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Social Insurance for Survivors: Family Benefits from Social Security and Workers' Compensation

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Summary

The terrorist attack of September 11th, 2001 draws attention to two long-standing social insurance programs that pay cash benefits to families when a breadwinner dies. Workers' compensation pays benefits if a worker is killed at work. Social Security pays families whether or not the worker's death is work-related. Although neither program is best known for its life insurance component, both can provide substantial income to surviving families.

This tragedy highlights important differences between Social Security — which pools risk across the nation — and workers' compensation — which puts financial risk on individual employers and their insurers. For Social Security, the impact of the September 11th tragedy will not be large, because the number of new applicants represents a small fraction of the total number of new claims. State-based workers' compensation programs, however, are more vulnerable to catastrophic events. State workers' compensation programs vary in eligibility standards and benefit levels. New York is one of the few states that reduce a widow(er)'s benefit if she or he also receives Social Security. New York also has a relatively low cap on weekly benefits.

In the decades since Social Security and workers' compensation began, health insurance coverage has become increasingly important for financial security. Although various federal and state programs are available, maintaining a secure connection to group health insurance can be problematic when a breadwinner dies. Neither Social Security nor workers' compensation programs offer assistance in this area.

On September 11th, 2001, more than three thousand people were killed when terrorists hijacked two planes that crashed into the World Trade Center in New York, a third plane that crashed into the Pentagon in Virginia, and a fourth plane that crashed in a field in Pennsylvania. This *Brief* describes the survivor benefits from Social Security and workers' compensation that may be available to families of those who lost their lives in that attack. It answers the following questions:

- What benefits do workers' compensation and Social Security provide to families of deceased workers?
- How do the benefits vary across states?
- How are the benefits financed? Who bears the financial risk?
- What health care coverage may be available to surviving families?

More than three thousand people lost their lives as a result of the terrorist attacks on September 11th, 2001. On board the four hijacked airplanes, 278 people died, including 33 crew members. As of December 27, 2001, 2,940 are known to have died in the World Trade Center attacks, including 583 uniformed officers. At the Pentagon, 125 people died, including 18 civilians (Associated Press, 2001). Most of these

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people were workers, and many were supporting family members. Workers' compensation and Social Security provide a substantial source of income for surviving families.

Workers' Compensation Survivor Benefits

Workers' compensation provides wage replacement benefits and pays for medical care for workers injured on the job or who become ill due to job-related causes. It also pays survivor benefits to families of workers who die due to work-related events or illnesses. Workers' compensation programs are enacted by state laws with no federal requirements or guidelines. The benefits are financed by employers. Federal civilian employees are covered by a separate program under the Federal Employees' Compensation Act.

Typically, survivor benefits are a small part of workers' compensation. Most workers' compensation cases involve workplace injuries of short duration. In recent years, 76 percent of cases involved only medical benefits because the injured worker did not miss enough work to receive cash benefits. There is a waiting period of three to seven days before state workers' compensation cash benefits are paid to replace lost earnings. Of the 24 percent of cases in which cash benefits were paid, fewer than one percent involved the death of a worker in 1995-1997 (National Council of Compensation Insurance, 2000).

In 1999, 1.7 million work-related injuries or illnesses resulted in workers missing at least a day of work. In addition, 6,023 workers were killed on the job (U.S. Department of Labor, 2000). For the year 2001, the number of deaths at work will be higher because many of the people killed in the terrorist attacks were at work.

Worker's compensation programs differ from state to state. This *Brief* focuses on the states where the plane crashes occurred (New York, Virginia and Pennsylvania), adjacent jurisdictions, (New Jersey, Connecticut, the District of Columbia, and Maryland), and states where the hijacked flights originated or were scheduled to land (Massachusetts, California, New Jersey and Virginia).

Who is eligible for workers' compensation survivor benefits?

