Employee welfare programs

This research will provide basic information regarding three employee welfare programs signed into law by President Franklin D. Roosevelt in 1935. The programs included in this research paper are the social security program, the workers' compensation program, and the unemployment compensation program instituted in the United States. The history surrounding these unique programs as well as provisions and concepts involving all three programs will be discussed. The research will include brief instructions on how to file a claim for both workers' compensation and unemployment compensation.

Employee Welfare Programs It seems unimaginable to live in a world without the benefits of three employee welfare programs, the social security act, the worker's compensation program, and the unemployment compensation program. All three social welfare programs came into existence at about the same time. Many American's lives have been changed dramatically by the administration of these programs. Therefore, the thesis statement for this research paper is: Without the inception of social security, workers' compensation, and unemployment compensation, many American citizens would be in financial ruin and unable to live their lives as they normally would.

Prior to the 1930s, most all Americans lived their lives without the benefits of the welfare programs and suffered financial deprivation because of it. The research done for this paper will concentrate on the history surrounding social security, workers' compensation, and unemployment compensation. Many provisions and concepts regarding these programs will be explored as

well. In addition, the research will provide brief instructions on how to file claims for both workers' compensation and unemployment compensation.

Hopefully, the readers of this paper will be better informed about the history, provisions, and benefits regarding these welfare programs. Purpose of Study The purpose of this study is to inform the readers about the history, provisions, and benefits of the social security program, the workers' compensation program, and the unemployment program which came into existence in the United States in 1935. The study was undertaken in partial fulfillment of the requirements of HRM401R, a course required in the Bachelor of Business Leadership program at Baker College in Cadillac, MI.

Limitations of Study There was a vast amount of information given on the topics of social security, workers' compensation, and unemployment compensation when conducting research for this paper. Due to the required length of this paper and required amount of time to complete the research (10 weeks), many of the topics discussed are explained as briefly as possible and yet with accuracy. There was no original research done; therefore, only secondary sources were used. Review of Literature In today's world, the concept of not having employee welfare programs established seems absurd.

Although less than 100 years ago, the American people as well as many people around the world usually had to depend on their communities, societies, churches, or their family for various types of " aid when their incomes were temporarily or permanently disrupted" (Cihon & Castagnera, 2008, p. 310). The term societies refer to different work groups such as the

Pennsylvania coal miners. In the 1870s, they were members of the Ancient Order of Hibernians, a society that created funds to help widows or children of miners that were killed on the job.

Many other societies aided their members in the same way. Beginning in the early 1930s, the United States government started to enact policies to establish assistance " to workers affected by unemployment, on-the-job injuries, work-related disability, or old age" (Cihon & Castagnera, 2008, p. 310). Prior to the 1930s, there were several pieces of legislation passed to address the growing number of casualties and injuries, especially in the railroad industry. This industry alone accounted for approximately 25, 000 deaths a year in the early 1900s.

One of the pieces of legislation that was passed was the Railway Labor Act of 1926 and the Federal Employee Liability Act (FELA) enacted in 1908 to aid the families of killed railway workers. Injured workers from the railroad that attempted to sue their employer for compensation or to receive any type of positive recourse was usually " an exercise in frustration and futility" (Cihon & Castagnera, 2008, p. 310). If a person was lucky enough to even afford an attorney for a railway accident, the company's attorney would persuade the court that simply by accepting the job, they also accepted the risks related to the profession.

Lawyers would often use the excuse that the injured worker was not hurt by the railway but by the carelessness of a co-worker. This practice was called " fellow-servant doctrine" (Cihon & Castagnera, 22008, p. 311). With the inception of the worker's compensation program, workers such as the

railway workers could begin to receive benefits from injuries or accidents sustained on the job (Cihon & Castagnera, 2008). Another employee welfare program instituted as a result of President Franklin D. Roosevelt's New Deal was the unemployment compensation program.

The biggest difference " between workers' compensation and unemployment compensation versus social security is that the states have primary responsibility for the first two, whereas social security is a federally supervised program applied uniformly across the country" (Cihon & Castagnera, 2008, p. 312). This paper will now explain the three welfare programs and some of their history and provisions. Social Security Shortly after the Depression which caused the banks to fail and the ultimate crash of the stock market, the savings and securities of many American people were lost.

The people of this nation petitioned Washington " to guarantee the elderly a decent income in their later years" (NCDSSM. org, 2008). At that time in history, many people lost their jobs and very few had pension programs to help them through the disaster period of the 1930s. Consequently, their pleas did not fall on deaf ears. President Franklin D. Roosevelt created a pension program that would inevitably guarantee that after many Americans retired, they would still have a source of income to live on (NCDSSM. orr, 2008).

The original Social Security Act of 1935 was comprised of widespread social service programs including three welfare or public assistance programs and two insurance programs. Before 1950, the social security program's main

purpose was to establish “ protection against the loss of income in retirement, but it was neither the largest or most popular of the act’s programs (Encyclopedia. com, 2010). Included in the act was several welfare programs organized and implemented by individual states. These included assistance to the old, to the blind, and widows with dependent children.

