in wage levels, a number of questions must be answered. What portion of wage increases should be matched by benefit increases, or in other terms, how much should benefits be raised for a given increase in wage levels? Should all beneficiaries be given proportionately equal increases? What is the danger of some retirees enjoying a higher standard of living than they had when they worked? How would such benefit liberalizations affect the financing of the program? Should changes in benefits to reflect wage increases be made on a periodic basis, on an automatic basis according to specified movements in wage levels, or on an ad hoc basis? How would such changes affect the flexibility of the program in meeting other needs? Choices based on considerations such as these will determine the capability of the OASDHI program to incorporate into its benefit structure some measure of our society's increasing standards of living.

Social Security Abroad

IMPROVEMENTS IN BELGIAN SOCIAL SECURITY*

Belgium has taken a series of legislative actions during 1967 and 1968 to streamline administration, simplify procedures, and improve financing in several areas of the social security system. The actions involve the merger of four pension programs into one, the issuance of a uniform code of provisions for the self-employed, and the liberalization of eligibility requirements for certain disadvantaged groups, including handicapped persons, working widows, and students.

Unification of Pension Programs

On October 24, 1967, the four largest pension programs for wage and salary workers in the private sector were merged by royal decree (No. 50) into a single pension system—a move calculated to unify and rationalize the administration of pensions. The decree (1) merged into one the reserve funds of the blue-collar workers, miners, and seamen; (2) provided for the progressive equalization of the contribution rates paid by the four categories of wage and salary workers (white-collar, blue-collar, miner, and seaman); (3) provided for a uniform ceiling on the amount of wages and salaries subject to the contributions tax and credited to the worker for the purpose of computing his pension benefit; (4) created a new administrative body, the National Pensions Office for Wage and Salary Workers; and (5) abolished the future establishment of individual "capitalization" accounts for white-collar workers.

In order to appreciate the significance of the changes in the Belgian pension system, it is necessary to look at the differences that existed among the pension programs and at certain economic and demographic influences that affected them.

Under the old law, old-age and survivors insurance was provided by separate programs covering each of the five categories of the gainfully employed in the private sector—white-collar workers, blue-collar workers, miners, seamen, and the self-employed. Each program possessed a distinct administrative and financial structure.

The greatest differences existed between white-collar workers and the other three wage-earner categories. White-collar workers paid a smaller contribution rate, and only those earnings under a given ceiling were subject to the contributions tax. The seamen also had a ceiling on the amount of their earnings subject to the tax, but they paid a higher contribution rate than the white-collar workers. The mine workers contributed on total earnings, as did the blue-collar workers, but at a lower rate. Unlike any of the other groups, the white-collar workers paid (up to January 1, 1968) 3.0 percent of their 4.25 percent contribution into a "capitalization" fund. The purpose of this fund was to establish on behalf of the individual worker an old-age annuity policy with a private

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

insurance company. The remainder of the contribution went into a distributable reserve fund. With respect to the individual accounts, white-collar workers enjoyed a contractual right to these fully funded annuities, a feature that the other pension programs did not possess.

The development of the Belgian economy has had a significant effect on the financing of the pension programs. As in other industrialized Western European countries, rising per capita incomes and a higher level of technology have been accompanied by a shift in the structure of employment. Demographically and socially, the trend has been toward a lengthening period of schooling and training for the young before entering the labor force and toward an aging covered population with an increasing proportion above the legal retirement age (65 for men, 60 for women). The number of white-collar workers has grown rapidly, increasing 60 percent between 1947 and 1965, but blue-collar employment increased only 5 percent during this period. During the past few years the trends described have resulted in a stagnation in the number of employed blue-collar workers, and figures for the most recent period show a decline.[1] The number of mine workers has steadily fallen in recent years. The employment situation has had an adverse effect on the funding of pensions in all but the white-collar workers' program. The three programs for wage earners have been financed almost entirely on a pay-as-you-go basis and thus have been dependent on current contributions to pay for current benefit expenditures. The decline in contributors has made it increasingly more difficult for these programs to pay pension benefits and has led to more reliance on a state subsidy.

Probably the most important accomplishment of the new legislation was the unification of the financial structures of the pension programs. This unification was essential both to achieve equity and, more important, to offset the decline in revenue experienced by the former wage earners' pension schemes. At the end of December 1967 the reserve fund for white-collar workers had a balance of 19.0 billion Belgian francs (B.F.).[2] Benefit expenditures from this fund had totaled 5.8 billion B.F. in 1966. For the blue-collar workers, benefit expenditures totaled 17.8 billion B.F. in 1966, and the balance in the fund for these workers stood at 1.4 billion B.F. at the end of 1967. The mine workers had a deficit balance at the close of 1967.

