TABLE 2.—Federal credit unions in limited-income groups and all Federal credit unions: Selected data, 1966–67

Item	As of December 31, 1966			As of December 31, 1967		
	All Federal credit unions	Federal credit unions in limited-income groups	As percent of all Federal credit unions	All Federal credit unions	Federal credit unions in limited-income groups	As percent of all Federal credit unions
Total shares	$4,944,032,727	$22,634,453	0.5	$5,420,663,434	$25,414,315	0.5
Number of members	9,271,967	134,025	1.4	9,873,777	162,184	1.6
Number of potential members	16,647,848	827,208	5.0	17,945,474	1,286,925	7.2
Ratio (percent) of membership to potential	55.7	16.2		55.0	12.6	
Average shareholdings per account	$533	$169		$549	$157	
Loans outstanding:						
Amount	$4,323,942,749	$19,442,671	.4	$4,677,480,377	$21,348,801	.5
Number	4,987,236	48,420	1.0	5,349,054	55,115	1.0
Average size	$867	$402		$874	$387	
Delinquent loans-amount	$133,266,554	$1,580,600	1.2	$153,154,990	$1,708,023	1.1
Delinquent loans-number	233,587	6,824	2.9	261,720	7,705	2.9
Total reserves	$338,876,676	$1,485,165	.4	$389,473,206	$1,651,565	.4
Ratio (percent) of—						
Loans to shares	87.5	85.9		86.3	84.0	
Delinquent loans to total loans	3.1	8.0		3.3	8.0	
Reserves to shares	6.9	6.6		7.2	6.5	
Reserves to loans	7.8	7.6		8.3	7.7	
Reserves to delinquent loans	254.3	94.0		254.3	96.7	
Amount of loans made since organization	$43,077,687,160	$209,373,868	.5	$49,029,314,101	$232,646,017	.5
Amount of loans charged off since organization (net)	$100,114,745	$987,163	1.0	$118,841,483	$1,102,198	.9
Ratio (percent) of loans charged off to all loans made	0.23	0.47		0.24	0.47	

The Project Moneywise approach to poverty seems to be an effective solution for one of the basic problems of poverty—the unwise handling of money. If the program continues to expand and the number of limited-income credit unions continues to grow, the program could become a still more significant force in the struggle against poverty.

SOCIAL SECURITY ABROAD

RECENT DEVELOPMENTS of significance in the field of social security are reported for the countries in the notes that follow.*

NEW SURVIVOR PENSIONS IN FINLAND

On January 17, 1969, the Finnish Parliament enacted a law that introduces universal survivor pensions into the national pension system for the first time. The new law, which becomes effective October 1, 1969, thus brings survivor pensions into line with the old-age and disability pension programs.

Under the old system, survivor pensions were included in private schemes contracted by employers with insurance companies, pension funds, or pension foundations. Coverage depended on length of employment, earnings, and age of the deceased. Unless a different allocation was agreed upon, half the cost was met by the employee.

According to the new law, survivors of a Finnish citizen, or of an alien who lived in Finland for at least 5 years immediately preceding his death are entitled to benefits. Consequently, coverage is now tied to the decedent's residence rather than to his employment.

The widow's pension provides benefits similar to the national old-age pension. It includes a basic universal pension currently paying 69 marks ($16.50) a month, a means-tested assistance pension paying a current maximum of 132 marks ($31.50) a month[1] and a means-tested support allowance of 50 marks ($12.00) a month. As in computing the old-age pension, income from the basic universal pension and any private pension is disregarded in determining the widow's eligi-

*Prepared by the International Staff, Office of Research and Statistics.

[1] Because of differences in cost of living, Finland has been divided into three regions. Benefits under the assistance pension vary between these regions.

bility for the assistance pension and support allowance.

The widow is entitled to the basic and assistance pensions during the 6 months immediately following her husband's death. After that, the basic pension is withdrawn unless she (1) is supporting a child under age 16 who is entitled to benefits in his own right or (2) is aged 40–59 and was married to the deceased for at least 3 years (if the marriage took place before the decedent reached age 60). Whether the widow may receive the means-tested assistance pension beyond the 6-month period depends on her financial circumstances.

A single woman in Finland is entitled to receive an old-age pension at age 60. If, however, a woman becomes a widow after her 60th but before her 65th birthday, she will receive a survivor's pension for the 6-month period indicated above. During this time, she will also receive the difference between what her old-age benefit would have been and her survivor benefit, if the former is larger. (In 1967, three out of four old-age pensioners received the assistance pension—81 percent of them at the full amount.) The same holds true if she had previously received a disability pension. Thus, the widow is assured of the highest possible benefit amount during the 6 months immediately following her husband's death.

The law also entitles full orphans and half orphans to survivor benefits equal to 40 percent and 20 percent, respectively, of the basic and assistance pensions payable to a single, childless person. The orphan must be under age 16 or under age 21 if he is a student. This right to survivor benefits is lost if he is adopted by a third party or if he is or becomes an invalid and is thus entitled to a disability pension.

Benefits may be paid retroactively if the beneficiary's right to a survivor pension before the effective date of the law can be established. Although there is no absolute limit on the amount of the payments or how far back they may go, benefits may not be paid retroactively without "special reason" for more than 1 year before the pension was applied for.