Workers' compensation programs generally pay benefits when a worker dies of work-related causes only if there is a surviving dependent. In all states a surviving spouse and children under age 18 are eligible. Rules for children over age 18 differ across states. In the District of Columbia, Maryland, New York, Virginia, Pennsylvania, and Connecticut, for example, a child age 18-22 remains eligible as a dependent if he or she is a full-time student. In New Jersey, however, children age 18 or older who are full-time students do not qualify, while in Massachusetts dependent children who are full-time students qualify regardless of age. In most states, including those examined in this brief, an adult child who is disabled since childhood is eligible as a dependent. In some states, under certain conditions surviving parents and other family members can be eligible for benefits.

In the federal employee program, eligible dependents include: a spouse; a former spouse if a qualifying order is on file at the U.S. Office of Personnel Management; an unmarried child under age 18, or ages 18 to 22 and attending an accredited educational institution full-time, or a disabled dependent child, regardless of age, if the disability occurred before age 18.

How much does workers' compensation pay?

In general, workers' compensation benefits are paid weekly, with the amount set as a percentage of the deceased worker's pre-injury wage. The replacement rate — that is, the benefits paid as a percent of the worker's prior earnings — is subject to a maximum weekly dollar amount. Some states replace a higher percentage of wages if more than one family member is eligible (Table 1).

Replacement rates and dollar maximums. In most jurisdictions examined here, the workers' compensation replacement rate for a widowed spouse with one or more eligible children would be 66 $^2/_3$ percent of the deceased worker's prior earnings. The replacement rate for such families is somewhat higher in New Jersey (up to 70 percent) and in Connecticut (75 percent).

Table 1. Workers' Compensation Death Benefit Rules

Selected Jurisdictions, 2001

Jurisdiction	Percentage of Employee's Wage: For spouse only	Percentage of Employee's Wage: For spouse and children	Weekly Maximum Amount (%)*	Lifetime Benefit Limit
California	66 2/3	66 2/3	$490 (66 2/3%)	$145,000, or $160,000 for 3 or more dependents
Connecticut	75	75	$838 (100%)	None
District of Columbia	60	66 2/3	$948 (100%)	None
Maryland	66 2/3	66 2/3	$668 (100%)	None
Massachusetts	66 2/3	66 2/3	$830.89 (100%)	250 times the state average weekly wage at the time of the injury
New Jersey	50	50 + 5 for each child up to a maximum of 70	$591 (75%)	None
New York	66 2/3	66 2/3	$400	None
Pennsylvania	51	66 2/3	$644 (100%)	None
Virginia	66 2/3	66 2/3	$606 (100%)	500 weeks
Federal civilian employees	50	45 + 15 for each child up to 75	$1,494.56	None

* Percent of state average weekly wage used to determine the maximum weekly payment.
Source: U.S. Chamber of Commerce, 2000, and U.S. Department of Labor, 2001a.

The maximum weekly benefit limits the amount that workers' compensation actually pays to families of middle and upper income workers. In New York benefits are capped at $400 a week, which means that family benefits are limited to $20,800 a year if the worker earned more than $31,200 a year. In New Jersey, the cap of $591 a week would limit annual benefits for a widowed spouse and children to $30,732 if the deceased worker earned more than $43,900. The cap in Connecticut would limit survivor benefits to $43,575 if the deceased worker had earned more than $58,100.

In the program for federal employees, benefits replace 50 percent of lost earnings if only a widowed spouse is eligible. The replacement rate is 60 percent for a widowed spouse and one child and 75 percent for a widowed spouse and two or more children. The benefit cap is $1,494 per week ($77,717 a year). The cap would limit benefits for a spouse and two children if the worker had earned more than $103,700.

Table 2 illustrates benefits and replacement rates for a widowed spouse and two or more children in selected states after the caps are applied. Benefits for families of a worker with modest earnings ($24,000 a year) are very similar across states, ranging from $16,000 to $18,000 a year. For families of a worker earning $90,000 a year, benefits vary widely: from $20,800 in New York to about $43,200 in Massachusetts and Connecticut, up to $67,500 in the federal employee program.