Under the reorganization, the three wage earners' reserve funds were merged, and 8.36 billion B.F. were transferred from the white-collar reserve fund (which will retain 10.64 billion B.F.) to the National Pensions Office for Wage and Salary Workers. This transfer represents the amount of contributions that would have been received by the National Pensions Office had the white-collar workers' contribution rate been raised on January 1, 1968, to be on a par with that of blue-collar workers. Instead, the contribution rate for white-collar workers will not be increased until 1970. From then on it is to be raised in steps from the current combined employer-employee rate of 10.25 percent to 12.50 percent at which point it will equal the blue-collar combined contribution rate.

Combined contribution rates for mine workers and seamen are also to be raised progressively. Beginning January 1, 1968, the mine workers' contribution rate is to be increased from the current 10.5 percent to an eventual 12.5 percent in 1972. The seamen's rate is also to be increased from 12.0 percent to the 12.5 percent combined employer-employee rate.

The new legislation provides for a uniform ceiling for all wage and salary workers on the amount of earnings subject to the contributions tax and credited for the computation of benefits. Before, ceilings existed only for seamen and white-collar workers. The new uniform ceiling will become effective in 1974. By that date, it is expected that all disparities in contribution rates and earnings ceilings will have been eliminated.

Beginning January 1, 1968, all contributions will be put into a single reserve fund. With the exception of this comparatively small reserve fund, Belgian's pension system will be financed on a pay-as-you-go basis. By having a large majority of the labor force covered under one pension system, the impact of shifts in manpower demand that are to be expected in a growing

[1] The number of employed blue-collar workers declined 40,500 (2.6 percent) between June 30, 1966, and June 30, 1967. "Situation du Marché de l'Emploi en 1967," National Employment Office.

[2] Fifty Belgian francs equal $1.

economy can be absorbed without the costs encountered by a system of financially and administratively autonomous pension programs. The costs avoided by a unified system are those associated with the mobility of labor among separate jurisdictions, the necessity of supplementing the financial resources of programs suffering a decline in the number of contributors, and the social cost of providing superior benefits for some groups and inadequate benefits for others.

The new administrative body, the National Pensions Office for Wage and Salary Workers, assumes overall responsibility for the administration and funding of all pensions in the private sector. The two pensions offices that formerly had full responsibility for managing the programs for mine workers and merchant seamen have been retained but now have only limited responsibility. The administrative body that previously operated the white-collar pension program will now administer only the distributable reserve fund for white-collar workers and the individual annuity accounts established before January 1, 1968 (no new accounts for white-collar workers were established after that date). The National Pension Office for Blue-Collar Workers was abolished.

Uniform Code for the Self-Employed

The new uniform code for the self-employed, which became effective on January 1, 1968, established a single set of regulations making coverage uniform, establishing a single administrative agency and simplifying the method for calculating and paying contributions.

Under the old system, three separate organizations administered old-age and survivors insurance, family allowances, and health insurance. Each used a different method for determining the amount of contributions, and the tax bases could vary within each agency according to the covered person's profession. Furthermore, different definitions of self-employment among the agencies caused some persons to be covered under one social security program and not others.

Under the new system, overall responsibility for coverage and control of the self-employed is vested in the National Office of Social Insurance for Independent Workers. The Office administers old-age and survivors' pensions, oversees the work of the National Office for Family Allowances for Independent Workers, and ensures the rights and obligations of the self-employed with respect to the benefits provided by the National Institute for Health Insurance.

A single contribution for all three types of coverage is now made to a single local office. Under the simplified administration, the insured makes four quarterly payments a year instead of 10 payments as in the past. The contribution is assessed on the basis of professional earnings, as defined by the relevant tax legislation. The self-employed below the legal pensionable age (65 for men and 60 for women) pay 9.25 percent a year of earnings up to 150,000 B.F. plus 1.5 percent of earnings between 150,000 B.F. and 270,000 B.F. The minimum contribution is 4,625 B.F. a year. Of this amount, 43 percent goes for family allowances and 57 percent for old-age and survivors pensions. The insured must also include a flat 1,200 B.F. a year to pay for his health and invalidity insurance. For certain categories of self-employed such as persons of pensionable age or those who are self-employed on a part-time or subsidiary basis, the contribution rate is reduced or eliminated.

