employment and not to the worker's average monthly earnings The minimum regular PIA was $84 50 in January 1973 and $107 90 in June 1976 The "special minimum" PIA ranged from $85–$170 in January 1973 and from $90–$180 in March 1974 and has remained at that level since then[3] The special minimum PIA is used only when it exceeds an individual's regular PIA

The number of persons receiving benefits based on the special minimum provision reached its peak in May 1974, when the benefits for 217,745 persons were calculated on this basis (table 2) Effective in June 1974, the second stage of the 11-percent benefit increase raised the regular PIA for some 100,000 beneficiaries in this group to more than $180 It was more advantageous for these persons to have their benefits based on the regular PIA For those with benefits based on the special minimum PIA the number therefore dropped to 117,120

The 8-percent benefit increase, effective for June 1975, raised the regular PIA above $180 for about 97,000 additional "special minimum" beneficiaries, and the number receiving such benefits declined to 27,803 Because of new individuals coming on the rolls, the number of beneficiaries with special minimum benefits increased to 29,444 in May 1976 The 6 4-percent benefit increase raised the regular PIA for more than 25,000 beneficiaries to amounts above $180 Thus the number of beneficiaries who were still receiving benefits based on the special minimum PIA was reduced to only 4,296 Unless the $180 limit on the special minimum PIA is lifted, future benefit increases will probably leave only a negligible number of beneficiaries whose benefits will be based on the special minimum PIA

[3] For a description of beneficiaries affected by this provision in 1973, see Barbara A Lingg, *The Effects of the Special Minimum Primary Insurance Amount and the Delayed Retirement Credit Initial Findings* (Research and Statistics Note No 17), Office of Research and Statistics, 1974

Social Security Abroad

France Gradually Lowers Retirement Age*

A new French law, effective July 1, 1976, provides that workers engaged in strenuous labor during a large portion of their work careers will be able to retire at age 60 and receive a pension equal to that usually payable at age 65 Previously it had been possible to receive a relatively small old-age pension at age 60, but most workers waited until age 65 when the pension would be considerably greater Persons claiming a pension under the new law must resign from their present employment They are free to seek other employment, however, once the pension has become payable

This legislation is the first step in a Government plan—designed to cover all workers by 1980—that will reduce gradually the loss of benefits as a result of retirement before age 65 The decision to phase in the reform over a 5-year period was influenced, to a large extent, by the expected impact of current economic and demographic conditions on the social security system[1]

The new law was designed primarily to (1) alleviate the worsening unemployment situation by creating additional jobs for younger unemployed workers and (2) improve the quality of life by increasing retirement benefits at age 60 to enable more workers to stop working before they reach age 65 In addition, the reform represents progress in an area that for several years had received priority attention from both trade unions and scholars

The current action follows measures already instituted in response to the growing need and demand to make room for younger unemployed workers by easing the departure of older workers from the labor market Improved unemployment benefits for workers dismissed at age 60 are one

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[1] See Lois S Copeland, "Impact of Recession on Financing of French Programs," *Social Security Bulletin*, July 1976

means to achieve this aim Unemployment insurance has come to be considered, in effect, an early retirement plan Dismissed older workers may receive preretirement unemployment benefits for up to 5 years—from age 60 to age 65—at which point they become old-age pensioners In recent years, furthermore, trade union settlements have included favorable preretirement agreements allowing workers to opt for earlier withdrawal from paid employment—before age 65—without a significant drop in preretirement income levels[2] These agreements allowing workers to phase out their employment after age 60 reflect an increasing reluctance of individuals to work past that age

BACKGROUND

For some time the adequacy of French old-age pensions has been under study The Laroque Report—a 1960 Government-sponsored study into the problems of the aged, as well as the 1971 report of the Commission on Social Benefits for the Sixth Plan (1970–1975), publicized the need for old-age pension improvements

Earlier proposals to lower the normal retirement age or reduce the pension decrement for those retiring before age 65 under the general social security system were rejected as being too costly[3] Instead, changes have focused on raising the level of existing pensions and changing the benefit-computation formula to take into account length of service beyond 30 years[4]

Many persons choose early retirement By and large, their early departure from the labor force has stemmed from their inability to keep up with technological advances of modern industrial society As a consequence of the rapid pace of modern-day life, many workers have become exhausted and unable to cope with their increased job responsibilities Those unable to qualify for an old-age pension at age 60 on the basis of medical incapacity have been forced to accept jobs with lower pay or status[5]

The problems of older workers intensified during the 1974 recession, making job change virtually impossible Technological advances have led to increased job specialization, thus limiting the number of jobs that older employees can perform In addition, French workers customarily have tended to remain in a single occupation for the near-duration of their work careers As a result, older workers—left with fewer marketable skills —may have had to shift from a highly skilled or specialized job to an unskilled job

Since 1971, consequently, French trade unions have been pressing for an across-the-board reduction in the retirement age—from age 65 to age 60 for all workers Before the new law was effective, about 15 percent of the labor force insured under retirement programs of certain separate social security systems already could retire before age 65 and draw a pension with no decrement applied for early retirement Among industries with workers covered under these more favorable provisions were railways, public utilities, the merchant navy, mining, and Government service

