

100 years of federal workers' compensation



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On Sept. 7, 1916, President Woodrow Wilson signed the Federal Employees' Compensation Act (FECA), creating a workers' compensation system for federal employees killed or injured in the performance of their duties. Prior to the enactment of FECA, the costs for work-related injuries fell on injured workers and their families. In 1916, there was no social safety net, and on-the-job injuries often led to destitution and poverty for injured workers and their families.

The development of workers' compensation programs was tied to a world economy that had seen radical changes as new technologies moved workers from the fields to factories.

The Industrial Revolution overwhelmed the world economy, and in America the changes were significant. The Jeffersonian ideal of the agrarian freeholder was rapidly giving way to a society of employers and employees. A growing majority of workers were performing work at the direction of an often distant employer, who knew little of the working conditions in the factories they controlled.

To aid the economic expansion, America opened its doors to workers from around the world. In 1907, European immigration peaked when more than 1.2 million persons entered the country. By 1910, 13.5 million immigrants were living in the United States. As the new immigrants attempted to integrate into society, factory owners responded and manufacturing boomed.

On the positive side, the Industrial Revolution raised the living standards across all classes. However, workers soon became little more than production costs on company ledgers. Absent any federal regulations regarding workplace safety, workers suffered injuries at an alarming rate.

Workers' only recourse for injuries suffered in the workplace was to sue their employer for negligence. Some workers won large settlements, but the vast majority received nothing. As families suffered, the social costs of workplace injuries became an increasing concern for the federal government.

Public officials began to question whether it was good public policy to let factory owners shift the cost of workplace injuries onto the public treasury. Economists argued that when production costs failed to include the human toll of manufacturing, the benefits tilted toward the owners and away from the workers. Prices became distorted when all of the costs of production, including human, were not included in the price of goods and services.

Remarkably, the Postal Service developed a *de facto* compensation program in 1900 through the annual appropriations process. Injured postal clerks remained on the payroll, and additional funding was secured for temporary replacement workers. In 1903, the Post Office appropriation act provided a lump-sum benefit of \$1,000 to survivors of railway mail clerks who were killed in the line of duty. In 1911, the benefit was doubled to \$2,000.

The first comprehensive federal workers' compensation statute was enacted in 1908. The law provided protection to workers involved in "dangerous" occupations. While the 1908 law provided limited compensation—one year's wages for injured workers, and one year's salary for dependents of a worker killed on the job—there were many occupations that were equally dangerous but not covered.

Additionally, the law imposed a 15-day waiting period before benefits were paid. If an injured worker was off work fewer than 15 days, no benefits were paid. This became problematic, as injured workers were incentivized to stay out of work for 15 days or longer just to receive benefits. However, the numbers of injuries reported were small, and the total benefits paid for the first five years amounted to less than \$2 million. Contrast that with the Postal Service's nearly \$1.4 billion in workers' compensation payments in fiscal year 2015.

While the 1908 law was a beginning, letter carriers were not in the protected category. The postmaster general asked Congress to enact legislation to provide benefits to all injured postal employees. In 1914, Congress approved the Reilly Compensation Law. The law provided paid leave for letter carriers injured on the job. Injured workers received full pay for the first year of disability, and 50 percent of full pay for a period not to exceed 12 months. However, the law did not cover occupational diseases and did not pay medical costs.

As the shortcomings of the 1908 compensation law and the Reilly Compensation Act became evident, Congress began debating more comprehensive legislation to protect federal workers. State workers' compensation statutes providing greater protection than the federal laws had been enacted, and Congress felt compelled to respond. The enactment of FECA in 1916 was the result of intense debate about the rights and responsibilities of injured federal workers. Remarkably, most of the original law remains intact.

Next month, we will look at the evolution of the Federal Employees' Compensation Act and the NALC's active role in shaping the law.