The value of workers compensation benefits relative to earnings varies depending on tax liabilities and non-wage compensation. Workers' compensation

Table 2. Workers' Compensation Survivor Benefits for a Widowed Spouse and Two Children, by Deceased Worker's Prior Earnings

Selected Jurisdictions, 2001 Annual Benefits

Jurisdiction	Deceased Worker's Annual Earnings		
	$24,000	$48,000	$90,000
	Family Benefit (replacement rates)		
California	$16,000 (67%)	$25,480 (53%)	$25,480 (28%)
Connecticut	18,000 (75%)	36,000 (75%)	43,576 (48%)
District of Columbia	16,000 (67%)	32,000 (67%)	49,296 (55%)
Maryland	16,000 (67%)	32,000 (67%)	32,736 (39%)
Massachusetts	16,000 (67%)	32,000 (67%)	43,206 (48%)
New Jersey	16,800 (70%)	30,732 (64%)	30,732 (34%)
New York	16,000 (67%)	20,800 (43%)	20,800 (23%)
Pennsylvania	16,000 (67 %)	32,000 (67%)	33,488 (37%)
Virginia	16,000 (67%)	31,512 (66%)	31,512 (35%)
Federal civilian employees	18,000 (67%)	36,000 (75%)	67,500 (75%)

Source: Authors' calculations based on U.S. Chamber of Commerce, 2000, and U.S. Department of Labor, 2001b.

benefits are not taxable. Therefore, when benefits are compared to earnings after taxes are deducted, replacement rates are actually higher. In 1997, the effective federal tax rate on income was about 26 percent on average (Congressional Budget Office, 2001). On the other hand, workers' compensation benefits do not replace employee compensation other than wages, such as employer contributions for health insurance and pensions. As of March 2001, about 27 percent of employee compensation was non-wage, employer-financed benefits (US Department of Labor, 2001a).

Annual adjustments. In most jurisdictions, the caps on workers' compensation benefits are adjusted each year to keep pace with the increase in average weekly wages. This is not true in New York, where the maximum weekly benefit has remained $400 since July 1, 1992 (Patton, 2001). When states do adjust the cap on maximum benefits, the new higher cap generally applies only to new cases.

The federal employee program adjusts workers' compensation survivor benefits each year to keep pace with the cost of living, as measured by the consumer price index. This is not done in most state programs. Benefits for survivors typically do not keep pace with rising prices (or prevailing wage levels) after the family starts receiving benefits. Nine jurisdictions, however, do make some adjustments for inflation. They include Connecticut, the District of Columbia, Massachusetts, and Virginia.

When benefits do not keep pace with inflation, their purchasing power can erode substantially over time. For example, with four percent annual inflation, the purchasing power of an unadjusted benefit would fall by 32 percent after ten years and by 54 percent after 20 years.

Duration of workers' compensation survivor benefits. Workers' compensation survivor benefits are paid to children until they reach the age at which they are no longer eligible — age 18, or later, if the state pays benefits to students. Benefits for disabled adult children and widowed spouses generally continue for life, or until they marry. In some states, a widowed spouse who remarries can receive a lump sum payment. In the District of Columbia, Maryland, New Jersey, New York, and Pennsylvania, the lump sum is equal to two years' worth of benefits.[1] In the federal employee program, benefits end if the widowed spouse remarries before age 55, but do not end if he or she remarries later.

Some jurisdictions place a lifetime limit on the amount of workers' compensation benefits paid or place a limit on the number of weeks that benefits are paid. Virginia, for example, limits dependents to 500 weeks of benefits. California limits lifetime benefits to $145,000 if only one surviving dependent is eligible; with three or more dependents, the cap is $160,000. In Massachusetts, lifetime benefits are capped at 250 times the state's average weekly wage, or about $207,700 in 2001. The Massachusetts cap is increased with the cost of living after benefits are awarded.