Recently, management, too, has called for a reduction in the pensionable age to provide a more "humane" method of easing older workers into retirement The idea again is to make room for younger workers and resolve employment problems stemming from the 1974 recession

The current legislative action is the first concrete response to demands for pension reform[6] Manual workers are the initial group to be affected, but the possibility of retirement at age 60 without a severe loss of old-age benefits eventually will be extended to all groups The Government, by according priority to manual laborers, hopes to correct some inequities in the present retirement system Most blue-collar workers engaged in arduous work have contributed more than the

[2] For a detailed discussion of early private retirement plans in France, see "Early Retirement Schemes in France," *European Industrial Relations Review* (London, Eclipse Publications, Ltd), No 24, December 1975, pages 6–7

[3] France's general system covers approximately three-fourths of the work force—mainly workers in industry and commerce Special systems cover workers in agriculture, transportation, mining, Government service, self-employment, and other fields

[4] See Robert W Weise, "Higher Old Age Pensions in France," *Social Security Bulletin*, May 1972, for a discussion of the 1971 retirement reform provisions

[5] Special provisions permit workers disabled between the ages of 60 and 65 to claim a retirement pension based on disability calculated as if the beneficiary were aged 65 Disability is defined as the worker's inability both to earn at least half his usual earnings in his customary occupation and to perform his usual occupation without further injury to health

[6] The Government was guided by the recommendations of the Commission on Social Life for the Seventh Social and Economic Plan (1976–1980)

37 5 years used to compute old-age benefits under the present formula These workers have not received additional credits to compensate them for their excess years of contribution into the pension system It was felt by some proponents of the change that, when they retired at age 65, many of these workers were physically and mentally exhausted and had little hope for a comfortable retirement

Pension changes affecting other segments of the working population will be introduced gradually, with 1980 set as the target date for the planned reform Future reforms may not be as far-reaching as the 1976 revisions because of cost considerations The social security system is already running a deficit stemming not only from economic factors—inflation coupled with recession—but also from unfavorable changes in demographic patterns The number of persons reaching pensionable age, for example, has been rising more rapidly than the number in the work force According to Government estimates, there were 4 4 contributors for each pensioner in the general system in 1965, but only 3 4 contributors by 1975 Indications are that a general reduction from age 65 to age 60 would have brought the number of contributors and pensioners to approximate equilibrium

BASIC RETIREMENT FEATURES

Under the pension program of the general system, the fully insured worker (one with 37 5 years in covered employment)[7] can, at age 60, claim an old-age pension equal to 25 percent of his average revalued covered earnings in the highest 10 years of earnings Dependents' supplements are added to the basic pension Work cessation is not required For each year of continued work beyond age 60, the retirement benefit increases by 5 percent of the base salary per year By postponing retirement until age 65, a fully insured worker can increase his benefit to 50 percent of earnings By further delaying retirement to age 70, the worker can increase his benefit to 75 percent of earnings For less than 37 5 years of contributions, however, an actuarial reduction was applied to pensions claimed at any age

[7] From 1972 through 1974, transitional provisions requiring fewer service years but providing lower benefits applied to workers claiming a pension

Under the disability provisions of the old-age pension system, a person aged 60–65 with a work incapacity of 50 percent or more may receive a full-rate retirement pension amounting to 50 percent of his average covered base salary A worker claiming a pension under this provision is, however, subject to an earnings limitation if he continues to work

NEW PROVISIONS

On December 30, 1975, amendments to the 1945 Social Security Code improved retirement benefits for certain categories of blue-collar workers effective July 1976 The amendments provide that some manual laborers may, at age 60, draw a "full" old-age pension equal to 50 percent of their average covered salary base, compared with 25 percent under the old formula Manual workers became eligible with 43 years of service under the general and/or agricultural social security systems As of July 1, 1977, this requirement will be lowered to 42 years To qualify under either system, claimants must have been employed as manual workers in at least 5 of the 15 years immediately before retirement

Women who have brought up three or more children and have engaged in blue-collar work for at least 5 of the 15 years preceding retirement are also covered by the new provisions Additionally, women must have 30 years' insurance coverage under the general and/or agricultural social security systems to qualify for a pension In practice, only 24 years of covered employment are required since women receive gratuitous credits of 2 years per child

Before a pension can be paid, the participant must submit a certificate of termination of employment from his last employer, verifying the date work activity ceased Once entitled, however, the pensioner may accept employment in a different firm without subsequent pension reduction It is hoped that this provision will encourage pensioners to engage in less demanding work

Beneficiaries on the rolls June 30, 1976, may have their old-age pensions readjusted beginning the following month if (1) they satisfy all new entitlement conditions and (2) their pensions had initially been awarded at less than 50 percent

(Continued on page 69)

TABLE M-41 —Consumer price indexes, 1940–76

[1967=100, yearly data are annual averages]

