

TABLE 4.—Number of male 4-quarter workers covered under OASDHI and proportion with annual wages below specified amounts

[Figures in italics represent coverage during the period of prevailing taxable limits]

Year	Taxable limit in effect	Number of male 4-quarter workers (in thousands)	Percent of workers with annual wages below specified amounts																	
			\$3,000	\$3,600	\$4,200	\$4,800	\$6,600	\$7,800	\$9,000	\$12,000	\$15,000									
1938.....		14,864	<i>93.9</i>																	
1950.....	\$3,000	23,051	<i>43.2</i>	96.7	78.4	97.9	87.0	95.4	97.1	97.9	98.8	99.0	99.9	99.0						
1951.....	3,600	29,253	38.5	<i>53.6</i>	68.2	80.0	92.8	95.5	96.8	98.2	98.7	98.7	98.7	98.7						
1952.....	3,600	30,033	34.1	<i>47.9</i>	63.3	76.6	91.6	94.8	96.4	98.0	98.6	98.6	98.6	98.6						
1953.....	3,600	30,713	30.0	<i>42.5</i>	57.0	70.6	89.9	93.8	95.8	97.8	98.5	98.5	98.5	98.5						
1954.....	3,600	30,056	30.0	<i>42.2</i>	56.6	70.7	89.6	93.6	95.6	97.6	98.3	98.3	98.3	98.3						
1955.....	4,200	34,060	31.9	42.2	<i>53.5</i>	65.3	88.7	93.5	95.6	98.0	98.7	98.7	98.7	98.7						
1956.....	4,200	36,073	30.1	39.4	<i>50.1</i>	61.8	85.0	90.8	93.7	96.9	98.1	98.1	98.1	98.1						
1957.....	4,200	38,982	32.1	40.7	<i>60.3</i>	60.7	84.3	90.5	93.6	96.9	98.1	98.1	98.1	98.1						
1958.....	4,200	37,370	31.5	39.9	<i>49.1</i>	59.1	81.9	88.8	92.5	96.5	97.9	97.9	97.9	97.9						
1959.....	4,800	38,651	28.6	36.5	44.9	<i>54.0</i>	78.8	87.4	91.7	96.0	97.6	97.6	97.6	97.6						
1960.....	4,800	38,760	27.7	35.2	43.1	<i>51.6</i>	78.1	85.8	90.7	95.6	97.4	97.4	97.4	97.4						
1961.....	4,800	38,922	27.6	34.8	42.3	<i>50.2</i>	75.0	84.9	90.1	95.4	97.3	97.3	97.3	97.3						
1962.....	4,800	39,835	26.2	33.1	40.2	<i>47.6</i>	71.6	82.4	88.3	94.7	97.0	97.0	97.0	97.0						
1963.....	4,800	40,257	24.9	31.6	38.4	<i>45.5</i>	69.1	80.5	87.1	94.1	96.7	96.7	96.7	96.7						
1964.....	4,800	41,012	22.9	29.3	35.9	<i>42.5</i>	65.3	77.1	84.4	93.0	96.3	96.3	96.3	96.3						
1965.....	4,800	42,415	21.1	27.3	33.5	<i>39.9</i>	62.7	75.6	83.5	92.6	96.0	96.0	96.0	96.0						
1966.....	6,600	43,771	20.1	25.3	31.2	37.2	<i>59.2</i>	69.0	79.6	91.6	95.3	95.3	95.3	95.3						
1967.....	6,600	44,700	19.3	24.1	29.6	35.2	<i>53.5</i>	66.3	77.2	90.2	94.6	94.6	94.6	94.6						
1968.....	7,800	45,300	17.7	22.1	26.9	32.1	48.8	<i>60.6</i>	72.5	88.3	93.7	93.7	93.7	93.7						
1969.....	7,800	46,200	16.3	20.5	24.8	29.4	44.6	<i>55.5</i>	68.5	86.1	92.5	92.5	92.5	92.5						

total earnings of these workers, the rate of income replacement is much lower (averaging an estimated 27 percent for all workers with earnings above the maximum).

