Florida, Georgia, Nevada, and the Federal program for civilian employees, among the 11 jurisdictions with increases of 15 percent or more, had increases of similar proportions in 1969.

COST RELATIONSHIPS

The total cost of workmen's compensation to employers was estimated at $4,882 million in 1970, an increase of about 10 percent from 1969. With covered payrolls rising at half that rate, employers were required to spend $1.13 per $100 of payroll in covered employment to insure or self-insure their work-injury risks. For the previous 3 years, the rate had been $1.07 per $100 of payroll.

The 1970 cost to employers of $4,882 million consisted of (1) $3,578 million in premiums paid to private carriers; (2) $859 million in premiums paid to State funds (for the Federal employees' program, these premiums are the sum of the benefit payments and the costs of the administrative agency); and (3) about $445 million as the cost of self-insurance (benefits paid by self-insurers, with the total increased by 5–10 percent to allow for administrative costs).

With the increase in benefit payments slightly outpacing that of premium costs, the proportion of the premium dollar that was returned to insured workers in the form of cash payments and medical services rose fractionally to 59 percent. This increase represented a reversal of a downward trend that had prevailed since 1962 when benefit payments amounted to 64 percent of premiums. (These ratios exclude the "black lung" benefit program and supplemental benefits paid in a few States from general revenues.)

The same trend shown for all business is also noted when the experience of private carriers alone is examined. The ratio of direct losses paid to direct premiums written (commonly termed the "loss ratio") rose from 50.4 percent in 1969 to 51.5 percent in 1970 after dropping gradually from a high of 56.0 percent in 1962. A ratio based on losses incurred (which includes amounts set aside to cover liabilities from future claims payments) would be higher. According to data from the National Council on Compensation Insurance, losses incurred by private carriers represented 63.3 percent of net premiums earned in 1970, compared with 62.5 percent in 1969.

Somewhat in contrast to the experience of private carriers, the proportion of benefit payments to premiums for the State insurance funds showed no change between 1969 and 1970. The loss ratio was 67.7 percent for both years. The ratio had been lower in 1967 and 1968, however.

The loss ratios for private carriers and, to some extent, for State funds do not take into account the premium income returned to employers in the form of dividends. Available data indicate that when dividends are related to total premium payments (for both dividend and non-dividend paying companies) they generally average about 4–6 percent.

Social Security Abroad

New Benefits for Blue-Collar Workers in Sweden*

During June of 1971 the Swedish Employers' Confederation and the Swedish Confederation of Trade Unions agreed to introduce a private pension plan for blue-collar workers—the STP plan —to become effective July 1, 1973. In addition, the settlement, covering the period 1971–73, provided cash sickness benefits for blue-collar workers to supplement the country's national program. Similar plans have previously been available to salaried or white-collar personnel only; such plans date back as far as 1917.[1] This new agreement is integrated with and supplements the national universal pensions, the wage-related national supplementary pensions (which began in 1960), and the health insurance programs.

In the past, a retired blue-collar worker in Sweden was sometimes entitled to a modest pension from his employer. These special arrangements were not widespread, however. There was

* Prepared by Leif Haanes-Olsen, International Staff.

[1] The 1917 pension fund came about as a result of an agreement between the Federation on Swedish Industries and the Chambers of Commerce. It was a pension for white-collar workers in industry and commerce. In 1919, it merged with a similar fund started by a number of insurance companies 3 years earlier. At that time, the fund received its present name, the Swedish Staff Pension Society.

never a national collective agreement on private pensions to wage earners. With respect to sick pay, blue-collar workers as a general rule have not been entitled to additional allowances to supplement the benefits received from the national program.

The STP plan will enable blue-collar workers to retire at age 65—2 years earlier than under the national plan—and receive 65 percent of pensionable income after 30 years' employment. When the national pension takes effect at age 67, the STP rate is reduced to 10 percent of pensionable income and becomes in effect a supplement to the national pension.

The new plan incorporates full vesting and portability privileges in accordance with established practices in Swedish private insurance. The sick-pay plan, in combination with the national plan, is designed to provide the worker with 90 percent of his net (after tax) income while incapacitated, whether because of illness or work injury. Together, these programs must be regarded as a significant step forward in the Swedish Confederation of Trade Unions' long fight for equality of blue-collar and white-collar workers.

The STP plan resulted from negotiations between the Swedish Confederation of Trade Unions and the Swedish Employers' Confederations starting November 1970. Historically, the agreements reached by these two organizations, the largest employee and employer bodies in the country, respectively, have provided a voluntary pattern for other employer and union groups and have eventually included most Swedish workers. In fact, employers who do not adopt the plan may well find themselves at a disadvantage in competing for available manpower.

