economy or the railroad industry. These extended benefits are patterned after the Federal-State extended unemployment compensation program as amended in 1974[2] in that the payment of benefits is geared to national or railroad industry indicators of high unemployment.

Thus, extended benefits for short-term employees are now available 20 days after either the national "on" indicator under the Federal-State system goes into effect, or after a period of 3 consecutive months in which the railroad unemployment rate (seasonally adjusted) equals or exceeds the level required for the national "on" trigger. A national trigger is deemed "on" whenever the national insured unemployment rate exceeds 4 percent or more for 3 consecutive months, a condition that has existed since February 1975. The total amount of unemployment benefits payable in an extended-benefit period to an employee with less than 10 years of service cannot exceed half of his base year earnings under a $775 monthly limit. Employees with 10 years or more of service will continue to receive extended unemployment and sickness benefits without regard to the triggering mechanism.

The law establishes new restrictions on unemployment benefits for employees engaged in a legal strike. It allows compensation for only the number of strike days in excess of 7 during the first 14-day claim period after the beginning of the strike, rather than for each day of unemployment in excess of 4, as before. If the strike lasts longer than 14 days, employees will receive benefits in later periods for each day in excess of 4, as was the case in the previous law. If a legal strike lasts less than 8 days, no benefits are payable. Workers who become unemployed because of participation in a strike in violation of the Railway Labor Act will continue to be denied benefits as before.

The upgrading of benefits will be financed through an increase in the employing carriers' contribution rates beginning January 1976 but with no change in the amount of payroll ($400 per month) subject to the contribution rate. A sliding scale has been established that will base the contribution rates on the balance of money in the railroad unemployment insurance account fund, as follows:

Balance as of Sept. 30 (in millions)	*Contribution rate (percent), following year*
$300 or more	0.5
200–299	4.0
100–199	5.5
50–99	7.0
Less than 50	8.0

To pay the additional costs of administering unemployment and sickness benefits, the new law provides for an increase from 0.25 percent of the taxable payroll to 0.50 percent in the amount set aside from collections in the separate administration fund.

[2] "Unemployment Insurance Benefits Temporarily Expanded," *Social Security Bulletin*, June 1975, pages 42–45.

Social Security Abroad

Social Security Revision in the United Kingdom*

Legislation implemented in the United Kingdom in April 1975 suspended the existing earnings-related old-age pension and, at the same time, substantially increased the flat-rate benefit. The flat-rate pension itself now amounts to almost as much as the two together before the legislation.

These changes, and others that significantly alter contributions to the social security programs, were brought about when the Labor Party came into power in 1974. In 1973, when the Conservative Party was in office, a law was enacted to eliminate the second (earnings-related) layer of old-age pensions in favor of private employment benefit plans for most workers.[1] The legislation was to take effect in April 1975. The Labor Government, however, felt that the benefits under this plan were too low, particularly for women and low-income workers. Because there was not enough time to formulate a new plan the Labor Party suspended the earnings-related program, pending enactment of its own proposal. As an

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[1] See Martin B. Tracy, "Proposed Pension Reform in United Kingdom," *Social Security Bulletin*, August 1973.

interim measure, the flat-rate benefit program was retained and benefits were increased to approximately the same level they were at when the flat-rate and earnings-related benefits were combined.

BACKGROUND

A number of factors led to suspension of the earnings-related pension. In 1961, the old-age pension in the United Kingdom was a two-tier program consisting of a flat-rate benefit and an earnings-related graduated pension. The flat-rate benefit, the foundation of the social security system since the 1940's, had encountered increasing difficulties during the 50's when inflation reduced the value of pension benefits that were not automatically adjusted. The proportion of the population of pension age grew, expectation of higher benefits increased, and the cost of the country's supplementary means-tested benefits rose steadily.

The earnings-related pension was designed to compensate for inflation for employees who had no private or company plan coverage. Based on employee and employer contributions, this second layer was also meant to help reduce the growing expenditures of the national government for supplemental means-tested benefits to retirees whose income did not reach a subsistence level.

The limited success of the earnings-related pension in meeting these objectives led to a 1969 Labor Government attempt to adopt a new social security approach that eliminated the flat-rate benefit in favor of an entirely earnings-related program. A change of government prevented conclusive action on the plan. In 1971 the Conservative Government proposed its own plan for pension reform, designed to increase benefit levels without raising contributions or national expenditures while maintaining the two-tier system. The problem, cited in a White Paper that year, was the inadequate expansion of private retirement plans. To encourage growth in the private sector, under the proposals made at that time (enacted into law in 1973) the basic flat-rate benefit payment would be retained and the second level earnings-related social security pension would be replaced primarily by coverage under earnings-related private programs. Various categories of persons who could not be covered by a regular private scheme would come under a special earnings-related "state reserve" plan.