Period	All items	All items less medical care	Medical care	Food	Apparel and upkeep	Housing	Transportation	Personal care	Reading and recreation	Other goods and services	All services
1940	42 0		36 8	35 2	42 8	52 4	42 7	40 2	46 1	48 3	43 6
1945	53 9		42 1	50 7	61 5	59 1	47 8	55 1	62 4	56 9	48 7
1950	72 1		53 7	74 5	79 0	72 8	68 2	68 3	74 4	69 9	58 9
1955	80 2		64 8	81 6	84 1	82 3	77 4	77 9	76 7	79 8	70 5
1960	88 7	89 4	79 1	88 0	89 6	90 2	89 6	90 1	87 3	87 8	83 8
1961	89 6	90 3	81 4	89 1	90 4	90 9	90 6	90 6	89 3	88 5	85 2
1962	90 6	91 2	83 5	89 9	90 9	91 7	92 5	92 2	91 3	89 1	86 2
1963	91 7	92 3	85 6	91 2	91 9	92 7	93 0	93 4	92 8	90 6	88 5
1964	92 9	93 5	87 3	92 4	92 7	93 8	94 3	94 5	95 0	92 0	90 2
1965	94 5	94 9	89 5	94 4	93 7	94 9	95 9	95 2	95 9	94 2	92 2
1966	97 2	97 7	93 4	99 1	96 1	97 2	97 2	97 1	97 5	97 2	95 8
1967	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0
1968	104 2	104 1	106 1	103 6	105 4	104 2	103 2	104 2	104 7	104 6	105 2
1969	109 8	109 7	113 4	108 9	111 5	110 8	107 2	109 3	108 7	109 1	112 5
1970	116 3	116 1	120 6	114 9	116 1	118 9	112 7	113 2	113 4	116 0	121 6
1971	121 3	120 9	128 4	118 4	119 8	124 3	118 6	116 8	119 3	120 9	128 4
1972	125 3	124 9	132 5	123 5	122 3	129 2	119 9	119 8	122 8	125 5	133 3
1973	133 1	132 9	137 7	141 4	126 8	135 0	123 8	125 2	125 9	129 0	139 1
1974	147 7	147 7	150 5	161 7	136 2	150 6	137 7	137 3	133 8	137 2	152 0
1975	161 2	160 9	168 6	175 4	142 3	166 8	150 6	150 7	144 4	147 4	166 6
1975											
September	163 6	163 2	172 2	177 8	143 5	168 9	155 4	152 1	146 0	148 0	169 1
October	164 6	164 1	173 5	179 0	144 6	169 8	156 1	152 9	146 6	148 5	170 1
November	165 6	165 2	173 3	179 8	145 5	171 3	157 4	153 6	147 0	148 9	172 0
December	166 3	165 8	174 7	180 7	145 2	172 2	157 6	154 6	147 5	149 8	173 1
1976											
January	166 7	166 2	176 6	180 8	143 3	173 2	158 1	155 7	148 2	150 5	174 9
February	167 1	166 5	178 8	180 0	144 0	173 8	158 5	157 0	148 5	151 3	176 1
March	167 5	166 8	180 6	178 7	145 0	174 5	159 8	157 4	149 0	151 8	177 2
April	168 2	167 4	181 6	179 2	145 7	174 9	161 3	158 3	149 5	152 5	177 7
May	169 2	168 4	182 6	179 9	146 8	175 6	163 5	158 9	150 3	152 9	178 4
June	170 1	169 4	183 7	180 9	146 9	176 5	165 9	159 8	150 9	153 2	179 5
July	171 1	170 3	185 5	182 1	146 5	177 5	167 6	160 5	151 2	153 6	180 7
August	171 9	171 1	186 8	182 4	148 1	178 4	168 5	161 6	151 4	153 8	181 8
September	172 6	171 7	187 9	181 6	150 2	179 5	169 5	162 8	152 8	153 9	183 2

Source Department of Labor, Bureau of Labor Statistics

SOCIAL SECURITY ABROAD

(Continued from page 36)

of their average covered salary base Retroactivity does not apply to cases where the pensioner was covered by an employer's preretirement agreement in force December 31, 1975

In addition, the new law provides for a 5-percent increase in all retirement pensions, computed either on the basis of 30 years of covered employment before 1972 or 32 years by 1972 It was felt that pensioners awarded benefits before 1973 did not receive adequate credit for long-work careers

IMPACT

The Labor Minister has estimated that of the 2 million manual workers who will eventually qualify under these provisions (one-third of the total manual labor force), approximately 45,000 men and 15,000–18,000 women are expected to qualify for early retirement in 1976 and slightly more in 1977 The 5-percent benefit increase to pensioners who retired before 1973 will affect an anticipated 448,000 retirees

The cost estimate of the new provisions is about 1 25 billion francs[8] for the 2-year period ending 1977 This additional expense comes at a time when economic as well as demographic factors have been expected to raise the social security deficit to 9–11 billion francs in 1976 The joint payroll tax used to finance old-age pension insurance has been increased by a 0 50 percentage point, split equally between employers and workers The taxable income limit will also be raised beginning January 1976 as one of the methods of bringing new revenue into the system Further measures to erase the deficit have already been instituted in the health insurance branch of the social security system[9]

[8] As of March 31, 1976, $1 U S equaled 4 485 francs
[9] Lois S Copeland, *op cit*, page 47