

coverage and 25 percent of benefits in 1967, were included in this category in 1966 but not in the later year.

Similarly, the 18 jurisdictions reporting increases of 10 percent or more in 1967 represented 39 percent of the Nation's workers in covered employment, but the 20 States in this category in 1966 had accounted for only 32 percent of coverage in that year. The shift of California and New Jersey into this range in 1967 is largely responsible for the difference.

The experience of individual States also shows wide divergence from year to year. Of the 12 States with no increase or increases of less than 5 percent in benefit expenditures in 1967, only four had reported the same phenomenon in 1966. All the States with declining benefits in 1967 had experienced an increase in their level of benefit payments in 1966. At the other end of the spectrum, only Hawaii and Louisiana among the jurisdictions with increases of 15 percent or more had risen to a similar extent in 1966. For less than half the 23 jurisdictions with a greater-than-average rate of growth from 1966 to 1967, the increase continued a rise that had been higher than the national average in the preceding year.

Regionally, the Rocky Mountain States showed the least advances in benefit payments in 1967. The largest percentage increases were registered among the Pacific States and in a scattering of Midwest and Northeast industrial States.

Cost Relationships

The amounts spent by employers to insure or self-insure their risks under workmen's compensation rose by \$370 million in 1967 to a new high of \$3,650 million. This was one of the largest absolute increases reported for any single year. The \$3,650 million consisted of (1) \$2,640 million in premiums paid to private carriers; (2) \$692 million in premiums paid to State funds (for the Federal programs financed through congressional appropriations, these "premiums" are the sum of the benefit payments and the costs of the administrative agency); and (3) about \$320 million as the cost of self-insurance benefits and administration.

The increase in workmen's compensation costs

from 1966 to 1967 was about 11 percent, far in excess of the percentage increase in payrolls in covered employment. As a result, costs in terms of aggregate payroll rose to \$1.07 per \$100, compared with \$1.02 per \$100 of payroll in 1966. This rate has been steadily spiraling since 1959, when it was as low as \$0.89.

Since amounts expended in benefits did not increase as fast as overall costs in 1967, the portion of the workmen's compensation premium dollar that was returned to insured workers in the form of medical and cash indemnity benefits dropped to about 58 percent—the lowest ratio since 1954. In 1966 the ratio was 60 percent.

For private carriers alone, the ratio of direct losses paid to direct premiums written (the loss ratio) reflected the same experience. The 1967 ratio of 51.6 percent was the lowest recorded since the 1954 low of 50.6 percent. A loss ratio based on losses incurred (which included amounts set aside to cover liabilities for future claims payments) would be higher.

Also experiencing a drastic drop in the ratio of benefits paid to premiums were the State funds. The 1967 ratio for these funds (excluding the Federal program) was 65 percent, a drop of five percentage points from the 70 percent registered in 1966. Only the year 1956 registered a lower ratio.

The loss ratios for private carriers and, to some extent, for State funds do not take into account the premium income that is returned to employers in the form of dividends. Data available from State insurance commissions indicate that dividends generally amount to 4–6 percent of premiums.

Social Security Abroad

FURTHER SOCIAL SECURITY AMENDMENTS IN FRANCE*

On July 26, 1968, the French National Assembly ratified the Social Security Reform Ordinances of August 21, 1967. The main objec-

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tive of the ordinances was to reduce the country's social security deficit, which reached 3.4 billion francs, or \$677 million¹ at the end of 1967. The Assembly also adopted several amendments to the ordinances fulfilling certain commitments the Government made to labor in the strike settlement of May 27, 1968, now known as the "Grenelle Accords." The amendments are aimed principally at softening the financial impact that increased contributions under the reform ordinances have had on the lowest paid workers (some of the ordinances were effective October 1, 1967). The major changes include an increase in old-age assistance, a higher rate of reimbursement for medical care, and further improvements in the family allowance program. The Assembly also approved certain administrative and fiscal changes in the social security system. Henceforth, the National Assembly will undertake an annual review of social security expenditures to insure that timely and orderly provision is made in the government budget to cover deficits that may arise from the operation of the social security system. A voluntary medical and maternity insurance program has also been formally implemented.

