

peak in May 1974, when 217,745 persons had benefits that were calculated on this basis (table 2). Since the second stage of the 11-percent benefit increase (effective for June 1974) raised the regular PIA for some 100,000 beneficiaries in this group to more than \$180, it was more advantageous to have their benefits based on the regular PIA. The number with benefits based on the special minimum PIA therefore dropped to 117,120 by the end of June 1974.

The June 1975 benefit increase raised the regular PIA for about 97,000 additional "special minimum" beneficiaries above \$180, and the number receiving benefits on that basis declined to 27,803. It is likely that, for most persons coming under this provision, the benefits under the special PIA would be converted to the regular PIA basis by the time of the next cost-of-living increase, unless the \$180 limit on the special minimum PIA is also lifted.

Railroad Unemployment and Sickness Benefit Amendments of 1975*

On August 9, 1975, President Ford signed Public Law 94-92 amending the Railroad Unemployment Insurance Act to increase unemployment and sickness benefits for railroad workers. The legislation was based on joint recommendations from railway, labor, and management.

Under the amended act, the maximum daily benefit for both unemployment and sickness compensation has been raised to \$24.00 from the previous rate of \$12.70 that had been in effect since 1968. This provision will be retroactive to July 1, 1975, and will extend through June 30, 1976, after which the maximum will be raised to \$25 a day. Each beneficiary's daily benefit rate will be figured as 60 percent of his last daily pay rate in the base year, subject to the \$24 or \$25 maximum but with a minimum of \$12.70.

As under previous law, to qualify for unem-

* By Andrea Novotny, Division of Retirement and Survivor Studies, Office of Research and Statistics.

ployment or sickness benefits, a worker must have railroad earnings of at least \$1,000 in the previous calendar year (base period), not counting more than \$400 for any one month. The new law, however, reduces the number of months that a new employee must have worked in the base year to be eligible for benefits from 7 months to 5 months.

The waiting period for payment of sickness benefits has also been liberalized to conform in general with that for unemployment insurance benefits. Under previous law, sickness benefits were payable only when the claimant had more than 7 days of sickness during the first 14-day claim period in a benefit year. Now, the claimant receives benefits after 4 consecutive days of illness. If the illness continues, benefits are to be paid for all days exceeding 4 in subsequent registration periods, as in the previous law.

Normal sickness benefits are available for the same length of time as normal unemployment benefits—up to a maximum of 130 days (26 weeks) but are not to exceed the amount of an employee's creditable wages in the base year. As with unemployment benefits, up to \$775 (previously \$400) a month can be counted toward creditable wages in the base year for purposes of setting the maximum amount of normal benefits that are payable.

The 1959 amendments to the act introduced the concept of paying extended unemployment and sickness benefits to railroad workers with long-term service who have exhausted their rights to normal benefits. Employees with 10-14 years of service could receive up to 65 additional days (13 weeks) of benefits, and employees with 15 or more years of service could receive up to 130 additional days (26 weeks).

The new law includes somewhat comparable provisions of a permanent nature for railroad employees with less than 10 years of service.¹ They are the workers with the lowest seniority who generally would be most subject to layoff and who would be laid off for long periods of time. Now they will be eligible for extended unemployment (but not sickness) benefits up to a maximum of 65 additional days during periods of high unemployment in either the national

¹ In earlier years, special Federal legislation was passed during periods of high unemployment to provide for an extended-benefit period.

economy or the railroad industry. These extended benefits are patterned after the Federal-State extended unemployment compensation program as amended in 1974² in that the payment of benefits is geared to national or railroad industry indicators of high unemployment.

Thus, extended benefits for short-term employees are now available 20 days after either the national "on" indicator under the Federal-State system goes into effect, or after a period of 3 consecutive months in which the railroad unemployment rate (seasonally adjusted) equals or exceeds the level required for the national "on" trigger. A national trigger is deemed "on" whenever the national insured unemployment rate exceeds 4 percent or more for 3 consecutive months, a condition that has existed since February 1975. The total amount of unemployment benefits payable in an extended-benefit period to an employee with less than 10 years of service cannot exceed half of his base year earnings under a \$775 monthly limit. Employees with 10 years or more of service will continue to receive extended unemployment and sickness benefits without regard to the triggering mechanism.

The law establishes new restrictions on unemployment benefits for employees engaged in a legal strike. It allows compensation for only the number of strike days in excess of 7 during the first 14-day claim period after the beginning of the strike, rather than for each day of unemployment in excess of 4, as before. If the strike lasts longer than 14 days, employees will receive benefits in later periods for each day in excess of 4, as was the case in the previous law. If a legal strike lasts less than 8 days, no benefits are payable. Workers who become unemployed because of participation in a strike in violation of the Railway Labor Act will continue to be denied benefits as before.

The upgrading of benefits will be financed through an increase in the employing carriers' contribution rates beginning January 1976 but with no change in the amount of payroll (\$400 per month) subject to the contribution rate. A sliding scale has been established that will base the contribution rates on the balance of money in the railroad unemployment insurance account fund, as follows:

<i>Balance as of Sept. 30 (in millions)</i>	<i>Contribution rate (percent), following year</i>
\$300 or more -----	0.5
200-299 -----	4.0
100-199 -----	5.5
50-99 -----	7.0
Less than 50 -----	8.0

To pay the additional costs of administering unemployment and sickness benefits, the new law provides for an increase from 0.25 percent of the taxable payroll to 0.50 percent in the amount set aside from collections in the separate administration fund.

Social Security Abroad

Social Security Revision in the United Kingdom*

Legislation implemented in the United Kingdom in April 1975 suspended the existing earnings-related old-age pension and, at the same time, substantially increased the flat-rate benefit. The flat-rate pension itself now amounts to almost as much as the two together before the legislation.

These changes, and others that significantly alter contributions to the social security programs, were brought about when the Labor Party came into power in 1974. In 1973, when the Conservative Party was in office, a law was enacted to eliminate the second (earnings-related) layer of old-age pensions in favor of private employment benefit plans for most workers.¹ The legislation was to take effect in April 1975. The Labor Government, however, felt that the benefits under this plan were too low, particularly for women and low-income workers. Because there was not enough time to formulate a new plan the Labor Party suspended the earnings-related program, pending enactment of its own proposal. As an

* Prepared by Martin B. Tracy, Comparative Studies Staff, Social Security Administration, Office of Research and Statistics.

¹ See Martin B. Tracy, "Proposed Pension Reform in United Kingdom," *Social Security Bulletin*, August 1973.

² "Unemployment Insurance Benefits Temporarily Expanded," *Social Security Bulletin*, June 1975, pages 42-45.