown in the history of the world. The intensity of their labor, the intensity of their activity, is not a good standard by which anything now can be judged; but in our industrial, commercial, political, and social fabric, the fabric of the United States, there has never been a people in the history of the world so virile in intellectuality, in industry, in intensity, as were and are our own, much misrepresented even though they be.

Men and women, I trust I may not be sounding my warnings upon the empty air. I hope that they may find a lodgment in the minds and the hearts of my countrymen. I bid you have a care in all these attempts to regulate the personal relations and the normal personal activities of the citizenship of our country ere it be too late.

There is in the minds of many an absence of understanding of the fundamental essentials of freedom. They talk freedom, and yet would have bound upon their wrists the gyves that would tie them to everlasting bondage. And no matter how sympathetic or humanitarian is the gloss over the plan and the scheme, I again bid you beware. We know not when or how this great struggle going on in Europe will terminate, or what it shall mean for the future of those countries; but at least let the people of the United States hold their liberties in their own hands, for it may come to pass that our America, the America whose institutions and ideals we so much revere, may be the one nation to hold the beacon light of freedom aloft, and thus aid in relighting the torch, rekindling the heart flame of the world's liberty.

Last Saturday night I witnessed a sight in the harbor of New York City that thrilled me anew in the hope of the perpetuity of the principles upon which our Republic is based. I saw there the Statue of Liberty, and at the pressing of a button by the President of the United States the whole structure of that wonderful image was il-

lumined and bathed with a light that could not but inspire the meanest of all. In the hand of the Statue of Liberty was a new construction, so that the flame in that torch might be visible to all who might see.

My hope is that we shall be enabled to sing, as we hope that the generations who follow us shall be enabled to sing—

My country, 'tis of thee,  
Sweet land of liberty.

For a mess of pottage, under the pretense of compulsory social insurance, let us not voluntarily surrender the fundamental principles of liberty and freedom, the hope of the Republic of the United States, the leader and teacher to the world of the significance of this great anthem chorus of humanity—liberty!

The CHAIRMAN. Ladies and gentlemen, I now have the pleasure of introducing to you Col. George Pope, president of the National Association of Manufacturers, who will address you.

**ADDRESS BY COL. GEORGE POPE, PRESIDENT OF THE NATIONAL  
ASSOCIATION OF MANUFACTURERS.**

I have been very glad to participate in the exercises of this evening, that I might officially testify by my presence to the very great and abiding interest which organized manufacturers feel in the great subject of social insurance, for I am proud to say that while many persons have assisted in creating an impression that the manufacturer is opposed in principle to the fundamentals of social insurance and the further extension of the policy, I know, from my personal experience as an individual and president of a national association of manufacturers, that legislation for the relief and prevention of accident and sickness is not as far advanced as are private efforts to that end undertaken by representative industrial associations and corporations.

The first real constructive efforts in workmen's compensation in this country, so far as I know, were made by an association of manufacturers. They realized that this was a social effort which must soon be taken up by the legislators of the several States, and that recorded experience of accidents in this country was of little use for the enactment of such laws. The National Association of Manufacturers, after much deliberation, decided to send a competent commission abroad to study the experience of the workmen's compensation laws in the various European countries. While several of these peoples had been working for some years under such laws, Germany proved to be the only country that had complete records covering any considerable length of time, and these covered a period of 25 years,

complete in all the workings of the law. It was from these records that the commission made its report. This report was complete in detail, showing the hazard of the several industries and occupations: the information thus gained was used to a considerable extent by a number of our States, and I think I am correct in stating that no one of the States had seriously considered laws on workmen's compensation until after this report had been published. It is still in use and is a standard work on the subject.

I do not mean to give the impression that all manufacturers, or other employers, immediately supported the passage of these laws. By some they were considered oppressive and as adding a burden of expense which must be placed upon their product that was unnecessary, but I do state that the major part of the manufacturers supported the passage of these laws and immediately made every effort to assist in carrying them out. The results were more than the mere carrying out of the compensation part of the acts, since every broad-minded and progressive manufacturer began at once to do what was possible, so far as experience went, for the prevention of accidents. Granted that in some cases there may have been a selfish element in this, as by reducing the hazards of the occupation they reduced the cost of insurance, nevertheless, I believe that the major part also had in mind the element of humanity. Several of the associations of manufacturers instituted an inspection department, employing safety engineers to inspect the factories of their members and to give advice as to devices for the protection of employees from accidents. The results were that the number of accidents were materially reduced. The National Association of Manufacturers has maintained an active committee on accident prevention and workmen's compensation, and each month a bulletin is issued, with diagrams showing causes of accidents and devices for preventing such accidents. This work is educational, and, being conducted by experts, it can not result otherwise than to be of great aid in the prevention of loss of life or of limbs or of other serious accidents.

About three years ago several of the associations of manufacturers felt that still better and broader work could be accomplished by a conference board composed of delegates from several associations of employers. It has been my good fortune during this period to be a member of the conference board of safety and sanitation, composed of delegates of the National Association of Manufacturers, the National Founders' Association, the National Metal Trades Association, and the National Electric Light Association. During this period this conference board, with the assistance and advice of experienced engineers, have studied, originated, and experimented on a large scale, with the best theoretical advice to be obtained and the largest

field of practical experiment, not only to secure practical safety devices but the best method of inculcating the spirit of caution, that indispensable psychological safeguard which is superior to every form of mechanical precaution. During the period of our joint effort the board has adopted and standardized a wide variety of devices. Its activity has extended to experiment with such necessary but small things as foundry leggings and safe foundry shoes; and it has been successful, we believe, not only in securing the manufacture of a superior shoe for foundry work, but in arranging for its production so that workers may practically secure it at cost. These are only two items in a considerable list of devices and conveniences which have originated with this conference board to prevent accidents, and, in case of accidents, to provide the quickest method of applying first aid and thus reducing the period of suffering. This conference board also issues a monthly booklet entitled "The Spirit of Caution," endeavoring to educate both employers and employees, to the end that accidents in many cases may be prevented, as well as to educate in the care of the unfortunate one who meets with an accident. It was the effort of this board which secured the statement found in the majority report of the Federal Commission on Industrial Relations that it was one of the "three great private associations \* \* \* which are doing as much, or more, for safety than all the State and Federal Governments combined."

Personally I believe there is a keener sense of social responsibility among the great body of manufacturers than ever before, and I venture to suggest, in the presence of this gathering, that the truth of this assertion is not minimized by the unwillingness of the manufacturer to embrace every new scheme of alleged social benefit that is proposed. New charges thrust suddenly upon industry are not translated with equal ease into the cost of production of all kinds of commodities or of all forms of manufacture. A monopoly readily meets any new charge, but as we descend from that condition to forms of sharper competition we not only find new difficulties in adding sudden charges, but we find the further difficulty that undue costs in the retail price of articles may seriously contract their consumption. I do not say this to militate against any sound proposal of social benefit because it necessarily carries new costs. I say it because it is the part of wisdom not only to be willing to pay for reform but to understand where its burden will fall, that we may not be disappointed and chagrined if social experiments, undertaken without due preliminary inquiry, fall back, where no sound policy should permit them to fall, upon the wage earner, either through reduced wages or lessened opportunity for employment. Enlightened industrial leadership should be ready at all times to make its contribution

toward any demonstrated advance in distributing the burden of industrial sickness, accident, or physical breakdown clearly attributable to circumstances of employment. Only let us be wise enough to take a page particularly from the experience of our German brothers, who, apparently more than any other students of socialized industry, have succeeded in the domain of work in helping the individual without hurting him, and who never take a forward step without applying to their progress the compiled, analyzed, and recorded experience of their past.

Is it not, therefore, the part of wisdom, in the absence of recorded experience of our own, to consult such records of other peoples? They may not be adaptable in all their details for our usages, but, where the experience has proved efficient, there must be much that can be used as a basis, at least, for our own social laws. New laws on social insurance must be regarded more or less as an experiment, to be proved as experience demonstrates their efficiency and practical value—value to employee and employer—and in the last analysis to the public, whose interest in these industrial problems is too often forgotten or neglected.

We can not, gentlemen, undertake to Germanize, Gallicize, or Anglicize our industries or institutions, but we can learn with profit from the moral of an experience not our own. It seems to me that European social legislation has been so largely successful in industrial fields because it has been practical rather than speculative, and founded upon experience rather than experiment. I think it is a serious error either to make the mistake or to persist in the delusion that any new form of social insurance can be disproportionately placed upon either employer or employee. If public men or private doctrinaires endeavor to place the primary costs in larger nominal amount upon either wage payer or wage receiver, they deceive themselves as well as the public. A new burden placed upon industrial production finds but one fund out of which it can be paid, if it is paid at all, and that is the fruit of the joint effort of the directing and operating forces of industry. That partnership must pay all the bills out of what they make together, and unfair burdens injure both without helping either.

I should like, personally, to see in American social legislation a stronger tendency toward the joint administration of funds which both parties contribute. I believe in this, not merely because I think more economic administration could be secured, but because I believe that every rational effort that maintains personal contact in industrial relationships between employer and employee helps toward a better mutual understanding of each other's motives and difficulties in meeting the problems which require their common thought and effort.

Finally, I am old-fashioned enough, Mr. Chairman, to view with suspicion movements for public provision for the care of private individuals that discourage either private initiative or individual frugality. Any form of public philanthropy which lessens the tendency toward individual thrift is harmful to the development of character. Let us, by social effort, help others to help themselves, but no nation with our traditions and beliefs should do aught to make any citizen regard himself as a dependent upon his Government.

I think we are better for believing that we are here to support our Government, not to have our Government support us. The material foundation of a sound society must be found in the basic virtues that make private character. When misfortune, accident, sickness, and old age lessen the power of the individual to provide for himself or those dependent upon him, then let us help him to help himself, but without introducing any practice or device that enervates his independence or lessens the encouragement of thrift or those simple but rare qualities that, upbuilding the individual, make better the Nation. I am, moreover, a thorough believer in voluntary associated effort. I do not think the State should discourage or supplant it. I know of many splendid insurance organizations, mutual and fraternal. I observe with ever-increasing interest the excellent beneficial associations formed among the trade-unions, and I see a broader tendency toward new forms of self-help against all the ills and misfortunes of business life, in the growth of splendid private associations of both employers and employees. There is a great place for each of these, and I believe no broad movement for social insurance deserves to succeed which would discourage, suppress, or invidiously compete with these fine voluntary social movements that provide against the ills of working life through forms of insurance administered through the beneficiaries or their representatives.

I believe there is a new era in American industry. I share deeply and earnestly in the recent utterance of President Wilson, expressing his hope in the obliteration of class consciousness in our Nation. The future has too much in store for us to waste our time, thought, and energies in profitless strife and barren contentions. Never in our political and industrial history was the necessity for united and concerted enterprise more imperative than now. The new era means common purposes and united impulses for all engaged in our varied industries. If employers and employees can not stake out a common ground upon which to assemble and understand one another better, we shall be unworthy of the priceless opportunity now before us. The new era implies less insistence upon private rights; greater insistence upon public duty. It means transfusing our industrial forces with a spirit of toleration and mutuality. The new era is the Golden Rule

applied to all men and women who work in American industry. It is in this spirit of enterprise, enlightenment, and progress that the National Association of Manufacturers is attempting to be of service in the upbuilding of our industry. For the sovereignty of manhood and womanhood is the basis of industrial nobility.

Gatherings like this contribute much to the sum of our knowledge upon these ever-important topics. They are long steps in the way of social progress, and they are not the less valuable because they impress us with the complexity as well as the importance of our social problems. I feel that each of us will depart from this gathering debtors to the research and experience that have been so generously contributed to this conference.

The CHAIRMAN. The meeting is adjourned.

**SATURDAY, DECEMBER 9—MORNING SESSION.**

**CHAIRMAN, DR. ROYAL MEEKER, UNITED STATES COMMISSIONER OF LABOR.**

**UNEMPLOYMENT AND SAVINGS BANK INSURANCE.**

**I. THE BRITISH NATIONAL SYSTEM OF UNEMPLOYMENT INSURANCE.**

The CHAIRMAN. I hope that in the discussion this point will be brought out: Is it possible to devise some scheme in this country to take care of unemployment much better than it is being done now? Can we learn something from the British national system? I think that we will be instructed most profitably by Mr. Lasker and Miss Halsey this morning. Of course, you who know anything about the work of Mr. Seebohm Rowntree know Mr. Lasker by reputation—by the splendid work he has done. It was not possible to give Mr. Lasker's past history and accomplishments on a printed program, and so I take the liberty of calling your attention to the fact that he has done much to secure the establishment of the employment offices and the unemployment insurance system in Great Britain, and can speak with authority on this subject. He has done splendid work with the Committee on Unemployment of New York City. I do not know what he is going to say, but I hope he will try to connect his English experience with his New York experience and give us his practical suggestions as to methods of dealing with unemployment in this country.

**THE BRITISH SYSTEM OF NATIONAL UNEMPLOYMENT INSURANCE IN ITS RELATION TO OTHER METHODS OF DEALING WITH UNEMPLOYMENT.**

BY BRUNO LASKER, ASSISTANT SECRETARY, MAYOR'S COMMITTEE ON UNEMPLOYMENT, NEW YORK CITY.

The risk of unemployment differs from that of sickness, invalidity, and accident in important features, of which I need mention only two in order to show that it must necessarily be approached on somewhat different grounds. In the first place, while undesired by the insured and inflicting loss upon them, the risk provided against may be an event desired by others. The ills of the flesh are of no advantage to anyone; but the temporary idleness of persons normally engaged in a wage-earning occupation may be of advantage to the em-



ploying class. Secondly, the occurrence of the event can not be established merely by reference to easily provable facts, but requires for its verification a considerably larger amount of judgment. Nevertheless, this risk is decidedly an insurable one. Not only theory but also the experience of many countries and communities widely differing in economic organization prove unemployment insurance a practicable expedient of social adjustment.

It is no more than an expedient. Nowhere has it become or can it become a solution. There is only one solution to the problem of lack of work, and that is work. There must be unemployment in every competitive industry which is not hampered by a permanent shortage of labor, both in the aggregate and in the separate branches of production and service. For unemployment necessarily results from the natural irregularity of human enterprise, which can not be adjusted with mechanical precision, from lack of control of nature, from changing tastes, and from new inventions. If there were eliminated all the irregularity of employment which proceeds from personal ill adjustment or incapacity, from industrial and commercial competition which necessitates the existence of a margin of unemployed labor to enable each competitor to bid for orders and contracts, and from the world-wide ebb and flow of prices and credits which accompanies depressions and crises, much involuntary idleness must remain so long as men are dependent for work upon employment by others.

It does not follow, of course, that irregularity of employment must of necessity entail irregularity of income. To a limited extent, irregularity of work may even coexist with regularity of employment. Thus, it has been shown that almost constant employment of salaried employees sometimes goes side by side with considerable fluctuations in the employment of wage earners in the same industry and in the same concerns.<sup>1</sup> Not that clerks, salesmen, executives, and foremen have a recognized "right to work." The reason why these higher grades of employees are not dismissed when trade is slack is that their services are more difficult to replace when good trade returns than are those of mechanics and laborers. Continuity of income for the great mass of wage earners can be brought about only by one of two possible means: Either they must individually become as indispensable to their employers as the higher grades—and this could only come about by a complete reorganization of industrial and commer-

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<sup>1</sup> Interesting illustrations of this point are given by Sir Leo G. Chiozza, *Money in Insurance versus Poverty* (London, 1912). He found that in the building trades in England, with a 15 per cent variation in the number of wage earners employed over a given period, the variation in the number of salaried persons employed by the same employers, engaged in all cases on contract work, was less than 2 per cent. A similar fact was established by this author for a number of brick and fire-clay factories which he investigated.

cial enterprises, introducing a specialization and subdivision of functions so complete as to tax even the imagination—or it must be brought about artificially without reference to the business necessities of individual concerns. Incidentally, in a country where one-fourth of the adult male industrial population earn less than \$8 a week and nearly one-half less than \$10,<sup>1</sup> it is important to remember that permanence of income involves more than a mere leveling of fluctuations in earnings; it requires a substantial addition to the total wages bill.

While, therefore, unemployment insurance is in no sense a solution of the problem of irregularity of earnings through involuntary idleness, it can, nevertheless, materially lessen the avoidable suffering which it entails. A majority of workers are financially in a position to make some sacrifice in present enjoyments to provide for a rainy day. Unfortunately, the sacrifice which they are able to make without detriment to a socially desirable minimum standard of living is not great, and it seems to be smallest in the case of those who most suffer from irregularity of employment.

In spite of their manifest advantages to labor organization, out-of-work benefits figure only to a very small extent in the mutually benevolent activities of American trade-unions. Even in Great Britain, where labor associations are older and more firmly established, taking industry as a whole, not more than 1 out of every 25 manual workers and small-salary earners, or 1 out of every 3 trade-unionists, was protected against unemployment by insurance prior to the passing of the National Insurance Act of 1911.<sup>2</sup> In the United States the proportion, not definitely known, is much smaller.

Before proceeding to the British scheme, which is the central theme for our discussion to-day, I may be allowed perhaps briefly to state the reasons why other European schemes of unemployment insurance are of distinctly lesser interest to us in this country.

The principal reason is that they are almost negligible as regards the number of unemployed persons reached and the amounts of benefit handled. The voluntary provision of such benefit nowhere has succeeded in bringing about what really must be the first aim of any State unemployment insurance scheme, the protection of the greater number of those suffering from the risk and in need of

<sup>1</sup> Weekly earnings of wage earners in manufacturing industries, 16 years of age and over, 1904. United States Census of Manufactures, 1905. Bulletin 93, p. 11.

<sup>2</sup> The last complete returns refer to the year 1908. (Report of Board of Trade on Trade-Union Unemployed Benefits, 1911, Cd. 5703. About 700,000 of the 2,400,000 members of 1,059 unions enjoyed out-of-work benefits, averaging about 10s. (\$2.43) per head per annum. The total number of manual workers and small-salary earners at that time was about 17,000,000.

protection. As Mr. Lloyd George said, in the speech introducing the national insurance bill:

On the Continent many efforts have been made, mostly failures, because they all were on the voluntary principle. In Cologne there was a great effort. It ended in about 1,800 people being insured out of a population of 200,000 or 300,000. There it meant people who knew they would be out of work, and who insured against almost certain unemployment in the winter. That is very little good. I came back, after examining some of these schemes, with the conviction that you must have, at any rate, three or four conditions. You must have a trade basis to begin with. A municipal basis will not do; it must be a trade basis, because the fluctuations are according to trades. You must start with the more precarious trades. The scheme must be compulsory. I also came to the conclusion that the workmen's unsupported efforts are quite useless:

There are advantages in voluntary as against compulsory insurance, some of which, I think, will be brought out in the progress of this discussion, and which are so great that we can not afford to ignore them. But we are here, I take it, because we desire to consider the possibilities of social insurance as a means of lessening avoidable distress, not among a limited group of exceptionally provident or privileged people, but among our working population at large. We have become impressed during the last trade crisis, perhaps more than ever before, with the fact that the burden of these appalling dislocations falls primarily upon men who have had no hand in their occurrence and who are blameless, men who are indispensable to the prosperity of the community, but who can not tide over the bad times until good ones return unless aided and unless the efforts of those who are provident are reinforced by the compulsory inclusion in their ranks, for insurance purposes, of those who are happy-go-lucky and who shirk responsibility.

We do not, any of us, like the principle of compulsion. It must not be imagined that the British public likes it any better than the American. It is significant that both the majority and minority reports of the English Poor Law Commission reported in favor of a voluntary scheme and that such competent investigators as David F. Schloss, of the Board of Trade,<sup>2</sup> and I. G. Gibbon, of the Local Government Board,<sup>3</sup> also recommended the adoption of a voluntary scheme. The Government, as a matter of fact, offered a compromise by including in the same act provisions both of a compulsory and of a voluntary character, but the latter have since been withdrawn. It proceeded on a carefully thought-out set of principles which may best be stated in the words of Mr. Winston Churchill, at the time president of the Board of Trade, in an anticipatory speech made two years before the bill was actually introduced:

<sup>1</sup> Speech in House of Commons, May 4, 1911.

<sup>2</sup> Insurance Against Unemployment, London, 1909.

<sup>3</sup> Unemployment Insurance, London, 1911.

We, therefore, have to choose at the outset of this subject between insuring some workmen in all trades and insuring all workmen in some trades. That is the first parting of the ways upon unemployment insurance. In the first case, we can have a voluntary and in the second case a compulsory system. If you adopt a voluntary system of unemployment insurance you are always exposed to this difficulty. The risk of unemployment varies so much between man and man, according to their qualities—character, circumstances, temperament, demeanor toward their superiors, these are all factors—and the risk varies so much between man and man that a voluntary system of unemployment insurance which the State subsidizes always attracts those workers who are most likely to be unemployed. That is why all voluntary systems have broken down when they have been tried, because they accumulate a preponderance of bad risks against the insurance office which is fatal to its financial stability. On the other hand, a compulsory system of insurance, which did not add to the contributions of the workers a substantial contribution from outside, has also broken down because of the refusal of the higher class of workers to assume unsupported a share of the burden of the weaker members of the community. We have decided to avoid these difficulties. Our insurance scheme will present four main features. It will involve contributions from the work people and from the employers; these contributions will be aided by a substantial subvention from the State; it will be insurance by trades—following the suggestions of the royal commission; and it will be compulsory within those trades upon all, unionist and nonunionist, skilled and unskilled, workmen and employers alike. \* \* \* To confine a scheme of unemployment insurance merely to trade-unionists would be trifling with the subject. It would only be aiding those who have been most able to aid themselves, without at the same time assisting those who hitherto under existing conditions have not been able to make any effective provision.<sup>1</sup>

The chief criticism of the bill, after it had been introduced in 1911, was that it constituted a hazardous experiment, chiefly because adequate data were not available for a sound actuarial estimate of cost.<sup>2</sup> Some of the friends of the measure believed it would be safer to begin with the voluntary part alone, basing its provisions as regards actual benefits and contributions upon foreign experience as well as English data on the volume and duration of unemployment. Again the Government was obliged to point out that a voluntary scheme standing by itself necessarily must contain a preponderance of bad risks and could not easily be made financially sound.

We desire to encourage not only those who are at present able to insure for themselves, but we are even more desirous by compulsion to secure the provi-

<sup>1</sup> House of Commons, May 19, 1909.