BACKGROUND

A large portion of France's social security deficit originated with the sickness insurance program and was due mainly to a rise in medical costs.² The ordinances as originally enacted were calculated to reduce the deficit by increasing employee and employer contribution rates, by curtailing benefits and establishing more rigid qualifying conditions, and by partially eliminating the earnings ceiling for contributions. Under the sickness insurance program, for example, the reimbursement rate for outpatient medical and dental care and for pharmaceutical products was to be decreased from 80 to 70 percent. Among the

¹ Based on an exchange rate with 1 franc equaling 20.3 U.S. cents.

² See *Reform of the French Social Security System, 1967* (Research and Statistics Note No. 13), September 1967, and *Recent Foreign Social Security Developments* (Research and Statistics Note No. 1), January 1968, page 7.

administrative changes was the reduction of trade union representation on various boards and councils of the social security system. Formerly, three-fourths of the membership of the local and regional social security councils had been chosen from union slates. The ordinances established that such membership would henceforth be equally divided between management and labor.

The government's reform of the social security system provided a focal point for the opposition of labor and, to a lesser extent, management. Labor unions and various management organizations spoke out against the anticipated loss of purchasing power and the increased social costs resulting from the reforms. The unions also considered their reduced representation on the social security councils a loss of influence and prestige for which they received no comparable concession or benefit in return.

During the period following the enactment of the ordinances, the Government steadfastly resisted all efforts to abrogate or modify them. It was not until the social crisis of May 1968 that the Government agreed to review benefits and to consider certain amendments when the ordinances came up for parliamentary consideration.

The amendments that were finally adopted included, among other things, an increased rate of reimbursement for medical expenses incurred under the sickness insurance program, increased assistance payments to the aged and permanently disabled, and a higher level for family allowances.

Increased Reimbursement for Medical Expenses

The new amendments raised the rate of reimbursement for medical bills incurred by the insured under the sickness insurance program from 70 to 75 percent, effective June 20, 1968. (This change represents a reversal of the Government's previous action under the Reform Ordinances of August 1967 when the reimbursement rate for medical expenses, as well as for most prescription drugs, was reduced from 80 to 70 percent.)

The new reimbursement rate is applicable to outpatient medical expenses, for general and specialist medical and dental care, and, whenever hospitalization of the patient is not required, to

expenses for surgery and laboratory services. Reimbursement for pharmaceutical products remains at the former rate of 70 percent for most drugs, with the exception of a limited list of high-cost drugs that will be reimbursable for up to 90 percent of their cost. Certain categories of persons insured under the social security program will continue to be reimbursed in full for their medical expenses. These include persons receiving an invalidity pension and those suffering from an illness of long duration or requiring hospitalization exceeding 30 days.

It should be noted that the 1967 ordinance, which required mutual health insurance groups to impose a 5-percent deductible on their coverage of the amount not reimbursed by the government, has not (as of September 1, 1968) been put into effect. This provision has been the target of criticism on the part of the worker and family organizations.

Increased Old-Age and Invalidity Assistance Payments

Under the general social insurance scheme, retired workers over age 65 (or over 60 if unable to work) who do not fully qualify for old-age pensions or indigent persons who cannot qualify under any other social security program but who meet certain requirements under a means test receive a yearly assistance payment. Effective July 1, 1968, minimum assistance payments to this group were increased from 2,400 francs to 2,500 francs a year. For retired persons, this sum includes a supplementary old-age allowance of 950 francs a year (an increase from 850 francs) drawn from the National Solidarity Fund.³

The maximum allowable annual income for eligible beneficiaries has been raised from 3,900 francs to 4,000 francs for single persons and from 5,850 francs to 6,000 francs for married couples. This maximum takes into account the assistance payment itself and any government benefit for old-age and invalidity, occupational income, and income from real or personal property.

