

of the previous year. The remainder of the interest is due to be paid in subsequent years.

Taxation of unemployment insurance benefits. The 1982 amendments reduce the annual income threshold used to determine the extent to which unemployment benefits may be subject to the Federal income tax. With respect to unemployment insurance benefits paid starting January 1, 1982, the income threshold is reduced from \$25,000 to \$18,000 for married taxpayers filing jointly and from \$20,000 to \$12,000 for single taxpayers. Thus, under the new law, a taxpayer must include in gross income for income tax purposes the lesser of the amount of unemployment benefits paid, or half the excess of adjusted gross income plus unemployment benefits plus excludable disability income over \$12,000 (for single taxpayers) or \$18,000 (for married taxpayers filing jointly).

Coverage and administrative provisions. Under previous law, States were required to deny unemployment insurance benefits to some categories of employees of schools and institutions of higher learning during school recess periods between terms or years. States could also withhold benefits from additional categories of employees of elementary and secondary schools. Public Law 97-248 extends the optional denial to the comparable groups of employees in institutions of higher learning. The new amendments also delay from January 1982 to January 1984 the effective date of the 1981 provision to exclude from unemployment insurance coverage the wages for certain farm work performed by aliens.

Under the new law, the Department of Labor is directed to develop model legislation for the use of States desiring to establish short-term compensation ("work-sharing") programs. This model legislation is to be aimed at alleviating the present inflexibility of unemployment insurance laws with respect to partial unemployment. Benefits are generally payable to laid-off workers and to those whose work schedules have been reduced so that they receive less than half their recent wage. If the workers earn more than half their regular wages, however, unemployment benefits are cut off completely in most cases. Among the administrative changes made was the requirement that States amend their benefit structure so that benefit amounts are rounded to the next lower dollar.

Financial effects of the Tax Equity and Fiscal Responsibility Act. A preliminary congressional estimate of the financial impact of the unemployment insurance provisions in Public Law 97-248 and Public Law 97-424 indicates that the Federal Supplemental Compensation program will pay a total of about \$2.8 billion during fiscal years 1982 and 1983. The net effect of the Federal Supplemental Compensation program and the lowered income threshold for taxing unemployment benefits under the personal income tax is expected to result in a

\$1.7-billion increase in the Federal deficit in fiscal year 1983 but a decrease in the deficit in the following two years (\$0.8 billion in fiscal year 1984 and \$0.7 billion in fiscal year 1985). Revenues under the Federal Unemployment Tax Act will be increased in each of the next few years as a result of the wage base, tax rate, and other provisions affecting trust fund revenues. The increases are expected to amount to \$1.3 billion in fiscal year 1983, \$2.4 billion in fiscal year 1984, and \$2.8 billion in fiscal year 1985.

Public Law 97-362

Among other things, the Miscellaneous Revenue Act of 1982 (Public Law 97-362) changes some parts of the unemployment insurance program, most notably the benefits for ex-servicemembers. The UCX provisions of the 1981 law were partially reversed by this act, making more ex-servicemembers eligible for benefits.

The new law authorized UCX benefits, starting with the fifth week after separation, to individuals with honorable discharges who have served at least 180 days. The discharge must have been at the completion of a first full term of active duty, or, if before completion, it must have been for the convenience of the Government; due to sickness, injury, or parenthood; because of hardship; or due to a personality disorder, but only after the completion of 365 days of continuous service.

Under the 1982 law, Congress set the maximum duration of UCX benefits at 13 weeks, including any extended benefits that might be payable. (Other workers generally are eligible for up to 26 weeks of regular benefits plus any applicable extended benefits.) These new provisions apply to military separations after July 1, 1981, and cover weeks of unemployment beginning after October 25, 1982. UCX payments made after October 1, 1983, are to be charged to the Defense Department in the same manner that Federal benefits paid to former civilian Federal employees are charged to the appropriate agency. Previously, UCX payments were part of the budget of the Labor Department, which administers the UCX program.