Consequently, these state funded programs were readily accepted by many Americans because it brought quick relief to these unfortunate groups of people. On the other hand, for a person to receive insurance and retirement benefits through the Social Security Administration, they had to contribute payroll tax to the fund in order to receive any benefits. Because these payroll taxes were first collected in the late 1930s, benefits were not paid to retirees until the beginning of 1940 (Encyclopedia. com, 2010).

Whereby welfare assistance programs provided quick relief to those in a serious financial dilemmas, “ Social security, unemployment insurance, and later, Medicare, seek to prevent financial distress” (Encycolpedia. com, 2010). Generally, people who have made more contributions into the social security fund receive more money in their monthly benefit when they retire (Enclyclopedia. com, 2010). There was an expansion in the development of the social security program starting in 1939 and progressing into the mid-1970s.

Whereas the Social Security Act of 1935 established benefits primarily to those working in commerce and the manufacturing industry, other groups of people were added into the national plan in 1939. Benefits were added “ for the wives of retired workers and for the surviving wives and children of

deceased workers" (Enclyclopedia. com, 2010). Similarly, in 1950, these benefits included men as well. Closely thereafter, other provisions were adopted to include domestic workers as well as farm workers" (Encyclopedia. com, 2010).

In 1956, added protection in the form of disability insurance was introduced into the social security program. The disability program under social security was guaranteed " to all workers under the age of 65 until 1960" (Encyclopedia. com, 2010). Later, the age changed to 65 or older. Other provisions established in 1956 were extended to retired women between the ages of 62 and 64. They were granted the right to be given permanently reduced benefits under the social security plan. Once again, men were later given this option in 1961.

During this time period, due to an increased poverty rate of older Americans and the growing economy, there was a large increase in benefits from 1965 to 1972. In order to keep up with growing or declining economies, " The automatic cost-of-living allowance (COLA) was incorporated into law" (Encyclopedia. com, 2010). Through yearly adjusted changes, this gave assurance to retirees and their beneficiaries that their benefits would remain stable regardless of how long they lived. However, by adopting COLA, social security benefits were sensitive to economic changes and became more expensive (Encyclopedia. om, 2010).

By 1970, financing the social security system became a concern. There were many economic changes at this time such as the decline of wage growth, higher inflation rates, and a slow moving economy. These factors created

financial problems in the social security program in the mid 1970s and again in the beginning of 1980 however, these problems were short lived. Along with the financial factors potentially influencing benefit payments, there were long term demographic changes forming in the United States. There were several reasons for this.

At this point in history, there were approximately 76 million people that were born between 1946 and 1964. These people are commonly referred to as the baby boomers. These people were beginning to collect social security retirement benefits in the early 1970s. This problem added to lower birth rates and increased life expectancies in the United States created more concern in financing the social security system (Encyclopedia. com, 2010). To offset some of these financial concerns, legislation proposed to increase taxes and reduce benefits was passed in 1977 and 1983.

To help " spread the pain of these changes across many constituencies were different groups of people including working persons, employers, and current and future beneficiaries (especially those most well off)" (Encyclopedia. com, 2010). This trend is likely to continue through approximately 2020 because there is an anticipated decrease in the number of workers compared to retiring workers, people are living longer, and the continued retirement of the baby boomers (Encyclopedia. com, 2010). Medicare, a health coverage plan for people 65 and older was established nd administered by the United States government and signed into law by President Johnson on July 30, 1965. Eligibility requirements as stated by the Social Security Administration are given in the following passage: In general, all persons 65 years of age or

older who have been legal residents of the United States for at least 15 years are eligible for Medicare.

However, if neither they nor their spouse have paid Medicare taxes for a minimum of ten years (40 quarters), they must pay a monthly premium to be enrolled in Medicare. 2010) In 2008, Medicare coverage was provided to approximately 45 million people in the United States which made the Medicare program the largest health care provider in the nation (SSA. gov. 2010). Workers' Compensation Program In 1908, a workers' compensation program was introduced in the United States. It was the first social insurance program to provide compensation to federal civilians for employment related work injuries. In 1911, some states developed similar programs to include workers in private industry.

However, it was not until 1949 that almost all states enacted similar programs to protect workers and provide more income to those workers involved in work related injuries, illnesses, and disabilities. According to the Social Security Administration, " For the next several decades, state laws expanded coverage, raised benefits, and liberalized eligibility requirements and increased the scope of protection in other ways" (SSA. gov, 2010). Today, workers' compensation laws have been administered in the District of Columbia, the Virgin Islands, Puerto Rico, Guam, and all of the United States (SSA. ov, 2010).

There were several federal statutes created that " provide workers compensation to non-military federal employees" (Workworld. org, 2009). The Federal Employment Liability Act (FELA) " states that railroads engaged

in interstate commerce are liable for injuries to their employees if they have been negligent" (Workworld. org, 2009). Other federal programs instituted for federal civilians were the Jones Act which is also called the Merchant Marine Act. This act does for seaman what FELA does for railroad workers.