Which state's workers' compensation rules apply?

In some cases survivors have a choice about which state's rules will be used to decide their workers' compensation claim. In 1976, the Council of State Governments adopted a model state workers' compensation law that would enable injured workers or their survivors to file for benefits in a state if one of three conditions were met. This model law is based on recommendations of the National Commission on State Workmen's Compensation Laws in 1972. The model law allows claims in a state where: (a) the injury or death occurred, (b) the employment was principally localized, or (c) the employee was hired. Most states provide this choice.

Of the three states where deaths occurred on September 11th, New York and Virginia follow the recommendations of the National Commission. In Pennsylvania, survivors can file a claim if the worker was hired in that state, or if the death occurred while the worker was operating out of an employer's location in that state. The location, however, does not have to be the worker's principal location. For example, if a worker usually worked three days in New Jersey and two days in Pennsylvania, but died from work-related causes in Pennsylvania, he or she could file for benefits in either state.

Surviving dependents of a person who died on the job in New York or Virginia in the September 11th attacks could apply for benefits in the state of the deceased workers' principle place of employment or in the state where the worker died. If surviving families understood their options, one would expect them to apply in the state that offered the best benefits for their situation. Although surviving families could apply for benefits in more than one state, they receive benefits based on one state's laws. A family might choose to apply in more than one state if the jurisdictional issues were unclear and they wanted to prevent a delay in receiving benefits.

Determining which state's rules would be better for a given family can be complex. For example, while New York has a lower cap on weekly benefits, it does not impose a lifetime limit on benefits like California and Massachusetts do. As another example, while benefits in New Jersey are generally higher than in New York, the fact that New Jersey does not pay benefits to students over age 18 could make New York a better choice in some family situations.

Regardless of which state's rules apply, the deceased worker's employer (or its insurer) is responsible for paying the family's claim. It is standard for workers' compensation insurance policies to have multi-state riders which guarantee paying benefits awarded by any state's workers' compensation program.

Social Security Survivor Benefits

When a worker dies, members of his or her family are eligible for Social Security benefits if the worker had worked long enough in jobs covered by Social Security. Almost all jobs (96 percent) are covered by Social Security.[2] Nobody needs more than ten years of covered work to provide survivor protection to his or her family. Younger workers have family protection if they have worked at least one-fourth of the period since age 21. Workers who do not meet these tests would still have life insurance protection for their families if they worked in covered employment for at least six calendar quarters in the 13 quarters before they died. The value of Social Security life insurance for a young worker with two children with average earnings in 2001 has been estimated to have a net present value of $403,000 (Office of the Actuary, Social Security Administration 2001).

Who is eligible for survivor benefits?

Social Security survivor benefits are paid to:

- Dependent child(ren) of the deceased worker, which includes unmarried children under age 18, or under age 19 if a full-time high school student, and adult children disabled before age 22;
- A widowed spouse age 60 or older, (or age 50 or older and disabled);
- A widowed spouse of any age who is caring for an eligible child under age 16 or a disabled adult child; and
- Elderly dependent parents of the deceased worker.[3]

Dependent children of a former marriage are eligible, as is the ex-spouse caring for an eligible child under age 16 or a disabled adult child. A divorced spouse whose marriage to the deceased worker lasted at least ten years is also eligible for widowed spouse benefits at age 60 or older (or age 50 or older if disabled).

As of November 30, 2001, 4,976 claims were filed for Social Security benefits as survivors of 1,800 victims of the terrorist attacks of September 11th. Virtually all of these applications had been approved by December 2001 (about 4,700). About half of the benefits (2,300 benefit claims) are for children of deceased workers, and another 730 benefits are for widowed spouses caring for these children. The claims include 1,750 claims for lump sum death benefits. A small number of older widow(er)s, older parents who had depended on the earnings of a working son or daughter, and disabled workers and their dependent family members have also applied for benefits as a result of these events. Fifteen people have chosen to apply for retirement benefits.