All the proposals have aimed at revising the system of income maintenance in old age to reduce the Government's share of the financing, to protect against inflation, and to provide more nearly adequate benefits. The controversy has been whether the primary means for accomplishing these goals should be the social security system or company benefit plans (occupational schemes).[2] Labor has favored the former and the Conservatives the latter. The shifts in government have prevented the implementation of either approach. The 1975 legislation is thus an interim measure, pending the preparation of the specifics of a new plan. The accompanying chart summarizes these developments.

PROVISIONS OF NEW LEGISLATION

Old-Age Pension

The most significant benefit change is suspension of the earnings-related benefit in the old-age insurance program and the interim strengthening of the flat-rate benefit. Under the previous law, that benefit was designed to provide a minimum floor of income and the earnings-related pension was aimed at raising the payment level to an amount more in line with previous earnings. The benefit related to earnings was based on total contributions paid by the worker over his lifetime. Combined, these two tiers brought the total benefit of a single retiree to about 29 percent of earnings (for an average worker in manufacturing at the end of 1972) and the benefit of a married couple to 40 percent.

Despite suspension of the earnings-related benefit, the April 1975 level of old-age pension payments was only about 20 percent less than that previously payable under the two-tier system at the end of 1974. The effort to reduce the number of persons eligible for means-tested allow-

[2] Private pension plans cover about 50 percent of the labor force—including, before April 1975, about 8 million in contracted-out plans that substituted a private plan for the Government-administered earnings-related social security plan.

Summary of changes and proposals related to 2-layer old-age pension, 1961–75

Year and Government party	Old-age pension		
	Flat-rate	Earnings-related	
		Under social security program	Private employer
1961	Continued as basic benefit	Established as second layer	Provided for, through "contracting out."
1969, Labor (proposed)	Abolished	Continued as main system	Promoted establishment of plans by employers.
1973, Conservative	Continued	Abolished, except for "state reserve" system	Provided for, as main system
1975, Labor	Continued as single tier on interim basis	Suspended, restoration proposed	Promoted establishment of plans by employers.
Labor proposal for 1978	Flat-rate nature of basic benefit discontinued (see next column).	Main system	Provided for, through "contracting out."

ances by increasing the level of the flat-rate benefit accounts for the failure to show a larger decline in the old-age pension level. In fact, since October 1972 the flat-rate benefit for a single beneficiary under the old-age pension program has been increased more than 70 percent, rising more rapidly than either wages or prices.

Substantial increases also have been made in benefits under other social security programs. The flat-rate benefit amounts payable for sickness, maternity, work injury, and unemployment were raised in April 1975 and are now about 45 percent higher than the 1972 level. Dependents' supplements during the same time period increased about 66 percent, pensions for persons aged 80 or over went up 60 percent, and means-tested allowances for the needy aged nearly doubled.

The increase in flat-rate amounts for these benefits was accompanied by a decrease in earnings-related payments (retained in all but the old-age pension program). This change was a necessary cutback to reduce expenditures that had increased when flat-rate amounts increased.

Two other important measures are in the new legislation. One gives a new definition of covered earnings, the other provides for vesting in private pension plans—a right British workers did not have before.

Covered earnings now include all wages and salaries earned under an agreement between employees and employers, regardless of when they are paid. As a result, payments that are made during an employee's absence from the work place—for such reasons as vacation, incapacity, or termination of employment—are counted as covered earnings and may produce higher benefits for the worker. Covered earnings previously were defined in general as wages or salaries paid in exchange for services rendered at the time of payment.

Vesting, which protects the employee's pension rights in case of a job change or termination of employment, will be effective in 1980. Workers who are at least aged 26 and have 5 years of coverage in an approved private pension program acquire eligibility for a benefit at retirement age that depends on how long the person has been covered by the plan. As a hedge against inflation, the benefit rate must reflect an annual increase of at least 3 percent. No claims may be made for refund of contributions paid into the fund.

Other Benefit Changes

A number of important benefit changes have occurred in programs other than that for old-age pensions. The amount payable under these programs had been one-third of weekly earnings between £10 and £48, in addition to the flat-rate payment.[3] Now, the benefit amount is based on one-third of weekly earnings between £10 and £30 plus 15 percent of earnings over that amount up to £48 (plus the flat-rate benefit). Computation of the benefit amount still is based on earnings in the year before work ended. For the average recipient, the new formula results in a benefit loss of about 14 percent, when compared with the amount formerly payable. The maximum remains 85 percent of past earnings, except when the flat-rate payment exceeds that amount.