Improved Coverage for the Disadvantaged

A number of decrees extend coverage and liberalize eligibility requirements for disadvantaged social groups. Two decrees enacted in April and November 1967 extend health insurance to some 30,000 mentally and physically handicapped who were not previously covered. The new legislation applies to disabled or handicapped persons who are either in receipt of a special disability pension or a supplementary old-age pension (paid to the permanently disabled upon their reaching retirement age) and who are certified by the National Sickness and Invalidity Insurance Institute as being incapable of earning at least two-thirds of the wage or salary they would be paid if in sound health. Dependents of the primary beneficiary, or widow and her dependents, are also covered. The beneficiary in receipt of a special disability pension pays a monthly contribution of 75 B.F. if he has dependents and 50 B.F. if he is without dependents. Supplementary old-age pensioners are exempt from the payment of contributions.

In the area of family allowances, legislation was enacted in 1967 in favor of handicapped children, children of handicapped parents, disabled workers, female workers, students and their children, prisoners, and orphans. Handicapped children below age 25 are now entitled to a supplementary family allowance of 1,072 B.F. over and above the regular family allowance paid on the child's behalf. Under previous legislation these children received the supplement accorded to full orphans, the amount varying according to the number of children in the family and the occupational status of the head of household. A regular family allowance is now accorded to handicapped children below age 25 who are at least 66 percent incapacitated and who work in a protected workshop. Previously no allowance was paid to this category of workers.

Family allowances were also extended to the children of students under 25 years of age who are pursuing courses of study approved by the government. The Minister of Social Security may, in some cases, raise the age to 27. Students themselves retain the right to family allowances up to age 25 if they are regularly engaged in preparing their final dissertation.

An employed or self-employed worker who is detained or held prisoner by the police continues to be eligible for family allowances if he was receiving or was entitled to receive family allowances at the time of his arrest. Normally family allowances will be paid to the prisoner's family for as many as 12 days, but in special circumstances they may be paid for a longer period.

Recent Publications*

SOCIAL AND REHABILITATION SERVICE

Community Planning in Public Welfare. U.S. Govt. Print. Off., 1968. 72 pp. 50 cents.

Proceedings of a workshop on community-planning responsibilities of State and local public welfare agencies.

GENERAL

ANDO, ALBERT, and others, eds. *Studies in Economic Stabilization.* Washington: Brookings Institution, 1968. 299 pp. $6.75.

Addressed to the timing of economic responses to government action and the secondary and indirect effects of fiscal policy changes.

DENTON, GEOFFRY, and others. *Economic Planning and Policies in Britain, France and Germany.* London: George Allen & Unwin Ltd., 1968. 424 pp. 50s.

KATONA, GEORGE, and MUELLER, EVA. *Consumer Responses to Income Increases.* Washington: The Brookings Institution, 1968. 244 pp. $6.75.

Examines tendencies to save, acquire durable goods, improve living standards, and incur or pay off installment debts in response to income changes.

KEYFITZ, NATHAN, and FLIEGER, WILHELM. *World Population: An Analysis of Vital Data.* Chicago: University of Chicago Press, 1968. 672 pp. $16.50.

ROBSON, JOHN M. *The Improvement of Mankind: the Social and Political Thought of John Stuart Mill.* Toronto: University of Toronto Press, 1968. 292 pp. $6.50.

TAX INSTITUTE OF AMERICA. *Symposium on Federal-State-Local Fiscal Relationships.* Princeton, N.J.: The Institute, 1968. 502 pp. $12.50.

U.S. ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS. *Fiscal Balance in the American Federal System.* Washington: U.S. Govt. Print. Off., 1967. Vol. 1, $2.50; vol. 2, $2.25.

Deals with basic structure of fiscal Federalism (vol. 1) and metropolitan fiscal disparities (vol. 2).

U.S. CITIZENS' ADVISORY COUNCIL ON THE STATUS OF WOMEN. TASK FORCE ON SOCIAL INSURANCE AND TAXES. *Report.* Washington: The Council, 1968. 139 pp.

Recommendations concerning social insurance and short- or long-term wage-loss risks, and working women and the Federal income tax.

RETIREMENT AND OLD AGE

BARTELL, H. ROBERT, JR., and SIMPSON, ELIZABETH T. *Pension Funds of Multiemployer Industrial Groups, Unions, and Nonprofit Organizations.* (National Bureau of Economic Research Occasional Paper No. 105.) New York: Columbia University Press, 1968. 52 pp. $1.50.

MURRAY, ROGER F. *Economic Aspects of Pensions: A Summary Report.* (National Bureau of Economic Research General Series No. 85.) New York: Columbia University Press, 1968. 132 pp. $4.50.

RUSALEM, HERBERT, and others. *The Vocational Rehabilitation of Neighborhood-Bound Older Disabled Persons: A Program Guide.* New York: Federation of Employment and Guidance Services, 1967. 87 pp.

* Prepared in the Library, Department of Health, Education, and Welfare. Orders for items listed should be directed to publishers and booksellers; Federal publications for which prices are listed should be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.