The consequence of allowing an earnings base to remain in effect for a number of years, or of not increasing the earnings base enough to reflect rising levels of earnings, is the accrual of maximum payable benefits for a rising proportion of beneficiaries. These beneficiaries—even though they

are receiving maximum benefits—have proportionately less of their earnings replaced than those workers whose earnings were below the taxable maximum amount. The tendency towards the clustering of benefits at a fixed amount and the narrowing of the range of accrued benefits raise questions in an earnings-related system in which the benefit amount is intended to represent a reasonable replacement of earnings at retirement for all but the most highly paid workers.

## Social Security Abroad

### Introduction of Survivor Pension Program in India\*

On February 13, 1971 the President of India issued an ordinance amending the Employees' Provident Fund Act and the Coal Mines Provident Fund Act to establish "family pension" (survivor pension) programs. This ordinance was

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enacted into law without change in April by the Indian Parliament. The legislation marks a significant point in the development of Indian social security by introducing for the first time the long-term protection of a pension benefit for the survivors of covered workers. The new law also initiates direct participation by the central Government in the financing of provident fund benefits. Separate "family pension funds" have been created within the Employees' and the Coal Mines Provident Funds by diverting a portion of the employee and employer contributions to which will be added a contribution by the central Government.

The Employees' Provident Fund and the employees' state insurance program (which provides

medical care benefits) form the backbone of India's social security system. Both programs are of relatively recent origin—the State Insurance Law was enacted in 1948 and the Employees' Provident Fund was established in 1952.

The Provident Fund is India's major program providing some form of old-age protection to workers in selected firms employing 20 or more persons. Compulsory coverage has been extended gradually, according to the type of industry and commercial establishment. In 1952 only six categories were covered; presently there are over 120. Membership in the Employees' Provident Fund was initially restricted to workers whose monthly pay did not exceed 300 rupees, but this pay limit was raised to 1000 rupees in 1962 (1 rupee = 13.2 U.S. cents).

Approximately 5.5 million workers are covered by the Employees' Provident Fund and 400,000 by the Coal Mines Provident Fund. Together they comprise approximately 35 percent of the total 17 million workers in the "organized" sector of the Indian economy—industrial enterprises (including the public sector), transportation, trade, and government service. An additional 20 percent of the workers in this organized sector—about 3.5 million railway and Government employees—are covered by separate provident fund and pension programs.

Before the new amendment, covered employees received the customary lump-sum death or retirement benefit amounting to total employee and employer contributions plus interest (currently 5.7 percent). The family pension amendment, however, provides for the shift from a lump-sum payment to a pension benefit for the family of a worker who dies before retirement. Separate funds in the Employees' and the Coal Mines Provident Funds pay a minimum family pension of 40 rupees per month and a maximum of 150 rupees according to the worker's earnings. There is no provision for the variation in the amount of benefit according to family size or for the payment of survivor pensions after the worker has received his lump-sum retirement benefit.

In addition to the family pension, a lump-sum life insurance benefit of 1,000 rupees will be paid to the worker's family. Previously the minimum death relief payment was 500 rupees. On retirement, the employee will as has been the case up to now receive a lump-sum payment, based on

actuarial calculation, but subject to a maximum of 4,000 rupees. This ceiling is a new feature of the family pension amendment. Its impact, however, is expected to be limited, since the higher-paid workers usually participate in contracted-out provident funds maintained by the employer, which have more favorable benefits. Approximately 2 million of 5.5 million workers covered by the Employees' Provident Fund participate through employee-provided funds. These contracted-out funds will also be required by the amendment to set up family pension funds with benefits at least equivalent to those provided by the new law.