<sup>2</sup> The Government based the provisions in the bill relating to contributions and benefits upon a report to the permanent secretary of the Board of Trade by Thomas G. Ackland, one of the leading fellows of the Institute of Actuaries, dated May, 1911. The available data were considerably richer and more trustworthy than any which could be obtained at present in the United States, including annual mean percentages of trade-union members unemployed extending over a period of 20 years in respect of certain groups of trades to which the compulsory provisions of the insurance act apply; returns of unemployment by ages in certain unions for the year 1895; returns of unemployment by periods in certain branches of five unions over a period of three years, including good, bad, and medium employment; and particulars as to the total number of workmen employed and unemployed, respectively, in certain unions of workers engaged in the building trades. No claim other than for an approximation to facts was made for the conclusions resulting from an analysis of these data.

sion of unemployment benefits for those who for any reason at present are unable or unwilling to insure for themselves.<sup>1</sup>

The protests made on the part of employers who pleaded that insurance to which they were obliged to contribute was not insurance at all, but taxation for public charity, need hardly concern us, since we are interested in the thing, not in the name. But one of the arguments advanced against compulsory insurance was that it constituted a new burden on industry, which itself would contribute to the volume of unemployment. And the answer given—that the burden of the cost of unemployment was already in existence, and that all the measure attempted was to distribute it more equitably—can not be regarded as altogether satisfactory. A more convincing answer it will be possible to give, I think, after more experience of unemployment insurance has been gained in Great Britain, namely, that it actually contributes to the reduction of unemployment. But more about this later.

Some urged differentiation of contribution rates and benefits by trades. But in view of the unsatisfactory nature of the available actuarial data and of the lack of experience this was held to be impracticable.

And finally fear was expressed that a system of compulsory insurance by setting up new machinery for the collection of contributions toward benefits would seriously hamper and even destroy trade-unionism, which, in some instances, has to rely upon benefit provisions as an important aid to organization. This possibility received every consideration in the drafting of the bill which, as finally adopted, so fully answered all objections made on that score that practically every demand for an extension of unemployment insurance to other trades since the passage of the act has come from trade-union circles.

Although probably familiar to most present, the main provisions of this measure may now briefly be summarized as follows:

Compulsory insurance against unemployment was provided in 1911 for all manual workers over 16 years of age engaged in building, construction of works, shipbuilding, mechanical engineering, iron founding, construction of vehicles, and sawmilling. In 1915 an amending act extended the compulsory provisions to workpeople in these trades employed abroad upon war work until the end of one year after the conclusion of the war. The National Insurance (munitions workers') Act of 1916 further extended these provisions temporarily to all workmen engaged upon the manufacture of war material and to all workmen engaged in the manufacture of ammunition and explosives, chemicals, soap, candles, paints, etc., metals and metal goods, rubber and rubber goods, leather and leather goods,

<sup>1</sup> Sydney Burton, president of the Board of Trade, House of Commons, 1911.

bricks, cement, and other artificial building materials, and wooden cases. The Board of Trade has power still further to extend this list by the inclusion of any trade substantially engaged upon war work. The extensions of 1916 are for a period to be determined by the Board of Trade, but not exceeding three years from the end of the war, or five years from September 4, 1916, when the act came into operation—whichever period is longer—with an added minimum of six months for the payment of benefit after payment of contributions has ceased.

These extensions, adding probably a million and a half to the two and a half million insured under the original act, are so important as to unsettle again any certainty there may have been as to the permanent success of that measure. The wisdom of coupling a scheme of temporary provision for a condition faced not as a risk but as a certainty with a permanent scheme for insurance may be doubtful, and I shall have more to say about it later.

Both under the original act and its later extensions, employers and workmen each contribute 2½d. (5 cents) per week—with a lower tariff for persons under 18 years of age. Employers are responsible for the payment of these dues by means of stamps affixed to an insurance card of the familiar type, the workman's share being deducted weekly from his wage. An amount equal to one-third of the total contributions of employers and workmen is added to the fund by the State.

The benefit is fixed at the flat rate of 7s. (\$1.70) per week. As amended in 1914, the act stipulates that a workman must have been employed in an insured trade for a period of not less than 10 weeks and have paid his full contribution for that period before he is entitled to benefits, he must have applied for benefit in a prescribed manner—further to be discussed—and been unemployed continuously from the date of application. He is not eligible for benefit if his unemployment has been caused by strike or lockout, or if he refuses to accept work offered him on conditions corresponding to local standards or agreements. If he has voluntarily left his employment without just cause or been discharged for misconduct, he is excluded from benefit for six weeks. Further limitations are that benefit is not paid for the first week of unemployment; that the proportion of the number of weeks for which benefit is paid in any one year to the number of weekly contributions made in that year does not exceed the ratio of 1 to 5; and that not more than 15 weeks' benefits are payable in any one year.

An "association of workmen" in an insured trade, that is usually a trade-union, is entitled to repayment by the State of three-fourths of the amount paid in unemployment benefits, if these benefits exceed by one-third the amount compulsorily provided for.

The law, as it stands at present, provides for voluntary inclusion of workers not covered by the compulsory section of the act under the provisions of that section, but no longer contains provision for the encouragement of voluntary insurance which was a part of the original act. Voluntary inclusion in the compulsory unemployment insurance scheme may sound like a contradiction of terms; it means that under the 1916 act, in any establishment where some workmen are compulsorily insured as war workers or members of the trades specified, any other may, at his request and with his employer's consent, be included also. The voluntary insurance of workers in trades not covered by the obligatory provisions was encouraged in the original act by a section which gave a bonus or repayment amounting to one-sixth of the benefits paid by associations of workmen, except in regard to benefits in excess of 17s. (\$4.14) per week. This was canceled in the present year, not only as regards extensions but also in respect of continuation of past subsidies.

Miss Halsey will expound in detail the operation of these provisions which, together, embody the most complete and far-reaching scheme of unemployment insurance in operation anywhere.

I should like to confine myself for the rest of the time at my disposal to those aspects of the British scheme of compulsory unemployment insurance which bear directly on the reduction of unemployment and the coordination of insurance with other measures for purging industry of this great evil, for it was one of the principal aims of the Government which promoted this law that it should not merely be remedial but also, so far as possible, preventive. It formed part of a chain of enactments of constructive social policy which started with old-age pensions and by various stages led up to the legislative program on minimum wages for rural laborers and land reform cut short by the war.

The problem of unemployment had received the earnest attention of social reformers of all parties for a decade. A comprehensive system of municipal distress committees and employment bureaus had been established throughout the country; many of the national and local authorities kept in mind employment questions in the planning of public works; but the primary need for the organization of the labor market had not been met when the Royal Commission on the Poor Laws and the Relief of Distress reviewed the whole situation. The whole treatment of the problem of unemployment was as yet primarily on the basis of relief rather than industrial readjustment.

- ✓ (1) The search for work, for the great majority of workpeople, was unregulated and unaided by any public agency.

(2) There was not in existence any effective public stimulus inducing employers to make work more continuous or inducing workmen to avoid useless changes of jobs.

(3) No effort had been made to utilize the period of unemployment, in the case of young or inefficient workers, for additional training which would adapt them better to the requirements of industry and lessen their risk of involuntary idleness.

(4) There was no organized relation between the relief of distress occasioned by unemployment through self-help and the relief by public and voluntary charity.

The unemployment insurance law, in connection with the use of the labor exchanges, established on a national basis in 1909, was so devised as to make possible progress in each of these four directions.

#### (1) UNEMPLOYMENT INSURANCE AND THE SEARCH FOR WORK.

The British national system of labor exchanges interests us in the present connection primarily for the reason that it is impossible to emphasize too strongly its importance to the success of the insurance act passed two years later. Indeed, the British method of unemployment insurance is unthinkable apart from it.

Labor exchanges are indispensable to any system of unemployment insurance, or, indeed, I think, to any other honorable method of relieving unemployment, since it is not possible to make the distinction between the vagrant and the loafer on the one hand and the bona fide workman on the other, except in conjunction with some elaborate and effective system of testing willingness to work such as is afforded by the system of labor exchanges.<sup>1</sup>

Equally important for the success of the insurance scheme is the actual reduction of the search for work and of the corresponding charge upon the fund made possible by this close association with labor exchanges.

On the other hand, the permanent organization of the labor market can not be accomplished by a system of labor exchanges alone. The Government recognized from the first that complete organization could be secured only through the development of both labor exchanges and unemployment insurance. Indeed, the experience of the employment bureaus established under the Unemployed Workmen Act of 1905 justified the assumption that no system of labor exchanges would permanently succeed so long as there was a danger that they might deteriorate into agencies for dealing only with the lower grades and the less employable classes of the community.

For that reason (that the system of labor exchanges is voluntary in character), there is great danger, to which I have never shut my eyes, that the highest ranks of labor—skilled workers, members of strong trade-unions—would

<sup>1</sup> Winston Churchill, then president of the Board of Trade, speech in House of Commons, May 19, 1909.



not think it necessary to use the exchanges, but would use the very excellent apparatus which they have established themselves; that this expensive system of exchanges which we are calling into being would come to be used only by the poorest of the workers in the labor markets, and, consequently, would gradually relapse and fall back into the purely distress machinery, not economic machinery, from which we are laboring to extricate and separate it. It is for that reason, quite apart from the merits of unemployment insurance, that the Government are very anxious to associate with their scheme of labor exchanges a system of unemployment insurance. If labor exchanges depend for their effective initiation or inauguration upon unemployment insurance being associated with them, it is equally true to say that no scheme of unemployment insurance can be worked except in conjunction with some apparatus for finding work and testing willingness to work, like labor exchanges. The two systems are complementary; they are man and wife; they mutually support and sustain each other.<sup>1</sup>

Six years of operation of the one measure and four years of the other have completely confirmed the anticipation of the author of these remarks. There is no doubt now that the fate of the national labor exchanges would have followed that of the earlier public employment bureaus, that they would have failed to attract skilled workers and the better grades of unskilled laborers in sufficient number to convince employers that they could serve them. Nor is it probable that unemployment insurance could work so smoothly as it does in Great Britain, in spite of many minor difficulties, or could have become so universally popular, if it had not been for its close association with the administration of the labor exchanges. This association, in the act itself, is laid down in provisions which, in the case of the compulsorily insured trades, make obligatory the registration of unemployed workmen at a labor exchange, require a workman when he loses his employment to deposit his insurance stamp book with a labor exchange, and make benefit payable through a labor exchange.<sup>2</sup>

In practice, the use of the labor exchange for the registration of unemployed insured workers and the payment of benefit guarantees that fraudulent claims are reduced to a minimum, and that the period of unemployment in all cases is one of active search for work. If living within 3 miles of the local office, the claimant must go

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<sup>1</sup> Winston Churchill, *Ibid.*

<sup>2</sup> In the case of associations of workmen which pay unemployment benefits and have arranged with the Board of Trade for a refund, as mentioned, the individual member draws his benefit from his association, which recovers the amount from the unemployment fund through the labor exchange. In many cases trade-unions, though entitled to handle the payment of benefit in this way, have handed over their books to the labor exchange, which pays out benefit to individual unemployed members in the same way as to applicants not members of an association. This saves the unions much clerical labor and cost and sometimes insures a more perfect test of willingness to work than officers of the union could easily themselves apply. The direct payment of insurance benefits by trade-unions has been criticised as diverting the attention of trade-union officers from other pressing tasks and permitting the payment of benefit on unsuitable premises, such as saloons. (See "The National Insurance Act at Work." by Sidney Webb, *The Crusade*, February, 1913, p. 275.)

to that office daily and sign a register during office hours as evidence of unemployment. If he lives at a distance of more than 3 but less than 5 miles, he must attend on alternate days; if farther than 5 miles, other evidence of unemployment may be required.

The importance of this check on the fund was one of the reasons why the insurance bill was not introduced simultaneously with the bill providing for the establishment of labor exchanges under the Board of Trade. It is probable, however, that the success of the labor exchanges would have been imperiled by the postponement of the insurance provisions for these two years, had it not been for the fact that they coincided with a period of good trade when many employers were glad to avail themselves of the services of any new source of labor supply that happened to come into being.

It is not possible to elucidate the effect of unemployment insurance upon the work of the labor exchanges by comparing the statistics of the work of these exchanges with those of the municipal employment bureaus set up under the Unemployed Workmen Act of 1905. Many of the latter were closed as the national exchanges became established, and the rest naturally developed more and more into appendages of relief as the bona fide marketing of labor was made a national function. But it is remarkable that the operations of the labor exchanges not only in regard to the insured but also in regard to uninsured workers have steadily increased in spite of considerable fluctuations in the demand for labor.

So far as the insured trades are concerned, the increased use of the labor exchanges by employers was immediate, resulting naturally from the fact that the existence of the exchanges was brought to their attention every time they hired or fired an employee. The following table shows that, with the introduction of unemployment insurance, the number of vacant positions registered with the labor exchanges and filled by them suddenly increased by over one-third.

PERCENTAGE OF INCREASE IN OPERATIONS OF NATIONAL LABOR EXCHANGES, 1911 TO 1915.

Item.	Per cent of increase in number—			
	1912 over 1911	1913 over 1912	1914 over 1913	1915 over 1914
Applicants registered.....	7.9	13.9	15.6	7.5
Positions registered.....	34.0	15.1	21.0	21.5
Positions filled.....	33.1	11.3	21.2	17.1
Individuals given work.....	21.9	13.7	24.9	30.4

But that this use of the labor exchanges is not limited to the employers in the insured trades is proved by the following table which separately states the operations of the labor exchanges for insured and uninsured trades.

## OPERATIONS OF NATIONAL LABOR EXCHANGES, 1913 TO 1915.

Item.	1913	1914	1915
Number of applications:			
Insured trades.....	1,448,536	1,636,463	961,072
Uninsured trades.....	1,517,353	1,805,969	2,222,406
Number of positions registered:			
Insured trades.....	431,085	537,185	643,569
Uninsured trades.....	791,746	941,539	1,152,677
Number of positions filled:			
Insured trades.....	344,070	439,404	461,212
Uninsured trades.....	577,783	691,505	826,926
Percentage of positions filled:			
Insured trades.....	79.9	79.2	71.5
Uninsured trades.....	73.0	73.4	71.5
Percentage of unemployed in trades-unions.....	2.1	3.3	1.1

It is clear from this table that the use of the labor exchanges for the administration of unemployment insurance has also indirectly affected the use made of them by employers in uninsured trades. The great increase in the number of positions registered with and filled by the exchanges in other than insured trades may partly be explained by the prevailing scarcity of labor throughout the greater part of the period covered. But it is evidence also of the fact that owing to the necessarily close touch with the exchanges on the part of employers in insured trades, others too have become persuaded of the value of these agencies for the supply of every class and grade of labor. Often the same concerns employ both insured and uninsured workers. Large mills and factories are apt to have a small staff of engineers and builders. Many employment managers, owing to the past history of public employment bureaus associated with the relief of distress, had been prejudiced against all agencies of that kind, which, in their minds, were but for the purpose of unloading the unemployables and undesirables. By being forced to negotiate with the exchanges in regard to some of their employees, many of them were led to recognize that, insured workers quite apart, the exchanges were well equipped to help them in recruiting desirable workers in every branch of trade.

**(8) UNEMPLOYMENT INSURANCE AND REGULARITY OF EMPLOYMENT.**

The original act contains five separate provisions for the encouragement of greater regularity of employment.

(a) It stipulates that a minimum contribution of 1d. (2 cents) must be paid by each employer and each workman for every separate period of employment of a day or less, and of 2d. (4 cents) for every working period of two days, while for every working period over two days in duration the regular weekly rate of 2½d. (5 cents) must be paid. By this means the employer in the building trades, for instance, who engages large numbers of unskilled men on con-

tract work is induced to employ as many of them as possible on a weekly basis instead of hiring them each morning from a struggling crowd of applicants, as many were wont to do. In some cities, the effect has been so considerable that this trade may be said, within limits, to have become practically decasualized. In others the effect is less apparent. I doubt whether this difference in dues, which mounts up in the case of employers engaging large numbers, has in practice been substantial enough to affect the migratory habits of individual workmen who are apt to quit their work as soon as it reaches a disagreeable stage or on slight provocation from the foreman. It should be noted, however, that this provision, where it fails to effect greater regularity of employment, at any rate secures an automatic adjustment of the premium to the risk; in other words, the man who works on an entirely casual basis and who—as American as well as English experience teaches—is also more apt to be hit by seasonal and cyclical changes in the demand for labor, has to pay more for his insurance, and his employer likewise has to pay more for the privilege of engaging such labor.

(b) Continuous employment is not, of course, a practicable remedy for every form of casual labor. A contractor can keep only a nucleus of workers on his permanent pay list and is obliged to recruit labor afresh not only for each new job but day by day as the work advances. The evils resulting from this discontinuous employment can not be altogether eradicated; but they can be greatly lessened if all employers of the same class of casual labor secure it from the same source of supply, and if at this source the selection of workers is made definitely with the aim of concentrating upon as few men as possible the total amount of work which is to be done, so as to reduce to a minimum the margin of workers partially employed in the industry. It is astonishing how little this simple expedient is as yet understood. Inquiries which I made in the port of New York recently, for instance, showed that there are about 40,000 or 45,000 men casually employed as longshoremen, while the total number hired on the busiest day of the year can hardly exceed 20,000—this at a time when other industries are clamoring for just that type of muscular labor. And yet apparently it had never occurred to the employers in the shipping industry that by throwing together their separate labor supplies and engaging from a central bureau day by day as many men as they needed, they could almost halve the total number of those depending upon them for their living, and this without in any way reducing the necessary margin of available men required by each.

The British insurance act has been used extensively to provide employers with a business incentive for such a pooling of labor reserves. I do not have time to go into the way in which the health

insurance section is utilized in Liverpool and other ports to induce employers to engage all the labor they require through a public labor exchange. Section 99 of the part on unemployment insurance is to the same object by permitting employers to hand over the keeping and stamping of unemployment insurance books to the local labor exchange and to pay contributions not for each separate employment period of each individual employee, but allowing the different employment periods of the same or different workmen engaged during the same week to be treated as a single, continuous period of employment of one person. In practice this means that the employer pays a week's contribution on behalf of each man employed by him on the busiest day of the week, however many different men may have worked for him on other days. During the first year of the operation of this clause the employers of 95,000 casual laborers took advantage of it.

In the same way a workman employed several times in the same week by one employer need pay only one contribution for the work periods together. The labor exchange sees to it that men are employed as continuously as possible, and that employers are supplied, as far as practicable, with the same employees. The employer has to deposit in advance a sum covering approximately the total amount of the contributions payable on his own behalf and on that of his employees for three months.

(c) Another provision of the original act is especially aimed at the diminution of seasonal unemployment, but it is doubtful whether the small financial incentive which it is possible to give for this purpose can effectively influence employers as against other far more weighty considerations. A sum equaling 15 contributions—3s. 17 cents—is refunded to the employer at the end of an insurance year for each insured workman on whose behalf at least 45 contributions have been paid during the year.<sup>1</sup>

(d) This small inducement may not be without value if taken in conjunction with another aid given by the original act to employers who make an effort to keep their force together during periods of slackness. If they or the workmen engaged in compulsorily insured trades can convince the Board of Trade that there is exceptional unemployment and that the establishment is systematically working short time, both employers and employees may temporarily be exempted from contributions. I have no information showing how this exemption has actually been used either before or during the present year, since the passing of the original act has, with the exception of one or four months in the fall of 1914, been generally inoperative. The exemption with this and other expedients mentioned has not been used on any conspicuous scale.<sup>1</sup>

<sup>1</sup> This does not apply to the trades insured under the 1916 act.

(e) Each workman who has made 500 contributions is entitled at the age of 60 to a refund of all his contributions, with compound interest at  $2\frac{1}{2}$  per cent per year, after deduction of any amount or amounts received in benefit. There has not, of course, been time as yet for any worker to secure this boon which is meant as an inducement to stay continuously in employment and, incidentally, also as a counterinfluence to fraudulent pretense of unemployment. This clause undoubtedly was meant to disarm the natural opposition of the workers to a compulsory scheme. Its economic benefit to the individual is not great; and it is difficult to see how it is intended to keep track of the individual contributions of several million workers over a lifetime, except at a prohibitive cost.

### (3) UNEMPLOYMENT INSURANCE AND INDUSTRIAL TRAINING.

When speaking of unemployment, we usually think of the hard times of industrial depression or financial crises when hundreds of thousands of workmen are thrown out of work because it does not pay to continue the production or services upon which they were engaged. But there is at all times a margin of unemployed. Even today the great American ports and industrial centers are full of persons who can not find work suited to their capacities. A study of this margin of persons involuntarily idle during normal or even exceptionally busy times, which I made in England some years ago, showed that inability to secure employment was due in an astonishingly large proportion of cases to personal deficiencies. These men and women constitute bad risks to any insurance scheme. No commercial system would write a policy on them. Yet it is impossible, so long as they do intermittently find employment at a compulsorily insured trade, to omit them from the provisions of the scheme.

The British act contains several clauses which give to the management at least a small handle for diminishing the risk with regard to these "bad lives," industrially speaking. Limitation of benefits and waiting periods apart, the insurance officer is empowered to subject an applicant for unemployment benefit, who is entitled to it by compliance with all conditions set forth in the act and the regulations made for its enforcement, to a test of skill and knowledge if his repeated failure to obtain or retain employment appears to be due, at least in part, to his lack in these respects. The test may reveal that the workman is not fitted for the particular occupation for which he applies; in that case it will modify the judgment of the officer as to what constitutes "suitable" employment for the applicant. Or it may appear that his skill and knowledge can be improved by appropriate instruction and training. In that case the officer has power to pay out of the unemployment fund for the

man's technical training, if there is a likelihood that by this means his prospective future drain on the fund may be decreased. This does not go very far. The number of cases in which men can be sufficiently improved by training to decrease their risk of unemployment is limited by their natural physical and mental capacity and by their age. Unemployment benefit is at so low a rate—hardly covering the cost of the minimum amount of food which a man must consume to maintain himself in physical health—that only few of the candidates for this special privilege are able to take advantage of it; that is, over a sufficiently extended period to be of real benefit to them. But, so far as I have been able to ascertain, this clause has not been seriously applied at all so far, and no expenditure for this purpose has been sanctioned by the treasury.