Workers' Compensation: Coverage, Benefits, and Costs, 1980*

Data compiled by the Social Security Administration's Office of Research and Statistics indicate that

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\$13.4 billion in workers' compensation (including Black Lung benefits) was paid to disabled workers and their survivors for work-related injuries in 1980. Total workers' compensation benefits rose 12.5 percent above the 1979 level and the rise was even larger—14 percent—when Federal Black Lung benefits, which were slightly higher in 1980 than in 1979, are excluded from the total. Wage inflation continued to be the major factor behind the increase in workers' compensation payments during 1980.

The Social Security Administration (SSA) has been gathering information on workers' compensation since 1942.¹ There are 50 State workers' compensation programs and three Federal programs that protect workers in the District of Columbia, Federal workers, and long-shore and harbor workers. These programs provide cash and medical benefits to disabled workers and to survivors of workers killed on the job. Disabled workers are eligible for benefits if their injury or illness is work-related, regardless of fault. Cash benefits are intended to replace part of lost wages, or are paid according to a statutory schedule of allowances for specific partial disabilities. The State programs are generally administered by industrial commissions or special units within State departments of labor, and the Federal programs are administered by the U.S. Department of Labor (except that the District of Columbia administers its own program).

In addition to benefit payments, workers' compensation program costs include amounts needed to operate the insurance systems that handle claims and pays benefits, and amounts needed to meet each State's supervisory expenses. These costs are funded out of the premiums paid by employers for workers' compensation insurance. In 1980, workers' compensation premium costs totaled \$22 billion, an amount that excludes parts of the workers' compensation system financed out of general revenues, such as the main part of the Federal Black Lung benefits program and the administrative costs of many of the State workers' compensation regulatory agencies. The 1980 premium level was 9 percent above that for 1979, the smallest annual rise since 1971. The ratio of benefit payments to premiums increased from 51.3 percent to 53.9 percent. This ratio has risen during both 1979 and 1980, after experiencing a substantial drop in the mid-1970's.

¹ Workers' compensation is related in several direct and immediate ways to programs administered by SSA. Since 1965, a provision in the Old-Age, Survivors, and Disability Insurance (OASDI) program has, under certain circumstances, required a reduction in DI benefits for those who also receive workers' compensation benefits. (Alternatively, the law allows some States to make a reduction in the workers' compensation benefit instead.) Since December 1969, SSA has administered Part B of the Black Lung program for claims filed through 1973. Information on workers' compensation and other programs also helps to evaluate gaps, overlaps, and other interrelationships between the DI program and the rest of the Nation's disability benefit system.

Coverage

Slightly more than 79 million workers were covered under State workers' compensation laws in 1980. Compared with 1979, this figure was about a half million higher, an increase due primarily to growth in the labor force rather than to extensions of coverage. Throughout most of the 1970's, about 9 out of every 10 wage and salary workers were protected by workers' compensation laws. In 1980, 88 percent of the employed labor force was covered, compared with 89 percent in 1979. Payrolls covered under workers' compensation laws in 1980 totaled \$1,140 billion, or 86 percent of the total civilian wage and salary payroll.

Twenty-two States amended their workers' compensation coverage provisions in 1980, but only a small number of workers was affected under most of these provisions. For example, domestic and household workers were brought into coverage in New Jersey. In some cases, mandatory coverage was dropped (such as in Missouri, for salaried corporate officers). The net result: About the same proportion of persons was covered in 1980 as in 1979.

Benefits

In 1980, workers' compensation benefits totaled \$13.4 billion (table 1). These benefits were paid by 50 State programs, three Federal programs and the Federal Black Lung program.

The 1980 benefit increase was considerably smaller than the increase in 1979 and was due almost entirely to growth in the regular State programs. In contrast, the 1979 increase reflected a substantial rise in Black Lung benefit payments, as well as in State program benefits. The following tabulation shows the extent of the different patterns in the 2 years.

Period	Total percentage change in workers' compensation benefits	Percentage change without Black Lung program	Percentage change in Black Lung benefits
1978-79	22.0	16.7	67.4
1979-80	12.5	14.3	1.5

Regular workers' compensation benefits (all payments except those for Black Lung) continued to rise at a substantial pace (14 percent) in 1980, although not quite as fast as in 1979 or in most of the other years since 1973.