The new family pension program requires no additional worker or employer contribution: the present basic rate of  $6\frac{1}{4}$  percent of wages for each is to remain in effect. The higher contribution rate of 8 percent for selected enterprises employing 50 or more persons also remains unchanged. The family pension is financed by  $1\frac{1}{2}$  percent of both employer and employee contributions: the legislation states that family pension contributions shall not exceed one-fourth of the total employer-employee contribution.

The central Government participates in the financing of family pensions by contributing  $1\frac{1}{2}$  percent to the Employees' Provident Fund and  $1\frac{2}{3}$  percent to the Coal Mines Provident Fund. It also bears the expenses of administering the pension funds. The total cost to the central Government is expected to be about \$21 million annually.

Workers who were contributing to the provident funds when the ordinance was issued in February were given until August 31, 1971, to decide whether or not to opt for the family pension program. Workers joining the provident funds after this date are compulsorily covered by the amendment. Almost all current members are expected to choose coverage.

The creation of family pension funds has been under Government consideration for several years and has been advocated by trade union organizations since public employee provident funds instituted a similar program in 1964. Trade unions, however, did not succeed in convincing the Government to increase the employer and employee contributions from  $6\frac{1}{4}$  percent to 8 percent for the basic rate and from 8 percent to 10 percent for the larger enterprises. The increases would

have gone to the family pension funds to pay higher benefits; continued pressure on the Parliament to enact the increases is expected.

In spite of differing opinions concerning the level of contribution rates, trade union, employer, and Government representatives generally agree that it is premature to think of transforming the provident funds into full-fledged pension systems. In India, as in many developing countries, workers prefer an immediate lump-sum retirement benefit to start a new vocation or business or to return to their families in a rural area.

The provident fund in a developing economy also performs an important function by making loans to its members, most of whom have very low savings potentials and would be unable to borrow from regular lending institutions. The number of loans from the Employees' Provident Fund has continually increased and there is constant pressure to liberalize loan requirements. The Employees' and the Coal Mines Provident Funds presently make loans for such purposes as the

purchase of a house, marriage of a daughter, higher education for children, and assistance during the temporary shutdown of a factory.

With the passage of the family pension amendment, the choice has been made for a lump-sum retirement benefit and a survivor pension program. The future evolution of the Employees' and the Coal Mines Provident Funds will be influenced not only by this choice but also by the new and substantial commitment of the central Government to participate in the financing of pension benefits. Supporters of the new amendment pointed out that over half of the 17 million workers and their families in the organized sector will now benefit from some form of combined provident fund-family pension program. The great challenge of the future will be to include the vast number of unprotected workers, comprised of employees of small establishments, farm workers, day laborers, and most of the self-employed, within the sphere of social security coverage.

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## RECENT PUBLICATIONS

(Continued from page 22)

*conomic Disparity: Problems and Strategies.* New York: The Free Press, 1970. 360 pp. \$8.95.

Evaluates various ameliorative programs, directing attention to economic problems of urban Negroes.

KIKER, B. F., comp. *Investment in Human Capital.* Columbia: University of South Carolina Press, 1971. 608 pp. \$12.95.

Readings grouped under such headings as the nature and measurement of human capital, economic growth, and investment in education, health, and human migration.

NATIONAL COUNCIL ON ILLEGITIMACY. *Illegitimacy: Today's Realities.* New York: The Council, 1971. 77 pp. \$3.25.

Papers presented at the 1970 National Conference on Social Welfare.

SCHAFFER, ALBERT and others. *Understanding Social Problems.* Columbus, Ohio: Charles E. Merrill Publishing Co., 1970. 358 pp. \$3.95.

Describes certain social problems relating to racial discrimination, education, public welfare, health, crime, and housing.

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A former Commissioner of Social Security discusses the social security and other income-maintenance programs; includes up-to-date statistics, tables, and information on

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Describes recently developed tools in economics and political science and shows how they can be used to measure the effectiveness of government intervention for various groups and persons.

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Describes and explains the historical origins of certain parts of the present system of medical care.

IRVINE, R. E., and others. *The Older Patient: An Intro-*