Claims associated with the September 11th attack are expected to represent less than a one percent increase in the total number of new claims in 2001, and a much smaller fraction of the total number of survivors receiving Social Security. In 2000, 843,300 new benefits were awarded to survivors. Overall, in 2000, approximately 1.9 million children of deceased workers received benefits from Social Security, with an average monthly benefit of $549 (Office of Policy, Social Security Administration 2001: Table 5.A1).[4]

How much does Social Security pay?

Social Security is a significant source of income for many families surviving the loss of a breadwinner. For example, the average benefit for a widowed mother or father with two eligible children was $1,675 a month, or about $20,104 in 2000. The average benefit for a widow or widower age 60 or older was $812 a month, or about $9,748 a year (Office of Policy; Social Security Administration 2000: Table 5.H).

Replacement rates and benefit amounts. Social Security benefits are based on the deceased workers' average earnings over most of his or her adult lifetime. The earnings are indexed to economy-wide wages near the time the worker died. The benefits are calculated based on a progressive formula that replaces a larger share of earnings for low earners than for high earners. Benefits also replace a larger share of earnings when more than one surviving family member is eligible. A family maximum benefit limits the total monthly benefit paid if three or more family members are eligible.

Earnings test. Social Security benefits for persons under the normal retirement age are subject to an earnings test. In 2001, beneficiaries under age 65 can earn up to $10,680 without any reduction in their benefits. Benefits are reduced one dollar for every two dollars earned in excess of that amount. The earnings test is applied only to the benefits of the individual who is working. Thus, if a working widowed mother or father has her or his benefits withheld under the earnings test, benefits to the children would not be affected. If three or more children are eligible, the maximum family benefit would be paid to the children regardless of the widowed mother's or father's earnings.

Social Security benefits vary by family size and the deceased worker's earnings record (for illustrative examples, see Table 3). For example, if a deceased worker who left three or more dependents had earned $24,000 a year (on average), income from Social Security benefits would replace 88 percent of those earnings. At higher earnings levels, say $90,000 a year, a family of three of more dependents would have benefits that replace 44 percent of the deceased worker's earnings. Benefits would be smaller if the deceased worker had only one child and his / her spouse had earnings above the earnings test. With only one eligible child, benefits would replace 36 percent of earnings of a deceased worker who had earned $24,000 a year. If the worker had earned $90,000, benefits for one child would replace 19 percent of those earnings.

Annual adjustments. Social Security benefits maintain their purchasing power over time. They are increased each year to keep pace with the cost of living, as measured by the consumer price index.

Duration of Social Security survivor benefits. Social Security benefits for children continue until they reach age 18, or 19 if they are still in high school, (or until they marry, if sooner). Benefits for a widowed mother or father caring for children end when the youngest child turns 16 or when the widowed mother or father remarries, if sooner. Benefits for a disabled adult child continue for life or until he or she marries (unless the marriage is to another Social Security beneficiary). Benefits for a widowed spouse age 60 or older (or age 50 or older and disabled) continue for life.

Joint Receipt of Workers' Compensation and Social Security Survivor Benefits

Families of workers killed on the job can receive benefits from Social Security and workers' compensation at the same time. Workers' compensation is paid to survivors of workers killed on the job, while Social Security survivor benefits are paid to families of insured workers who die of any cause. Social Security survivor benefits are not reduced because the family receives workers' compensation. Likewise, most states do not reduce workers' compensation benefits because the family receives Social Security. New York is one of the few states that do reduce workers' compensation payments of widowed spouses who receive Social Security.[5] If a deceased worker in New York had earned more than $200 a week, ($10,400 a year), the widowed spouse's benefit would be reduced by 50 percent of the amount she or he received from Social Security.[6] The reduction does not apply to children's benefits.