Black Lung benefits amounted to \$1.7 billion in both 1979 and 1980. In contrast, Black Lung payments had grown at a 70-percent annual rate from a level of \$1.0 billion in 1978 as a result of a statutory expansion in benefit entitlement. Although certain medical diagnostic and maintenance benefits are allowed under the Federal Black Lung program, table 1 shows that it es-

Table 1.—Estimates of workers' compensation payments, by type of benefits, 1980 and 1979

Type of benefit	Amount of payments (in millions)		Percentage change
	1980	1979	
Total.....	\$13,359	\$11,877	12.5
Regular.....	11,621	10,165	14.3
Black Lung.....	1,739	1,712	1.5
Medical and hospitalization.....	3,860	3,470	11.2
Regular.....	3,833	3,456	10.9
Black Lung.....	27	14	92.9
Compensation.....	9,499	8,407	13.0
Regular.....	7,788	6,709	16.1
Black Lung.....	1,712	1,698	.8
Disability.....	8,204	7,142	14.9
Regular.....	7,128	6,109	16.7
Black Lung.....	1,077	1,033	4.3
Survivor.....	1,295	1,265	2.4
Regular.....	660	600	10.0
Black Lung.....	635	665	- 4.5

entially has been a cash indemnity program for disabled workers.

The growth of regular workers' compensation benefits in 1980 mainly reflects the effects of rising prices and wages. In 1980, annual wages (on which cash benefits were based) averaged \$14,355, or almost 9 percent above the 1979 level.² Cash benefits during the year rose 13 percent. The level of benefits was directly affected by increasing costs for various medical services and products. The 1980 medical care component of the Consumer Price Index was almost 11 percent higher than the 1979 index figure. About the same increase occurred in workers' compensation medical benefits. The 1980 rise in the price of medical care was larger than all but one of the annual increases during the 1970's.

The extent of work-related disability also exerts a major influence on benefit levels. Each year the Bureau of Labor Statistics reports on injury rates from on-the-job accidents and illnesses in private industry. One such measure relates the number of such injuries, illnesses, and lost workdays to the total number of hours worked by all employees during the year. Expressed as a rate per 100 full-time equivalent workers (working 40 hours a week, 50 weeks per year), it was 8.7 days in 1980, a rate slightly below the 9.5 figure for 1979 and the 9.1 to 9.4 figures for the previous 4 years. The number of workdays lost per lost-workday case was 16.5, slightly higher than the 1979 rate.

Table 1 also shows the distribution of benefits by type. Workers' compensation provides workers with cash indemnity payments, medical care, and, in the event of death, survivor benefits. In 1980, workers and their survivors received \$9.5 billion in cash compensa-

² Wages reported here are those covered by unemployment insurance, the closest available measure for estimating wages covered under workers' compensation programs.

tion, or 71 percent of the \$13.4 billion total. The \$7.8 billion in regular cash compensation benefits amounted to a somewhat lower proportion (67 percent) of the regular program total.

Among the regular cash compensation payments, the \$7.1 billion in disability benefits represented about 61 percent of the regular program total in 1980 and the \$0.7 billion in survivor payments represented 6 percent. Both of these proportions have been stable for many years.

Medical care benefits have long constituted 29-35 percent of the total paid under all programs. In 1980, these benefits amount to \$3.9 billion and represented 29 percent of the total. With the Black Lung program excluded, medical care benefits accounted for 33 percent of the total.

Variation in State Benefits Under the Regular Program

By far the largest amount paid in 1980 under regular workers' compensation programs was the \$1.6 billion paid in California (table 2). The smallest total was in South Dakota, which paid \$13 million to its workers. The eight States with the largest payments accounted for half the total both in 1979 and 1980. In contrast, aggregate amounts in the eight States with the smallest payments accounted for less than 2 percent of the total.

A number of factors contribute to the wide range of payments made by States: size of the covered work force, wage rates, statutory benefit provisions, industrial and occupational composition, and demographic characteristics of workers. The size of the covered work force is perhaps the single most important determinant. The eight States with the largest covered employment were also the ones with the highest aggregate benefits. Similarly, seven of the eight States with the smallest covered employment had the lowest aggregate benefits.

