

THE USE OF A STAMP SYSTEM FOR SOCIAL INSURANCE IN FRANCE

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FRANCE HAS experimented to a considerable degree with the use of a stamp method for the collection of social insurance contributions. Her experience with this method of collection stretches over a period of almost 30 years and is particularly useful to students of social insurance problems because of the variety of techniques which have been tried. She has had experience with special social insurance stamps and ordinary postage stamps; with separate stamps to represent contributions to cover different risks and with single stamps to cover each insured person's total contribution for all risks; she has tried a stamp system with optional payment by cash or check; and she has permitted autonomous mutual-benefit societies to act as intermediaries for effecting the operations involved in the payment of contributions. At present a pay-roll reporting system is in general use, while stamps are used to meet specific conditions. Other elements in the procedure of collecting and recording social insurance contributions are carry-overs from previously established systems.

For an analysis of France's experience, as well as an understanding of the operation of the contribution collection procedures, it is necessary to refer to some aspects of the development of the French social insurance program.

Features of the Program

The French social insurance program, as at present constituted for the general employee population, makes provision against the risks of sickness, maternity, invalidity (temporary and permanent), old age, and death. It covers practically all employees in agriculture as well as in industry and commerce but excludes high-salaried workers in the latter categories who earn more than 30,000 francs annually. Workers in certain employments which are covered by special legislation are also excluded, such as employees of the Government, of railroads, mines, the merchant marine, public utilities, and all workers in Alsace-Lorraine.

The general program is administered under two

separate sets of provisions, one for commerce and industry, the other for agriculture. As of December 31, 1936, under the general program about 10.5 million persons in industry and commerce, and about 1.25 million in agriculture were effectively registered.¹ The number of actual contributors was much smaller, since these figures include multiple registrations, and persons registered but not contributing for various reasons.

Contributions are paid by employer and employee in equal amounts. In industry and commerce a form of pay-roll reporting is used, and the combined contribution rate is 8 percent of wages or salary. No contribution is required on earnings in excess of 18,000 francs per year. In agriculture similar reporting forms are used, but a flat rate is assessed, divided equally between employer and employee and based upon classification within one of four contribution classes: children under 16, women, men, and adults earning 12,000 francs and over.

Under the normal procedure the employer collects the wage earner's contribution by deducting it from his pay and forwards it, together with his own contribution, at the end of every quarter. Most contributions are paid in cash, by check, or by voucher upon a postal account opened for this purpose. Payment by means of stamps is allowed under certain conditions.

To understand the development of the French stamp system, it is necessary to review its history which dates from the year 1910.

Original Stamp System

The Workers' and Peasants' Pension Act of April 5, 1910, which introduced into France general compulsory old-age insurance, established the stamp system for collecting contributions. The act provided for a very low employee contribution rate of 9 francs² per year for men,

¹ Ministère du Travail, "Rapport sur l'Application de la Législation des Assurances Sociales," *Journal Officiel de la République Française*, Dec. 2, 1938, p. 1831.

² The variation in value of the franc in terms of dollars throughout the period under discussion must be borne in mind. In 1910 the average exchange rate of the franc was approximately 20 cents; between 1929 and 1939 it ranged from 3.9 to 6.6 cents; the 1938 average was 2.8 cents.

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6 francs for women, and 4.5 francs for children under 18. The employer's contribution in each case was at the same rate. Special social insurance stamps were issued in three varieties: insured persons' stamps, employers' stamps, mixed stamps (for the combined contributions). One contribution card was valid for an entire year.

The low contribution rate apparently was a basic factor in the determination to adopt the stamp system as the least costly, the most practical, and the most expeditious method of collecting contributions. Because of the low value of the stamps, fraudulent practices in connection with their use were not to be feared. The use of one contribution card for each worker and the flat rate of contribution led to the belief that employers would find it simple to affix the proper stamps.

After being in operation for a short time, the 1910 law was undermined by a decision of the highest court holding that employers were not compelled to deduct the workers' contributions or forward them to the agency in charge of administering the act. The economic strain caused by the World War contributed to the further weakening of the law.

The Stamp System Under the 1928-30 Program

Between 1920 and 1930, considerable study was given to a revised and broadened program. The new law, set in operation in July 1930, provided insurance against the risks of sickness, maternity, invalidity, and death, as well as against old age. The flat rate of contribution was abandoned, and five wage classes were established. In industry and commerce the double contribution of the employer and employee for complete insurance varied from 0.50 to 3.50 francs per day, from 12 to 80 francs per month, and from 144 to 960 francs per year. In agriculture the contribution was divided into two parts. For old-age insurance the same wage classifications were used, but the rates of contribution were set at one-fourth of those in the schedule for industry and commerce, the worker and employer paying equal shares. The contribution rate to cover the risks of sickness, maternity, invalidity, and death was set for its own members by each organization insuring agricultural workers for these risks, but the monthly minimum had to be 5 francs each from employer and worker.