PENSION PLAN PROVISIONS

As noted earlier, the STP plan will make it possible for blue-collar workers in Sweden to retire at age 65—2 years earlier than provided for under the national insurance program. Employment during the 12 months immediately preceding retirement is generally required, although exceptions are made in certain cases of illness and unemployment during the 12-month period.

The exact amount of the STP pension is determined by length of service and is correlated with the requirements under the national pension system: 30 years of employment warrants a full pension of 65 percent of pensionable income, to be reduced by 1/360 for each month the worker's employment falls short of that limit. "Pensionable income" under the STP plan is the average of the pensioner's 3 highest income years during the 5-year period from his 59th through his 63d year. Presumably, this period would include the 3 years with the highest career income. The cut-off point after the 63d year eases the administrative burden by providing ample time for the preparation of individual records.

To make the change in the pensionable age from 67 to 65 as smooth as possible, certain transitional measures have been put into effect to modify the 3-year-average rule. Those persons born in 1907 and 1908 are covered although they will not be able to accumulate 3 years of service before retirement at age 67 under the national pension plan. Workers born before November 1906 are not covered by the plan; in 1973 they will be 67 and thus already receiving benefits under the national pension plan. After the program begins, the length of service will be calculated from age 28.

When the national retirement pension becomes available at age 67, the worker's benefits under the STP plan are reduced from 65 percent to 10 percent of pensionable income. When the supplementary national pension system matures, retirement benefits of the average blue-collar worker with 30 years of service should amount to about 77 percent of his wages.[2]

The operation of the STP plan will parallel current white-collar practices. Thus, pension insurance will be purchased in a new insurance

[2] This approximation was arrived at as follows: (1) The base amount, which determines the national retirement pension, equals about one-third of the worker's average income and the national universal pension, equal to 90 percent of the base amount, is therefore one-third of 90 percent or 30 percent of the worker's income; (2) the national supplementary pension may be as high as 60 percent of pensionable income above the base amount (about two-thirds of average income), or 40 percent of the worker's income; and (3) the STP plan provides 10 percent of pensionable income above the base amount, or approximately 7 percent of total income. Thus, the universal pension (30 percent) plus supplementary pension (40 percent) plus the STP plan pension (approximately 7 percent) equal about 77 percent of the worker's average income.

company—the Labor Market Insurances, pension—to be established jointly by the Swedish Employers' Confederation and the Swedish Confederation of Trade Unions and administered in cooperation with the plan for white-collar workers. All pension costs are borne by the employer. Funding of the STP pension through book reserves allows the employer to retain and use in the business, as long as possible, funds that would otherwise be used for insurance premiums. In lieu of premium payments the employer submits interest-bearing promissory notes to the insurance company. These notes are in turn insured in a credit insurance company established for this purpose—the Labor Market Insurances, credit.[3]

The employer does not pay any premiums during the employee's working career. He submits regular statistics on wages and work records of covered employees to the insurance company. When the employee retires, the insurance company uses these records to determine his pension amount. The insurance company then notifies the employer as to how much is needed to cover all pension payments for the employee; the employer transfers this sum to the insurance company.

It is not clear whether or not pensions under this plan will be automatically adjusted, that is, tied to the price or wage index as a hedge against inflation. If, however, the already existing plan for white-collar workers is an indication of what might develop, most of the profit from the insurance company will revert to the retirees and add to their benefits.

The principles of vesting and portability apply under the STP plan as they have in Swedish private insurance for over 50 years.[4] To the individual worker under the STP plan, this simply means that he has a fully vested right to his pension whether he remains in the service of the same employer or not. Even if he withdraws from the work force, he is entitled to receive the paid-up pension at the time of withdrawal, corresponding to all premiums paid by his employer. (These insurance premiums are regarded as deferred salary or wages.) The worker's pension rights are also transferable to any new employer covered by or adhering to the new agreement.

[3] The size of the allocations to book reserves and the credit insurance premiums have not yet been determined. Under the white-collar plan in 1970 these items amounted to 8.5 percent of the salary of the employees covered and 0.3 percent of the employer's allocations, respectively. These rates may well be indicative of the rates under the STP plan.

[4] Both vesting and portability were introduced with the white-collar worker agreements of 1917.

SICK-PAY PROVISIONS

The new sick-pay plan for blue-collar workers—known as the AGS plan—was designed primarily to supplement cash sickness benefits under the national insurance program and becomes effective September 1, 1972. As with the pension plan, the Swedish Employers' Confederation and the Swedish Confederation of Trade Unions will establish an insurance company—the Labor Market Insurance, sickness—which for reasons of convenience will be administered jointly with the already existing insurance company of the cooperative movement. All costs of the AGS plan are borne by the employer.