Another change in the old-age pension—for those who continue to work after reaching retirement age and defer pension receipt—increases

[3] One British pound equaled $2.43 in U.S. dollars, as of March 31, 1975.

the weekly amount by 0.125 percent of earnings, up to age 70 (65 for women). Previously, benefits were increased by a flat amount for each 9 weeks of contribution made after age 65 (60 for women).

No changes have been made in the benefit provisions for dependents' supplements and benefits to the needy elderly aged 80 or over, as well as income-tested benefits that raise the pensions of all needy persons to a specified minimum level of income.

Automatic adjustment of benefits is not made, but the Secretary of State for Social Security Affairs will review benefit levels annually. The adjustments, while primarily based on price changes, may also result from an overview of current wage patterns, standard-of-living levels, and other factors affecting the national economy.

Contributions

Current changes in the financing and contribution patterns of the social security program are particularly beneficial to persons with very low income because they remove the flat-rate tax required from persons at all income levels. The two-tier flat-rate and earnings-related contribution previously in effect is replaced by a single earnings-related tax on all covered earnings up to approximately one and one-half times the average wage in manufacturing. Self-employed persons are subject to special regulations. In addition to contributing a percentage of profits and gains within specified limits, they also pay a flat-rate contribution when their earnings exceed approximately one-third the average wage in manufacturing.

The new contribution rates that finance cash sickness, maternity, and unemployment benefits, as well as the old-age pensions, and 5.5 percent of earnings for employees and 8.5 percent of payroll for employers, up to maximum earnings of £69 a week for both. The self-employed pay an 8-percent tax on profits and gains between £1,600 and £3,600 a year, and an additional flat-rate weekly contribution of £2.41 (£2.10 for women) when earnings exceed £675 annually.

In a further effort to ensure adequate funding for the system, the option for workers to "contract out" of paying full earnings-related contributions has been eliminated. Workers who were covered by an approved occupational or industrial plan with benefit levels that met Government standards formerly could elect this option. Now, most workers will not be permitted to pay reduced contributions to the public system (married women and widows are among the very few exceptions). Private pension programs are still encouraged, however, as an additional layer of protection.

Women.—Special efforts have been made to expand coverage of married women. The new program calls for compulsory coverage of employed married women, no doubt influenced by the previous voluntary program's failure to have Britain's nearly 4 million working women elect coverage. Married women now must choose between pension plans providing either full or reduced benefits, at corresponding contribution rates. Only women classified as nonemployed persons—that is, those earning less than £675 a year (about one-half of women's average earnings in manufacturing) are exempt. The contribution rate for full benefits is the same for men and women and entitles the contributor to full benefits of all types. The optional 2.0 percent contribution is applicable primarily toward coverage of old-age and survivor pensions. At age 59, all married women contribute at the reduced (optional) rate—with full benefits—until retirement at age 65, at which time all obligations for contributions end.

An employed widow is given the choice of contributing at the full or reduced rate, with corresponding benefits up to age 60.

Other special groups.—Certain other groups are automatically exempt from paying contributions under the new program but are still covered for flat-rate benefits. Among these are employees earning below £11 a week, self-employed persons with annual earnings below £675, and retired old-age and invalidity pensioners. Low-income earners and the self-employed have the option of paying a voluntary flat-rate contribution of £1.90 a week to qualify for earnings-related old-age pensions and widows' benefits, lump-sum maternity grants, and certain other allowances. The employer's contribution remains at 8.5 percent, even if the employee chooses a reduced contribution for a reduced benefit.

(Continued on page 48)

TABLE M-14.—OASDHI cash benefits: Estimated number of beneficiaries with monthly benefits in current-payment status, by age group and type of benefit, 1940–75

[In thousands. Adjusted to exclude duplication arising from dual entitlement; see the *1973 Annual Statistical Supplement*, p. 11]