Certain features of the old 1910 law were re-

tained, namely, the use of social insurance stamps for collecting contributions and the use of an annual card for the part of the contribution applicable to old-age insurance. The sickness insurance contributions were entered on a quarterly card. The employer was made liable for the double contribution and given legal power to collect the worker's share.

It is clear, however, that the original basic factors for using a stamp system—low contribution amounts and flat rates—no longer remained. The risk of theft and fraud was introduced by the higher rates of contribution. For example, an annual old-age insurance card in the highest wage class might carry 480 francs at the end of a year. Moreover, employers with large staffs had to buy and handle stamps representing considerable sums.

But more important difficulties were introduced by the use of annual cards for old-age insurance contributions and quarterly cards for sickness contributions. The annual cards did not offer the administrative control that a more frequent reporting period makes possible. Furthermore, experience showed there was a high degree of error in placing proper stamps on proper cards.

To remove this cause of error, the amending act of July 28, 1931, introduced a stamp in two parts, one surcharged "V" (*vieillesse*) for the old-age card, the other part was surcharged "M" (*maladie*) for the sickness insurance card. These stamps were used from January 1, 1932, to December 31, 1935, for payment of social insurance contributions except for those insured persons in the following categories: agricultural and forestry occupations; commercial and industrial workers earning from 15,000 francs (or 18,000 francs, depending on certain circumstances) to 25,000 francs; those insured against old age only; and those covered by certain special financial systems. For these excepted categories the single type of stamp without surcharging continued to be used. The new stamps only increased the difficulties by multiplying the number of categories and of stamps to be used. Sometimes even ordinary postage stamps or revenue stamps were affixed to the contribution cards.

The 1928-30 act had provided for the possibility of paying contributions by a method other than stamps. A decree dated July 11, 1930, provided that employers permanently employing in the same establishment not less than 50 workers

might pay contributions in cash or by check. A decree of August 27, 1931, extended the same privilege to employers of 10 or more workers. In addition to these two options, employers were also permitted, under special circumstances, to use stamp machines or a special imprint called "vignettes." With these choices available, an increasing preference for payment by check or cash became evident, accompanied by a decreasing use of stamps. The following tabulation² shows the percentage distribution of social insurance contributions according to method of payment during the years 1930-35:

Year	Stamps	Machines	Cash or check	Vignettes
1930.....	00.1	0.1	9.3	0.5
1931.....	80.6	.6	12.3	.5
1932.....	78.9	2.2	18.4	.5
1933.....	73.8	2.8	22.9	.5
1934.....	70.6	2.9	26.1	.4
1935.....	67.5	2.9	29.2	.4

However, it must be borne in mind that the use of stamps brought in a considerable amount of contribution revenue. In 1935 stamps accounted for over 2 billion francs of contributions.

By the decree law of October 1935, stamps were abolished as the normal method of paying contributions. Wage classes were also abolished.

The Stamp System Under the Present Program

The decree of October 1935, which went into effect on January 1, 1936, revised many features of the social insurance program, including the contribution formula and the payment method. The contribution rates were set at a percentage of wages in industry and commerce, but no contribution was due on wages in excess of 1,000 francs monthly. (This maximum was raised to 1,250 in 1936 and to 1,500 in 1938.) In agriculture the rates were set according to three classifications—men, women, and children—without regard to wages. (The amending decree law of June 15, 1938, established one additional classification for agriculture—adults earning more than 12,000 francs annually.) Pay-roll reporting was substituted for the stamp system, except within certain special situations.

Within the first 10 days following the close of the previous quarter, pay-roll reports are filed by

² France, Ministère du Travail, *Rapport sur l'Application de la Loi des Assurances Sociales* . . . par, M. Jean Lebas. 1937, p. 43.

each employer in commerce and industry, in the form of an individual quarterly reporting leaflet (*feuilleton trimestriel de cotisations*) for each insured wage earner employed during the quarter, plus a summary sheet (*bordereau*) for the entire group. The employer accompanies these reports with the total contribution payment, in cash or by postal-account draft or check. The employer with more than 10 employees must send his pay-roll report, accompanied by check or draft, to the regional service of the locality in which the establishment is found. The employer of 10 or fewer employees may use the same procedure if he has a postal-checking account, or he must present his pay-roll report to the local post office accompanied by a payment in cash. An employer with a permanent staff of 100 or more workers within a single administrative region must post bond with the regional service, or make a guarantee deposit equal to one-tenth of the total contributions paid by him and his employees in the previous year, or he must pay on a monthly basis.