Although the most important function of the AGS plan is to supplement relatively short-term allowances under the national health insurance system, it also covers workers with long-term illnesses and those with permanent incapacities for work who eventually become eligible for national disability pensions. In the latter case, when the old-age pension replaces the disability pension at age 67, benefits stop under the AGS plan.

The AGS plan when combined with the daily sickness allowance under the national pension system should bring the sick-pay income of most workers up to 90 percent of their normal net (after tax) income. At present, national pension benefits are paid according to income, subject to a maximum. Generally, the allowance becomes smaller as income increases. For example, for a modest income of 5,400 kronor, the allowance amounts to 67.4 percent, but it is only 49.7 percent for an income of 31,500 kronor. (One krona equals 19.3 U.S. cents, October 22, 1971.)

In order to maintain a 90-percent income level, then, the size of the AGS supplement must increase as income rises. The AGS supplement also increases by the amount of the tax in cases where a sickness allowance (not considered income) is replaced by a disability pension (considered income and therefore taxed).

The AGS plan provides for a qualifying period of 30 days sickness (the white-collar plan has no qualifying period). This requirement was written into the plan presumably to minimize costs and discourage unnecessary use of the service. In case of a recurring illness, however, eligibility may start as early as the 8th day of incapacity. Long-term disability pensions under the AGS plan are tied to the price index in that they are linked to the base amount used in national pensions. The increase in any one year, however, is limited to 4 percent.

The AGS plan covers persons aged 18–66 who are working at least 18 hours a week. The worker must have been with the same employer for at least 6 months, although he is covered if employed immediately before either his 18th birthday or the effective date of the AGS plan. After the 6-month period, if the worker changes jobs and his new employer is also under the AGS system, his coverage is considered uninterrupted. In addition, coverage continues for illnesses contracted within 90 days after employment has terminated.

CONCLUSIONS

In the past, trade unions in Sweden have emphasized wages rather than fringe benefits in negotiations with employer groups. The rather comprehensive coverage under the national social insurance plan made the need for additional coverage less pressing. As a result, the Swedish Confederation of Trade Unions during the last several years has attempted to lessen the wage gap between the lower-paid and the higher-paid blue-collar workers. This is still a major goal. Another reason for the emphasis on wages has been a desire on the part of the labor organization to bring the blue-collar wage closer to the white-collar salary.

The difficulty of closing the wage gaps has undoubtedly influenced the Swedish Confederation of Trade Unions to bring other priorities—such as "social leveling"— into wage negotiations. Social leveling implies an equalization (or more equitable distribution) in both the remuneration for work and in social benefits among all employees (white- and blue-collar alike). The introduction of the private pension plan and the sick-pay provisions for blue-collar workers discussed here are the first manifestations of this policy. But social leveling goes further. Blue-collar working hours are gradually being reduced from 42.5 hours per week to 40 hours by 1973. In the future, there may be an equalization in the length of vacations, as well as a shortening in the qualifying period for sick pay.

Recent Publications*

SOCIAL SECURITY ADMINISTRATION

OFFICE OF RESEARCH AND STATISTICS. *Private Pension Plans in West Germany and France*, by Max Horlick and Alfred M Skolnik. (Research Report No. 36.) Washington: U.S Govt. Print. Off., 1971. 78 pp 40 cents.

The first part takes up the private pension movement in each country, emphasizing historical and recent developments in the public and private systems; the second part examines the private pension experience from the standpoint of possible application to the American scene.

OFFICE OF RESEARCH AND STATISTICS. *Social Security Beneficiaries Under Representative Payment 1969.* Washington: The Administration, 1971. 10 pp.

Data on the more than 4 3 million social security beneficiaries whose cash benefits are handled by persons other than themselves (incapable adults or children).

OFFICE OF RESEARCH AND STATISTICS. *Social Security Farm Statistics, 1966, With Selected Preliminary Estimates for 1967*, by Truman Wilson. Washington: The Administration, 1971. 21 pp.

Data on self-employed farmers, hired farm workers, farm employers, and crew leaders.

SOCIAL AND REHABILITATION SERVICE

ASSISTANCE PAYMENTS ADMINISTRATION and MEDICAL SERVICES ADMINISTRATION. *Characteristics of State Medical Assistance Programs Under Title XIX of the Social Security Act.* (Public Assistance Series No 49.) Washington: U.S. Govt. Print. Off., 1971. 398 pp $3 75.

Comprehensive information about the groups eligible for Medicaid coverage, the medical services provided, and the administrative pattern of Medicaid in 48 States (Arizona and Alaska have no Medicaid program), the District of Columbia, Guam, Puerto Rico, and the Virgin Islands

GENERAL

"Children—The Overlooked Resource." *The Labour Gazette* (Department of Labour, Canada), Oct. 1971, pp 676–81. 50 cents

A report on the first National Conference on Day Care held in June 1971 at the University of Ottawa.

*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.