All of the States paid more in workers' compensation benefits in 1980 than in 1979. The increases ranged from about 5 percent in Indiana to almost 31 percent in Hawaii and Utah. The tabulation below shows that the

Percentage increase in benefits	Number of States ¹		Percentage distribution of covered workers ¹	
	1979-80	1978-79	1979-80	1978-79
Total.....	52	52	100.0	100.0
Percentage increase:				
Less than 5.....	1	2	2.3	.5
5.0-9.9.....	8	2	33.2	4.6
10.0-14.9.....	13	7	21.0	35.2
15.0-19.9.....	15	22	23.0	35.4
20.0 or more.....	15	19	20.5	24.3

¹ Includes programs in all the States and the District of Columbia and the program for Federal civilian employees.

Table 2.—Estimates of workers' compensation payments, by State and type of insurance, 1980 and 1979¹

[In thousands]

Jurisdiction	1980				1979				Percentage change in total payments from 1979 to 1980
	Total	Insurance losses paid by private insurance ²	State and Federal fund disbursements ³	Self-insurance payments ⁴	Total	Insurance losses paid by private insurance ²	State and Federal fund disbursements ³	Self-insurance payments ⁴	
Total	\$13,359,383	\$7,022,696	\$4,298,986	\$2,037,701	\$11,876,692	\$6,156,997	\$3,992,782	\$1,726,913	12.5
Alabama	112,440	80,440	...	32,000	95,972	68,472	...	27,500	17.2
Alaska	57,621	51,921	...	5,700	52,263	47,963	...	4,300	10.3
Arizona	119,777	60,608	48,796	10,373	104,941	51,893	45,381	7,667	14.1
Arkansas	76,161	63,961	...	12,200	65,601	55,201	...	10,400	16.1
California	1,562,715	950,288	233,427	379,000	1,422,343	845,126	232,217	345,000	9.9
Colorado	110,896	39,970	60,826	10,000	88,667	31,890	48,677	8,100	25.1
Connecticut	129,696	117,196	...	12,500	105,690	95,490	...	10,200	22.7
Delaware	19,918	16,218	...	3,700	16,714	13,614	...	3,100	19.2
District of Columbia	67,384	57,494	...	9,890	57,909	50,309	...	7,600	16.4
Florida	362,000	299,000	...	63,000	341,940	286,940	...	55,000	5.9
Georgia	196,928	156,328	...	40,600	163,026	132,526	...	30,500	20.8
Hawaii	59,695	44,295	...	15,400	45,670	34,570	...	11,100	30.7
Idaho	41,678	26,266	6,640	8,772	38,175	24,382	6,393	7,400	9.2
Illinois	665,212	559,212	...	106,000	582,840	490,840	...	92,000	14.1
Indiana	109,715	91,015	...	18,700	105,026	87,076	...	17,950	4.5
Iowa	92,362	82,462	...	9,900	81,359	71,359	...	10,000	13.5
Kansas	81,038	72,138	...	8,900	67,933	60,533	...	7,400	19.3
Kentucky	127,708	109,508	...	18,200	119,324	102,324	...	17,000	7.0
Louisiana	292,929	254,729	...	38,200	237,523	206,523	...	31,000	23.3
Maine	81,263	64,463	...	16,800	68,912	55,612	...	13,300	17.9
Maryland	186,841	129,534	19,007	38,300	158,563	109,606	15,157	33,800	17.8
Massachusetts	295,770	272,409	...	23,361	241,388	224,888	...	16,500	22.5
Michigan	626,266	343,057	33,209	250,000	579,553	323,653	24,400	231,500	8.1
Minnesota	257,484	219,984	...	37,500	212,153	181,153	...	31,000	21.4
Mississippi	60,285	54,185	...	6,100	51,159	46,259	...	4,900	17.8
Missouri	121,710	104,910	...	16,800	106,417	93,217	...	13,200	14.4
Montana	40,872	14,441	5 21,724	4,707	33,925	12,497	5 17,678	3,750	20.5
Nebraska	42,457	37,557	...	4,900	36,210	32,610	...	3,600	17.3
Nevada	74,796	456	72,170	2,170	59,507	289	58,288	930	25.7
New Hampshire	45,585	42,585	...	3,000	38,876	36,326	...	2,550	17.3
New Jersey	316,426	284,576	...	31,850	296,211	265,661	...	30,550	6.8
New Mexico	55,104	50,104	...	5,000	45,862	41,662	...	4,200	20.2
New York	608,291	346,766	178,025	83,500	568,966	333,071	157,895	78,000	6.9
North Carolina	130,817	106,917	...	23,900	111,944	91,944	...	20,000	16.9
North Dakota	16,976	95	16,881	...	15,218	147	15,071	...	11.6
Ohio	764,243	1,684	481,059	281,500	616,142	1,509	5 415,633	199,000	24.0
Oklahoma	133,545	89,084	22,961	21,500	108,412	71,582	19,330	17,500	23.2
Oregon	261,167	81,974	140,093	39,100	238,933	72,528	133,205	32,200	9.3
Pennsylvania	575,693	386,320	5 55,973	133,400	494,632	329,003	5 56,231	109,398	16.4
Rhode Island	55,319	49,819	...	5,500	45,192	40,692	...	4,500	22.4
South Carolina	79,284	66,453	...	12,831	65,811	56,811	...	9,000	20.5
South Dakota	13,133	11,433	...	1,700	10,953	9,503	...	1,450	19.9
Tennessee	129,112	115,312	...	13,800	114,563	102,263	...	12,300	12.7
Texas	700,775	700,775	594,343	594,343	17.9
Utah	41,015	10,414	23,801	6,800	31,362	8,594	17,568	5,200	30.8
Vermont	15,334	14,084	...	1,250	13,612	12,512	...	1,100	12.7
Virginia	173,490	136,590	...	36,900	145,952	114,952	...	31,000	18.9
Washington	284,804	12,427	227,377	45,000	252,612	11,233	201,379	40,000	12.7
West Virginia	176,161	145	119,319	56,697	148,499	122	103,509	44,868	18.6
Wisconsin	171,544	140,844	...	30,700	152,866	125,466	...	27,400	12.2
Wyoming	14,619	250	14,369	...	12,939	258	12,681	...	13.0
Federal:									
Civilian employee program ⁶	776,403	...	776,403	...	691,502	...	691,502	...	12.3
Black Lung benefits program ⁷	1,738,548	...	1,738,548	...	1,712,062	...	1,712,062	...	1.5
Other ⁸	8,378	...	8,378	...	8,525	...	8,525	...	-1.7