At end of selected month	Total, all ages	Under age 62	Aged 62 and over								
			Total, aged 62 and over	Aged 62–64				Aged 65 and over			
				Total	Retired workers	Disabled workers	Dependents and survivors[1]	Total	Retired workers	Dependents and survivors[1]	Persons with special age-72 benefits[2]
December:											
1940	222	75	147	(3)	----------	----------	(3)	147	112	35	----------
1945	1,287	510	777	(3)	----------	----------	(3)	776	518	258	----------
1950	3,462	877	2,586	1	----------	----------	1	2,585	1,771	814	----------
1955	7,912	1,622	6,291	3	----------	----------	3	6,287	4,474	1,812	----------
1956	9,070	1,701	7,369	338	113	----------	225	7,031	4,999	2,032	----------
1957	11,081	2,009	9,072	729	266	46	417	8,343	5,931	2,411	----------
1958[4]	12,390	2,231	10,159	837	299	77	461	9,322	6,621	2,701	----------
1959	13,667	2,560	11,107	968	334	105	529	10,139	7,191	2,948	----------
1960	14,811	2,883	11,928	1,041	357	127	557	10,887	7,704	3,183	----------
1961	16,471	3,406	13,065	1,375	648	141	586	11,690	8,277	3,413	----------
1962	18,032	3,858	14,174	1,659	873	156	630	12,515	8,865	3,650	----------
1963	19,016	4,109	14,907	1,748	946	163	639	13,159	9,318	3,841	----------
1964	19,783	4,274	15,509	1,848	998	183	667	13,661	9,671	3,990	----------
1965	20,867	4,735	16,132	1,854	992	197	665	14,278	10,108	4,169	----------
1966	22,767	5,199	17,568	1,954	1,028	230	696	15,614	10,631	4,349	634
1967	23,705	5,491	18,214	2,013	1,040	258	714	16,202	10,979	4,494	729
1968	24,560	5,829	18,733	2,096	1,084	283	729	16,635	11,337	4,622	676
1969	25,314	6,088	19,226	2,195	1,141	304	751	17,031	11,682	4,746	603
1970	26,229	6,380	19,849	2,332	1,225	322	785	17,517	12,122	4,861	534
1971	27,292	6,744	20,548	2,479	1,333	352	794	18,069	12,594	5,003	472
1972	28,476	7,160	21,316	2,665	1,440	390	835	18,651	13,115	5,126	410
1973	29,868	7,577	22,291	2,835	1,560	420	856	19,456	13,805	5,294	358
1974	30,854	7,860	22,994	2,968	1,628	463	878	20,026	14,331	5,417	278
1974											
July	30,270	7,618	22,652	2,948	1,633	441	874	19,704	14,027	5,351	326
August	30,374	7,653	22,721	2,957	1,636	445	876	19,764	14,090	5,366	308
September	30,477	7,686	22,791	2,959	1,634	448	877	19,832	14,154	5,381	297
October	30,597	7,733	22,864	2,960	1,629	453	877	19,904	14,217	5,396	292
November	30,745	7,807	22,938	2,969	1,632	459	879	19,968	14,276	5,406	286
December	30,854	7,860	22,994	2,968	1,628	463	878	20,026	14,331	5,417	278
1975											
January	30,981	7,899	23,082	3,006	1,663	466	877	20,077	14,378	5,427	272
February	31,066	7,945	23,122	3,015	1,666	470	879	20,107	14,404	5,435	267
March	31,130	7,995	23,134	3,027	1,674	474	879	20,107	14,406	5,440	262
April	31,218	8,043	23,174	3,046	1,685	479	881	20,129	14,428	5,446	255
May	31,356	8,110	23,246	3,073	1,702	484	886	20,173	14,464	5,457	251
June	31,369	8,073	23,296	3,074	1,704	485	886	20,222	14,507	5,469	246
July	31,385	7,988	23,398	3,100	1,722	485	892	20,298	14,572	5,486	241

[1] Includes dependents of disabled workers.
[2] Authorized by 1966 legislation for persons aged 72 and over not insured under the regular or transitional provisions of the Social Security Act.
[3] Less than 500.
[4] November data; December data not available.

SOCIAL SECURITY ABROAD

(Continued from page 35)

It is important to emphasize that the new legislation consolidates funding of the work injury and health care programs—previously financed separately—with cash sickness and maternity benefits, unemployment benefits, and old-age and survivor pensions. The Government continues to finance the family allowance program and to maintain an 18-percent share in the total cost of all programs.