Similarly, the Black Lung Benefits Act provides for coal miners who have developed lung diseases such as cancer or chronic pneumonia. Finally, the Occupational Illness Compensation Program was developed for employees of the Department of Energy. It compensated employees for diseases caused by radiation including cancer, Beryllium disease, and chronic scoliosis (Workworld. org, 2009). Most employers purchase their workers' compensation insurance for and insurance carrier. To reduce costs, some stated choose to create an insurance pool fund. These pool funds are established to cover risk employers.

Additionally, small companies such as those with less than four employees do not have to carry workers' compensation insurance at all. In these cases their claim is made to the self insuring employer who may or may not help cover disability or medical benefits. However, in several states large companies who are profitable and solvent may choose " to act as their own insurance company" (Workworld. org, 2009). There are certain procedures to follow when initiating a workers' compensation claim. The first step is for the employee to report the accident or injury to their supervisor.

The employer or supervisor will in turn fill out an accident report and submit it to an insurance carrier. The Occupational Safety and Health Administration also will need an accident report or any serious injuries or disabilities. " After

receiving the report, the carrier will usually require subsequent submissions of amplifying information such as doctor and hospital reports" (Cihon & Castagnera, 2008, p. 329). If all the reports are satisfactory to the insurance carrier, benefits will be paid. Workers' compensation coverage may be denied if an employee's accident or injury is not related to work or occurred due to employee negligence.

This includes injuries sustained in an altercation with another employee of the company while they were on the job, injuries suffered while committing a crime, or the employee was not on the job at the time of the injury. Other reasons include the use of illegal drugs or intoxicants prior to or during work hours or an employee's behavior violated the employer policies (Workworld. org, 2009). Unemployment Compensation The unemployment compensation program was signed 75 years ago on August 14, 1935 by President Franklin D. Roosevelt.

It was a part of the Social Security Act of 1935. In all states, " This program was financed by both federal and state unemployment taxes" (Kansas City Department of Labor, 2010). The purpose of this program was to provide weekly compensation for workers who have lost their jobs through no fault of their own. Credit was give to the unemployment program by various government, business, and labor institutions because this program softened the effects of recession and other economic factors that increase involuntary unemployment (Kansas City Department of Labor, 2010).

Before benefits can be paid to individuals who have filed for unemployment insurance benefits, they must meet certain requirements of eligibility. Some

of these requirements include that the unemployed applicant must be physically able to perform work, be ready and willing to accept work immediately, be actively looking for work, and have been working full or part time at a place of employment. Other criteria include that unemployment can not be the fault of the employee, an employee must meet weekly eligibility requirements, and “ an applicant must have earned enough wages during the base period to establish a claim” (Salary. om, 2008).

The subject of willful misconduct is open to much debate an opinion regarding unemployment compensation in the United States. “ Willful misconduct is the high level of fault that disqualifies an out-of-work worker from unemployment benefits” (Cihon & Castagnera, 2008, p. 332). Questions arise as to exactly what willful misconduct means. In a case of absenteeism, misconduct questions arise as to whether the employee is just plain lazy or is it for other reasons. In the case of laziness, a denial of unemployment benefits would be justified.

However, what if an employee is absent or late because their child is chronically ill? In this scenario the employee will still probably be fired but their unemployment benefits may not be denied until that worker finds another job. The problem with willful misconduct is “ if the misconduct is not readily discernable to the average worker and the employer failed to promulgate a rule or give a warning for prior infractions, an unemployment referee may be most reluctant to deny benefits” (Cihon & Castagnera, 2008, p. 332).

Similar to the worker’s compensation program, decisions that are appealed can be reviewed by a referee. If that does not work the case may end up in a state court system (Cihon & Castagnera, 2008, p. 332). According to the Department of Labor/Bureau of Statistics, “ Michigan has the highest unemployment rate at 14%” (2010). However, the United States unemployment rate as a whole is 9. 9%. Because of these statistics, there is an extremely high record for Michigan residents filing for unemployment benefits. When filing a claim for unemployment benefits in Michigan, there is a ormula used to calculate what a person’s benefits will be.

“ The highest amount of wages paid during 3 months from the previous year multiplied by 4. 1% plus $6 per dependent (maximum of five dependents) equals the weekly benefit amount (not to exceed $362)” (Adams, 2010). To file a claim, a worker has to register with Michigan Works, a state funded employment agency. Once the claim is made, the worker is required to fill out a resume application. After these procedures are done, employee’s benefits could be received in as little as two weeks.

From that point on, an unemployed worker has to contact an automated telephone system every two weeks in order to receive unemployment benefits continuously (Adams, 2010). As the readers of this paper can clearly see, the benefits reaped from the original Social Security Act are still in use today with revised amendments to the original version. What financial condition would the United States be in today without the creation and administration of this glorious act? Because President Franklin D. Roosevelt signed the Social Security Act of 1935 into law, Americans may never have to find out the answer to that question.

References

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