¹ Data for 1980 preliminary. Calendar-year figures, except that data for Montana and West Virginia, for Federal civilian employees and "other" Federal workers' compensation, and for State Fund disbursements in Maryland, Nevada, North Dakota, Utah, Washington, and Wyoming represent fiscal years ended in 1979 and 1980. Includes benefit payments under the Longshoremen's and Harbor Workers' Compensation Act and Defense Bases Compensation Act for the States in which such payments are made.

² Net cash and medical benefits paid during the calendar year by private insurance carriers under standard workers' compensation policies. Data primarily from A. M. Best Company, a national data-collecting agency for private insurance.

³ Net cash and medical benefits paid by State funds compiled from State reports (published and unpublished); estimated for some States.

⁴ Cash and medical benefits paid by self-insurers, plus the value of medical benefits paid by employers carrying workers' compensation policies that do not include the standard medical coverage. Estimated from available State data.

⁵ Includes payment of supplemental pensions from general funds.

⁶ Payments to civilian Federal employees (including emergency relief workers) and their dependents under the Federal Employees' Compensation Act.

⁷ Includes \$728,957,000 in 1979 and \$706,538,000 in 1980 paid by the Department of Labor.

⁸ Primarily payments made to dependents of reservists who died while on duty in the Armed Forces, to individuals under the War Hazards Act, War Claims Acts, and Civilian War Benefits Act, and to Civil Air Patrol and Reserve Officers Training Corps personnel, persons involved in maritime war risks, and law-enforcement officers under Public Law 90-921.

annual percentage increases in State payments during 1980 were lower than those a year earlier. In 1979, 60 percent of the persons covered worked in States in which benefit payments rose by at least 15 percent; only 44 percent worked in States with this high a percentage increase in 1980.