FUTURE PLANS

The provisions enacted by the previous Conservative Government called on private industry to provide an earnings-related pension. For those not covered by such plans, coverage was to be provided under the Government's "state reserve" system. The current Labor Government believes that the earnings-related benefits under the proposed Government program would be too low, particularly for women and low-income workers. To raise the benefit level of these workers, current proposals call for switching the emphasis

Table M-15.—OASDHI cash benefits: Number of monthly benefits awarded to retired workers and their dependents and to survivors, 1940–75

Period	Total	Retired workers [1]	Wives and husbands [1] [2]	Children [3]	Widowed mothers [4]	Widows and widowers [1] [5]	Parents [1]	Persons with special age-72 benefits [6]
1940	254,984	132,335	34,555	59,382	23,260	4,600	852	----------
1945	462,463	185,174	63,068	127,514	55,108	29,844	1,755	----------
1950	962,628	567,131	162,768	122,641	41,101	66,735	2,252	----------
1955	1,657,773	909,883	288,915	238,795	76,018	140,624	3,538	----------
1960	1,969,842	981,717	339,987	311,409	92,607	239,267	4,855	----------
1961	2,500,024	1,361,505	394,198	390,459	98,449	251,275	4,188	----------
1962	2,514,301	1,347,268	393,857	402,270	99,925	267,051	3,930	----------
1963	2,275,310	1,145,602	345,610	396,731	104,960	278,709	3,698	----------
1964	2,139,326	1,041,807	316,262	388,355	106,249	283,263	3,390	----------
1965	2,552,128	1,183,133	321,015	585,586	100,005	359,431	2,958	----------
1966	4,086,807	1,647,524	396,856	779,956	107,135	408,595	3,202	748,539
1967	2,925,453	1,161,130	319,503	702,244	110,762	355,589	2,658	278,567
1968	2,908,154	1,240,098	329,935	765,791	113,765	375,891	2,144	81,030
1969	2,946,573	1,272,784	335,723	798,271	116,922	375,753	2,093	45,027
1970	2,959,199	1,338,107	339,447	774,319	112,377	363,216	1,852	29,881
1971	3,063,814	1,391,403	338,219	809,782	116,548	381,262	1,635	24,965
1972	3,211,037	1,461,399	353,742	852,935	117,699	402,809	2,086	20,367
1973	3,186,928	1,493,194	349,493	836,533	118,775	372,167	1,655	15,111
1974	2,989,121	1,413,204	319,155	776,031	109,221	363,694	1,155	6,661
1974								
July	247,456	118,154	27,234	59,840	8,994	32,602	94	538
August	251,731	117,926	27,672	63,754	9,617	32,153	110	499
September	242,292	113,377	26,164	63,889	9,153	29,219	98	392
October	230,780	107,889	24,344	62,252	8,240	27,580	73	402
November	233,969	109,686	23,045	63,388	8,717	28,790	62	281
December	214,368	104,095	21,291	55,313	7,260	26,174	53	182
1975								
January	281,098	151,615	25,556	63,281	8,366	32,022	38	220
February	240,545	110,555	29,205	61,595	8,452	30,466	57	215
March	287,324	135,611	32,369	74,974	10,235	33,787	82	266
April	277,862	130,311	31,607	73,071	9,635	32,205	82	321
May	342,615	153,002	39,140	90,294	12,623	46,862	161	533
June	176,885	91,705	20,661	44,123	6,078	14,198	29	91
July	267,828	134,181	31,851	59,889	8,774	32,873	96	164

[1] Persons aged 65 and over (and aged 62–64, beginning 1956 for women and 1961 for men).

[2] Includes, beginning 1950, wife beneficiaries under age 65 with entitled children in their care and, beginning September 1965, entitled divorced wives.

[3] Includes, beginning 1957, disabled persons aged 18 and over whose disability began before age 22 (age 18 before January 1973) and beginning September 1965, entitled full-time students aged 18–21. Beginning January 1973, students who attain age 22 before end of semester may continue to receive benefits until end of semester.

[4] Includes, beginning 1950, surviving divorced mothers with entitled children in their care.

[5] Includes, beginning September 1965, widows aged 60–61 and entitled surviving divorced wives aged 60 and over and, beginning March 1968, disabled widows aged 50–59 and disabled widowers aged 50–61; and beginning January 1973, nondisabled widowers aged 60–61.

[6] Authorized by 1966 legislation for persons aged 72 and over not insured under the regular or transitional provisions of the Social Security Act.

back from private to Government coverage. Employees would be able to contract out of the earnings-related component of the old-age pension program, if occupational program coverage matched benefits under the public system. Benefits under the public program would be entirely earnings-related and provide, in addition to the basic amount of £11.60 a week, 25 percent of covered earnings (1.25 percent a year for 20 years of contribution).

Women and men with equal earnings and contributions would be entitled to the same benefits. They would also have the same right to join a private pension program. In addition, for women who leave work to raise a family or to care for sick or elderly relatives, pension rights would be preserved without any contribution requirements. Widows aged 50 and widowed mothers would be entitled to the full pension amount of their deceased spouse.

The contribution system introduced in April 1975 would be continued but at higher rates. Employees would pay 6.5 percent of earnings and employers 10 percent of payroll.