The reason probably is that, standing by itself, this provision inflicts a stigma upon the recipient of what is meant to be a benefit. Since unemployment through ill health and invalidity is provided for by health insurance, the mental and moral causes are singled out for special treatment in a manner which can not be creditable to the worker. While, apparently, this is unavoidable, it is also true that the educational treatment of those found seriously defective in skill or knowledge would be more acceptable if it were part of a much more extensive provision for training during unemployment. And such provision is exceedingly desirable. Especially for young workers the danger of deterioration during enforced idleness is grave, and legislation subjecting them to compulsory school attendance until able to find work has been advocated in England as an urgent need. If this were secured compulsorily up to the age, say, of 21, it would be easier for the insurance officers to exercise the power now vested in them concerning workers of all ages whose employability could materially be benefited by instruction, and they could exercise it without injury to self-respect.

#### (4) UNEMPLOYMENT INSURANCE AND CHARITABLE RELIEF.

The recent temporary extension of the compulsory provisions of the insurance act to workers engaged in war work and certain other occupations which I have mentioned has reopened a subject of much perplexity. It was adopted by the Government with great hesitancy and under pressure from organized labor. It is obvious that the Government must prepare to meet the enormous problem which will present itself when it comes to the demobilization of the great continental army. Time alone will show whether this can be done by means of insurance without jeopardizing the soundness and success of the permanent national insurance system. But dangerous though it is, this expedient is decidedly preferable to the use of the

existing machinery of labor exchanges and insurance offices for the payment of noncontributory unemployment relief to war workers. This plan has been advocated by labor politicians who complained of the illiberality of the provision made for the relief of distress due to the war by the representative local committees which at the outbreak of the war were created under the control of the Local Government Board.<sup>1</sup> The proposal to dispense relief through the labor exchanges and through the machinery of the insurance act takes no notice of the experience gained with similar previous experiments. The association of charitable relief with the legitimate work of public employment bureaus always has destroyed their value as instruments of industrial organization. To the same class of expedients of doubtful merit belong the decision of the war office and the proposal under consideration by the navy authorities to utilize these offices for the payment of noncontributory out-of-work benefits at the end of the war to dismissed soldiers and sailors unable to find employment. Such benefits, having no relation to the trades in which the men were previously engaged or in which they seek employment, really are in the nature of conditional pensions. To have either charity pure and simple or noncontributory benefits of any kind associated with contributory insurance—in the sense of having both administered by the same officers, and with application of an identical procedure and identical rules as regards eligibility to benefit—would undoubtedly attack insurance where it is most vulnerable. It would bring to life endless discussions of the possibility and value of insurance against the risk of unemployment and would promote a spirit of selfish desire to get as much as possible out of the fund, which is wholly alien to the true conception of mutual insurance.

There are, however, other ways in which unemployment insurance and the relief of distress can and do become mutually helpful and supplementary. From the beginning of the war the insurance officers, in most cases at the same time managers of labor exchanges, have been among the most useful members of the representative local relief committees just mentioned. They have been able to bring to bear upon the problem of distress through lack of work a knowledge which was not otherwise available. Requested by the Board of Trade to give every possible help to the local committees and to the correspondents appointed by the Local Government Board to advise on the state of employment, many of these officers have added not a little to the conspicuous success of the relief measures undertaken in the first few months of the war, when many industries became suddenly disorganized.

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<sup>1</sup> See *Labor in War Time*, by G. D. H. Cole, London, 1915, p. 95 et seq.



Further, by giving accurate information on the state of employment in the trades to which it applies, compulsory unemployment insurance makes possible a more effective and more complete treatment of the residual problem which can not be solved by insurance itself. Thus, soon after the outbreak of the war, the payments of unemployment benefits indicated a stagnation in the building trades which seemed so serious as to threaten the exhaustion of the fund. It was this accurate knowledge of facts which induced the British Government to pass immediately a measure which is one of the most far-reaching ever passed in any country for the encouragement of building enterprise. An act which passed through Parliament with lightning speed empowered the Treasury to advance at the lowest possible rate of interest to local authorities and approved noncommercial building and housing societies up to 90 and 80 per cent. respectively, of the capital required for carrying out schemes for the housing of the working classes approved by the Local Government Board. As it happened, unemployment in the building trades soon subsided as a result of recruiting; but the measure remains on the statute book and will give the Government a means of checking unemployment after the war by making liberal advances to local authorities and other recognized bodies should the books of the insurance fund again indicate a need for such action.

The knowledge gained from unemployment insurance will undoubtedly in many other ways promote improved methods of preventing and relieving distress caused by lack of work. There will be a constant preoccupation of insured workmen, their employers, and State officials with the problem of reducing charges on the fund and with problems of meeting cases of need which insurance is incapable of meeting adequately or at all. In this influence upon public and official opinion we must recognize one of the most potent and socially most valuable by-products of unemployment insurance.

In conclusion, I should like to summarize briefly the relation of unemployment insurance to other methods of dealing with unemployment in so far as the British system seems to throw light upon it.

In the first place, I am convinced that a discussion of unemployment insurance must remain entirely academic until there is a possibility of linking it up with an effective system of public employment bureaus. The evidence on this point—though it can hardly be presented statistically—is strong enough to condemn in advance any effort which might be attempted in this country or in any State of the Union to bring about a comprehensive system of insurance without first or simultaneously perfecting a placement organization under public auspices, which can provide a safe test of willingness to work and be a bearer of the administrative functions of the scheme.

Next, insurance can be made a means of pressure upon employers to regularize employment and to do away with avoidable variations in the size of their labor force.

It can stimulate the movement for pooling labor reserves in casual occupations without danger to a sufficiency of labor supplies and counteract an excessive mobility of workers between different occupations and localities, such as is experienced in many parts of this country.

By stabilizing the consuming power of the people it can contribute to the stability of employment.

By forcing large numbers of workers to use public employment bureaus when in search for work it can reduce the periods between jobs and thus materially lessen one of the worst of avoidable social wastes.

Associated with a practical system of industrial training during unemployment insurance it may lay the foundation for a sensible program for preventing physical, mental, and moral deterioration as a result of unemployment and for making periods of involuntary idleness of benefit to the earning capacity of individuals who undergo them.

The knowledge of conditions of employment available through unemployment insurance will not only build up gradually a body of actuarial evidence making it possible to approximate more closely benefits to needs and to the severity of the risk in different callings, but will also give a more complete and reliable groundwork for a comprehensive public policy for dealing with the distress arising from unemployment which insurance either can not reach or can not fully relieve.

While in many respects it is as yet incomplete and lacking in preciseness, I am of opinion that the experience of the British system of unemployment insurance has a considerable value for American statesmen. It forms an object lesson which should be watched with minute attention to details in operations and in results secured. On both, the next speaker will supply us with information which my more limited knowledge of the subject has prevented me from presenting.

## **THE BRITISH NATIONAL SYSTEM OF UNEMPLOYMENT INSURANCE—ITS OPERATION AND EFFECTS.**

**BY OLGA S. HALSEY, SPECIAL INVESTIGATOR, AMERICAN ASSOCIATION FOR LABOR LEGISLATION.**

Compulsory national unemployment insurance, the second great effort of Great Britain to treat unemployment as an industrial problem, followed closely upon the inauguration of the labor exchanges. Although this provision was planned to accompany the measure for labor exchanges, the project was withheld until the plan might be perfected and until the exchanges might become an efficient adjunct. When a bill was finally introduced into Parliament, it appeared as Part II of the National Insurance Act of 1911. This came into operation in July, 1912, as far as contributions were concerned, but it was not until six months later, in January, 1913, that benefits were payable. Amendments affecting details, traceable in part to the war, were passed in 1914, 1915, and 1916.

The act aims to cover involuntary unemployment in a limited number of occupations through compulsory insurance, to which employers, the workers, and the State contribute. The compulsory basis was adopted as an essential condition for the elimination of unfavorable selection of risks against the fund, and to secure the insurance of those who could not be reached through voluntary provision. The compulsory feature embraces workmen of 16 and over, employed at manual labor under a contract of service in the following trades: Building, construction work—such as railroads, docks, harbors, embankments, etc.—shipbuilding, mechanical engineering—including the manufacture of ordnance and firearms—iron founding, construction of vehicles, and sawmilling when carried on in connection with an insured trade or of a kind usually carried on in connection with an insured trade.

The workmen thus insured numbered 2,282,324 in January, 1914, when the act had been in operation one and a half years. The distribution of these workmen among the various trades is shown in the accompanying table.

DISTRIBUTION OF WORKMEN AMONG THE INSURED TRADES, AS SHOWN BY THE NUMBER OF UNEMPLOYMENT BOOKS ISSUED TO WORKERS, JULY, 1912, TO JANUARY, 1914.

Insured trade.	Number of unemployment books issued to workers, July, 1912, to January, 1914.	Per cent of total insured.
Building.....	775,756	34.0
Construction of docks, railroads, canals, etc.....	181,168	7.0
Shipbuilding.....	280,820	11.4
Mechanical engineering.....	804,527	35.3
Construction of vehicles.....	204,672	9.0
Sawmilling (of a kind commonly carried on in an insured trade).....	11,819	.5
Other industries (insured trades which occur in connection with other industries, and where the noninsured industry is main business of the employer).....	63,568	2.8
Total.....	2,282,324	100.0

An analysis of the insured workers indicates that 64 per cent were skilled, 36 per cent unskilled, and approximately 25 per cent union men. The insured include about 10,000 women and 110,000 minors between 16 and 18 years of age.

Exemptions within this group may be made by the Board of Trade on the ground that the occupations usually are carried on independently of an insured trade, or that they are common to both insured and uninsured trades. During the first year three such orders were issued. Those in the permanent service of the Crown are also excluded.

Determinations as to whether men are engaged in an insured trade are made by the umpire appointed by the Crown. All decisions rest upon the provision of the act that the determining factor shall be the nature of the work and not the business of the employer. On this basis flagmen and lookout men employed by a railway in connection with construction are not considered as engaged in an insured occupation. The demarcation of insured trades on this principle has proved a technical problem requiring during the first year 1,268 published decisions, and 10,000 others given in correspondence. Notwithstanding, the Board of Trade considers demarcation practicable.

The application of insurance to specified occupations only was due to the dictates of prudence that the new experiment be confined to those trades for which there was the greatest amount of data regarding unemployment. By a happy coincidence these trades are those in which the fluctuations of unemployment are most severe and where, therefore, there is the greatest need of protection.

From the outset it was realized that it might prove desirable to extend the provisions to other trades, and accordingly power was given the Board of Trade to include other occupations, provided that it would not increase the parliamentary contribution by more than

£1,000,000 (\$4,866,500) annually during each of the three years following. Resolutions in favor of the universal application of the act were passed by the Labor Party at its conference in February, 1914, while the pressure of the demand from all sides, during the spring of 1914, was felt by the president of the Board of Trade. Preparation for extension by a special order was made in regulations issued in May, 1914. Further progress, however, was prevented by the war, until the exceptional development of war industries forcibly called attention to the necessity of provision for those whom peace and the attending dislocation of trade would throw out of work.

The cost of insurance is divided equally between the employer and the worker, each contributing at the uniform weekly rate of 2½d. (5.05 cents), while the State contributes one-third of this total, or 1⅓d. (3.35 cents) per week. In the case of boys under 18, the combined contribution of employer and worker is but 2d. (4.06 cents) weekly. Men employed for less than one week pay a reduced contribution of 1d. (2.03 cents) for employment of one day, 2d. (4.06 cents) for two days, and the usual 2½d. (5.08 cents) for more than two days' engagement. On this basis contributions for six days of casual employment cost employer and workman 6d. (12.17 cents) each, as against the normal weekly rate of 2½d. (5.08 cents). The greater expenses for casual labor may be avoided by engaging laborers through the exchange, and by making arrangements whereby the exchange pays the contribution. Under these conditions, six days' work of six different men are reckoned as one week's job for one man and the six-penny contribution is reduced to 2½d. (5.08 cents). Advantage of this section was taken by the employers of 95,000 casual laborers during the first year of operation. The combined contributions of workers and employers accumulated a fund of £1,622,000 (\$7,893,463) during the first year, which was increased by the parliamentary contribution of £378,000 (\$1,839,537). The income of the second year was £1,802,000 (\$8,769,433) from employers and workers and £602,000 (\$2,929,633) from Parliament. From this fund, controlled by the Board of Trade, the benefits are paid and sums laid away for reserve with which to meet the demands of years of exceptional unemployment.

The contributory basis was considered essential in order to secure the interest of employers and workmen in its financial security. Underlying this practical reason is the assumption that if industry demands a reserve of labor it should help support it through the lean years. The contribution of the workman would seem justified because it is he who benefits. The uniform contribution was necessarily adopted because of the lack of actual data upon which to grade payments in proportion to the hazard of each industry, the age, or the

wage of each employee. Statistics indicated, however, that there was a variation in the incidence and the duration of unemployment between different branches of the insured trades, a variation which it was planned to meet by granting a weekly benefit of 7s. (\$1.70) in the engineering trade and of 6s. (\$1.46) in the building group. This plan did not meet approval, and instead a uniform benefit of 7s. (\$1.70) a week for all trades was adopted.

A modification of the flat rate was provided for the employer of regular workmen, for whom a refund of one-third of the contributions was made for each man employed continuously for one year and for whom at least 45 contributions had been paid. Under this arrangement, up to March, 1914, an average refund of 3s. 6d. (85.17 cents) had been made for each of 574,000 workers, or one-fourth of the insured. Simplifications were introduced by the amending act of 1914, which stipulated that payment of 45 contributions was sufficient to entitle the employer to a refund of 3s. (73 cents) for each workman so employed. A similar refund is made to the employee when he has reached 60, if he has made 500 contributions to the fund. He then receives the difference between the amount he has contributed and that received in benefits, together with compound interest at the rate of  $2\frac{1}{2}$  per cent a year. This arrangement, which turns insurance into a savings fund for the old age of those seldom out of a job, has been an important factor in decreasing the hostility of the better workmen, who otherwise might feel that the act held nothing for them.

The possibility that contributions would not be sufficient to meet the liabilities imposed by the act was faced from the outset. Provision for temporary advances, not exceeding a total of £3,000,000 (\$14,599,500), from the treasury, was made in the original act, with the proviso that if it should appear that the fund was insolvent the treasury might direct the Board of Trade to alter the rates of contributions or the scale of benefits. After the act has been in operation seven years the Board of Trade may revise the rates, adjusting them according to the amount of unemployment in each trade, provided, however, that the contributions of employer and worker shall not be increased by more than 1d. (2.03 cents) each and that the shares of employer and employee remain equal.

The enforcement of the contributions is undertaken by inspectors of the Board of Trade, who see that the employers duly pay their own and employees' contributions by means of stamps, representing the combined contributions, placed in the workers' unemployment books. These books are obtained from the labor exchanges, are left with the employers for stamping during periods of employment, are returned to the workers on leaving positions, and are then deposited by them at the exchanges when they claim benefits. It is the employer

who is liable for contributions, but the workman becomes liable if he knowingly allows his employer to avoid payment. Prosecutions of employers numbered 24 during the first year, ending July, 1913, and convictions were secured in all but one case. Twenty-two cases dealt with the employer's failure to pay the necessary contribution and one with an attempt to deduct the contribution from the employee's wage. One workman was fined for refusing to apply for an unemployment book.

The payment of the weekly cash benefit of 7s. (\$1.70) to adult unemployed workmen began in January, 1913, after contributions had been payable for six months. Benefit is not paid during the first week of unemployment, is limited to 15 weeks during the insurance year, and is paid only in the proportion of one week's benefit for every five weeks' contributions. In the case of minors, those under 17 receive no benefits and those between 17 and 18 receive half the benefits of an adult.

All claims for benefit must be lodged at the local labor exchange, where the worker deposits his unemployment book and where he is placed automatically upon the list of those looking for work. The claimant must then prove his unemployment by signing a register at the exchange each day within working hours, or, if he is a union man, he may sign the union "vacant" book kept at the union offices or at the exchange. As an alternative, he may be given a card which he carries with him and which he may have stamped by any exchange in the city as he searches for work. The labor-exchange officials prefer daily signing at the exchange, because they are able to place more easily those with whom they have frequent contact.

During the first 12 months of benefit (January, 1913, to January, 1914) a total of 1,144,213 claims to benefit, or a weekly average of 22,000, were made. In the early days of the war the weekly average increased to 45,000 for August and 33,000 for September, 1914. Since the first dislocation of industry, the weekly quota has steadily declined, so that for March, 1915, the weekly average was 8,229; for March, 1916, 3,535; and for August, 1916, 1,920. This decline is reflected in the total number of claims shown in the following table for 1913, 1914, and 1915:

*Numbers of claims for unemployment benefit.*

1913 -----	1, 144, 213
1914 -----	1, 220, 359
1915 -----	330, 710
1916 (10 months) -----	122, 902

These claims involved an expenditure of £497,725 (\$2,422,178.71) for 1913, £542,499 (\$2,640,071.38) for 1914, £132,349 (\$644,076.41)

for 1915, and £39,483 (\$192,144.02) for the first 10 months of 1916. Here, too, the effect of the diminished unemployment has made itself distinctly felt.

Payment is made only after it has been ascertained that the statutory qualifications for benefits have been fulfilled. During the first benefit year, qualifying conditions threw out 102,000 claims, or 9 per cent of the total.

The first qualification for benefit under the act of 1911 was employment in an insured trade for 26 weeks during the past 5 years. Proof of this was especially difficult for nonunion men, and although rigid proof was not demanded the lack of acceptable evidence caused 36 per cent of the disallowances during the first benefit year. The amending act of 1914 remedied this difficulty of which unionists complained, by reducing the requirement to the payment of 10 contributions. The second qualification is the inability of those capable of work to obtain suitable employment. The determination of what is suitable work is one of the nice questions which demand a knowledge and a full understanding of the conditions of work which a man is justified in refusing. The fundamentals of the decision are laid down in the act; namely, that a man shall not be considered to have refused suitable work if he has refused a job vacant because of a strike; or, secondly, if in his own neighborhood the wages and the conditions of work are less favorable than those which he has habitually obtained; or, thirdly, if the wages and working conditions offered him in another district are not those generally observed in that area. This provision, which depends wholly upon its interpretation, is on the whole being carried through in the spirit of the law, according to trade-union critics. The accepted standard of wages in districts which are well organized is the union rate, while in others wages paid by the better firms have become the criterion.

Men who have fulfilled these conditions must be without work for a week, for which no benefit is paid, before they are entitled to benefit. This so-called waiting week covered 29 per cent of the unemployment recorded within the first six months of benefits, even though this week for which no benefit is paid is credited as the waiting period for subsequent unemployment occurring within six weeks.

Since the act aims to cover only involuntary unemployment, it disqualifies from benefit men who are out of work because of a trade dispute at the factory at which they are employed; those who have been discharged for misconduct; and finally those who voluntarily leave a position without just cause. In this instance, disqualification is limited to a six weeks' period after leaving employment. To ascertain these facts a form is sent to the last employer, who is asked if the applicant lost his job through any circumstances which should disqualify. If no reply is received the local officer is compelled to



assume that the claim is valid, unless suspicious circumstances suggest themselves. It is probable that from 10 to 15 per cent of the claims are questioned because of the nature of the reply of the employer. In the absence of penalty for misstatement from the employer, the unionists feel that a statement from a prejudicial foreman may deprive a man of benefit unjustly.

An analysis of disallowed claims showed that disqualifications because of a trade dispute accounted for just over 17 per cent of the refusals of benefit during the year January, 1913, to January, 1914. The administration of this clause is unsatisfactory to the unions, because they have been unable to get a general ruling from the umpire as to what constitutes a trade dispute, and because in specific instances they have not agreed as to what constituted a strike or lockout. Equally unpopular is the interpretation placed upon the act which debar a man from benefit when thrown out of work by a strike at his works, even though his department is unemployed only because of the absence of the other men. The two remaining disqualifications—misconduct and voluntary leaving without just cause—accounted for 38 per cent of the claims disallowed during the same period. In deciding whether a man has just cause for throwing up a job, considerations enter which affect the minimum standard of employment, whether a man is justified in refusing to submit to working conditions to which he has grown accustomed during the last few years, or whether he is justified in leaving for a higher wage.

Provision is made in the act for difference of opinion on such questions. The insurance officer attached to each of the eight divisional offices passes upon the claim. If payment is authorized, he notifies the local exchange where the claim originated. If the officer decides against the workman, the latter may appeal to a court of referees. These bodies consist of an impartial and salaried chairman designated by the Board of Trade, and a representative of the workers and of the employers drawn from a panel to which the workers' representatives have been elected and to which the employers' have been appointed by the Board of Trade. During the first six months of benefit, about 1 out of each 12 disallowed claims was appealed to a court of referees. If this court confirms the decision of the insurance officer against the workman, this closes the case; but if it disagrees, appeal may be carried by the officer to the umpire, whose decision is final. His judgment as to whether a man has just cause for leaving, or whether he has refused suitable employment, affects the mobility of labor by standardizing the conditions upon which workers may quit work and still draw benefit. These decisions, in the words of the New Statesman—

have clearly, on the whole, been marked by a conception of the duty of the workman to uphold his standard of working conditions which is sufficiently

broad-minded and generous to go far toward securing the smooth and satisfactory working of the unemployment insurance scheme. \* \* \* The system of unemployment insurance is clearly capable of being made one of the great bulwarks of the standard of life of the working class.<sup>1</sup>

The administrative machinery intrusted to the Board of Trade is relatively simple. The United Kingdom is divided into eight divisions, each of which has charge of the claims in its district and supervises the placement work of the exchanges. These handle all the initial claims, obtain work if possible, and notify the divisional office of the claim. The investigation and authorization of all payments is then made by this office, which notifies the local exchange whether or not benefit is payable. The exchange then acts upon this notification.

The local administration is controlled through Board of Trade regulations, which enunciate the procedure followed throughout the Kingdom. Further power is centered in the Board of Trade in its control over the unemployment fund, subject to the audit of the comptroller and auditor general, and in its discretion as to the investment of the funds which may be invested by the national debt commissioners.

An important adjunct in the administration is the cooperation of trade-unions having members in the insured trades. Under section 105 of the act an "association of workmen" may make arrangements whereby it pays to its members the benefit they would have received under this act. Three-fourths of the amount so paid out is then repaid by the Board of Trade. Such an arrangement may be made only on the condition that the union itself pays a benefit which is at least one-third of the State benefit, has some method of proving the unemployment of its members and of notifying them of vacant positions. In practice, the members of unions with such an agreement make their initial claim at the exchange and sign the union vacant book, which may be kept at the union offices, but which very frequently is found at the exchange. The claim is then forwarded to the divisional office, which reports to the exchange, as in other cases; the exchange then notifies the union secretary, who makes the payment, as to whether benefit is authorized. Since repayment to the union is made only for benefit which the labor exchanges would have paid if the claim had been made to them, it is important that the union secretary have the Board of Trade authorization for each payment made. At first difficulties were encountered, because the warm-hearted branch secretaries thought that they could pay State benefit with the same freedom with which they were accustomed to pay union out-of-work benefits; as a result payments were made with an unjustified expectation of a re-

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<sup>1</sup> New Statesman, Aug. 1, 1914.

fund and consequent disappointment. It not infrequently happened that failure to obtain the anticipated repayment was due to inaccurate union bookkeeping which failed to pass the Government auditor.