In most of the 10 years from 1970 to 1979, regular program benefits paid in the Middle Atlantic States³ rose at a slower pace than did benefits paid in other divisions. A somewhat less consistent pattern has been the higher-than-average annual benefit growth in the southern part of the country. Benefit increases in the Middle Atlantic States in 1980 (10 percent) were well below the national average (14.5 percent). The Pacific States⁴ also had a below-average rate of annual change in 1980. The West South Central division,⁵ with a composite benefit growth rate of 20 percent, was well above the national average. Mountain States⁶ and those in the New England division⁷ also had a high annual growth rate from 1979 to 1980.

To the extent that consistent geographical patterns have been evident in benefit growth during the 1970's, corresponding changes in the labor force have also been noted. That is, growth in employment in the Middle Atlantic States has lagged behind that in other parts of the country, while employment in the South has generally increased well above the pace in other regions. For example, the increase in nonagricultural employment from 1970 to 1980 was 28 percent in the United States as a whole, 7 percent in the Middle Atlantic States, and 56 percent in the West South Central States.

On the other hand, the Mountain States, the Pacific States, and the New England States did not show consistent benefit patterns throughout the 1970's. These areas have been among those with the fastest growth in workers' compensation benefits in some years and among those with the slowest growth in other years. No single cause explains the changing benefit flows.

In 1980, statutory maximum weekly benefit amounts for temporary total disability increased in 46 States, the District of Columbia, and under the Federal Employees Compensation Act program. In 42 of these 48 jurisdictions, the rise was automatic, based on statutory formulas that generally provide for the raising of benefit ceilings as wage levels rise. The four States in which benefits remained the same were among the 10 that have not adopted automatic-increase provisions, although the other six in this group did enact increases in 1980. The average maximum weekly benefit for temporary total

disability (weighted by covered employment in each State) was \$222 as of January 1980. This figure was 9 percent above the \$204 level of January 1979. The annual increase in the statutory maximum has generally been higher than this in recent years (as high as 14 percent in 1976).

Employer Costs

Premiums for insurance represent the cost to employers and include not only benefits provided to workers but also the overhead costs of insurance, claims taking expenses, litigation costs, and other associated expenses. The 1980 employer costs (premiums) of \$22.0 billion consisted of:

- \$15.7 billion in premium paid to private carriers,
- \$4.1 billion in premiums paid to State funds and for Federal programs (for the Federal employees' program, these premiums are the sum of benefit payments and the costs of the administrative agency), and
- \$2.2 billion as the cost of self-insurance⁸—benefits paid by self-insurers plus 5–10 percent for administrative costs.

The \$22.0 billion in premiums for 1980 represented a 9-percent rise from \$20.2 billion in 1979. Although not a small increase, the 1980 change was smaller than any other annual increase in the 1972–80 period. In fact, it was less than half as large as the annual increase in most of those years. The last time workers' compensation premiums increased by less than 9 percent was in 1971, when they rose by 6 percent.

Most Black Lung benefits are funded from general revenues and so are not included in this section on employer costs. For the first time, however, premiums shown in this series include a recently compiled estimate for the share of Federal Black Lung benefits funded directly by employers or through the Black Lung Disability Trust Fund, which was established in 1978. Employer costs for the Black Lung program in 1980 were estimated to be \$250 million. The estimates in the tabulation below are given in terms of actual expenditures (direct premiums) in each calendar year, rather than in terms of premiums earned, and so are comparable with other employer cost data given here.

Year	Estimated employer costs (in millions)
1978	\$40
1979	270
1980	250

As a result of the relatively moderate growth in

⁸ Self-insurance is an alternative to purchasing an insurance policy under which an employer directly handles claims, pays benefits, and maintains necessary reserves for future obligations.