Table 3. Illustrative Social Security Survivor Benefits for Families with Children

Annual Benefits, 2001

Deceased Worker's Annual Earnings (a)	Three or More Eligible Dependents	Two Eligible Dependents	One Eligible Dependent
	Annual Family Benefit (replacement rate)		
$24,000	$21,000 (88%)	$17,352 (72%)	$8,676 (36%)
$36,000	27,288 (76%)	23,112 (64%)	$11,556 (32%)
$48,000	31,488 (66%)	27,000 (56%)	$13,500 (28%)
$60,000	34,632 (58%)	29,688 (49%)	$14,844 (25%)
$90,000(b)	39,444 (44%)	33,820 (38%)	$16,910 (19%)

a. For illustrative purposes, Social Security benefit calculations assume that the workers' annual earnings are the same as 12 times his or her average indexed monthly earnings.

b. Part of the past earnings of a worker earning $90,000 a year would not have been subject to Social Security taxes because earnings over a specified cap ($80,400 in 2001) are not covered by Social Security. The benefit for a worker who had always earned the maximum amount covered by Social Security is somewhat higher for young workers than for older workers. The family benefits shown here are for a worker age 29 in 2001. If the worker was age 62 in 2001, the benefit for three survivors would be $35,049, for two survivors it would be $30,042, and for one eligible child it would be $15, 021.

Source: Authors' calculations based on Treanor, Myers, and Detlefs, 2000

Table 4 illustrates how benefits from Social Security and workers' compensation could be combined in New York and Virginia. The replacement rates for surviving families vary considerably by earnings, family structure and location. For example, for a widowed mother (or father) with one child in New York, the combined total replacement rate ranges from 121 percent if the earner made $24,000 to 51 percent if the earner made $90,000 annually. In Virginia, this same widowed mother (or father) would received a substantially higher income, for a total replacement rate ranging from 139 percent to 73 percent depending on the deceased worker's earnings. The relatively low cap on weekly benefits in New York, together with the New York provision for reducing workers' compensation benefits when widowed spouses also receive Social Security, causes workers' compensation replacement rates there to be considerably lower for families of higher earning workers.

Replacement rates for surviving families increase with family size. For example, in New York, a widowed mother or father whose spouse had earned $48,000 annually and who has three dependent children would receive 109 percent of the deceased worker's income, while a widowed parent with one child would receive 86 percent of the deceased worker's income in combined benefits. A widowed spouse under age 50 with no dependents would not be eligible for Social Security; in New York, his or her benefits from workers' compensation would replace 43 percent of the income of the deceased worker.

Social Security generally does not pay immediate benefits to working-aged widowed spouses without children (unless the widow(er) is age 60 or older or disabled). Consequently, some widowed spouses receive only workers' compensation. For widowed spouse under age 50 who do not have dependent children, the benefits in Virginia are about 50 percent higher than in New York, $31,512 compared with $20,800 if the worker had earned $60,000 or more annually. A widow(er) who does not receive immediate Social Security benefits may later receive Social Security survivor benefits based on the deceased worker's work record when she or he becomes disabled, reaches age 60, or retires.

Who bears the risk?

Social Security and workers' compensation differ in the allocation of risk. Social Security benefits are financed by tax contributions paid by workers and employers (the FICA tax authorized under the Federal Insurance Contribution Act). The risk of unexpected costs is pooled broadly throughout the country. Almost all employment in the United States is covered by Social Security and subject to the FICA tax.

Workers' compensation is financed by employers. State laws require employers to obtain insurance or prove they have the financial ability to carry their own risk by self-insuring. (Only Texas does not mandate workers' compensation coverage.) Insurance can be purchased from commercial insurance companies in all but the five states that have exclusive state funds. Insurance can also be purchased from publicly operated state funds in 27 states. Self-insurance is used by some larger employers. Many states also permit groups of employers in the same industry to insure through what is called group self-insurance. Two states do not permit employers to self-insure.

In New York, nearly half of total workers' compensation benefits paid in 1999 (47 percent) were through commercial insurance companies, while about 30 percent came from the New York state fund, and the remaining 23 percent were paid by employers who self insure.