At the close of the first year, July, 1913, 105 unions, with a membership of 539,775, including practically all the unions in the insured trades, had made this arrangement. This plan, necessitating the recording of union payments apart from those of nonunion men, has been the means of accumulating valuable information as to the incidence of unemployment among organized and unorganized workers. During the first year of benefits, when union men numbered approximately 25 per cent of the insured, union claims constituted 28 per cent of the total and absorbed 26 per cent of the expenditures. In general the unemployment of union men was shorter than of nonunionists—an average of 12.2 days as against 16.2 days. Since August, 1914, the union claims have been absorbing a phenomenally increasing proportion of the sum spent in benefits, amounting to 47 per cent of the expenditure in January and February of 1916 and falling again to 30 per cent in August of 1916.

The cooperation with trade-unions has extended to all unions giving out-of-work benefit voluntarily to members. Unions, whether in insured trades or not, may receive a subsidy of one-sixth of the total amount expended upon out-of-work benefits up to a maximum limit of 17s. (\$4.14), including the 7s. (\$1.70) of State benefit. Where the total benefit is less than 13s. (\$3.16), a portion of the State 7s. (\$1.70) is excluded in reckoning the total.

The advantages of this section up to July, 1913, had been claimed by 103 unions which also had arrangements under section 105, and in addition by 172 unions, with a membership of 376,041, in the non-insured occupations. A few of the large unions, such as the Durham Miners' Association, and some of those among the cotton workers, have hesitated to apply for the subsidy because of their objection to a Government audit of this expenditure and to signing an unemployment register.

Less difficulty has been experienced by the trade-unions in claiming this refund, because the requirements are not as stringent as those for a refund under section 105. For example, the statutory qualifications are not required in this instance; all that is necessary is for the union to certify that unemployment is not due to a trade dispute. The accounts of this expenditure are then subject to Government audit before repayment. The ease with which unions have obtained the refund has been accompanied by departmental difficulties. Objection was raised by the war-time committee on retrenchment in public expenditure that many claims had been paid without detailed evidence as to their accuracy. The absence of a receipt from the workman that he had received this benefit and the general lack of proof

that unemployment had come within the prescribed limitations increased the difficulties of the committee on public accounts in passing claims for repayment. As the result, the audits have been slow and amounts have been paid over to associations for which there was no proof of correct payment. Dissatisfaction extended to the treasury, which felt, according to the committee on public accounts, that a more satisfactory basis should be worked out by a special committee.

A marked reduction in the parliamentary appropriation for this purpose was presented in the budget for 1916-17. Instead of the annual sum of £70,000 (\$340,655) set aside during the first two years and of £100,000 (\$486,650) for the year 1915-16, only £25,000 (\$121,662.50) appeared in the budget estimates for 1916-17. The combined result of this dissatisfaction, of the exceptional prosperity during the war, and of the insistent demand for national economy has been the withdrawal of the subsidy of one-sixth after May 31, 1916. Protests have been made and a deputation from the trade-union congress sought an explanation from the Board of Trade. They were told that nothing would be done during the present period of prosperity, but that the question would be reconsidered "when trade resumed its normal aspect."

The war has brought its own peculiar problem as to the insurance act. In the early fall of 1914, after the unemployment rate had taken a suddenly alarming upward trend, the Board of Trade announced that it would give an additional subsidy to trade-unions paying out-of-work benefits. Grants were to be made upon the condition that there was abnormal unemployment among its members, that the association was not paying out more than 17s. (\$4.14) weekly in benefits (including the State 7s. [\$1.70]), and that the union would impose a special levy upon its employed members. The amount of this emergency grant was set at one-third or one-sixth of the benefits (in addition to the refund of one-sixth already provided in the act), depending upon the amount of the weekly levy. Applications for this emergency grant were made by 185 associations, with 284,297 members. Of these 135 unions, with 221,413 members, were in the cotton trade. This grant in aid was paid for expenditure incurred up to the close of May, 1915, when a total of £84,175 (\$409,637.64) had been expended. Of this sum £70,565 (\$343,404.57) was paid to unions in the textile trades, many of which had held aloof from the grant of one-sixth under section 106 of the act.

Unemployment insurance has opened the way for dealing with the unemployment problem anticipated on the close of war. The war office announced that it had undertaken to pay unemployment insurance benefits for one year to those who would be discharged from the army, regardless of the trades they enter. The Admiralty have had a similar plan under consideration. In the meantime an amending

act was passed in July of 1916 extending the provisions of the act to those engaged in munition work; in sawmilling, including machine woodwork and the manufacture of wooden cases; in the manufacture of chemicals, including oils, lubricants, soaps, candles, chemicals, paints, and varnishes; the manufacture of metals, of rubber and rubber goods, of leather and leather goods, of bricks, cement, and artificial stone. These provisions are expected to include an additional 1,500,000 workmen. Extension may be made by the Board of Trade where there is a substantial amount of war work being done in any trade. In addition, workmen employed in an establishment in which some are insured may elect to come under the act, provided the employer consents. The plan which came into operation in September is but a temporary arrangement, in force for not more than five years, or not more than three years after the termination of the war, or such shorter period as the Board of Trade may determine.

The finances under the main act thus far have proved perfectly satisfactory. These are based upon data relating to the unemployment of 540,000 trade-unionists in the insured trades over a period of years, data which showed an average rate of unemployment of 8.6 per cent, or 26.8 days a year after an actuarial weighting. The period during which the insurance act has operated has been one of phenomenally low rate of unemployment; at no time, except during the fall of 1914, has the rate, minus the actuarial weighting, risen above 3 per cent, while the rate for 1916 has fallen to a fraction of 1 per cent. These favoring circumstances have, of course, colored the entire history of the act.

The total income of the first year, 1912-13, was £2,011,304 (\$9,788,010.92), of which £362,397 (\$1,763,605) was expended on benefits and administration,<sup>1</sup> leaving a balance of £1,648,907 (\$8,024,405.92) for investment. The second year, 1913-14, showed a slight increase in income—£2,497,160 (\$12,152,429.14), of which £896,160 (\$4,361,162.64) was spent on benefits and administration, leaving a balance of £1,601,000 (\$7,791,266.50). The period of industrial activity during four years has placed the fund in a strong financial position, so that in July of 1916 the fund had approximately £6,700,000 (\$32,605,550) standing to its credit.

During this period the act has achieved what it attempted, namely, provision of relief for the unemployed upon a dignified basis. The benefit afforded within the limitations of the act proved adequate in

<sup>1</sup> This does not represent the total spent on administration, since the major portion is included in the annual appropriations for labor exchanges. But of the total appropriation of £1,167,962 (\$5,683,887.07) made for labor exchanges and insurance during 1916-17, it is impossible to ascertain the amounts chargeable to the respective accounts. A substantial share of the administrative expense attributable to insurance is covered by the grant of 10 per cent of the income derived from employers and workmen, according to the report of the committee on retrenchment in public expenditure.

a study of 130,000 cases during the first six months of benefit. Aside from the 29 per cent of the unemployment recorded, accounted for by the waiting week, 9 per cent which was not covered by benefit was almost entirely accounted for by the statutory disqualifications. Less than 1 per cent of unemployment was uncovered because of exhausted benefits. Although the small proportion remaining without the scope of the act presents a flattering picture, it must be remembered that men are less likely to claim if they have exceeded their allotted portion of benefit. As a result, men may be out of work without the knowledge of the Board of Trade. The figures are further colored by the fact that they are taken from the early days of the act, before many had had an opportunity to exhaust their benefit.

But the act has done more; it has encouraged the growth of voluntary provision. During the initial 18 months 21 trade-unions, with a membership of 86,000 in the insured trades, which formerly paid no benefit, began an out-of-work benefit. In practically all cases the total benefit—including the State 7s. (\$1.70)—is below 12s. (\$2.92) a week. The subsidy of one-sixth to other trade-unions has proved less successful, for only three trade-unions outside the insured trades had established an out-of-work benefit in July, 1914. The explanation of this is twofold: First, that the unions which had not had this benefit feature previously were too poor to afford it, and, second, that the grant has been too small to encourage them in what they still consider a perilous undertaking.

The grants under sections 105 and 106 have, on the whole, tended to strengthen the financial position of this trade-union benefit. For example, an old and well-established society, such as the Amalgamated Society of Engineers, added the State benefit to its own of 10s. (\$2.43). Other societies receiving the subsidy of one-sixth have increased their benefits, as, for example, the British Steel Smelters' Association and the Workers' Union. The London Society of Compositors, even though it is not cordial to this Government activity, considers this grant an aid to their funds.

Achievements in the prevention of unemployment, through the pressure of insurance contributions, have not been to the fore in years of exceptional prosperity. The possible future effect of the preventive measures, such as the refund to employers for regular workmen, the higher rate for casual labor, and the remission of the employers' and workers' contributions when short time is worked systematically as a substitute for reduction of working force during a time of trade depression, can not be foretold upon the basis of four years of feverish industrial activity when the absence of pressure may have accounted for the belief of employers that the inducements offered were too slight to have any effect.

The most significant testimony of the success of the new method of dealing with unemployment as an industrial problem is the extension of the principle of insurance to meet some of the war unemployment problems—the unemployment in the early days of the war, that occurring when soldiers are discharged from the front, and that due to the cessation of war orders. It is a method which has commended itself alike to the government official, to the general public, and to the workingman, who prefers this provision for unemployment on a business basis to the humiliating and pauperizing system of poor law and charitable relief.

## DISCUSSION.

MISS EDNA LAURENCE SPENCER, member of the Special Commission on Social Insurance, Massachusetts. I felt that I would like to say a few words on this subject as a member of the subcommittee of our special committee on the question of unemployment, and because, listening as I have in these days, to the discussions and the papers, one can not help feel the inspiration of hope for the coming of better days for all our people in health and in every way, that they shall be happy and better off than in the years that have gone by, and in the very few words which I want to say to you I shall make it very clear that I am not representing in any way the commission as a commission or any member of that commission, but only my own viewpoint.

I remember that a gentleman speaking yesterday said that on a certain commission they had a business representative and a labor representative and a layman. I may, however, say, and I think with confidence, that I do not disagree in every point with every member of our commission. I think that we have failed to realize, perhaps, now, because of the general employment due to abnormal conditions, the need for some form of employment insurance. I think we have found that feeling quite considerable in Massachusetts. It may be interesting to some of you to know that we have there already a very limited system of labor exchanges—or public labor bureaus. We have four such, one in Worcester, one in Fall River, one in Springfield, and one in Boston, and I hope to see that very greatly enlarged. I do not think that we can consider one of these questions as absolutely separated from any one of the others which we have been considering. The old-age and the health and the employment—they are all closely related. We have a great-country need of these things. We are now a nation of a hundred millions of people. We have become the largest, the most powerful, the richest nation in the world. In fact, there is nothing known in the science of industry that we can not do—that we look to the world to do—when the need is known, and with all this we have reason to be a proud people, but we still have a lot of work to do along those lines of preparedness, which will make the people more prosperous than they have ever been before. And I speak of the protection of our people by the enactment of some such real preparedness measures as noncontributory old-age pensions and some form of health insurance containing the tentative benefits, with unemployment helps—all of which our people



are entitled to by right of citizenship and because of the great protection of society at large; and I feel that our first duty is to battle with greed, to force a living wage for all classes of the unemployed, a better share in their profits—the profits which come from their labor—and this will be the first step in doing away with poverty, which is the real stumbling block, the real danger to our Nation's future, and which every patriotic citizen should do his best to destroy—the poverty which follows the deserving worker until, worn out with work, he becomes open to attacks of illness, causing unemployment, and finally reaches old age to be spent, broken as a pauper after years of useful toil; and so I feel sure that we will attack these great problems with the real desire of getting those fundamental measures of preparedness for our country, which will make us the greatest nation in the world. What other countries have accomplished we can accomplish and we must accomplish, and looking forward to these unselfish things to do, and doing them, we can look the new nation full in the face, filled with hope, unashamed and unafraid.

RALPH H. BLANCHARD, of the University of Pennsylvania. In connection with unemployment insurance, it may interest the conference to know that one corporation (as far as I know it is the only corporation in the country to do so) has already carefully looked into a scheme of unemployment insurance—a scheme which will be wholly at the expense of the corporation and which will pay moderate benefits to its workmen for the first three weeks and larger benefits thereafter. This scheme has not been adopted. I do not know definitely that it will be, but I do know that the corporation is looking into it very seriously.

On the general subject of social insurance I want to say one thing. I believe there is a great deal in a word, and I think there is one word used in association with schemes of health insurance, unemployment insurance, etc., that is rather unfortunate, the word "compulsory." Of course, the idea of compulsory insurance grew up in Germany, where there is a distinct difference between the Government and the people to whom a law may be applied, and I think we have simply copied it here in the same way that we have copied many provisions of our laws which later have been found to give trouble.

I think that to a great extent it is the word "compulsory" which scares the American Federation of Labor and which scares other people of like mind. It seems to me that the man who is most free, who has the greatest personal freedom, is the man who can get other people to do the most for him. Take the big corporations, for instance. When they want something done an expert is called in.

He makes a report and his advice is generally followed. In the same way the laboring class and the employers ought to look on the Government and on the American Association for Labor Legislation, and so on, as their experts, as bodies which will do something for them, relieve them of something, make them more free. They ought not to feel that the Government and these associations are bodies entirely apart from them which are forcing something down their throats and are expressing the fact in the word "compulsory." So I would suggest that we find some other word.

I have been thinking the matter over but a few hours, so I do not care to adopt a conclusion as to what the word should be. Uniform, universal, or general, some word of that sort, which would imply merely that the law applied to everybody, instead of applying to only a few, as a voluntary plan might. I think that if we could introduce such a terminology it would help to some extent in the appreciation of the fact that the Government and these associations furnish a convenient way of arranging matters which could not possibly be arranged by a large group acting as such, because it would be quite impracticable.

The CHAIRMAN. The discussion will be continued by Dudley R. Kennedy.

DUDLEY R. KENNEDY. I ask to bore you again before I go away about one other feature of this thing that I do not believe has been brought out. This has been a wonderful week, and a week in which much good has come out of conference and discussion. It seems to me that we have been too prone to talk about the palliative—the curative—and we have not talked enough about the cause of these things. It is very easy when we are in a period of depression to become suddenly very sympathetic for the unemployed and to create commissions, and for everybody to get in a stew about the thing and demand immediate relief. Just the same, as we are all very human, we do not go to the hospital and have our appendixes out until we have to. We put it off. Now, unemployment insurance is probably coming—it is going to be forced upon both the employer and the employee simply because neither of them apparently has sufficient understanding of the situation to get together and do away with at least part of the cause. A new expression has been coined within the last two or three years—"turnover of labor." Those who are familiar with the facts and who are keeping accurate data, are appalled by the turnover of labor, the voluntary turnover of labor, not the forced unemployment by reason of bad times. I do not think anybody can disagree with the statement that this last year has been the most prosperous that our Nation has ever had, that wages have been higher, men scarcer, and work more plentiful than ever before in the history of this country; yet through my personal friends and

associates in positions like mine I find—I have it on their personal statement—that their turnover in the last year has run from 200 to 400 per cent, which is voluntary turnover, and hence voluntary unemployment, because I take it that if they are turning over at the rate of over 400 per cent in a given factory—in other words, in order to maintain a force of 10,000 they are hiring 40,000 in the year—that means that they are continually coming and going, and drifting about from one shop to another—75 per cent of the labor in the country. If my reasoning be good, that must be a fact.

In our concern we have kept very accurate data. We know exactly how many men from the 1st of November last year to the 1st of November this year have worked with us. I am heartily ashamed, in view of all we are doing to try to stabilize labor, to say that the turnover was very, very high, although it was remarkably low as compared with that of many other concerns of the country, where it ran to six and seven and eight hundred per cent. A great many people are still covering up these facts. They are ashamed to come here and talk honestly and frankly about them. They think it is against them.

Mr. LASKER. It is, isn't it?

Mr. KENNEDY. Partially, yes. That is one of those statements, Mr. Lasker, and I understand how you mean it, but I hardly think it is fair in this sense, and I will answer you with an illustration and true story of my own personal knowledge. Two or three months ago a young man, 22 years of age, applied at our employment office for work—a nice looking American boy; a bright, strapping fellow. He said he wanted a job. "What do you pay?" "Well, we will pay you \$3 a day to start, in this particular case, and then it is up to you. You can make whatever you have the ability to make." "Well," he said, "How high can I go?" "We have many unskilled men making \$7, \$8, \$9 a day." (I may say that our wages in Summit County are the highest in the State of Ohio and, so far as I know, the highest pro rata in the United States, so that I do not think we can be blamed for paying low wages.) This fellow said, "That is no money." The employment agent said, "What do you mean?" "I have been making \$12 a day down in Pittsburgh for the Westinghouse." Think of it, 22 years old! "What were you doing?" "Running an automatic screw machine." "And you left that job and came here to get a better job, did you?" "Well, I heard that there is big money out here." The employment manager very rightly and wisely said to him, "You were getting big money, and if you take my advice you will go back on the next train and get down on your knees and pray God to give back the job that you had, and stay there and work yourself up to something, instead of jumping from pillar to post and chasing the rainbow and the pot of gold."

Now, I suppose that the employers were both to blame in that instance. That is extreme; many employers are to blame, but they can not all be to blame, and they are not all to blame, and we must not discuss this thing from extreme cases. I quoted an extreme simply to answer your question, Mr. Lasker, but, by and large, it is a fact that the young men in this country are not being trained up in vocational ways—that they are never satisfied—that they jump from place to place, continually, to “better themselves.” It is all right, to a very limited extent, to jump around and try to better yourself, but all of you here, who are men of success and have gotten somewhere, and you women, you have stayed in one place long enough to put down some roots, to learn something about that which you intend to make your life work. You try to master some one thing. You do not spend a year here and a year there, and try to be master of all trades. I tell you, ladies and gentlemen, that that is the curse of the country to-day, and more responsible for all of these things we are discussing than anything else. I find no fault with what we have been talking about, because we have voluntarily done most of the things—the company in which I work—but I say that we had better talk a little more about the reasons for all these things and do a little more thinking within ourselves. We should equip the workingman of this country pretty soon to do a little more to help us solve these problems, instead of running around all the time with medicine for him on a silver tray.

This is no criticism of anybody. It is a hard-headed business fact, and the employers who are putting up this money will insist that pretty soon we get down to the point and discuss this thing, as has been suggested here by some experts who are up against this problem day after day, and who, day after day, are trying to get enough men to run their plants—to run their machines. They find that a laborer comes in and doesn't like the job, and with no good reason walks right over to a competitor and takes the same kind of job at the same wage simply because it is a change of scenery. If he did better himself, I would say, “God speed you,” but when he goes simply because he has worked there a week, and “that is long enough,” he is bringing down on himself the curse of unemployment, and he is asking the employer and the State to pay for his wandering hobo disposition. I will impose upon you but a minute. We have been keeping in our company very accurate statistics of labor turnover. Every man who leaves us goes through the labor-department office. We know why he goes. Even if what he says hurts us, we take it down, if he says the money is not enough, if it is too hot or too dusty. If the foreman has been wrong, he is not fired; he can not be fired by the foreman, the case is investigated before he can draw his money.

We are trying to correct the thing among our own hands as far as we can, but in this last year, taking it month by month (it has not varied 5 per cent from the figure I am about to give you) 90 per cent of our turnover is among young men who have been with us less than six months. It is a remarkable thing, and I call again to your attention the fact that these are absolute statistics taken in individual cases from individual men leaving, that 90 per cent of our turnover is among young American boys 21 to 30 years old, roaming, unattached, unmarried, and that only 4 per cent of our total turnover in a year is by home owners and men over 30 years old. It is also worth while bringing to your attention that all of our employees over six months in our employment constitute only 10 per cent of our total labor turnover in a year. I am forced to bring you these statistics and leave them with you, because I know and can vouch for the fact that they are absolutely good statistics, taken honestly. Blaming ourselves when we are to blame, and trying to remove the difficulty if possible, I insist, if we are going to get to the bottom of this thing of which we are talking, and if the blame lies on the employer, that he be honest and take it, and that the same apply to other people.

If the turnover is 400 per cent, which I am inclined to think is a fair figure, in substance, if my recollection is good, 25 per cent of the labor of the country will be paying insurance for 75 per cent who are voluntarily turning over and unemployed, and you, as consumers and members of society in the economic sense, will be paying the freight for the people that have the wanderlust.

Prof. WALTER M. ADRIANCE, Princeton University. Before Mr. Kennedy leaves the floor, I would like to have him state to what extent they have been successful in reducing turnover.

Mr. KENNEDY. Turnover is a much abused word. It is new, and like a lot of these words, it is abused. As we figure turnover—the number of men which you have to hire and fire to keep up an average employment over a specified time—we have reduced it in this period of which I speak about 25 per cent.

The CHAIRMAN. Can you give the percentages before and after?

Mr. KENNEDY. No; I can not, and it would not be fair to you. I would be taking some credit which is not due. I am trying to be perfectly honest about it.

Mr. LASKER. Could not we use Congressional Record methods, Mr. Chairman, and have that statement introduced into the proceedings?

The CHAIRMAN. I will be glad if Mr. Kennedy will do so, and I want to ask him a question, if he is through with Mr. Adriance. Mr. Adriance, does that cover your question? I think it would be a good thing to go into our proceedings later.

Mr. ADRIANCE. From these statistics that you have evolved, it seems to me that your answer means that you have found that the problem can be answered to a certain extent by ourselves.

Mr. KENNEDY. One man in this country has been able to reduce the turnover—Mr. Ford. He has reduced his turnover from 400 per cent to 25 per cent in four years.

The CHAIRMAN. May I ask a question? This is directly in line. Have you turned over to the Bureau of Labor Statistics all your statistics as to turnover of labor? Let me just say here that a bulletin is now being prepared in the editorial division of my bureau which will go to the Printing Office within a couple of weeks. It is a very detailed study of just this thing—the turnover of labor. Your plant was covered, and I think you gave us everything you had.