³ New Jersey, New York, and Pennsylvania.
⁴ Alaska, California, Hawaii, Oregon, and Washington.
⁵ Arkansas, Louisiana, Oklahoma, and Texas.
⁶ Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming.
⁷ Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

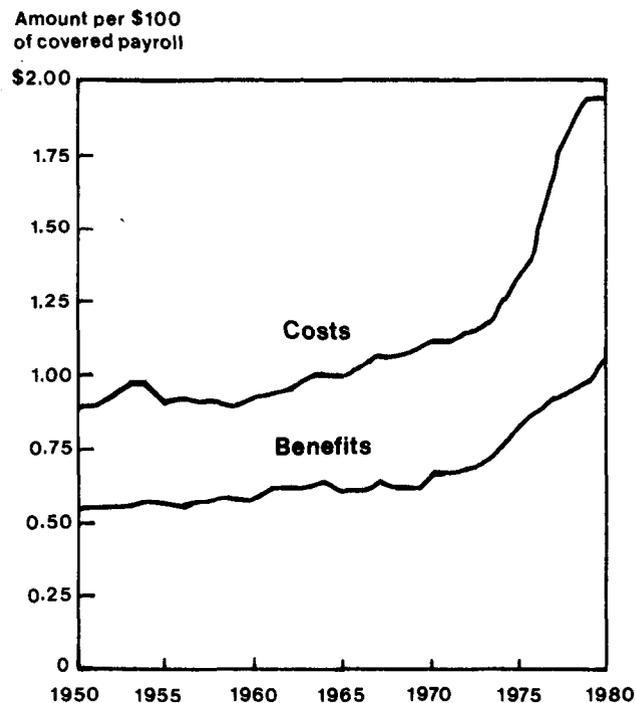
workers' compensation premium costs during 1980, the ratio of such costs to payroll did not increase. This was the first time since 1971 that they did not do so. The 1980 ratio of employer costs per \$100 of covered payroll was \$1.94, compared with \$1.95 for 1979. Chart 1 illustrates the accelerated rise in the cost-payroll ratio in the 1970's and the leveling off in 1980. Benefits paid per \$100 of payroll historically have followed a roughly similar path with the employer cost-payroll ratio, but trailed far behind it in the late 1970's. However, the benefit-payroll ratio was \$1.04 in 1980, compared with \$1.00 in 1979.

As a result of the acceleration of employer costs in the latter half of the 1970's, the relationship of benefits to employer costs (represented by the space between the cost-payroll and benefit-payroll lines on chart 1) widened notably. From a range of between 57 percent and 64 percent from 1950 to 1976, and the even more narrow range of between 59 percent and 62 percent from 1970 to 1976, the ratio of benefits to premiums fell from 59 percent to 51 percent by 1978. This trend reflected premium growth in anticipation of increasing benefit payments due to statutory benefit liberalizations and wage inflation. In 1979, however, this ratio remained about the same and then increased to 54 percent in 1980.

For private carriers alone, the benefit-premium ratio showed a rise from 43 percent in 1979 to 45 percent in 1980, the first increase reported since 1975. A ratio based on benefit losses incurred (which includes amounts set aside to cover liabilities for future claim payments) is higher than a corresponding ratio based on payments actually made in the year. According to data from the National Council on Compensation Insurance, benefit losses incurred by private carriers amounted to 67 percent of net premiums earned in 1980. This proportion continues a change begun in 1978, toward the 56-65 percent levels that characterized the 1950-70 period. (The incurred loss ratio reached a high of 79 percent in 1976.)

Benefit-premium ratios for State funds are available on a benefits-paid basis only. For 1980, the ratio for 18 funds was 61 percent, a level considerably higher than that for the previous year (52 percent). This change and the small increase (2 percentage points) in 1979 repre-

Chart 1.—Workers' compensation benefits and total costs¹ per \$100 of covered payroll, 1950-80



¹ Costs of all benefits paid plus the cost of insurance (commissions, administrative expenses, profits, and other charges).

sent a return to the more "normal" rates that prevailed until 1975, when the ratio was 76 percent.

The large drop between 1975 and 1978 in the benefit-premium ratio for State funds came about because of changes in a number of State programs. Ohio exhibited the largest degree of change, with premiums practically doubling from 1975 to 1977. The slight turnaround in the ratio from 1978 to 1979 and the large increase from 1979 to 1980 once again was the composite result of changes in a number of States. In the latter period, however, the trend in Ohio weighed particularly heavily on the overall pattern for the 18 States. Benefits in Ohio rose 42 percent from \$338 million to \$481 million in the period 1978-80 while premiums declined from \$606 million to \$466 million. During the 1970's, major legislative and administrative changes occurred in Ohio as part of a deliberate effort by the State to improve the efficiency of its program.