In a localized catastrophe, such as at the attack on the World Trade Center, individual employers (and their insurers) would suffer large financial losses for workers' compensation benefits to workers killed or disabled in the attack. The catastrophe highlights an important difference between the Social Security program — where risks are shared broadly by almost all American workers and employers — and the workers' compensation program, where individual employers and their insurers bear the risk. Private insurers' ability to reinsure eases the financial impact, but it can be substantial nonetheless.

Health Care Coverage for Families of Deceased Workers

Most American families receive health insurance coverage through a family member's employer-sponsored plan. When a worker dies, the family is at risk of losing health care coverage. Some widowed spouses and children may have coverage through the widowed spouse's or another family member's job. Others, who have low incomes, may get Medicaid coverage or insurance through the State Children's Health

Table 4. Illustrative Social Security and Workers' Compensation Survivor Benefits,

2001 New York and Virginia Annual benefits

Deceased Worker's Annual Earnings (a)	Social Security Benefits	New York Workers' Comp. Benefits	New York Total Benefit (Replacement Rate)	Virginia Workers' Comp. Benefits	Virginia Total Benefit (Replacement Rate)
Three Dependent Children					
$24,000	$21,000	$16,000	$37,000 (154%)	$16,000	$37,000 (154%)
$36,000	27,288	20,800	48,088 (134%)	24,000	51,288 (142%)
$48,000	31,488	20,800	52,288 (109%)	31,512	63,000 (131%)
$60,000	34,632	20,800	55,432 (92%)	31,512	66,144 (110%)
$90,000 (b)	39,444	20,800	60,244 (67%)	31,512	70,956 (79%)
Widowed Spouse and One Dependent Child (c)					
$24,000	$17,352	$11,662	$29,014 (121%)	$16,000	$33,352 (139%)
$36,000	23,112	15,022	38,134 (106%)	24,000	47,112 (131%)
$48,000	27,000	14,050	41,050 (86%)	31,512	58,512 (122%)
$60,000	29,688	13,378	43,066 (72%)	31,512	61,200 (102%)
$90,000 (b)	33,820	12,304	46,124 (51%)	31,512	65,332 (73%)
Widowed spouse under age 50, no dependent children					
$24,000	0	16,000	$16,000 (67%)	$16,000	$16,000 (67%)
$36,000	0	20,800	20,800 (58%)	24,000	24,000 (67%)
$48,000	0	20,800	20,800 (43%)	31,512	31,512 (66%)
$60,000	0	20,800	20,800 (35%)	31,512	31,512 (53%)
$90,000	0	20,800	20,800 (23%)	31,512	31,512 (35%)

a. For illustrative purposes, Social Security benefit calculations assume that the workers' annual earnings are the same as 12 times his average indexed monthly earnings. For workers' compensation benefits, annual earnings are assumed to be 52 times the workers recent weekly earnings.

b. See note (b) on Table 3.

Source: Authors' calculations based on Tables 1 and 3.

Insurance Program (CHIP) of 1997 (P.L. 105-33). In other cases, surviving families may get a temporary extension of health coverage through the deceased worker's employer plan. The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 (P.L. 99-272) requires employers with 20 or more employees who offer health insurance to allow dependents of deceased workers to purchase continued health coverage for up to 36 months. New York has extended COBRA requirements to employers with 2-19 employees (Pollitz, Lewis, Imes and Bangit 2000). New York also offers a Child Health Plus program for children under the age of 19 who are not eligible for Medicaid and who have limited or no health insurance. If the surviving family members are age 65 or older, or if they have been on the Social Security disability benefit rolls for at least two year, they qualify for health coverage under Medicare. Medicare does not provide coverage to non-disabled persons under age 65.

