

For private carriers alone, the ratio of direct losses paid to direct premiums written (commonly termed the "loss ratio") reflected the same upward trend. The 1971 loss ratio was 53.5 percent, compared with 51.5 percent for 1970 and 50.4 percent for 1969. A ratio based on losses incurred (which includes amounts set aside to cover liabilities from future claims payments) would be higher.

State insurance funds also showed a rising loss ratio, continuing a pattern that began in 1968. The proportion of benefit payments to premiums was 67.8 percent in 1969, 69.7 percent in 1970, and 71.2 percent in 1971.

The loss ratios for private carriers and, to some extent, for State funds do not take into account the premium income returned to employers in the form of dividends. Available data indicate that when dividends are related to total premium payments (for both dividends and non-dividend-paying companies) they generally average about 4-6 percent.

Social Security Abroad

New British Programs: Early Experience*

Two new social assistance programs—the family income supplement¹ and the constant attendance allowance—were introduced in Great Britain during 1971. Data on the first several months of operation of these programs are now available in the 1971 annual report of the Department of Health and Social Security.

FAMILY INCOME SUPPLEMENT

The family income supplement program (FIS), which went into effect in August 1971, is designed to help the families of the country's lowest-paid workers through payment of a weekly cash benefit. The target is a specific segment of the working

poor—the group of families with dependent children where the head of the household is working full time (30 hours or more a week) but earning minimal wages. By establishing a minimum income level, the Act approaches the determination of one kind of official poverty level.

The amount of the benefit is half the difference between the total family income and the level of income prescribed, according to family size. The prescribed basic income level under the FIS (as amended April 4, 1974) is £20 a week for a family with one child, with the FIS program paying half the difference up to a maximum of £5 a week.² If the family is earning £15, then half the difference, or £2.50 is payable weekly. The usual age limit for children is 16, but it is extended for those in school or vocational training.

Entitlement to the FIS carries automatic entitlement to certain other welfare benefits: exemption from charges for prescriptions, dental treatment, and glasses; free welfare milk and vitamins; free school meals; and refund of fares for traveling to the hospital for treatment. These benefits are already available to those receiving a supplementary allowance; that is, the unemployed, part-time workers, the sick and disabled, and women with dependent children whose low income entitles them to a weekly, means-tested cash assistance payment to cover minimum living requirements. Workers in full-time employment, even though their income falls below the level prescribed by Parliament as adequate to cover minimum living requirements, are specifically excluded from receiving a supplementary allowance. With the introduction of the FIS they became eligible for the complementary welfare benefits listed above.

After 7 months of operation, the FIS has had two major effects. First, it raised the income level of 66,365 low-income families by an average weekly payment of £1.73.³ All these families had been ineligible for supplementary allowances because the head of the family was in full-time employment.

The FIS program was expected to benefit particularly those single persons among the lowest

² One pound equals U.S. \$2.38.

³ Payments during this period were made under the original provisions of the law when the basic income level was £15 a week, with the program paying half the difference up to a maximum of £4.

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¹ See "Family Income Supplement in United Kingdom," in the *Social Security Bulletin*, June 1971, pages 21-22.

wage earners—divorced, separated, and single women and widowers and other single men—who are bringing up children unaided while they work full time.⁴ The allowance was intended to help defray the cost of child care and related expenses. As of December 1971, 22,462 weekly payments were being made to one-parent families.

The second major effect of the FIS program has been a sharp drop in the number of unemployed men whose supplementary benefit allowances were being “wage-stopped.” The supplementary allowance can be paid to persons in part-time employment or to the unemployed. Before the introduction of the wage-stop a part-time worker with a very low income who was receiving a supplementary allowance payment could have had a total income that was greater than the amount earned by a worker in full-time employment in the same occupation. It was also possible for an unemployed worker to derive a greater income from his unemployment benefit combined with a supplementary allowance payment than his income when he was employed. To prevent such cases, however, a “wage-stop” provision was introduced that reduces or limits the supplementary allowance so that the family’s total income cannot exceed the amount the breadwinner would have received in full-time employment.

A married man with one child, for example, who was earning £10 a week before the onset of unemployment would be wage-stopped to that benefit level when he became unemployed, even though the supplementary allowance system entitled him to £13.50. Now, however, if the family were on the FIS rolls, the normal income of this worker would rise to £15.00, and he could receive the full amount of his supplementary allowance.