Mr. KENNEDY. Up to that time—in April of this year.

The CHAIRMAN. Will you submit this as additional to go into these proceedings?

Mr. KENNEDY. We have deliberately refrained—two or three bureau employees have been after us for this information—because we did not want to put in any statistics that we do not think are over a period long enough to tell anything.

JOHN F. CROWELL, executive offices, Chamber of Commerce, New York State. I shall ask for only a fraction of a minute, but would like to call attention to things which I think we ought not to forget. Some very sound things have been suggested here this morning, and I think we are possibly somewhat more open minded than we were when we came in. I deprecate anything like a taboo upon the use of words, because I think that we ought to be entirely free to express ourselves as best we can. But let us not confuse words with things—facts. I am reminded of what Sir Henry Burnett said, when the recommendation was made to abolish the poorhouses and re-create them by some sleight-of-hand legislation into “homes for the aged.” A gentleman who had a great deal of experience in business affairs rose, and said he was quite impressed with the fact that Sir Henry was “under the spell of words.” If we are under the spell of words, let us disillusion ourselves by the policeman’s club of good logic and good sense.

Again it would be the better for us if there were some way of getting rid of the alternative of compulsory and voluntary social insurance. I would like to call your attention to the fact it is very much as Darwin said about natural selection. After the term “natural selection” had been put forward by him the complaint was that everybody was using natural selection where it had no business to be applied, and the result was there was confusion and a reaction against

it. The scientific merits of the term were being greatly impaired because of the fact that people were talking without examining.

On this whole question of insurance I am reminded of several years ago when I was writing editorials for the Wall Street Journal. The question of insurance of bank deposits came up originally from Oklahoma, one of the most progressive States. It was pushed so far and it was advocated so generally in that portion of the country that everybody said: "It is inevitable, you must accept it. There is no other alternative. You can not get away from it. You might as well lie down and let the steam roller pass over you." But it was only three or four years before the whole thing evaporated. There was not any need for the insurance of individual bank deposits.

I can not help feeling that when we have a 10-minute discussion of what has taken place in Europe, supplemented by a 1-minute discussion of what there is in America, we are trying to put the new wine of this new world into the old-world bottles. This fatalistic conception that social insurance has got to come within a year or two is one thing I want to warn people against believing. It has not got to come from the American Association for Labor Legislation, and it will never come so long as this association or any other association proposes to put a bill through that has not considered the insurance world, and the business world, and the labor world in its adoption. We have to take the people into account who must bear the burden, and they must have something to say before its final assumption. They will have something to say, and say it with a force that will wake some people up, if they do not wake up beforehand.

A. G. CATHERON, Massachusetts Commissioner on Social Insurance.

The suggestion that there might be some other word than the word "compulsory" for us to use in these proceedings is an important one, because it deals with a fundamental thing in many of the plans which have been chiefly considered at this conference, and I wish to suggest, not as my own original suggestion, but as one which I have picked up, either at this conference or in some of the literature on the subject, the use of the word "obligatory." The reason for my recommendation of this word is that it calls attention to the duty of every citizen, whether of the wage-earning class or any other, to make such provision as is within his ability for those chief hazards of life which we have been considering. Now, when an obligation is clearly recognized as resting upon every citizen, we as a people, however much we hate compulsion, have never hesitated to use the force of our Government to compel the fulfillment of that recognized obligation. I will cite as an example our public-school system—compulsion on the widest possible scale, the only alternative allowed the individual citizen being that he shall show that he has made provision for the education of his children equal to that required by law.

Now, these schemes which have been suggested stand, it seems to me, on the same footing theoretically, and they require that every individual shall make provision for his hazards; but if the individual satisfies the State that he himself has made such provision, or if the State is satisfied that that individual belongs to a class of sufficient means so that provision may fairly be assumed, then it seems to me that there is a sufficient political reason for exempting him from the compulsion of the law. The question therefore is not, primarily, whether or not we shall adopt the principle of compulsion, but whether or not the hazard is a real hazard, and whether or not there is a section of the population which needs some element of compulsion and some assistance in order to meet that hazard, and, finally, whether or not any plan offered gives promise of sufficient efficacy in operation, so that the Government should lend its assistance to that particular plan, and should use its power of legal compulsion to require citizens to adopt the plan.



## II. MASSACHUSETTS SYSTEM OF SAVINGS-BANK LIFE INSURANCE.

BY ALICE H. GRADY, FINANCIAL SECRETARY, MASSACHUSETTS SAVINGS INSURANCE LEAGUE.

The Massachusetts system of savings-bank life insurance is a State-aided attempt to give to Massachusetts wage earners and their families all that their money can possibly buy of level-premium life insurance.

1. The State utilizes the savings banks as the medium through which to perform this important function, because our Massachusetts savings banks (of which there are now more than 200) have no stockholders and are operated solely for the benefit of the depositors. Thus is made possible the existence of a purely mutual insurance organization. The expense of commissions to agents is done away with by a provision in the savings-bank insurance law which prohibits the savings banks from employing paid solicitors. With the expense of dividends to stockholders and of commissions to agents thus eliminated, the savings banks are able to offer life insurance in small units at premiums about 30 per cent lower than the rates formerly charged by the commercial companies for the weekly premium insurance. But the saving in cost to the savings-bank policyholder is much greater even than that, for, our savings-bank insurance system being a purely mutual institution, every policyholder receives at the end of each year a check from the bank representing his share in the net profits of the business.

This annual distribution of profits has tended not only to reduce the number of canceled policies but also to encourage savings-bank deposits. For with every dividend check goes a letter from the bank to the policyholder suggesting that the check may be utilized for the purpose of starting a savings-bank account, which account may in turn be used as a fund from which to pay future premiums. In hundreds of instances this suggestion has been followed, so that the insurance department of the bank has thus become a feeder for the savings department.

During the eight years since the machinery was set in motion the insurance departments of the banks have paid back to policyholders in dividends the sum of \$95,500.

2. But the system of savings-bank insurance concerns itself not exclusively with the matter of insurance against death. It provides also for insurance against old age under an arrangement by which the policyholder pays a certain small sum each month out of current earnings, these payments to be continued until the annuity age is reached. The policyholder then ceases to make payments to

the bank, and the bank in turn begins to pay to him the annual payment provided for in his contract. To illustrate:

John Doe is 25 years of age. He wishes to provide for himself an assured income during his old age, beginning with his sixty-fifth birthday. That means that he has 40 years during which to save. The insurance department of the savings bank issues to him a contract under which it is provided that he shall deposit \$1.39 monthly until he reaches the age of 65, at which time his payments to the bank cease. On his sixty-fifth birthday the insurance department of the bank sends him a check for \$200, and on every birthday thereafter a check for a like amount, no matter how long he may live.

Attention is called to the extremely low cost of this form of annuity. Observe that the total premium payments over the 40 years amount to only \$667.20, and that this cost is reduced by annual dividends to the policyholder during that time.

If age 65 seems too remote the bank offers a contract for an annuity to commence at age 60. This is, of course, somewhat more expensive, as the annuitant has five years less in which to make the required saving. The cost for this, beginning at age 25, would be \$2.21 a month.

Under either of these annuity contracts, if death occurs before the annuity age is reached the estate of the policyholder receives the sum of \$250.

The old-age insurance policies have a cash surrender value after three months from date of issue, provided the policyholder is in sound health at the time of withdrawal. They also have a paid-up value at any time after three months.

The amount of annuity which any one person may receive from any one bank is \$200, but there being four insuring banks, it is possible for one to have a maximum annuity of \$800 if he so desires.

3. Savings-bank life insurance is not State insurance. The insurance policies are written by the savings banks which have established insurance departments under the savings-bank insurance law. All the expenses incident to the physical examination of the applicant, the writing of the policy, the payment of death claims, and the general conduct of the business are borne by the insurance department of the savings bank, excepting only the overhead cost of actuarial service, the services of a medical director, and the cost of the policy forms, books of account, etc., which are borne by the State. Although the local examining physicians are paid by the bank, these physicians are appointed by and act under the direction of the State medical director, who is employed by the State, and the insurance department of the bank accepts or rejects the applicant on advice of the medical director. The State actuary is employed by the State and devotes his entire time to the business of savings-bank life insurance. He serves all the insuring banks equally.

The savings-bank insurance law under which the insurance departments of the banks are operating was enacted by the Massachusetts Legislature in June, 1907. The first policy was written by the Whitman Savings Bank in June, 1908, so that the system has now had eight years of practical experience. Four savings banks have established insurance departments, namely:

Whitman Savings Bank, Whitman, Mass.

People's Savings Bank, Brockton, Mass.

Berkshire County Savings Bank, Pittsfield, Mass.

City Savings Bank, Pittsfield, Mass.

At the close of the eighth year, just ended, the insurance departments of these four banks have more than \$6,000,000 of business in force, representing more than 14,000 policyholders.

4. Although it was prophesied by the commercial companies that persons of small means, for whom the system was intended, would not come voluntarily to apply for life insurance, nevertheless the office of savings-bank life insurance at the statehouse in Boston has a daily demonstration of the encouraging fact that the people will do that very thing. A large percentage of the \$2,000,000 of business written this year is on the lives of persons who came or wrote to the statehouse or to the local public agencies established for the receipt of premiums, asked for information, and voluntarily applied for insurance. Of course, it has taken time and great effort to get a knowledge of the system to the people so that they would know where to make application and what to ask for. And it will take more years of patient, persistent endeavor before all of the people of Massachusetts are sufficiently well informed so that confidence in the new system is fully established. As indicating the success which has attended our efforts to reach the people, it is interesting to note that during the first year's experience the premium income at the banks was only \$25,000, whereas during the eighth year, just ended, the premium income amounted to about \$213,000.

How has this been accomplished? The educational work necessary to make the law known to employers and employees has been carried on by the Massachusetts Savings Insurance League, which is a voluntary association supported by private funds and organized solely for the purpose of "inculcating habits of thrift and foresight and the spirit of self-help among the people of Massachusetts, especially by bringing to their attention the advantage of securing life insurance and old-age annuities through savings banks." This league, officered by three ex-governors of Massachusetts, employs a small corps of lecturers and instructors who devote their entire time to lecturing and instruction work on the subject of savings-bank insurance. In the morning lectures are given to students in the high schools and business colleges; during the noon hour meetings

are held in the factories and workshops; in the afternoon savings-bank treasurers and others are interviewed with reference to establishing public agencies for the receipt of applications and the payment of premiums; and in the evening men's and women's clubs, trades-unions, churches, and other organizations, wherever men and women of moderate means congregate, listen to the story of this unique system established for the benefit of the Massachusetts wage earner.

In order to reach the people who were to be found neither at school, church, factory, nor club, a motion-picture film was prepared with great care, picturing vividly the need of life-insurance protection for the family of small means and the pitiful results which follow if death claims the breadwinner before some protection has been provided; picturing also the savings-bank insurance instructors at work in the factories—men gathered eagerly around the speaker at a "noon meeting"; applicants being examined by the physicians; the policies being written at the savings bank, and later being delivered to the men at the factory; the State actuary and State medical director taking the oath of office before the governor; the trustees of the General Insurance Guaranty Fund in business session, etc. This motion picture (with the services of a lecturer) was offered without charge to the managers of motion-picture theaters throughout Massachusetts. At once there sprang up from all parts of the State a demand for this form of entertainment. The results were immediately apparent at the statehouse. With every mail came inquiries regarding the insurance "which we heard about at the movies."

Recently a "poster campaign" was undertaken with the cooperation of the postmasters throughout the State, with the result that posters published by the State calling attention to the advantages of savings-bank insurance are already displayed in more than 200 post offices in all parts of Massachusetts and letters of inquiry are being received at the statehouse daily.

5. Doubtless one of the largest factors contributing to the success of the system thus far attained is the frank and hearty cooperation which employers of labor have given by establishing agencies in their factories and workshops for the benefit and convenience of their employees and inviting the lecturers and instructors of the league to come in and explain the insurance in detail to the men at the bench and to the clerks in the office.

Under this agency system the employer enters into a contract with the savings bank to receive premiums from his employees and transmit them monthly or quarterly to the insurance department of the bank without charge for this service, either to the bank or to the

policyholders. For the protection of the policyholder the agency is bonded, and the bank assumes the cost of the bond. The policyholder, in turn, signs an order on his pay envelope for the deduction of his premiums, so that the payment of the premium becomes automatic. This automatic payment of insurance premium tends to avoid the lapsing of the policies.

Perhaps the most important element entering into the solution of the problem of lapsed policies, however, is the interesting fact that under the savings-bank insurance law it is impossible for a policy to be forfeited after premiums have been paid for six months. If hard times come upon the policyholder, and he is obliged to stop payment after six months, he is entitled to receive from the bank (a) a cash surrender value; (b) paid-up insurance; or (c) extended insurance. This provision was inserted in the law as a constructive protest against the old order which existed in the commercial life insurance companies doing a weekly premium business, under which premiums must have been paid for five years before any equity vested in the policyholder. That resulted in great hardship and suffering and expense to the persons least able to bear it, and every year a vast army of policyholders dropped by the wayside, unable to continue to pay their premiums, but utterly helpless to recover any part of what they had paid in. Indeed, this situation still obtains in the commercial companies, as is evidenced by the fact that during the year 1915 the big industrial companies doing business on the weekly premium plan wrote 5,600,000 weekly premium policies, and in the same year there were lapsed and forfeited the astounding number of 3,000,000 weekly premium policies. This means that all the money paid in on those 3,000,000 policies was entirely lost to the policyholders except for the slight protection which they enjoyed for the brief period during which their premiums were paid.

Besides the clause that premiums must be paid for five years in order that the policyholder shall be entitled to a surrender value on cancellation, there were other provisions in the weekly premium contracts of the commercial companies which the savings-bank insurance system sought to avoid. One of these was the provision that if the policyholder die within 6 months from the date of the policy the company will pay only one-quarter of the face of the policy; if the policyholder die after 6 months and within 12 months, the company will pay only one-half the face of the policy.

Under the savings-bank insurance plan the full face of the policy is payable in case of death at any time after the issue of the policy. Each policy issued by the savings bank also has a loan value after the end of the first year.

6. One of the most significant and encouraging results of the propaganda for savings-bank life insurance in Massachusetts is the

bringing together of employer and employee on this matter of protection against the contingencies of the future. In some factories the employers have undertaken to pay the entire premium on a "group" policy covering the lives of all their employees in amounts ranging from \$100 to \$1,000 on each life. In other instances the employers are contributing a certain percentage of the required premium, with a view to encouraging the men to help themselves. In one instance the employer has taken out a \$500 straight-life policy for all of the persons in his employ who have been on his pay roll for two years or more. The arrangement is that the premiums on these policies are to be paid by the employer so long as the policyholder remains in his employ, and at the termination of his employment the policyholder will be presented with the policy and urged to continue the payment of premiums on his own behalf. As indicating the fine spirit by which this action is impelled, a glance at the letter delivered to each of the insured employees may be interesting:

DEAR MR. SMITH: The City Savings Bank, of Pittsfield, has this day delivered to us life insurance policy No. —. Under and subject to the terms and conditions of this policy your life is insured for the sum of \$500, which amount will be paid, in the event of your death, to Mary Smith, beneficiary.

It is our intention that all premiums on this policy shall be paid by us so long as you remain in our employ. It has been our desire to procure for our employees the best life insurance obtainable, and in securing the contracts through the Massachusetts savings-bank insurance system we believe that this desire has been fulfilled. We trust that you will accept it as an expression of our appreciation of the loyal service which you have rendered us in the past, and which we hope will continue.

Yours very truly,

HOWES BROS. Co.

In a number of factories mutual-benefit associations have been organized and a common fund established, contributed to by both employer and employees, from which fund are paid weekly benefits during sickness, and also the premiums to the insurance departments of the savings banks on \$100 life insurance. At age 25 the cost for \$100 life insurance is only 20 cents a month. In such instances the annual dividends on the policies come back to the treasury of the mutual-benefit association.

7. Under the savings-bank insurance law, the maximum amount for which any one person may be insured in any bank is \$1,000. There being four savings banks which have established insurance departments, it is now possible for any person who so desires to obtain a maximum amount of \$4,000.

Although only four savings banks have taken advantage of the opportunity under the law to issue life insurance, nevertheless the wage earners in every nook and corner of the Commonwealth are

able to avail themselves of the system by reason of the far-seeing provision of the law which makes it possible for any savings bank or trust company to become a public agency for the insuring banks for the transmission of premiums. The result is that already from 50 savings banks and trust companies in all parts of the State come premiums monthly or quarterly to the four insuring banks. As rapidly as possible these public agencies are being established, and it is hoped that before many years there will be a depository in every town in the Commonwealth where persons may step in off the street and pay their premiums and get information about savings-bank insurance.

8. The machinery of the savings-bank insurance law has been found to be peculiarly well adapted to meet the need for which it was brought into being. It provides for the safeguarding of the interests of policyholders by placing the entire system under the joint supervision of the insurance commissioner and the bank commissioner of the State. A still further safeguard is created by the provision for what is known as the "general insurance guaranty fund." This fund is made up of 4 per cent of all premiums paid by policyholders to all the insuring banks. The custodians of the fund are seven trustees appointed by the governor, who serve without pay, and who are charged with the responsibility of investing the fund and holding it as a sacred trust for the benefit of the policyholders. This fund now amounts to more than \$38,000, and is entirely apart from and in addition to the legal reserve funds set aside from premium income to meet death losses and other payments on policies as they mature. These reserve funds in the insurance departments of the banks now amount to about \$606,000.

But there is still a third fund held for the benefit of the policyholders. Under the law the insurance departments of the banks are permitted to accumulate out of net profits a certain limited amount of surplus. These surplus funds now amount to \$47,900. So that the total amount now held for the protection of the policyholders in the insurance departments of the savings banks and with the general insurance guaranty fund is about \$692,000. This is a sum equal to more than 76 per cent of the total premiums paid by all policyholders during the eight years since the system was put into operation.

The following is a rough survey of the financial operations of the life-insurance departments of the four savings banks which have undertaken to issue life insurance:

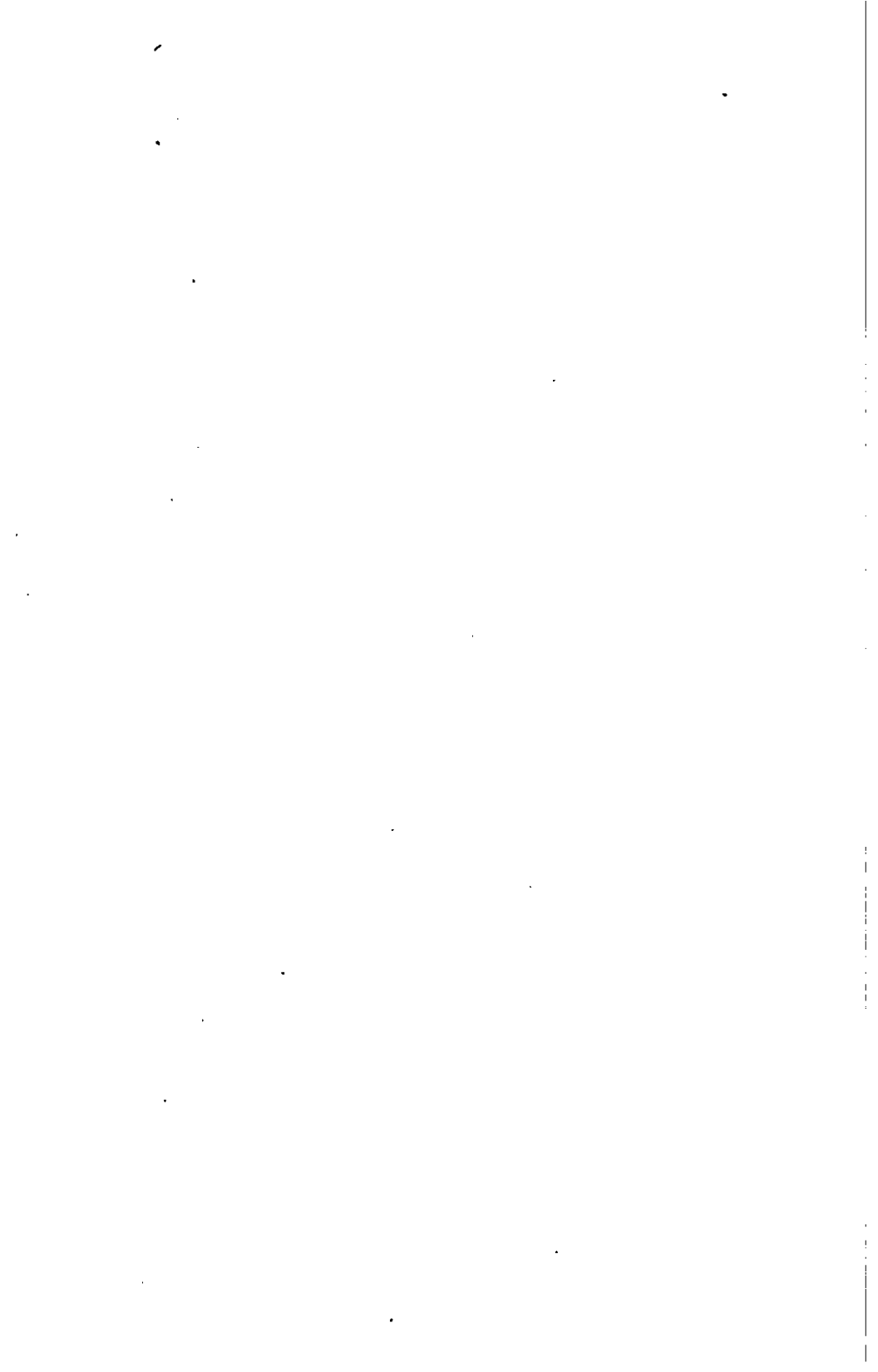
## EIGHT YEARS' EXPERIENCE IN SAVINGS-BANK LIFE INSURANCE.