The *bordereau* lists the name, registration number, and total contribution amount of each worker employed by the employer, and has a detachable portion for a receipt to the employer.

The procedure in agriculture is similar to that in industry, except that certain alternative procedures are permitted. Most important of these alternatives is the opportunity allowed agricultural employers to file reports and pay contributions through an approved mutual-benefit society or organization.

Stamp Procedure

Stamps for the payment of social insurance contributions are used chiefly for temporary, casual, occasional, and home workers, and for persons (other than traveling and commercial salesmen) who work for several employers at the same time and are paid on a piece-work, job, commission, or profit-sharing basis. In addition to the required use of stamps for such workers, both in agriculture and in commerce and industry, agricultural employers are permitted an optional use of stamps.

Ordinary postage stamps are used. They are affixed by the employer and canceled by writing the date over them in ink or with a rubber stamp. Stamps are affixed to single-sheet leaflets, which differ for agriculture and for industry.

Industry and Commerce.—In industry and commerce the stamp leaflets (*feuilles intercalaires nominatifs*) are obtained by the worker, upon request, from the regional service. These are, in effect, supplementary forms to the quarterly reporting leaflets (*feuilles trimestriels de cotisations*) which each registered worker receives through the mail. Both leaflets measure 6x8½ inches. The stamp leaflet has spaces for 70 stamps. The quarterly reporting leaflet is printed in two parts, each calling for the worker's name, address, registration number, employer's name and address, and the total amount of wages and contribution paid for the quarter. The lower half of this leaflet is the receipt (*attestation*) portion which, when the quarterly reports are turned in, is detached by the post office or regional service and returned to the wage earner, either directly or via the employer.

A worker in industry and commerce using stamp leaflets may use a single one, taking it around to each employer for the affixing and cancellation of the stamps each time wages are paid, or he may obtain one for each employer to hold and use for the duration of the entire quarter. If the worker retains his leaflet, he himself deposits it, together with his quarterly reporting leaflet, at the post office at the end of the quarter. The clerk adds up the amounts of the stamps, writes the total on the face of the leaflet, and inserts the same total on the *attestation* of the quarterly reporting leaflet, which is handed to the worker as a receipt. If the employer has been holding the stamp leaflet, he deposits it at the post office and receives in return the *attestation*, which he transmits to the worker.

The *attestation* performs the functions of receipt for the contribution, record of wages, proof of right to benefits, and as a self-policing feature of the system. The worker usually has to present *attestations* for the past two fiscal quarters in order to obtain medical benefits. In case of dispute concerning his pension, he may present *attestations* covering his employment career. Self-policing is effected because, when the worker receives no *attestation* or if he receives one with an incorrect wage and contribution amount recorded, he is able to take the matter up immediately with his employer or the administration in order to get the record corrected.

Agriculture.—In agriculture there is much greater flexibility in the general payment of con-

tributions and in the use of stamps. There is no special stamp leaflet, since the regular leaflet is a combined quarterly reporting and stamp form. In size, it has the same width as the leaflet used in industry and commerce, but is twice as long (6x16½ inches). Insured wage earners receive the leaflets through the mail from the regional service or from the mutual-benefit associations with which they are affiliated.

As in the case of industrial and commercial workers, the insured agricultural worker who

Quarterly reporting leaflet for workers in industry and commerce

N° de l'assuré 75		SERVICE		Duplicata. ASSURANCES SOCIALES. (ASSURÉ DES PROFESSIONS NON AGRICOLES) DÉPENSES TRIMESTRIELLES DE CONTRIBUTIONS.		Trimestre 2		N° de l'ordre du feuillet sur le feuillet de transmission (à remplir par l'employeur)	
N° matricule de l'assuré OS 75 00 166 I		Nom, prénom et adresse de l'assuré PETIT André 25 Avenue de la République Paris		Année 1936		Timbre à date de la Poste ou du service des A. S.			
MONTANT TOTAL DES RÉMUNÉRATIONS (1) DES CONTRIBUTIONS PAYÉES ET DÉDUCTIONS DES CONTRIBUTIONS DÉDUITES POUR LE TRIMESTRE 950 950 905		CONTRIBUTION TOTALE (2) (INDUSTRIEL ET COMMERCE) DÉDUITE POUR LE TRIMESTRE 2805		N° et adresse de l'employeur Lemarchand 9 rue Carnot Paris		À DÉTACHER PAR LE POSTE OU PAR LE SERVICE DES A. S.			
N° de l'assuré 75		ASSURÉ		Duplicata. ASSURANCES SOCIALES. (ASSURÉ DES PROFESSIONS NON AGRICOLES) ATTESTATION DE TRAVAIL DESTINÉE À L'ASSURÉ.		Trimestre 2		Timbre à date de la Poste ou du service des A. S.	
N° matricule de l'assuré OS 75 00 166 I		Nom, prénom et adresse de l'assuré PETIT André 25 Avenue de la République Paris		Année 1936		Si le Service de cotisations est déposé à la Poste, indiquer dans la présente ATTESTATION et la feuille de dépôt par vos soins à l'assuré.			
MONTANT TOTAL DES RÉMUNÉRATIONS (1) DES CONTRIBUTIONS PAYÉES ET DÉDUCTIONS DES CONTRIBUTIONS DÉDUITES POUR LE TRIMESTRE 950 950 905		CONTRIBUTION TOTALE (2) (INDUSTRIEL ET COMMERCE) DÉDUITE POUR LE TRIMESTRE 2805		N° et adresse de l'employeur Lemarchand 9 rue Carnot Paris		La présente ATTESTATION doit être conservée par l'assuré pour la justification de ses droits en ce qui concerne sa famille aux diverses prestations : maladie, maternité, invalidité, vieillesse, décès.			