Employers are not required to subsidize COBRA coverage in the same way they do for active employees. Under COBRA, the employer can require the beneficiary to pay the full premium, plus an additional two percent administrative fee. This can be costly. A recent survey found that the average annual premiums for employment-based health coverage for active workers were about $6,300 for family coverage and $2,400 for individual coverage (Gabel et. al., 2000). Thus, access to health care coverage may be problematic for survivors even if they qualify for COBRA.

The September 11th Victim Compensation Fund

On September 22, 2001, Congress enacted legislation to assist the airline industry. That law also created a special compensation fund, which could pay the families of people killed in the terrorist attacks in excess of $1 million each. People who apply for payments from this fund waive their right to sue the airlines or any other entity for damages sustained in the attacks. The fund is administered through the Justice Department by a "special master" appointed by the Attorney General. The special master's decisions on compensation will be final. The amount individuals and families are awarded will be reduced by the amount of any "life insurance, pensions funds, death benefit programs, and payments by Federal, State, or local governments related to the terrorist-related aircraft crashes of September 11th, 2001" (P.L. 107-42, Title IV– Victim Compensation).

Conclusions

The terrorist attack of September 11th, 2001 directs attention to two long-standing social insurance programs that provide regular cash benefits to replace part of the income families lose when a breadwinner dies. Workers' compensation pays benefits if the worker was killed while at work. Social Security pays widowed spouses and children whether or not the worker's death was work-related.

In normal times, life insurance protection through Social Security and workers' compensation gets little public notice because the programs have broader purposes. Workers' compensation is commonly known for the cash and medical benefits it pays to workers injured on the job. Social Security is best known as a retirement program. Both programs, however, also pool financial risks to ensure income continuity when unexpected catastrophes hit the nation and its families.

Workers' compensation payments vary substantially across states. In most jurisdictions, widowed spouses and children can receive both Social Security and workers' compensation benefits in full. New York is one of the few states that reduce a widowed spouse's benefit if she or he also receives Social Security. Compared with other states, New York also has a relatively low cap on the weekly compensation it pays.

Neither program addresses the problem of continued access to health insurance for families. State workers' compensation programs began early in the 20th century, and Social Security originated in the 1930s. In the decades since then, health insurance coverage has become increasingly important for financial security. For working families, health insurance remains largely a work-based benefit that is voluntarily offered by employers. Maintaining a connection to group health insurance can be problematic when a family breadwinner dies. While COBRA, Medicaid, and child health insurance programs offer some important assistance, more attention needs to be paid to continuity in health insurance for families when unexpected catastrophes hit. ■

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Endnotes

1. In New Jersey, the payment is 100 times the amount of weekly compensation, but this amount is capped so that the total benefits a spouse receives if he or she remarries does not exceed 450 weeks of benefits.

2. Covered employment includes all jobs in which workers and their employers are required to pay Social Security contributions (also known as FICA taxes, authorized under the Federal Insurance Contribution Act). Jobs not covered include state and local government employees in jurisdictions that have chosen not to coordinate their pension plans with Social Security, and federal employees hired before 1984 who chose to remain in the federal pension system that is not coordinated with Social Security.

3. Parents of a deceased worker are eligible if they are age 62 or older and had been receiving at least one-half of their support from the deceased worker. Parents' benefits are offset by any Social Security benefit they otherwise receive. Because most elderly Americans receive Social Security as retired workers – or as spouses or widow(er)s of workers – very few receive benefits as dependents of a deceased son or daughter.

4. Children can also receive Social Security benefits when a parent retires or becomes disabled. Overall, in 2000, 3.8 million children received Social Security.

5. Alaska, Colorado and Minnesota also reduce workers' compensation benefits for surviving dependents if they receive Social Security.

6. New York law states that widowed spouses' benefits are reduced "by five percent of the spouse's share of the survivors insurance benefits under the Social Security Act for each ten dollars of the deceased's average weekly wage in excess of one hundred dollars" up to a maximum of 50 percent. (New York Workers' compensation Law, N.S. Stat. Chap 67, Article 2.16.2-a).

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