Total premium income during 8 years.....	\$904, 000	
Total interest income during 8 years.....	113, 000	
Deferred and uncollected premiums, accrued interest, etc.	58, 000	
		<hr/>
Total income.....		1, 075, 000
Paid in settlement of death claims.....	\$75, 000	
Paid to policyholders in cash on surrender of their policies.....	61, 350	
Paid to policyholders in cash dividends.....	95, 500	
Dividends apportioned (1917).....	27, 900	
		<hr/>
		259, 750
Legal reserve on policies.....	606, 200	
Surplus in banks.....	47, 900	
General insurance guaranty fund.....	38, 000	
		<hr/>
		692, 100

From the above it will be noted that there is reserved for the benefit of policyholders or has already been paid back to them a sum equal to nearly 89 per cent of the total amounts received and accrued on account of premiums and from invested funds. The balance has been used to pay rent, salaries to the savings-bank officers and clerks, fees to physicians for the required medical examination of applicants for insurance, interest to certificate holders in the special guaranty funds, collection fees to public agencies, and for printing, postage, etc.

9. But even the foregoing facts do not fully explain why our Massachusetts people are so grateful to those persons who urged this reform movement into being. For a complete understanding of the situation it should be remembered that, coincident with the establishment of savings-bank life insurance in Massachusetts, the big industrial companies not only improved the conditions of their policies but also reduced the cost of their weekly premium insurance about 20 per cent. The great significance of this reduction has become increasingly apparent as the years have come and gone. For instance, during the year 1915 the wage earners of Massachusetts alone paid to the industrial insurance companies on weekly premium policies the astonishing sum of \$12,000,000. Had it not been for the reduction in cost above referred to, it is a fair assumption that the amount paid to the industrial companies last year by our Massachusetts people would have been not \$12,000,000 but \$15,000,000. Those \$3,000,000 remain in the pockets of the Massachusetts wage earners or have been used by them to purchase other necessities of life. Bearing this in mind, it is not difficult to understand why the State is willing to contribute the modest sum of \$20,000 a year toward the support of an institution which has been instrumental in bringing about this immense annual saving to our people. One might even go so far as to hazard the suggestion that the people of Massachusetts are getting an extraordinarily good return on an exceedingly small investment.





## DISCUSSION.

The CHAIRMAN. Unfortunately, Mr. Seldon D. Bartlett, vice president Greater Boston Mortgage Corporation, was not able to be present to-day, but he sent a letter which will be read by Mr. Catheron, whom you have already heard to-day.

BOSTON, MASS., December 7, 1916.

MISS ALICE H. GRADY,  
*Hotel Raleigh, Washington, D. C.*

DEAR MISS GRADY: It is with deep regret that I find that I am unable to be present at the conference on social insurance to be held in Washington December 5 to 9, 1916, in order to give my views on savings-bank insurance as conducted in Massachusetts. I have watched savings-bank insurance in Massachusetts from its very beginning, as I was at that time manager of an industrial company doing business in Massachusetts, and was very anxious to know the effect it would have on commercial life insurance. I have always been favorably impressed with the idea and believe it to be a splendid undertaking, and its success has been much greater than I had anticipated. I think it is a magnificent thing for the State of Massachusetts to assist in this work, thereby encouraging thrift and giving an opportunity to the laboring class to obtain insurance at the lowest possible cost. The actual results of the investment by the State should be very gratifying; in fact, should be so encouraging that a much larger appropriation be made the coming year.

Notwithstanding the splendid opportunity that has been extended the insuring public, there are many thousands who would not be protected with insurance were it not for the commercial insurance companies, which I consider very necessary. I firmly believe that it will always be necessary to have commercial companies and for them to have their solicitors, but I do not see why it is necessary for them to have any fear of injury from savings-bank insurance, or why they should see fit to make attacks upon it. I refer to attacks at this time for the reason that I received in to-day's mail a copy of the Insurance Press, dated September 1, 1915, containing a three-page article criticizing savings-bank life insurance in Massachusetts. Undoubtedly some one, seeing my name on the program and having no criticism of recent date, forwarded me this old copy, which they undoubtedly thought would have a different effect upon me than it really did have.

The article in question, being written by the assistant treasurer of a savings bank and being published by the Insurance Press, catering almost entirely to commercial insurance companies, impressed me as being for the use of agents as a weapon to attack savings-bank insurance.

I sincerely hope that when the members of the conference from the different States have heard the facts that you will present to them in regard to savings-bank insurance in Massachusetts they will return to their home States and be able to make a report that will encourage the starting of savings-bank insurance.

Very truly, yours,

S. D. BARTLETT.

The CHAIRMAN. Do you wish to add anything, Mr. Catheron, on this subject?

MR. CATHERON. I do not think there is much which I wish to add, because I personally have little acquaintance with the subject of

savings-bank insurance. But the principle underlying the savings-bank insurance system interests me. It seems to me that although the competing private companies may fairly charge that the advantage of the savings-bank insurance system is that the premium does not have to bear the entire cost of the insurance, their criticism goes only to this: Is it a proper function of the State to bear any part of that premium? It seems to me that if this measure is one directed toward the encouragement of thrift and is effective in securing thrift in a portion of the community who are really underwritten in their hazards by the State—because in the case of loss they come back upon the State, as we all do if we sink low enough—it seems to me in such case that the State's interest in their well-being is sufficient on principle to justify assistance to such a voluntary scheme, and my impression is that the measure is adapted to the purpose for which it was created.

If in practice it does not work for the interest of that particular class of low economic standards, but is a measure chiefly to be taken advantage of by people of high economic means, then I should not regard the State's contributions as justified; but it does seem to me that it is on all fours with the subjects that we have been discussing at this conference. I do not wish to express personally an opinion as to the actual operation in Massachusetts without a further knowledge than I have at present, however much in principle and in purpose the plan may commend itself to me.

H. LA RUE BROWN, Assistant to the United States Attorney General. Those of us who have known Mr. Catheron for some years and talked to him when he sat on various legislative committees that had to do with this kind of thing, have very little trepidation in submitting to his judgment a proposition of the character which has been but briefly outlined to you. But when he suggests that the test of such a system may be whether it reaches your citizens of low economic standards, he raises again, it seems to me, the need for definition which is sharp in questions of this character. After all, where are you going to draw the line between those for whom the State shall do something and those for whom it shall not? After all, are only those of your citizens entitled to the interest of the State who have not in them any of the elements of independence and of self-help which we have been pleased to regard as somewhat characteristic of our American institutions?

Now, one who listens with interest from time to time at meetings of conferences of this character is, I think, impressed with the emphasis which comes repeatedly on the necessity of doing something for this percentage who are apparently beyond the reach of the most persistent appeal to their own independence and their own self-in-

terest. And yet it seems to me that there is something to be said for the State taking some interest in the thrifty.

After all, a man who has the instincts of helping himself and who has made some progress along these lines seems to me not wholly undeserving of some attention from the Commonwealth and from those of us who are interested in those problems which are described generally as social problems. And in the case of this experiment in Massachusetts, I hope you will get an opportunity to ask Miss Grady in detail about the relation to it of our employers and of the more thrifty of our working people, because that is an exceedingly significant and helpful sign of the times.

For this movement presents two things of very great encouragement. In the first place, when it was propounded, it was, I think, a proposition fairly within Dr. Meeker's definition of a theory. That is to say, it was a proposition which was supported by facts. The facts were not at all that commercial industrial insurance was an unmitigated evil, but that perhaps because of the very ends which it sought to reach it was exceedingly expensive for the man who did not need the individual solicitation to obtain insurance and who did not need the weekly visits of the collector to persuade him to continue it and who was being penalized by the circumstances that others did need that treatment and by the cost resulting from the heavy lapse rate which marks the industrial field, that not only represented a loss to the insured who let his policy go but represented a loss to the company, because the policy had not paid the expense of putting it on the books, and a loss to the company meant a loss to the more thrifty policyholders of the company from whom the company's income came. These were being sacrificed, therefore, to the situation raised by those who did not persist.

Now, it was said that if something could be devised which would undertake not to displace the industrial commercial company, which reaches out for the great mass of people who do need some sort of insurance but who won't take it in any way but this way of solicitation, but to give the more thrifty what they need at cost, you will do one thing at least. You will give the man that is thrifty a square deal, because you will give to his thrift the return which his thrift is able to earn, and you won't charge him with the excess cost of insurance to the unthrifty, because that cost ought to be borne by all of us together, and not by simply the thrifty wage earners. You will make thrift attractive if you do that, because if you think you are getting a fair return on your sacrifice, you are going to find it worth while to make it, and finally you are going to have machinery by which you can do something in the way of educating the unthrifty.

That was at least a theory, because it had some mathematics behind it, and insurance, I am told, is altogether a question of mathematics, of complicated machines and curious levers.

It did one other thing besides that which I have mentioned. It offered a chance for (to use again the word which has been almost a little overworked this morning)—it offered a remarkable chance for voluntary cooperation. What is taking place shows the possibilities when you go out to look for that cooperation, and to me, at least, there has resulted something very encouraging in the midst of the problems with which we are confronted. There have been a lot of kinds of cooperation put at the service of savings-bank insurance, but there is one upon which especially I want to touch briefly, and that is the cooperation of the employer of labor—not the sporadic employer who gets headlines in the papers, but the ordinary, common or “garden” employer, who after all is usually just like all the rest of us and wants to do the very best he can according to his lights. When you see these men not only throwing open their factories but putting at the service of their employees the facilities which they can put at their service for bringing to their attention the knowledge of the facts of this sort of insurance, and putting at the service of the savings bank the facilities of collection, and bringing sharply home three lessons—one, that the savings bank is pretty nearly as close to you as the corner saloon if you can only be persuaded to go there; second, that in the long run it is a good deal better place to go; and third, that after all insurance is a kind of saving and the two things go together.

That service has, I think, been an example of an unselfish service which hardly has been surpassed in the history of American industry in character and degree, although its extent has of course been confined to this one comparatively small movement in the Commonwealth of Massachusetts.

Here is another thing that struck me about it. Welfare work by employers has been discussed and discussed, and it has been praised and criticized, and one of the criticisms you hear from time to time is that the systems are devised so that when the man leaves his employment he loses all his advantages. Here is a movement in which employers have taken out insurance in the name of their employees and paid in many cases a large part of the cost, but unlike most other systems of welfare work, when the man leaves that employment he takes with him a policy, which is not only worth money if surrendered, but which is a valuable insurance policy.

In other words, the employer that makes an arrangement of that kind is doing something which extends beyond the employment itself, and when you have got a movement of that kind that attracts the

attention of business men to the degree that this movement has, you can at least be sure that it is worth pretty careful consideration.

JAMES D. CRAIG, assistant actuary, Metropolitan Life Insurance Co. I do not agree with the chairman that 2 and 2 always make 4. They sometimes make 22.

Just in order to bring out the clear facts of this discussion, if we can, which is what Dr. Meeker really means, I would like to congratulate Miss Grady upon this paper and raise the question if we could not have just a little more statistical data. On the last page of the paper is a table showing an income of \$1,075,000, with disbursements to policyholders of \$259,750 and reserve accumulations of \$692,100. The balance of \$123,150 does not appear, but we are told it was paid for expenses. This table would be very much more valuable if it were complete—if in other columns the appropriations by the State and by the league were given, together with the corresponding disbursements. The paper states that about \$20,000 a year was appropriated by the State, making \$160,000 in eight years, but this does not appear in the table. If the second column showed the income of \$160,000 appropriated by the State and applied for the salary of the State actuary, the State medical director, and the printed forms, and then if we had a third column showing the contributions of the Massachusetts Savings Insurance League, with the disbursements classified as to traveling expenses, salaries of instructors and advisers, a complete total of the three columns would show the actual financial cost of the savings-bank proposition. This table on the last page is headed, "Eight years' experience in savings-bank life insurance," but it is only that part of it which comes through the banks, although we are told about these two other sources of income and disbursements, and if the table could be prepared so as to include the total experience it would be much more valuable, and I am sure it is what this congress would really want in studying the subject.

Now, can I say a word here for the poor maligned insurance companies? The company with which I am connected does not object to and has not opposed this plan. We do all we can to help it. The Massachusetts Savings Bank recently got out an industrial policy and we gave them the mortality table on which the premiums were based, and we will continue to do all we can, but in regard to this letter which has just been read—because an assistant treasurer of a bank studies the subject and reports to his board of directors that he doesn't think it is advisable for their bank to do this insurance and because his report is adopted by the board of directors and printed in the insurance papers, is it fair to accuse the companies of opposing the measure? I never heard a word of that report until it was published and do not believe any of the companies had anything to do with it.

Let me give you one more thought. There are two kinds of life insurance in this country—industrial and ordinary. The industrial insurance is collected by weekly premiums from house to house and is in small amounts. Ordinary insurance is for comparatively larger amounts, payable by monthly, quarterly, semiannual, or annual premiums directly to the insurance office. The New York statutes, in those laws relative to ordinary insurance, which exclude industrial insurance do so by the words: "This section shall not apply to policies of industrial insurance issued upon the weekly premium plan." The premiums of industrial policies average about 10 cents a week and the amount of insurance \$140. The whole savings-bank proposition in Massachusetts is issued on the monthly, quarterly, semiannual, and annual premium basis. There are 14,000 policies for \$6,000,000 of insurance, an average of over \$400 apiece. The industrial policies do not average that. We issue \$500 policies and have placed \$50,000,000 of it this year, but every cent of it is reported as ordinary.

Now, in making reports like this, please do not take monthly, quarterly, semiannual, and annual premium-paying policies for amounts of insurance averaging over \$400 and then compare with industrial business. The results are not comparable. We are with you. We do not object to this plan, but we ask that you compare ordinary business with ordinary business and industrial business with industrial business.

M. A. BROOKS, secretary and managing editor, Weekly Underwriter. Extemporaneous speaking, my newspaper experience has taught me, is extremely dangerous for some people. Being interested in and associated with insurance companies, I have listened to your deliberations with more comfort since the first day. On account of my close association with insurance men I can assure you that they too are interested, very much, in all forward movement, notwithstanding that at the present moment industrial casualty insurance men may have their bayonets set for self-defense.

Perhaps you may have sometime surreptitiously penciled your initials high up in Washington Monument or carved them on a bench or fence at Niagara Falls. Maybe you have peeled a strip of bark from some beautiful white birch. Yet you would not, I am sure, change the white of yonder shaft to black nor cut away and destroy all the beneficence of the bench, nor all the protection of the fence, nor even destroy all the beauty of the birch. Well, you have certainly penciled and carved your initials on the towering and beneficent and protecting institution of insurance this week—even peeled a strip of its bark here and there, perhaps. Yet my friend, Mr. Dawson, himself for many years an insurance publisher and publicist, who on Wednesday said insurance companies had no right to participate

in certain of these discussions would hesitate before relinquishing his insurance protection. Of course, he carries no industrial casualty insurance. It is not fitted to his needs, nor to yours, and it should not be forgotten that neither will be the kind of protection now under discussion.

Wise counselors here have advised caution, careful study, and thorough investigation before arriving at a decision. Suppose I say this morning, "Washington needs a new newspaper. To-morrow or next week we will start it." A newspaper man would at once realize the difficulty of such a program. Tremendous detail is connected with the establishment of a newspaper, of a railroad or, if you please, with a plan of so-designated social insurance, for all insurance is social. Please be not too impatient if long-experienced insurance men say that certain aspects of the plan as it stands are impractical. Believe me, none of the lofty suggestions considered here this week have been accompanied by plans and specifications drawn to scale. Before starting to establish my new newspaper in Washington, I would be wiser to try to correct and improve those already here.

A few years are not long. St. Paul would have died from discouragement if he had known that after 2,000 years people would be saying, "The world is growing worse." The problems connected with society will not all be solved within four or five years. Proceed by all means with this study as you have been wisely advised; take advantage of every avenue for investigation; change the course somewhat from time to time if need be, and in the end what is accomplished will endure. Let the digging be deep, and let the foundation be upon the rock, that when the winds blow and the floods break upon it the superstructure will stand. Otherwise great will be the fall thereof.

DR. MEEKER. I wonder whether it would be fair for me to close with a word. Almost entirely, it seems to me, the thought and attention of the men and women assembled in this conference have been called by the speakers to the cost of social insurance. When I go out into the market to buy apples I do not consider alone the cost of apples—I consider the quality and the kind of apples as well. That certainly is just as important as the cost. If I could buy rotten apples at 10 cents a bushel, would it be economical to buy rotten apples simply because they were cheap? If I were obliged to pay \$2 a bushel for good sound apples, should I refrain from purchasing them because they cost \$1.90 per bushel more than the rotten apples? I think, when arranging the program for the next conference on social insurance, we ought to impress upon the speakers and those who participate in the discussion that it is just as important to consider the thing purchased as the purchase price; indeed, it is more important to consider the thing purchased than the purchase price.



Workmen's compensation legislation was opposed on the ground of the great cost that would be entailed. The opponents either failed to recognize or else they deliberately concealed the fact that somebody was footing the awful bill due to industrial accidents. Workmen's compensation laws did not invent or create industrial accidents. They have existed from the beginning of industry. All these laws accomplished was a redistribution of the burden, so as to ease to some extent, however slight, the terrific burden that was crushing the very life out of the workers. To-day those who opposed workmen's compensation laws most bitterly are among the heartiest supporters of this legislation. Instead of bankrupting industries and driving them out of business, compensation laws have cut down the cost of industrial accidents and removed a principal cause of irritation in industry. Instead of an enormous added cost, we have a net reduction in this item of expense. And we have only just made a beginning. Before making any sweeping statements of the enormous cost of adequate insurance to the workers against accident, invalidity and old age, sickness, unemployment, and death, we must take into account the entries on the credit side of the ledger.

As a matter of fact—I have said this before, and I repeat it now—the existing agencies, including the industrial insurance companies, have lamentably failed to give to the people of low income any adequate returns for the moneys paid by them for insurance. I do not say that as a criticism of the way in which industrial insurance is conducted by the high standard companies, such as the company of which I am proud to be a component part. That is not the point. They are conducting their business just as honestly as any business can be conducted; they are conducting it just as economically as it can be conducted. The thing is that the system is such that under competition it is absolutely necessary to send agents into the field. It is absolutely necessary that the cost of writing industrial insurance puts it beyond the reach of the ordinary laboring man. It amounts merely to the purchase of costly funeral benefits, and costly funerals are not sufficient; that is not what the laboring man needs. I do not care how it is finally worked out. I am interested only in this—in giving the laboring man, in giving those in the lower income groups (I do not think we need to worry so much about those in the upper income groups), in giving those in the lower income groups adequate protection against the five great hazards of life, namely: The hazard of accident, the hazard of illness, the hazard of unemployment, the hazard of invalidity and old age, and the hazard of death.

I think that our deliberations are at an end.

FREDERICK L. HOFFMAN, statistician, Prudential Insurance Co. You have raised a new issue, Dr. Meeker, and I feel that your remarks should not go unchallenged. I am somewhat at a loss to understand

why the subject of industrial insurance and its cost and value to the people concerned should have been brought into the discussion at the very end of the conference. If industrial insurance had been a subject for debate or discussion, it should have been placed on the program, so that those who desired to do so could have properly placed their views on record. I feel that we are all agreed that this conference has provided abundant opportunities for a full discussion of the merits or demerits of social insurance. If there has apparently been a tendency to favor the compulsory plan or system, it may be said that this, perhaps, was to be expected. Those of us who are connected with a long-established form of business enterprise must necessarily hold views to the contrary when our methods and results are referred to as a lamentable failure, regardless of the fact of the continuous and very considerable progress of the business bearing witness to the contrary. It is difficult to understand how industrial insurance can be considered to have lamentably failed, when the existing number of industrial policies in the United States alone exceeds 30,000,000, providing over \$4,000,000,000 of insurance protection, in the event of death or prior maturity, in the case of endowment policies. In Newark, N. J., where industrial insurance was established more than 40 years ago, practically every wage-earning family is insured on the industrial plan, and of all the deaths over 1 year of age which occurred in that city 41.1 per cent were persons insured with one industrial company alone. The total payments to industrial policyholders during 1915 exceeded \$66,000,000, and of this sum about \$13,000,000 represented dividends, largely in the form of voluntary concessions.

Industrial insurance was introduced over 40 years ago as an experiment, but year by year the business methods have improved until at the present time the cost of such insurance is the lowest on record and the two principal companies, which were originally organized as stock companies, have been completely mutualized and have become the property of the policyholders. If there is a single substantial charge against the business I am not aware of it, for as shown by the investigation of 1906 the companies have left nothing undone to improve the methods of administration, to reduce the expense rate and the lapse rate, and to increase the benefits to the insured. Where so much has been done in the past it is a foregone conclusion that even more, and possibly much more, will be done in the future.

Industrial insurance is, without question, of enormous social and economic value. In countless instances it provides for the immediate support of the family after the death of the insured, for the amounts insured for tend constantly to increase, so that more than a provision for burial is made in a fair proportion of cases. Industrial insurance has reduced the pauper burial rate to a practically irreducible mini-

man, and to this extent it has relieved public taxation and the demands upon private charity. Industrial insurance has, therefore, measurably raised the American standard of life and it has brought a genuine sense of economic security to millions who could not possibly have been so effectively provided for through other agencies of voluntary thrift. We may rightfully refer to our industrial policyholders as the best element of our wage-earning population, and, as shown on many occasions, it is not the lowest pauper class, or the unemployed or unemployable, who make exclusive use of this form of insurance if, in fact, they make any use of it at all.

It has not been an easy matter to develop systematic habits of savings in this country, and, as I have said before, it is not wholly to the credit of the savings banks that such habits have become almost universal. It is largely to the credit of the industrial insurance companies through the industrial agency force that this desirable record has been achieved, and whatever the cost has been, it has been worth while. It seems to me a wrongful procedure to find fault with what has not been achieved, and to fail to direct attention to the primary objects and purposes of industrial insurance and to the truly astonishing results which are a matter of record and which can not be explained away. It is wrong to speak of a lamentable failure just because the ideal has not been attained in this direction of social and economic development any more than the ideal has been achieved in any other.

To the foregoing I should like to add the statement, also as a matter of record, that we have never opposed the establishment of savings-bank life insurance in this country, but that we have merely protested against erroneous assumptions and even false assertions regarding our form of insurance, which has practically become a universal method of thrift throughout the United States. We have rendered substantial assistance in the theoretical perfection of savings-bank life insurance by qualified actuarial advice based on our extensive experience, and we have never given utterance to a statement that could be construed as opposed to that form of insurance, which has as much right to exist and develop as our own. Nor have we ever opposed the organization of any new industrial life insurance company or any new method of wage-earners' insurance, and reference may be made to the fact that there are now 24 companies in this country transacting industrial insurance; 20 also in addition carry on an ordinary business, chiefly, of course, for the benefit of industrial policyholders.