In order to encourage self-sufficiency, the new law also provides support, as of January 1, 1970, for training, retraining, or completing the education of widows entitled to survivor pensions. Support can include payment for educational materials, additional living expenses (rent and food), and clothing and travel expenses related to the training. If satisfactory progress is not shown, however, the support may be lowered or withdrawn. The level of support has not yet been set but will be fixed by decree at a later date. As indicated, educational or training support for orphans is provided by extending survivor benefits through age 20.

Additional expenditures incurred by the National Pension Institute because of the new law are to be covered primarily by Government funds. The amount provided by the Federal Government will be proportionately equal to the Government support of the assistance pension, with the provision, however, that it will not amount to less than 90 percent of survivor benefits. The remainder will presumably be covered mainly by income from National Pension Institute assets.

EFFECT OF ECONOMIC SLOWDOWN ON WEST GERMAN PENSION SYSTEM

The recent economic slowdown in the Federal Republic of Germany has exerted temporary pressure on the financial position of the national pension system. The main cause of the stress has been a considerable drop in the annual rate of increase in contributions to the system while expenditures continued to grow at a brisk pace.

Because the pension system is based on payroll taxes and is thus dependent on wage levels, payroll tax receipts in 1956–66, the decade preceding the slowdown, rose rapidly along with an average annual wage increase of 9 percent. The rise in contributions leveled off in 1967 and 1968, however, as the rate of wage increases fell to about half of the previous rate. A slight regression in expansion of the work force also affected total wage disbursements and thus social security contributions as well.

Even though increases in contributions leveled off, expenditures of the pension system continued to grow at a rapid rate because the dynamic pension system, in practice, provides for a 3–4 year lag before pensions are adjusted to changes in wage and price levels. Average benefits in 1967 and 1968 rose as a result by about 8 percent each year to compensate for wage and price rises of earlier boom years.[2]

Though such economic strains are temporary in nature, they have occurred against a background of long-range factors that have also had an unfavorable impact on the pension system's finances. Most important has been the German demographic pattern, with the number of people reaching pensionable age rising more rapidly than the number in the work force. In 1960 the ratio of beneficiaries to contributors was 37 per 100, but by 1970 it is expected to reach 48 per 100 contributors.

The pattern was offset somewhat by the recruitment of large numbers of foreign laborers during the brisk economic growth of the early 60's. After the first groups began to arrive in appreciable numbers in 1960, the number of foreign laborers rose rapidly until it totaled 1.2 million in 1966. Thanks to a great extent to the contributions of foreign laborers, the pension funds have been able to build a reserve of close to DM 30 billion.[3] The reserve will cushion the impact of the annual deficits that began in 1967 and are expected to continue over the next decade.

Some improvement in the financial situation is expected after 1978 when there will be a considerable drop in the number reaching retirement age. This segment of the population is made up of persons born during World War I and its aftermath, when the birth rate was abnormally low. At the same time, the work force will begin to draw on the relatively large numbers of young people born in the 1950's. Further reduction of financial imbalances over the next few years should follow deceleration of rising disbursements as pensions are adjusted to the relatively smaller wage increases of 1967 and 1968.

Despite the prospect of some improvement in the situation, the Government recognized late in 1967 that additional measures were necessary to prevent too rapid a depletion of reserves. They concluded that the original schedule of increases in the social security payroll tax had to be revised upward.[4] As a result, the joint contribution rate will increase from 14 percent to 15 percent of wages in 1968 (employers and employees each pay half this amount) and will rise to 16 percent in 1969 instead of remaining at 15 percent as formerly intended. The rate will rise again in 1970 to 17 percent instead of to 16 percent, as originally planned.

Other provisions introduced to help finances, at least in the immediate future, were (1) elimination of the option of insured women to withdraw contributions upon marriage; (2) postponement of the first month's payment on new pensions by one month; (3) safeguards against overlapping payments by the old-age pension and unemployment insurance systems; (4) a levy of 2 percent on pension benefits to help defray the amount paid by the pension agencies into the sickness funds for medical insurance;[5] and (5) compulsory pension coverage for a majority of previously exempt white-collar workers earning more than DM 21,600 a year.

Some critics of the system maintain that any improvement in the foreseeable future, even with the changes introduced by the Government, will not be sufficient to keep the pension fund reserves from being depleted. One private insurance association has predicted a net deficit of DM 75.6 billion by 1980 unless stronger measures are adopted.

A number of suggestions to improve the situation have been proposed from time to time. One is to absorb private pension funds into the public treasury, but this idea carries with it the danger of cutting off a vital source of private investment funds needed for continued economic expansion. Another idea, opposed by the trade unions, would be to peg increases in pensions to increases in net wages rather than to the more rapidly increasing gross wages. A generally unpopular proposal to raise social security payroll taxes to 20 percent of wages has also been advocated.

In general, Government officials consider those who argue for sweeping changes to be unduly pessimistic. Nonetheless, the search continues for relatively painless ways to improve finances, and further modifications (at least minor ones) can be expected if the cyclical trends in the economy bring about larger annual deficits.

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[2] For a discussion of the mechanics of the dynamic pension system and the 3–4 year lag before pensions are adjusted for changes in the wage and price level, see Paul Fisher, *Old-Age and Sickness Insurance in West Germany in 1965* (Research Report No. 13).

[3] One DM (Deutsche Mark) equals 25 cents.

[4] For further discussion of the 1967 changes in financing, see *Social Security Bulletin*, April 1968, pages 42–43.

[5] Before 1968, pensioners were not required to contribute toward their health insurance coverage, and funds needed to cover its cost were drawn entirely from the reserves of the pension funds.