

cedure may be used. Find estimates of the standard errors of the percents in question, using table III. Square these standard errors to get variances and add the variances. Take the square root of this sum to get the standard error of the differ-

ence. If the absolute difference between the two percentages in question is greater than twice the standard error of the difference, they are said to be significantly different from one another at the 5-percent level.

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## Notes and Brief Reports

### Unemployment Insurance Benefits Extended \*

On July 1, 1973, the Federal-State Extended Unemployment Compensation Act of 1970 was amended to permit the continued payment of up to 13 weeks of additional benefits to unemployed workers under specified conditions. This provision, part of P.L. 93-53 (on continuing the temporary increase in the public debt limit), is the second amendment that liberalizes the rules for paying extended benefits during 1973. The first amendment (contained in P.L. 92-599) allowed extended payments under liberalized rules for weeks of unemployment beginning October 29, 1972, through June 30, 1973. Under the more recently passed legislation, payments can be made to workers for weeks of unemployment beginning July 1, 1973 (or, if later, a date established by State law) through December 31, 1973.

The permanent Federal-State extended benefits program provides for up to 13 weeks of additional benefits to workers who have exhausted their regular unemployment insurance payments during periods of high unemployment. Nationally, the program operates when the seasonally adjusted rate of insured unemployment for all States equals or exceeds 4.5 percent for 3 consecutive calendar months. This rate has not been reached since 1971. Even if the extended benefits program has not been triggered "on" nationally, it may operate in individual States if the insured

unemployment rate averages 4 percent or more for 13 consecutive weeks and is equal to or greater than 120 percent of the average rate for the corresponding 13-week period in each of the 2 preceding years.

Several States have experienced insured unemployment levels of 4 percent or more in the last few years, but because the rate has not continued to rise—that is, it was not equal to or greater than 120 percent of the rate in the preceding 2 years—extended benefit provisions have been triggered "off." The 1972 amendment temporarily eased the conditions under which extended benefits were payable by providing that the 120-percent requirement in the "off" trigger could be disregarded by a State with the consent of its legislature. The 4-percent insured unemployment rate in the State continued as a condition of extended-benefits payments.

The new amendment similarly eliminates the 120-percent requirement in the "off" trigger from July through December 1973. In addition, it permits a State to ignore the 120-percent requirement for the "on" trigger if the rate of insured unemployment equals or exceeds 4.5 percent (instead of 4 percent as required under the permanent program). The new amendment provides for the beginning of an extended-benefit period regardless of the permanent program's requirement that there must be at least 13 weeks between the end of one extended-benefit period and the start of the next. In addition, if the extended-benefit period in a State does not expire before January 1, 1974, then workers who begin receiving extended benefits in 1973 are eligible for payments through the thirteenth week of 1974.

According to estimates of the U.S. Department of Labor, six States—Alaska, Massachusetts, New

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Jersey, Puerto Rico, Rhode Island, and Washington—meet the insured unemployment conditions specified and therefore would be able to pay extended benefits under this amendment. If all the States affected by the amendment take full advantage of it, \$115.7 million in additional benefits would be paid to 176,500 workers, at a cost of \$60.5 million in Federal funds and \$55.1 million in State funds. Of the six, Massachusetts, Rhode Island, and Washington have the necessary legislation and are now paying extended benefits.

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## Social Security Abroad

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### Switzerland: Compulsory Private Pensions \*

In December 1972 a national referendum in Switzerland approved a constitutional amendment that requires employers to provide private employee-benefit plans that cover old-age, survivors, and disability insurance. Legislation to implement the amendment is anticipated late in 1974. The new compulsory private pension plan is scheduled to go into effect in 1975 and payment of benefits will start 5 years later. The Swiss social security system, inaugurated in 1948, is based on provisions in the Constitution and any major change, therefore, must be by constitutional amendment.

The purpose of modifying the existing social security program is to permit beneficiaries to receive pensions high enough to maintain their previous standards of living. This goal, it is felt, should be reached through the integration of social security and private plans, not by social security alone. Social security, from the start, was to provide only a basic minimum. The Swiss Government, in 1964, proposed a "three pillar" approach under which overall old-age, survivor, and disability protection was to be provided

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\* Prepared by Max Horlick, Chief, Comparative Studies, International Staff, Office of Research and Statistics; information based chiefly on discussions with Mlle. Danielle Bridel, Adjointe à la direction de l'office fédéral des assurances sociales, and official publications provided by her.

through compulsory social security (first pillar), employee-benefit plans (second pillar), and private savings and insurance (third pillar).

In practice, however, it was found that many people did not come under a company plan and had little or no income beyond an often minimal social security benefit. To help them, means-tested benefits were established, with Federal and Cantonal (State) financing. The fact that almost 20 percent of the social security beneficiaries required supplements led to a search for an alternate solution.

A new two-part approach is to: (a) raise social security benefits at a faster rate than the increase in wages and (b) mandate private pensions.<sup>2</sup> Within this framework, social security pensions will be doubled in the 3-year period 1972-75, with the intent that they provide a subsistence income for low wage earners. Under the constitutional amendment, private pensions as an adjunct to social security benefits will provide the additional amount needed to permit beneficiaries to retain their former economic levels. The Constitution directs the Federal Government to see that the requirements of the amendment are carried out.

### ELIGIBILITY

The basic social security system covers all residents who meet the contribution requirements, but the new private system is to be mandatory for wage and salary workers who earn at least the amount of the maximum social security pension (scheduled to be 12,000 Swiss francs a year, beginning 1975). The self-employed may sign up voluntarily under conditions similar to those specified for the paid workers.

The maximum level will be adjusted on the basis of changes in the minimum old-age pension. The great majority of workers are expected to earn more than this amount. The cutoff, however, eliminates certain low wage earners, such as casual and part-time workers, from mandatory private pension coverage. This group, dependent solely upon social security benefits, could be eligible for the means-tested supplement. Planners estimate that two-thirds of the contributors

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<sup>2</sup> See Elizabeth Kreidler Kirkpatrick, "Switzerland Changes Social Insurance Philosophy," *Social Security Bulletin*, April 1972, pages 24-26.