For similar reasons we are not opposed to social insurance in general, nor to compulsory sickness insurance in particular, since it is entirely for the American people to decide what they wish to do in the direction of compulsory thrift. We have furthered the agitation

in behalf of workmen's compensation as just and fair to the interests of American wage earners, and only the other night I contributed an address on the subject of compensation for occupational diseases as called for by the highest considerations of social justice and public welfare. It is entirely for the people to decide, but we may rightfully insist that existing agencies of voluntary thrift shall not be contemptuously ignored and that the results which have been achieved shall not be deliberately misrepresented to give force to arguments advanced by those who, as far as we know, represent neither the interests and desires of organized wage earners on the one hand nor of organized industry on the other. If it is ever the obvious determination of the American people to establish compulsory sickness insurance, we shall not be found wanting in the furtherance of well-conceived plans and purposes toward the establishment of such a system, and whatever we have done in the past in the development of voluntary thrift will then unquestionably be found of enormous value in the future development of social-insurance institutions resting primarily upon the principle of compulsory thrift.

Dr. MEEKER. May I add a word, Mr. Hoffman? Will you remain while I make a statement?

I did not indict the industrial insurance companies. I simply said that industrial insurance was not sufficient. It may be perfectly possible to work out ways and means, voluntary means, to take care of the insurable hazards of life. Perhaps the existing agencies that have been discussed can be made to take care of the problem. I merely referred to industrial insurance as one attempt to furnish the laboring man with protection against its death hazard, and they have been successful in furnishing the laboring man a very much needed form of insurance. But I do not think that Mr. Hoffman would take the position—I know he doesn't, for I have talked it over with him—he does not take the view that industrial insurance furnishes to the laboring man a complete assurance—a complete insurance—against these hazards of life I have named, and I do not think we differ, Mr. Hoffman. If you wish it, Mr. Hoffman, all this will be expunged from the record if you think it was unfair. I am sorry I brought the industrial insurance companies in if you think I was lugging in a new subject. I merely wanted to make that reference as an illustration of the need of doing something more than is now provided by existing agencies to give the workingman adequate insurance against the hazards of life. I think I have explained my position.



## APPENDIX A.

### INDUSTRIAL, COMMISSION SYSTEM.

BY FRED M. WILCOX, MEMBER OF WISCONSIN INDUSTRIAL COMMISSION.

A compensation act can not be made wholly self-operative. Conflicting interests make it necessary that some power, some body, be provided within each State charged with the duty and clothed with the authority to determine the rights and liabilities of the parties. It may be a barren court system where the authority to act comes only with the institution of a suit by the aggrieved employee; it may be such a court system supplemented, however, by some board or commission with inquisitorial and advisory powers or it may be administered by a commission without the aid of the courts.

A purely court system is bound to prove a failure. This for the reason that court authority is limited by the thing itself to the determination of the amount due the injured man. That is not administration. It is but an incident in real administration. To be sure, it is an important incident, but less important, many times less, than that resulting from an active, efficient, forward-looking supervision that educates, advises, and counsels the parties to the end that formal proceedings and orders are reduced to a minimum.

Then, again, one of the principal and underlying reasons for the enactment of compensation laws in a majority of the States was to rid the adjustment of liability in the matter of industrial accidents of the formality, the delay, and the expense incident to court procedure. Regardless of whether the provisions in court-administered acts for the speeding of the proceedings are effective or otherwise, the fact remains that formality and expense-overloading still abide with the system. The only light comes from the influence of boards, commissions, and labor departments, who, whether acting with or without specific authority, as a friend of the State, save the system from itself.

I am not to be understood as criticizing the courts in the court-administered compensation States, but as asserting that however they may be constituted, however much they may desire to see the right prevail, they can not meet the real need of an injured workman and of his employer for advice and counsel which is their right. With proper supervision, hearings and awards are largely eliminated; without it they multiply, the burden falling heaviest upon the in-

jured man. The very thing the parties most need is the thing courts are not prepared to give.

The plan is open to the further objection that absolute lack of uniformity in the interpretation of the law results. The proposal for Wisconsin that the administration be given over to the 72 county judges in the 71 counties of the State did not even provoke legislative consideration. Such a plan would have produced an endless variety of interpretations, with no fixed policy, no common attitude toward the law, no end in view; contests and costs would have increased by strides, with the result that many an injured man would have abandoned his claim rather than follow it through a course hedged about with forms and practices of which he wishes to be rid.

Advisory boards will go far in remedying the evils that would otherwise flourish under the court plan of administration. But such a dual system is not only costly, but less efficient than an exclusive commission system because of the division of responsibility.

Back of the advocacy of a court system you will usually find the influence of those interests that favor the free and unrestricted right to adjust claims according to the practices prevailing under the old liability statutes.

An administrative body with large powers and full responsibility is proving to be the efficient system for handling compensation. Under such a plan, supervision may be developed to a degree where the temptation to overreaching by either party is practically eliminated and contests fairly well reduced to those where genuine disputes exist.

There are various methods of commission administration. Such consideration as I have been able to give these methods has convinced me that the plan must be adapted to a State upon consideration of at least three elements: The area of the State; the number of employers and employees subject to the act; and the kind of guaranty of payment provided, whether by insurance carriers or by State fund.

A system of close personal supervision that is possible of application in a State like Connecticut, with an area of 5,000-square miles, its greatest width on any one line about 60 miles and its greatest length 100 miles, can not be carried out in California, with an area nearly thirty-two times as large, so long that a day and a night of fast train service is required to traverse it. A plan of administration made necessary in California because of its size ought not and probably would not satisfy the people of Connecticut, because those of the east and the west, of the north and the south of the latter State are near neighbors and have a right to demand direct personal attention of their commissioners to the adjustment of each claim for compensation.

A system that is workable in agricultural Iowa, with a comparatively small number of persons so engaged as to become subject to compensation, can not be applied in industrial New York, with a million or more employees under the act.

The Ohio commission, with its State fund to administer and the requirement that affirmative action must be taken by it before compensation can be paid to any injured workman, can not devote the same time to open hearings on claims as the Wisconsin commission is able to do, where the primary responsibility for determining the jurisdictional facts, which mean that payments start, is placed upon the employer or insurance carrier.

I make these comparisons not as an argument that the system in any one of these States is better than the others, but for the purpose of emphasizing, if I can, the reason why plans of administration must vary because of the (1) physical fact, (2) number subject to the act, (3) method of insuring payment.

During the past three years I have had an opportunity to meet members of nearly every one of the compensation boards or commissions. In discussing the merits of the various laws I have usually found them proud of their own State act, and particularly ready to defend their system of administration against all comers. They will tell you that I have been just as laudatory of the Wisconsin act and just as conceited with respect to the Wisconsin system of administration. Such a spirit does not mean that commissioners are a self-satisfied lot welcoming no change. To me it appears a wholesome indication. It is the result of an intense interest in the problem. It comes upon every man who sees the possibilities for real and lasting good in a justly liberal and easily administered act. The Wisconsin commission and its assistants are giving themselves absolutely to the problem, working and planning and proving and advocating those things that are calculated to make it a better law—make it live up to the real purposes of those who framed its provisions. You are giving like devotion to the subject.

It is liberal by comparison with most of the acts. Not as liberal as the New York law; not as liberal as I wish it was. I have in mind many changes which I hope and believe the incoming legislature will feel that equity and justice require them to make, each adding materially to the injured workman's benefits.

Wisconsin has an area of 56,066 square miles and a population of 2,500,000; 305 miles is its greatest length and 285 miles its greatest breadth. There are over 14,000 employers and probably 350,000 employees subject to the act; these in addition to the State, all the counties, towns, cities, villages, and school districts of the State and their employees. Considering the size of the State, the number of interests subject to the act, and the various other duties charged to the com-



mission, we feel that we have built up an efficient system of administration.

I wish you would bear in mind that in addition to administering the compensation act the Wisconsin commission is also required to administer the laws with respect to—

1. Safety and sanitation in places of employment, including factory inspection.
2. Establishment of a building code and the enforcement of safety in building construction.
3. Establishment of a boiler code and boiler inspection.
4. Enforcement of women and child labor laws.
5. Maintenance of free employment offices.
6. Regulation of private employment agencies.
7. Apprenticeship.
8. Compulsory education.
9. Minimum wage.
10. Arbitration and conciliation.
11. Industrial and insurance statistics.
12. Other allied interests.

I believe no other State, with the exception of Ohio, has placed the enforcement of all similar laws in one commission. While the administration of each of these functions has required the organization of a special department within the commission for that purpose, we have endeavored to correlate the work in such manner as not only to avoid duplication of effort but also to make each department support the other—in so far as may be, do the work of the other. Before I leave the subject I will illustrate how these departments may aid in the administration of compensation and the effect that compensation has in the proper enforcement of the other laws.

The plan of administration of the compensation act may be outlined as follows: To begin with, the law requires employers to make report on or before the eighth day after every accident causing death or a disability of more than one week. Subsequent reports are to be made at the expiration of each and every four-week period after the accident until the matter of adjustment is finally disposed of. Accident reports and subsequent reports are made on forms provided by the commission, calculated to give such information as will ordinarily make it possible to advise the parties of their rights, to check their dealings with one another, and, if investigation is advisable, see that it is ordered.

No agreement of any kind is necessary preliminary to the making of payments. The employer or his insurer is to start making them as a matter of course, because the law provides that it shall be done, and not because of some written contract which the injured man has first been required to sign.

There is a conditional week's waiting period. Compensation for the second week is due on the fifteenth day after the accident; for the third week, on the twenty-second day; for the fourth week, on the twenty-ninth day; and if disability still continues, compensation for the first week is then payable, and subsequent payments are to continue weekly.

In the office all records are made and kept by the court system. A card index, alphabetically arranged, is maintained of all employers in the State under compensation. Each employer is assigned an individual number, and that is entered on his card; also the date on which he became subject to the act, whether by affirmative election or otherwise, and the name of his insurance carrier. On this card provision is further made for indicating by number each accident in such employer's business occasioning disability of more than seven days. The employer's individual number and the number of the accident are noted on the report of the accident. This accident report and all other papers having to do with such employer are filed in convenient order in a vertical filing cabinet under his individual number. In the filing cabinets the employer's sections are numerically arranged.

There is also maintained for convenient reference a card index, alphabetically arranged, of all employees claiming injury, on which is entered the name and number of the employer and the accident report number, if any.

Every claim is entered on a docket sheet (card), together with such information as date of accident, age, and wage of injured employee, nature of injury, compensation paid and basis, medical and other expense, date able to work, whether application filed, date of hearing, date and nature of award or other disposition, and any other information necessary to a fair understanding of the status of a claim without requiring the inquirer to delve into bulky files. These docket records are kept right up to date from the files and reports in the matter.

A separate index of applications pending is also kept, arranged by cities or county seats where hearings should be held.

This, in brief, is the office system. Alone it will not insure the proper disposal of compensation matters. It is but a part of real administration. Unsupported it will not procure either full or fair reports of accidents. It will not insure full payment of compensation to injured employees. It will not save them from the necessity of procuring lawyer's services in order to obtain the little that is due them.

In addition, the situation requires a continuous campaign of education and a vigorous "follow-up" system. Ever since the passage of

the act the commission has made use of every agency and seized every opportunity to meet employers and their employees in open public discussion, to the end that all persons may not only understand their rights under the law but come to feel that the one prime, overshadowing purpose of the commission is to see that the law is complied with in spirit; that the commission is the representative of each conflicting interest, and determined that the one party shall give and the other receive, promptly and without unnecessary expense, all the benefits provided by the act.

In furtherance of our campaign of education, bulletins are issued from time to time for public distribution. Newspaper publicity is obtained in matters of special interest. Our field men, factory inspectors, who are assigned to particular districts and well known within them, are well informed as to the provisions of the act. They give advice freely and report to the commission any matter deserving direct attention. They watch the newspapers for accounts of serious accidents within their respective districts, and investigate each accident and report the manner in which it occurred, whether due to the failure of the employer to guard the place of the accident according to the orders of the commission, or due to the neglect of the injured man to make use of safety devices provided by the employer for his protection.

We encourage those who have any question or dispute relative to compensation or who know of any accident unreported to write the commission. These inquiries are given prompt attention. If they indicate a failure of the employer or his insurer or of anyone to do the things required by the act, the commission assumes the burden of taking the matter up with the delinquent party directly.

If subsequent reports do not come in promptly, we write for them. If they show payments being made, either interim or final, on a wrong basis, the parties are advised of the error and required to correct it.

If disputes arise and we are unable to clear them up by correspondence or conference, we advise the filing of an application for hearing. These hearings are conducted by some member of the commission or by one of its examiners at such place as is best suited to the convenience of the parties, with particular regard to the injured man's situation.

These hearings are made just as informal as is compatible with prompt, orderly disposition of the contest. We lose no sleep over the question of whether the burden of proof is on the employer or the employee. We save the parties any worry over the question by assuming that the burden is on the commission—that it is "up to us" to find the fact, to satisfy ourselves as to the right, based upon the testimony offered if it seems to be complete, and if not, then to make

such independent investigation as may be found necessary to clear the issues.

The testimony is always taken by one of the reporters regularly in the service of the department. The shorthand notes are not transcribed except in those cases where an aggrieved party commences an action in the circuit court for a review of the commission's findings. Such of these notes as are necessary to a full understanding of the facts are read to the commission and the matter determined.

Where the occurrence of the accident is not in dispute, one hour's time is usually sufficient to take the proofs. We make up our calendars for a trip including about three or four cities, conveniently located with respect to one another, noticing six different hearings for the day if there be that number of matters at issue in that city. In Milwaukee hearings continue for three consecutive days.

Notice of the fact that the commission is conducting hearings in a city usually becomes known through the press, with the result that many persons call for personal conference. The factory inspectors are given advance notice of the time and place of hearings in their districts and they arrange a meeting for anyone who may wish personal conference with a commissioner.

During the fiscal year ending June 30, 1916, 12,848 accident claims occasioning disability of more than one week were disposed of. Of this number, 12,352 were settled directly between the parties and awards entered in but 496 cases. Of the 496 awards, 148 were made upon stipulation of the facts, being largely death-benefit matters.

The number of awards, however, does not fairly show the amount of hearing work done by the commission during the year; 862 hearings were actually held during the period. The difference between the number of hearings and the number of awards is principally accounted for by the fact that some claims required more than one hearing, and in many cases the rights and liabilities of the parties so cleared up during the course of the hearing that they immediately settled without formal order.

Immediately upon the report of a fatal accident to an employee leaving total dependents, we advise the dependents as to their rights; that it is unnecessary for them to employ attorneys to represent them; that they should not hesitate to stipulate with the employer to immediately submit the matter to the commission for formal award; and that independent investigation will be made in order to assure disposition on a proper wage basis and method of payment.

Except in those cases where the employer disputes the occurrence of an accident or disputes the claim that the disability results from the accident, we do not encourage the employee to feel the need of an attorney to look after his interests.

Our chief aim has been to have all parties in interest—the employers and the employees, the insurance carriers and the doctors—understand and feel that the commission is really supervising the whole field; that sooner or later we are going to know of every accident calling for compensation and the correctness or otherwise of the basis upon which the liability was adjusted; that because of this the most satisfactory course is to make all the dealings an open book.

In the main this aim has been realized. There are in Wisconsin, as in your State, employers who have no concern whether the law is complied with or not. There are employees and runners-in for claim adjusters who think it perfectly legitimate to "put over" false or exaggerated claims not only on the employer but on the commission. There are insurance adjusters, and occasionally an insurance carrier, who thinks they should have the right to adjust compensation claims by resort to the same sharp practices as are often employed in adjusting liability claims. They forget that the right of compromise under compensation in Wisconsin ended with the agreement between the employer and employee as an element of the contract of employment, whereby the industry was to assume 65 per cent of the wage loss and substantially all the medical expense on condition that the injured man should stand 35 per cent of such loss and all the pain and suffering.

Resort to sharp practices is a shortsighted, losing policy. Every person connected with the commission comes to know the men that indulge in them and to know their game. With everything they touch you double the supervision. You determine the rightness of their action, not because they assure you they dealt squarely but because it proved out upon an original independent investigation. For one thing, I am thankful that the species does not abound with us.

I have gone into detail in explaining the methods and purposes followed by Wisconsin in administering its act; this for the reason that I am sure that proper administration can be had only when a commission has established itself in the confidence of all interests and obtained their cooperation. That situation comes only with a program such as an administrative body alone can pursue. It is utterly beyond the possibilities of a court.

When full confidence and cooperation is obtained, then the benefits of the act will flow without unnecessary delay or expense. These things I count as merits in the Wisconsin system of administration.

The demerits arise not from the plan and purpose, but from inability on the part of the commission to carry out that degree of personal supervision—that touch—which makes administration a real, live force. How to give closer supervision is the problem always confronting us, for we recognize that in a State where so large a number of compensation claims are to be adjusted each year the best

attention possible will be short of what is really necessary and proper. In that situation mainly rests the demerits of Wisconsin's plan.

The State desires and the commission proposes to follow a broad, nontechnical, forward-looking policy throughout the whole compensation field. Considering the size of the State, the number subject to the act, and the nature of insuring payments, we feel warranted in claiming to give a creditable brand of administration.

## **APPENDIX B.**

### **LIST OF PERSONS WHO REGISTERED AT SOCIAL INSURANCE CONFERENCE.**

- Abbott, Edith, Chicago School of Civics and Philanthropy, Chicago, Ill.
- Abbott, Essex L., representative in General Court of Massachusetts, member of Joint Special Recess Committee of the Massachusetts Legislature on Workmen's Compensation Insurance Rates and Accident Prevention, Statehouse, Boston, Mass.
- Adams, Elmer H., Chicago Lumber Dealers' Association, 76 West Monroe Street, Chicago, Ill.
- Adams, K. C., 1105 Merchants' Bank Building, Indianapolis, Ind.
- Adrlance, W. M., delegate from New Jersey, Princeton, N. J.
- Alexander, Magnus W., executive secretary, National Industrial Conference Board, 15 Beacon Street, Boston, Mass.
- Allen, Albert L., State Workmen's Insurance Fund, Harrisburg, Pa.
- Allison, Y. E., jr., associate editor, The Insurance Field, 95 William Street, New York City.
- Anderson, Clifford S., New Bond Street, Worcester, Mass.
- Andrews, John B., secretary, American Association for Labor Legislation, 131 East Twenty-third Street, New York City.
- Archer, William C., State Industrial Commission, 230 Fifth Avenue, New York City.
- Ashe, Sidney W., visitor, welfare worker, General Electric Co., Pittsfield, Mass.
- Axman, Clarence, editor, The Eastern Underwriter, 105 William Street, New York City.
- Balch, Alfred C., 227 South Sixth Street, Philadelphia, Pa.
- Baldwin, F. Spencer, New York State Industrial Commission, 230 Fifth Avenue, New York City.
- Baldwin, William H., National Association for the Study and Prevention of Tuberculosis, Hotel Gotham, New York City.
- Ballou, Sidney, Industrial Accident Board of Hawaii, delegate from Hawaii, Honolulu, Hawaii. (Present address, 910 Colorado Building, Washington, D. C.)
- Barnaby, William S., managing editor, The Spectator, 135 William Street, New York City.
- Barr, Miss Mary A., Massachusetts State Board of Charity, Boston, Mass.
- Bartlett, T. N., Maryland Casualty Co., Baltimore, Md.
- Beaman, Middleton, 1862 Mintwood Place, Washington, D. C.
- Beeks, Miss Gertrude, National Civic Federation, thirty-third floor Metropolitan Tower, New York City.
- Beers, George E., member, Compensation Commission, 42 Church Street, New Haven, Conn.
- Beyer, David S., Massachusetts Employees' Insurance Association, 185 Devonshire Street, Boston, Mass.
- Billings, Frank, Council on Health and Public Instruction of American Medical Association, 122 South Michigan Avenue, Chicago, Ill.
- Bird, Francis H., United States Children's Bureau, Washington, D. C.

- Blanchard, Ralph H.**, Logan Hall, University of Pennsylvania, Philadelphia, Pa.
- Boswell, F. W.**, Flint Mutual Benefit Association, 128 East Kearsley Street, Flint, Mich.
- Boyd, Charles J.**, general superintendent, Illinois Free Employment Office, 526 South Dearborn Street, Chicago, Ill.
- Bradbury, Harry B.**, lawyer, 141 Broadway, New York City.
- Brooks, M. A.**, managing editor, The Weekly Underwriter, 89 Maiden Lane, New York City.
- Brosnith, William**, general counsel, Travelers Insurance Co., 700 Main Street, Hartford, Conn.
- Brown, Frederick L.**, president, Lumbermen's Mutual Casualty Co., Chicago, Ill.
- Brown, W. R.**, 4150 Ashland Avenue, Chicago, Ill.
- Bryant, Lewis T.**, commissioner of labor, Department of Labor, Trenton, N. J.
- Buckingham, Edward T.**, Workmen's Compensation Commission, 2255 Main Street, Bridgeport, Conn.
- Burlingame, Luther D.**, industrial superintendent, Brown & Sharpe Manufacturing Co., Providence, R. I.
- Cabot, Richard C., M. D.**, Massachusetts General Hospital, Marlboro Street, Boston, Mass.
- Cammack, E. E.**, associate actuary, Aetna Life Insurance Co., Hartford, Conn.
- Carrow, Thomas H.**, Pennsylvania Railroad Co., Room 809, Broad Street Station, Philadelphia, Pa.
- Catherton, Allison G.**, Massachusetts Commission on Social Insurance, 356 Statehouse, Boston, Mass.
- Cavanagh, James F.**, chairman, Joint Special Recess Committee of the Massachusetts Legislature on Workmen's Compensation Insurance Rates and Accident Prevention, 8 Congress Street, Boston, Mass.
- Chamberlain, Joseph P.**, Kent Hall, Columbia University, New York City.
- Chamberlain, Mary L.**, The Survey, 112 East Nineteenth Street, New York City.
- Chandler, George B.**, Compensation Commission, first congressional district, 209 Pearl Street, Hartford, Conn.
- Clark, Lindley D.**, United States Bureau of Labor Statistics, Washington, D. C.
- Clark, Victor S.**, Carnegie Institution, Washington, D. C.
- Clark, W. Irving, M. D.**, Norton Co., 53 West Street, Worcester, Mass.
- Cole, Hills, M. D.**, chairman, Committee on Health Insurance, American Institute of Homeopathy, 1748 Broadway, New York City.
- Commons, John R.**, University of Wisconsin, Madison, Wis.
- Cowles, W. G.**, official delegate, State of Connecticut, Travelers Insurance Co., Hartford, Conn.
- Craig, J. D.**, assistant actuary, Metropolitan Life Insurance Co., 1 Madison Avenue, New York City.
- Crowell, John Franklin**, executive officer, New York Chamber of Commerce, 65 Liberty Street, New York City.
- Cunningham, James V.**, commissioner of labor, Department of Labor, Lansing, Mich.
- Davie, John S. B.**, commissioner of labor, Concord, N. H.
- Davis, Michael M., jr.**, director of Boston Dispensary, 25 Bennet Street, Boston, Mass.
- Davis, Samuel**, insurance writer, 92 Water Street, Boston, Mass.
- Dawson, Miles M.**, consulting actuary, 141 Broadway, New York City.
- Day, William A.**, president, Equitable Life Assurance Society, 120 Broadway, New York City.
- Delbert, Arthur H.**, United States Bureau of Labor Statistics, Washington, D. C.