works for several employers may retain his own leaflet, taking it around to each employer for affixing and canceling stamps each time wages are paid. He also turns his own leaflet in at the post office and receives the *attestation*.

If the employer chooses to use stamps for his regular employees, he retains the leaflets and deposits them at the end of the quarter, at the post office, which in turn sends him the *attestations* to give to his employees.

There is a general provision whereby an employer in agriculture may arrange with an ap-

proved agricultural mutual-benefit society to fill out in his behalf the quarterly pay-roll reports and to file them with the post office. The employer who uses stamps may also arrange with such a society to do all the necessary work in his behalf. In this case he transmits to the society the leaflets of his employees, with an indication of the duration of employment of each worker. The organization affixes stamps on each leaflet, cancels them, and charges them to the account which the employer maintains with the society. It also

Stamp leaflet for workers in industry and commerce

FEUILLET INTERCALAIRE
(à compléter par le postier ou le bureau de répartition)

Nom, Prénoms et N° de l'assuré } 93.61 00178-10. Legrand, Pauline.

T I M B R E S - P O S T E			
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Ce feuillet intercalaire ne peut être utilisé que pour les travailleurs à façon, aux pièces, à la tâche, à domicile, ou rémunérés à l'aide de commissions ou surtaxes, à court d'affaires, qui travaillent d'une manière régulière et simultanément pour le compte de plusieurs employeurs, ou pour les salariés qui travaillent par intérim, non pour le compte de l'un ou de plusieurs employeurs, ou qui sont occupés par des employeurs successifs pour des travaux temporaires ou occasionnels.

Il est recommandé de faire usage de préférence des timbres des valeurs les plus approchées du montant de la cotisation à acquitter lors de chaque paye.

deposits the leaflets at the post office, accompanied by a *bordereau* for each employer. The post office delivers the receipts to the organization which, in turn, passes them to the employer, who keeps his own receipt and gives his employees their *attestations*.

General Provisions.—An employer who pastes stamps on an employee's leaflet may, if the employee retains the leaflet, request a receipt for their value from him.

Only one payment procedure may be used in connection with a single leaflet during any quarter.

For example, if an employer has five workers for whom he pays contributions in cash and during the course of the quarter hires a worker who has been receiving stamps, the employer must continue the use of stamps for this worker until the end of the quarter. When the new quarter begins, he may adopt for the new worker the contribution method he uses habitually.

Observations

From its beginning as a simple pension system in 1910, France has developed a broad social insurance program covering a large proportion of the population. In the development of administrative organization and methods, significant revisions have frequently been adopted, based upon experience with the program's operation. Although strenuous efforts have been made toward administrative simplicity, special group interests and established traditions have delayed or hindered this process.

In these terms are to be explained much of the development of the collection and recording procedures for insured persons' contributions. The stamp system was brought into the 1928-30 social insurance program largely as a carry-over of the method previously used for the 1910 pension system. As a result of its loss of favor, especially in commerce and industry, alternative procedures were developed until, in the 1935 program, the stamp system was relegated to a minor role in favor of a pay-roll reporting system. The stamp system, generally speaking, now finds its chief usefulness in agriculture and in circumstances where the employer-employee relationship is temporary, unstable, vague, or complicated and where the contribution amounts involved are small.

The special procedures which allow autonomous agricultural mutual-benefit societies to act as agents for employers in the payment of contributions and to participate in administrative matters, and which allow an optional use of stamps for insured persons in agriculture, may have introduced complications. However, in order to gain the cooperation and support of the agricultural population, it was found desirable to provide for such flexibility and autonomy. For the same reason, the social insurance program for agriculture carries lower contribution rates and heavy State subsidies.