In 1970, about 24,000 families receiving unemployment benefits were having their supplementary allowances wage-stopped. The Government estimated that the majority of these families would gain from the provisions of the FIS program and at least half would cease to be subject to any wage-stop deduction. That the FIS program has fulfilled legislative expectations may be inferred from the decrease in “wage-stops” for unemployed men from 32,000 in November 1970 to 19,900 in November 1971. In addition, the number of men with wage-stop

⁴ Few widows with dependent children qualify for the FIS since they already receive social security benefits.

deductions as a proportion of all unemployed men receiving supplementary allowances declined from 14.9 percent in November 1970 to 5.8 percent in November 1971.

It had been anticipated that the total cost of the Government-financed program would be £8.6 million a year. At the end of the program’s first fiscal year (August 31, 1971, through March 31, 1972) of operation, the cost to the Government amounted to £3.5 million.

CONSTANT ATTENDANCE ALLOWANCE

The new constant attendance allowance program was introduced as a measure to encourage home care of the severely disabled who are not recipients of a constant attendance allowance payable under a disability pension. A constant attendance allowance was already payable to those drawing an industrial disablement pension because they are 100-percent disabled and so seriously handicapped that they require help for their personal needs.⁵

Provisions of New British Program

The new British constant attendance allowance does not require a means test or contributions and is tax free. To be eligible for the allowance, a person must be so severely disabled, physically or mentally, that he has for 6 months or more required frequent attention throughout the day or repeated attention during the night, or needed continual supervision in order to avoid substantial danger to himself or others. For children under age 16, the medical condition is modified so that a child must also require attention or supervision substantially greater than that required by a child of the same age and sex. The allowance is not payable to children under age 2.

Disabled persons aged 16 and over were already eligible to receive a cash sickness benefit (which becomes an invalidity benefit⁶ after 6

⁵ The normal rate for full-time attendance under a disability pension is £4 a week (with lower rates for part-time attendance). A weekly allowance of up to £8 may be paid in cases of extremely severe disablement.

⁶ Invalidity benefits, which went into effect in September 1971, are payable to employed or self-employed persons with at least 156 weekly contributions if their incapacity continues for 168 days.

months if they had an employment record or a supplementary allowance payment if they did not.)

The rate for full-time attendance is £5.40 a week beginning October 1972 (£4.80 up to that time). When the eligible adult or child is in a private institution, the allowance may be used to defray the cost.

The allowance is being administered by the Constant Attendance Board of the Department of Health and Social Security, which has the power to delegate to medical practitioners the authority to determine whether an individual qualifies for the benefit.

More than 120,000 claims to the new attendance allowance were filed between June 1971 when registration began and the end of that year—a number far exceeding original expectations. The number of claims processed by the end of 1971 was approximately 83,000. Nearly 55,000 of these claims resulted in awards (including 4,800 approved after a successful application for review), and about 28,000 were disallowed. The total number of awards comprised 40,000 made to adults and nearly 15,000 to children. The cost of the new allowance during the 1971-72 fiscal year was estimated to be £6 million. This amount, covering only 4 months of claims settlement, was higher than expected because of the large number of awards.

The eligibility requirements for the constant attendance allowance were originally so strict that some of the totally disabled who were receiving industrial-injury constant attendance allowances could not have qualified under the new program. Because the stringent conditions for eligibility excluded many of the severely disabled under the 1970 act, it was amended to make the allowance available to those who need attention or supervision either by day or by night rather than for the full 24 hours. For them the allowance will be at two-thirds of the rate for day and night—or £3.60 a week. Large numbers of handicapped persons will benefit from this

extension—it has been estimated that 250,000 may qualify. To avoid overtaxing the administration, in particular the medical manpower, applications will be taken in stages—first those of working age, then children, and then the elderly.

Allowances in Other Countries

Constant attendance allowances are payable in most European countries (including Austria, Spain, Belgium, Germany) to severely disabled beneficiaries of invalidity and disability pensions. This particular benefit is limited, however, to the disabled who are covered by the general social security system.

In addition to these work-related constant attendance allowances, Sweden and recently France and Great Britain have implemented constant attendance allowances that are noncontributory and universal in coverage. In France, the benefit is means-tested; in Sweden and Great Britain, it is not.

Sweden has had a special allowance for families with severely handicapped children for a number of years. A handicapped child becomes eligible for a disability pension at age 16. The underlying concept of the Swedish allowance was to provide needed helpers to persons who could not care for themselves. In contrast, the English and French constant attendance programs were established to encourage home care of the handicapped and thereby relieve pressure on public institutions and their inherent higher costs.

In France, a cash benefit is paid to the parents or guardians of severely handicapped children (under age 20) when special education is required or when unusual expenses are involved. In addition, a "home-care" benefit is paid to the permanently disabled aged 20-65 who for one reason or another fail to qualify for benefits under other programs. Both types of benefits are means-tested. Payment stops if the disabled person is institutionalized in a state-run facility.