- Delphey, Eden V., M. D., representing the West Side Physicians' Economic League, 362 West Fifty-seventh Street, New York City.
- Donahue, Frank J., chairman, Massachusetts Industrial Accident Board, 1 Beacon Street, Boston, Mass.
- Donoghue, Dr. Francis D., medical adviser, Massachusetts Industrial Accident Board, 1 Beacon Street, Boston, Mass.
- Donohue, Dr. James J., Connecticut Workmen's Compensation Commission, 43 Broadway, Norwich, Conn.
- Donovan, Alfred Warren, chairman, Board of Labor and Industries, 1 Beacon Street, Boston, Mass.
- Douglas, James B., the United Gas Improvement Co., United Gas Improvement Building, Philadelphia, Pa.
- Dresser, Frank F., National Association of Manufacturers, 808 Slater Building, Worcester, Mass.
- Drown, Frank S., Children's Bureau, United States Department of Labor, Washington, D. C.
- Dublin, Louis I., Metropolitan Life Insurance Co., 1 Madison Avenue, New York City.
- Duffy, T. J., Industrial Commission of Ohio, Columbus, Ohio.
- Dunn, Frank, 575 Loveless Avenue, Youngstown, Ohio.
- Durand, C. A., manager, Accident Fund, Lansing, Mich.
- Eaton, J. M., Cadillac Motor Car Co., 1343 Cass Avenue, Detroit, Mich.
- Eckman, A. W., attorney, Los Angeles, Cal.
- Edwards, Alba M., Census Bureau, Washington, D. C.
- Ehrich, Dorothy J., American Association for Labor Legislation, 131 East Twenty-third Street, New York City.
- Ellerd, Harve G., Armour & Co., Chicago, Ill.
- Emery, James A., counsel, National Association of Manufacturers, Union Trust Building, Washington, D. C.
- Farnsworth, Frank S., Massachusetts Commission on Social Insurance, 356 Statehouse, Boston, Mass.
- Faxon, John G., member, Joint Special Recess Committee of the Massachusetts Legislature on Workmen's Compensation Insurance Rates and Accident Prevention, Statehouse, Boston, Mass.
- Fell, Herbert N., Fell & Co. (Ltd.), Employment Conservation, 71 Broadway, New York City.
- Fisher, Irving, president, American Association for Labor Legislation, 460 Prospect Street, New Haven, Conn.
- Fisher, Willard C., New York University, 32 Waverly Place, New York City.
- Fitzsimmons, P. W. A., H. Brewer Co., director, Michigan Manufacturers' Association, 1640 Penobscot Building, Detroit, Mich.
- Fonda, George T., safety engineer, Bethlehem Steel Co., South Bethlehem, Pa.
- Fox, Elizabeth G., superintendent, Instructive Visiting Nurse Society, 2506 K Street, Washington, D. C.
- Frankel, Lee K., third vice president, Metropolitan Life Insurance Co., delegate appointed by Gov. Whitman, 1 Madison Avenue, New York City.
- Frost, H. S., manager, Washington branch Automobile Insurance Co. of Hartford, Conn., 825 Woodward Building, Washington, D. C.
- Futch, W. E., secretary, National Fraternal Congress of America, 1136 Brotherhood of Locomotive Engineers' Building, Cleveland, Ohio.
- Gehr, S. W., 400 Pullman Building, Chicago, Ill.
- Geler, Dr. Otto P., National Machine Tool Builders' Association, director, employees' service department, Cincinnati Milling Machine Co., Cincinnati, Ohio.

- Gloster, Thos. B., Industrial Accident Board, Lansing, Mich.
- Goldstein, H. T., Buick Motor Co., Flint, Mich.
- Gould, W. H., consulting actuary, 25 Church Street, New York City.
- Grady, Alice H., Massachusetts Savings Bank Life Insurance League, 2 Walnut Street, Boston, Mass.
- Graham, T. Bertrand, assistant secretary, National Congress of Catholic Charities, care Metropolitan Life Insurance Co., 1 Madison Avenue, New York City.
- Graham, William J., superintendent group insurance, Equitable Life Assurance Society, 120 Broadway, New York City.
- Green, William, secretary-treasurer, United Mine Workers of America, 1103 Merchants' Bank Building, Indianapolis, Ind.
- Greenough, William, 120 Broadway, New York City.
- Haas, Louis W., Buick Motor Co., Flint, Mich.
- Halsey, Olga L., American Association for Labor Legislation, 131 East Twenty-third Street, New York City.
- Hanna, Hugh S., United States Department of Labor, Washington, D. C.
- Harris, Louis I., M. D., chief, Division of Industrial Hygiene, Department of Health, 139 Centre Street, New York City.
- Hart, Merwin K., Utica Mutual Compensation Insurance Corporation, 110 Genesee Street, Utica, Utica, N. Y.
- Hayden, H. B., 17 State Street, Framingham, Mass.
- Henderson, E. F., 1738 Q Street, Washington, D. C.
- Hester, W. A., delegated by National Association of Garment Manufacturers, 1601 West Franklin Street, Evansville, Ind.
- Higgins, James, State Industrial Accident Commission of Maryland, Baltimore, Md.
- Hoffman, Frederick L., statistician, Prudential Insurance Co. of America, Newark, N. J.
- Holman, Dudley M., president, International Association of Industrial Accident Boards and Commissions, 8 Winter Street, Boston, Mass.
- Holmes, Bayard P., president, Hooper-Holmes Bureau, 80 Maiden Lane, New York City.
- Hotchkiss, William H., attorney, 55 Liberty Street, New York City.
- Jackson, George H., Joint Special Recess Committee of the Massachusetts Legislature on Workmen's Compensation Insurance Rates and Accident Prevention, Statehouse, Boston, Mass.
- Johnson, Dr. Loren, 2108 Sixteenth Street, Washington, D. C.
- Jones, F. Robertson, secretary, Workmen's Compensation Publicity Bureau, 80 Maiden Lane, New York City.
- Jordan, Dr. Llewellyn, chief, Surety Bonds Section, Treasury Department; secretary, United States Civil Service Retirement Association, Washington, D. C.
- Judson, William F., New York Telephone Co., 15 Dey Street, New York City.
- Kearney, E. J., delegate from Wisconsin, Kearney & Trecker Co., Milwaukee, Wis.
- Kellogg, Paul U., editor, The Survey, 112 East Nineteenth Street, New York City.
- Kennard, William W., Joint Special Recess Committee of the Massachusetts Legislature on Workmen's Compensation Insurance Rates and Accident Prevention, 18 Tremont Street, Boston, Mass.
- Kennedy, Dudley R., director, Labor Department, B. F. Goodrich Co., Akron, Ohio.
- Kennedy, John S., secretary, Benefit Fund Committee, Eastern Group, Bell Telephone Cos., 15 Dey Street, New York City.

- Kerby, Rev. Dr. William J., professor of sociology, Catholic University, Washington, D. C.
- Kingston, George A., Workmen's Compensation Board of Ontario, Normal School Building, Toronto, Canada.
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- Kruck, Frank, secretary-treasurer, Richmond Labor Council, 801 Edgewood Avenue, Richmond, Va.
- Kuhlman, W. J., Youngstown Sheet & Tube Co., Youngstown, Ohio.
- Lambert, Alexander, M. D., chairman, Social Insurance Committee of American Medical Association, 43 East Seventy-second Street, New York City.
- La Rue, Mrs. Mabel T., Woman's Benefit Association of the Maccabees, The Portland, Washington, D. C.
- Lasker, B., Mayor's Committee on Unemployment, room 2028, Municipal Building, New York City.
- Lee, Robert E., Firestone Tire & Rubber Co., 52 Olive Street, Akron, Ohio.
- Lentz, John J., A. I. U. Building, Columbus, Ohio.
- Lerch, Myrtle M., B. F. Goodrich Co., Akron, Ohio.
- Lindsay, Samuel McCune, Columbia University, New York, N. Y.
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- Lott, Edson S., official delegate, State of New York, 80 Maiden Lane, New York City.
- Luckett, D. G., secretary, United States Casualty Co., 80 Maiden Lane, New York City.
- Lyman, Theron U., 700 Main Street, Hartford, Conn.
- McBride, John, representative of Gov. George W. P. Hunt, 1418 West Washington Street, Phoenix, Ariz.
- McBride, P. J., commissioner of labor, Statehouse, Topeka, Kans.
- McCurdy, Sidney M., M. D., Youngstown Sheet & Tube Co., Youngstown, Ohio.
- McCoy, Luke D., secretary, Bureau of Labor Statistics, Statehouse, Springfield, Ill.
- MacEachen, Mary, Woman's Benefit Association of the Maccabees, Home Office Building, Port Huron, Mich.
- McGaw, R. B., Fisk Rubber Co., Chicopee Falls, Mass.
- McGregor, T. H., Industrial Accident Board, Austin, Tex.
- McSweeney, Edward F., former member, Massachusetts Industrial Accident Board, 100 Sumner Street, Boston, Mass.
- Mack L. Alexander, president, The Weekly Underwriter, 80 Maiden Lane, New York City.
- Mackey, Harry A., chairman, Workmen's Compensation Board of Pennsylvania, North American Building, Philadelphia, Pa.
- Magruder, J. W., general secretary, Federated Charities, 16 St. Paul Street, Baltimore, Md.
- Mallery, G. L., Swift & Co., Security Mutual Casualty Co., Chicago, Ill.
- Mapel, John W., Pfister & Vogel Leather Co., Milwaukee, Wis.
- Maydwell, Charles W., Maryland Casualty Co., Baltimore, Md.
- Merrill, Robert J., commissioner of insurance, Concord, N. H.
- Michelbacher, G. F., National Workmen's Compensation Service Bureau, 13 Park Row, New York City.
- Miller, George H., Sears, Roebuck & Co., Chicago, Ill.
- Moore, R. R., Department 1811, B. F. Goodrich Co., Akron, Ohio.
- Morgan, Earl B., Norton Co., Worcester, Mass.
- Mosgrove, Mrs. Alicia, Social Insurance Commission of California, 3277 Pacific Avenue, San Francisco, Cal.

- Mount, C. K., Woodward Building, Washington, D. C.
- Muhlhauser, Miss Hilda, Department of Labor, Washington, D. C.
- Mulready, Edwin, commissioner of labor, 1 Beacon Street, Boston, Mass.
- Nelson, Oscar F., chief State factory inspector, 826 Buckingham Place, Chicago, Ill.
- Nesbit, C. F., superintendent of insurance, District Building, Washington, D. C.
- Nevin, A. Parker, counsel, National Association of Manufacturers, 30 Church Street, New York City.
- Norton, Augustus P., United States Bureau of Labor Statistics, Washington, D. C.
- O'Brien, M. Harry, insurance commissioner, Pierre, S. Dak.
- Obenauer, Miss Marie L., Bureau of Applied Economics, 310 Philadelphia Bank Building, Philadelphia, Pa.
- Ostrander, Katharine, Woman's Benefit Association of the Maccabees, Port Huron, Mich.
- Parlett, Dr. E. M., Welfare Bureau, Baltimore & Ohio Railroad Co., B. & O. Building, Baltimore, Md.
- Pease, Fred S., Industrial Accident Board, 468 College Street, Burlington, Vt.
- Perry, C. H., Investigation Committee of Virginia, 634 May Avenue, Norfolk, Va.
- Persons, W. Frank, 45 Meadow Lane, New Rochelle, N. Y.
- Phillips, H. W., 200 McGill Building, Washington, D. C.
- Potts, Rufus M., insurance superintendent of Illinois, Springfield, Ill.
- Powderly, T. V., Bureau of Immigration, Department of Labor, Washington, D. C.
- Powell, Junius L., Woodward Building, Washington, D. C.
- Price, George W., M. D., director, Joint Board of Sanitary Control in the Dress and Waist Industry, 31 Union Square, West, New York City.
- Reidern, J. N., superintendent, Relief Department, Chicago, Burlington & Quincy Railroad, 547 West Jackson Boulevard, Chicago, Ill.
- Reifanider, John M., chairman, Industrial Accident Commission, Baltimore, Md.
- Reilly, Philip, 5 Concord Terrace, Framingham, Mass.
- Richards, C. E., general secretary-treasurer, Insurance Department of Brotherhood of Locomotive Engineers, 1136 Brotherhood of Locomotive Engineers' Building, Cleveland, Ohio.
- Riddell, W. A., Trades and Labor, Parliament Buildings, Toronto, Ontario, Canada.
- Rosenberg, Albert, 1220 West Lanvale Street, Baltimore, Md.
- Rowe, J. Schofield, vice president, Aetna Life Insurance Co., 650 Main Street, Hartford, Conn.
- Salz, Ansley K., advisory member, Social Insurance Commission of California, 603 Wells-Fargo Building, San Francisco, Cal.
- Saunders, Edward B., delegate of Associated Industries of Massachusetts, Simmonds Manufacturing Co., Fitchburg, Mass.
- Schereschewsky, J. W., surgeon, United States Public Health Service, Pittsburgh, Pa.
- Senior, Leon S., manager, New York Compensation Inspection Rating Board, 135 William Street, New York City.
- Senior, Max, chairman, Social Insurance Commission, National Conference of Charities and Correction, 3580 Washington Avenue, Cincinnati, Ohio.
- Shepherd, Alfred, deputy labor commissioner, Des Moines, Iowa.
- Sherman, P. Tecumseh, attorney, 15 William Street, New York City.

- Shipman, M. L., commissioner of labor and printing, Raleigh, N. C.
- Slegk, Arthur M., actuary, State Insurance Department, Baltimore, Md.
- Smith, Hal H., counsel, Michigan Workmen's Compensation Mutual, 1121 Ford Building, Detroit, Mich.
- Spencer, Edna Lawrence, Special Commission on Social Insurance, 9 Pleasant Street, Cambridge, Mass.
- Squier, Lee W., twentieth floor, Finance Building, Philadelphia, Pa.
- Stearns, R. B., vice president, Milwaukee Electric Railway & Light Co., delegate by appointment of governor, Public Service Building, Milwaukee, Wis.
- Stone, Edward L., representing National Association of Manufacturers, 116-132 North Jefferson Street, Roanoke, Va.
- Stone, John T., president, Maryland Casualty Co., Baltimore, Md.
- Streator, Wallace, 3160 Eighteenth Street, Washington, D. C.
- Sumner, Helen L., assistant chief, Children's Bureau, Department of Labor, Washington, D. C.
- Sydenstricker, Edgar, statistician, United States Public Health Service, 416 Winder Building, Washington, D. C.
- Train, John L., Utica Mutual Compensation Insurance Corporation, 110 Genesee Street, Utica, N. Y.
- Ufford, Walter L., general secretary, Associated Charities, 923 H Street, Washington, D. C.
- Urdahl, T. K., University of Wisconsin, 211 Prospect Avenue, Madison, Wis.
- Van Kleeck, Miss Mary, director, Division of Industrial Studies, Russell Sage Foundation, 130 East Twenty-second Street, New York City.
- Wadsworth, Philip C., State Mutual Life Insurance Co., Worcester, Mass.
- Wagaman, Charles D., State Industrial Accident Commission of Maryland, Baltimore, Md.
- Wall, Joseph S., M. D., chairman, Social Insurance Committee, Medical Society, District of Columbia, 2017 Columbia Road, Washington, D. C.
- Warren, B. S., surgeon, United States Public Health Service, 416 Winder Building, Washington, D. C.
- Watson, Ray N., Goodyear Tire & Rubber Co., Akron, Ohio.
- Webb, George D., Casualty Insurance, Insurance Exchange, Chicago, Ill.
- Weiss, Carol T., American Association for Labor Legislation, 131 East Twenty-third Street, New York City.
- White, Capt. William P., National Association of Manufacturers, Associated Industries of Massachusetts, treasurer and general manager of Lowell Paper Tube Corporation, 52 Nassau Street, Lowell, Mass. (Box 1239.)
- Whiting, Frank V., general claims attorney, New York Lines, Grand Central Terminal, New York City.
- Whitney, Albert W., general manager, National Workmen's Compensation Service Bureau, 13 Park Row, New York City.
- Wilcox, F. W., Industrial Commission, Madison, Wis.
- Williams, Frederic M., Connecticut Workmen's Compensation Commission, Waterbury, Conn.
- Williams, Nathan B., associate editor, The Lawyer and Banker, Southern Building, Washington, D. C.
- Williams, R. G., Norton Co., and National Association of Manufacturers, Worcester, Mass.
- Williams, Whiting, Equitable Life Assurance Society, Chamber of Commerce Building, Cleveland, Ohio.

- Wilson, H. M., director of Department of Inspection and Safety, The Associated Industries, 2407 First National Bank Building, Pittsburgh, Pa.
- Willson, W. G., Leader-News Building, Cleveland, Ohio.
- Wolfe, S. Herbert, consulting actuary, delegate from State of New York, 165 Broadway, New York City.
- Woltz, James M., Youngstown Sheet & Tube Co., Youngstown, Ohio.
- Woodward, Joseph H., actuary, State Industrial Commission, 230 Fifth Avenue, New York City.
- Young, William, Industrial Board of Pennsylvania, North American Building, Philadelphia, Pa.

## APPENDIX C.

### DELEGATES APPOINTED BY STATE GOVERNORS.

#### *Arizona:*

John McBride, Phoenix.<sup>1</sup>

#### *Colorado:*

Hon. E. E. McLaughlin, Chairman, Industrial Commission, Denver.

Frank P. Lannon, Industrial Commission, Denver.

Wayne C. Williams, Industrial Commission, Denver.

W. W. Greene, actuary, Industrial Commission, Denver.

#### *Connecticut:*

Walter G. Cowles, Travelers Insurance Co., Hartford.<sup>1</sup>

George B. Chandler, Workmen's Compensation Commission, Rocky Hill.<sup>1</sup>

J. J. Donohue, Workmen's Compensation Commission, Norwich.<sup>1</sup>

George E. Beers, Workmen's Compensation Commission, Guilford.<sup>1</sup>

Edward T. Buckingham, Workmen's Compensation Commission, Bridgeport.<sup>1</sup>

Fred. M. Williams, Workmen's Compensation Commission, New Milford.<sup>1</sup>

#### *Illinois:*

Hon. Oscar F. Nelson, chief factory inspector, Chicago.<sup>1</sup>

Hon. Rufus M. Potts, superintendent of insurance, Springfield.<sup>1</sup>

Hon. Peter Angsten, Industrial Board, Chicago.

Hon. Luke D. McCoy, Bureau of Labor Statistics, Springfield.<sup>1</sup>

#### *Michigan:*

Thomas B. Gloster, Industrial Accident Board, Lansing.<sup>1</sup>

James A. Kennedy, Industrial Accident Board, Lansing.

Claude S. Carney, 711 Kalamazoo National Bank Building, Kalamazoo.

James V. Cunningham, commissioner of labor, Lansing.<sup>1</sup>

#### *Nevada:*

John J. Mullin, chairman, Industrial Commission, Carson City.

H. A. Lemmon, Industrial Commission, Carson City.

William E. Wallace, Industrial Commission, Carson City.

#### *New Hampshire:*

Hon. Robert J. Merrill, commissioner of insurance, Concord.<sup>1</sup>

Hon. John S. B. Davie, commissioner of labor, Concord.<sup>1</sup>

#### *New Mexico:*

J. B. Hayward, Santa Fe.

P. F. McCanna, Albuquerque.

#### *New Jersey:*

William B. Dickson, president, Employers' Liability Commission, 110 Llewellyn Road, Montclair.

Samuel Botterell, Employers' Liability Commission, East Orange.

Edward K. Mills, Employers' Liability Commission, First National Bank Building, Morristown.

J. William Clark, Employers' Liability Commission, 260 Ogden Street, Newark.

Bernard V. Tansey, Elizabeth.

Lewis T. Bryant, commissioner of labor, Trenton.<sup>1</sup>

Walter M. Adriance, Princeton University, Princeton.<sup>1</sup>

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<sup>1</sup> Present at conference.

*New York:*

- Lee K. Frankel, third vice president, Metropolitan Life Insurance Co., 1  
Madison Avenue, New York City.<sup>1</sup>  
Edson S. Lott, 80 Malden Lane, New York City.<sup>1</sup>  
S. Herbert Wolfe, consulting actuary, 165 Broadway, New York City.<sup>1</sup>

*North Carolina:*

- J. D. Murphy, Asheville.  
T. S. Rollins, Asheville.  
R. L. Francis, Asheville.  
J. H. Lindsey, Asheville.  
O. R. Jarrett, Asheville.  
Dr. Edward K. Graham, Chapel Hill.  
Dr. W. S. Rankin, Council on Health and Public Instruction, A. M. A.,  
Raleigh.  
A. W. McAllister, Greensboro.

*Wisconsin:*

- Hon. J. D. Beck, Industrial Commission, Madison.  
Hon. George P. Hambrecht, Industrial Commission, Madison.  
Hon. Fred M. Wilcox, Industrial Commission, Madison.<sup>1</sup>  
Hon. M. J. Cleary, Madison.  
Edward J. Kearney, Kearney & Trecker Co., Milwaukee.<sup>1</sup>  
Gen. Otto H. Falk, Milwaukee.  
A. T. Van Scoy, Milwaukee.  
R. B. Stearns, vice president, Milwaukee Electric Railway & Light Co.,  
Milwaukee.<sup>1</sup>  
S. B. Way, Milwaukee.  
Fred Brockhausen, Milwaukee.  
Joseph LeFleure, Milwaukee.  
Paul Hybrecht, Green Bay.  
John Rae, LaCrosse.

*Hawaii:*

- Sidney M. Ballou, Industrial Accident Board, Honolulu.<sup>1</sup>

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<sup>1</sup> Present at conference.