³ The National Solidarity Fund is financed from special budgetary resources and is used to provide a supplementary allowance to all retired workers whose total income does not exceed the allowable maximum.

Increases in Family Allowances

Along with the other social security amendments adopted by the Government, the level of family allowances was increased 5.5 percent, effective July 1, 1968. This change will cost an estimated 230 million francs for the balance of 1968 and will be paid almost entirely out of the reserve in the National Fund for Family Allowances.

Since 1963, family allowances have been increased regularly by 4.5 percent on August 1 of each year. In 1968, however, the Government advanced the effective date of the annual increase to February 1. The February increase, when combined with the July increase, brings the total raise in family allowances for 1968 to 10 percent. This means that since February 1, 1968, the base salary⁴ used to determine the family allowance has been increased from 328 to 361 francs a month. At the same time, the single-wage allowance paid to families with only one wage earner was amended to favor low-income groups. The new benefit rate is based not only on the number and age of children, but also the income of the family head.

Voluntary Medical and Maternity Insurance

The voluntary insurance plan established under the new ordinance extends sickness and maternity benefits to persons who cannot meet the minimum qualifying conditions required for coverage under the general social security regulations. The voluntary insurance also applies to all persons formerly insured under social security and their dependents who do not otherwise qualify for registration within existing compulsory or voluntary social security plans.

The cost of the coverage is to be borne entirely by the subscriber or by the social assistance service in case of indigent or disabled persons. The new plan is open to all residents of France, including aliens. Annual premium rates are based on the income of the insured and range from

⁴ The base salary is an amount determined by the French Government that represents the minimum income of an unskilled worker in Paris: it is uniform throughout France.

1,584 francs for the highest paid categories (14,400 or more francs a year) to 792 francs for the lowest (7,200 francs a year). For the insured person under age 22, the annual rate is 396 francs. Benefits are limited to those for medical and maternity care and exclude reimbursement for continuous or successive periods exceeding 3 years.

Preliminary Results

Speaking before the National Assembly on July 22, 1968, the Minister of Social Welfare reported on the preliminary results of the first months' operation of the social security reform ordinances. He pointed out that while the general system still showed a deficit, some progress had been made toward restoring financial equilibrium. With the help of the new rates established under the reform ordinances, social security receipts during the first 3 months of 1968 increased 11 percent over the same period in 1967, and payments increased only 5 percent. Yet because of a 12.6 percent increase in hospital charges beginning July 1, 1968 (due largely to wage increases following the May crisis), it was estimated that the sickness insurance fund would sustain a loss of 288 million francs by the end of the calendar year. This still compared favorably with 1967, when the deficit in the sickness insurance fund reached 3.4 billion francs and had to be covered by an advance of 2.9 billion francs from the National Treasury. Taking into account the

estimated deficits in other social security funds, the administrative costs to be assumed by the Government from the beginning of 1968, and the increased cost of supporting supplementary assistance benefits, the Minister predicted that by the end of 1969 the deficit for the entire social security system would be reduced to one-third the 1967 deficit.

In order to meet anticipated obligations during the current calendar year, the National Assembly approved the transfer of 700 million francs from general revenue to the social security system. According to the Minister, the balance of the deficit would be met out of current receipts and existing surpluses in the family allowance fund accumulated in previous years. Thus, while the ordinances of August 1967 were intended to bring the accounts of the social security system into balance, the financial trends for 1968 have indicated that the Government will have to continue to assume general responsibility for the social security deficits. In order that Parliament may have a voice in the development of social security and be aware of the status of its financing, the Minister of Social Welfare stated that the Government would include in their sixth economic plan now in preparation, proposals for financing the expansion of social security benefits as well as measures needed to maintain a balance between contributions and benefits.

Social security expenditures in France in 1967 reached almost 75 billion francs or the equivalent of 60 percent of the total French regular budget and almost 14 percent of the gross national product.