tirement Board pursuant to explicit statutory criteria regarding this reserve ratio. A determination should take place within 90 days after any major change in the program, or at least biennially. It should be transmitted to the Congress by the President, and should go into effect after 60 days unless the Congress enacts legislation within that period to set alternate rates.

Beyond the crisis period, when a reasonable degree of normality in the ratio of beneficiaries to railroad workers is attained, the Account should be financed according to the generally accepted standards of actuarial soundness appropriate to supplementary staff pension plans.

4. *The benefit formulas and provisions of the system should be restructured and revised to assure that the overall benefits in the future continue to bear a reasonable relationship to wages in a dynamic economy and to make benefits more equitable among the various groups of beneficiaries.* A continuation of the past practice of compounding the percentage factors in the railroad retirement formula and increasing the base of covered wages will escalate costs to an untenable extent. Various other anomalies are also present.

The foregoing are the Commission's principal recommendations. They stem from an independent study by the Commission and its staff, consultants, and advisory groups, compressed within the past 17 months. . . . The Commission's complete report contains all of the specific recommendations, and is supplemented by extensive staff studies. It also suggests necessary follow-up action to achieve the transition from the present system to the new, improved system.

Social Security Abroad

Guaranteed Children's Allowances in Belgium*

The inauguration of a guaranteed children's allowance in 1972 represents another step in Belgium's announced policy of granting a "social minimum" income to the disadvantaged as a matter of legal right. The implementation of the policy began in 1969 when a guaranteed income, subject to a means test, was provided for the aged who had little or no pensions. This group included the aged who had never worked and thus had never been covered by any of the social security funds. The country has, of course, an advanced social security system, but self-employed persons who had switched to other types of work, or those who had worked intermittently, would not have earned a regular benefit.

Belgium was one of the first countries to introduce children's allowances, doing so in 1930. Before the 1972 provisions, children's allowances were entirely work-related. For regular wage and salary workers, allowances are employer-financed; the self-employed finance their own program by contributing according to size of income. Some families with low or no income could not qualify for allowances under these provisions. A catchall category was therefore created, based on a means test. Since most of the families who would fall into this category were expected to be among the former self-employed, the benefit level was patterned on the existing children's allowances program for the self-employed.

CHILDREN'S ALLOWANCES IN GENERAL

All persons under the general social security program—all wage and salary workers—are covered. The self-employed have a separate children's allowances program. In both programs, the allowances consist of basic and supplementary benefits.

Employers bear the full cost of the children's allowances program for wage and salary earners by contributing 10.5 percent of payroll. Since the program is work-related, the level of benefits varies according to the amount of time actually worked. If a person works 23 days or more during the month (19 days when on a 5-day week), children's allowances are paid at the full monthly rate; if he works less, the allowances are paid according to a daily rate. In either case, the allowances are payable once a month.

The self-employed contribute to their program according to income. Although their benefit structure differs from that of wage and salary earners, some similarities exist. In both programs, for example, the basic benefits start with the first

* Prepared by Leif Haanes-Olsen, International Staff.

child and the amount increases with each successive child through the third, when benefits become constant.[1] For the first two children, however, the level of benefits for the self-employed is little more than one-third that of the other program. From the third child on, the situation is reversed and the rate for the self-employed exceeds that for wage and salary employees. Supplementary benefits under both programs increase with the age of the child.

GUARANTEED CHILDREN'S ALLOWANCES

Since benefits in the new program correspond to those of the self-employed, and since the self-employed rates in most cases are considerably lower than the corresponding rates in the program for wage and salary earners, the new benefits are rather modest. The basic monthly allowance is 231 Belgian francs for the first child, BF 429 for the second, and BF 1,604 for the third and each successive child.[2] To these rates are added supplements as follows: children aged 6–9, BF 148; 10–13, BF 261; aged 14 and older, BF 434.[3] A family that meets the means test is eligible for both the basic and supplementary allowances.

The new program includes, in addition to these benefits, lump-sum birth grants with rates identical to those in the regular wage and salary workers' program: BF 10,132 for the first birth, BF 6,988 for the second, and BF 3,759 for the third and subsequent births. (These rates were in effect as of the end of June 1972.)

All these benefits—basic and supplementary children's allowances and birth grants—are tied to the consumer price index. Since the wage index has been increasing at a faster pace than the consumer price index, adjustments of benefits in the regular social security programs are made from time to time to keep the purchasing power of the beneficiary closer to that of the wage earner. It is assumed that the same policy will be pursued in the new children's allowances program.

The program will primarily benefit those among the poor who have had to bear the brunt of structural changes in the economy—those who have found it difficult or impossible to adjust to new economic conditions, either because they lack proper education or do not have appropriate skills. This group consists mainly of the self-employed and, to some extent, miners. The self-employed include store owners, tradesmen, and artisans: Leading citizens in their communities in earlier times, they are now being wiped out, unable to compete with supermarkets, chain stores, and modern techniques. Not covered by social security until very recently, they have little or no pension protection. As in other countries, the miners in Belgium have seen their livelihood disappear as marginal mines were closed and the demand for their services diminished.

There are indications that the program until now has been less successful than first envisioned. Several reasons may account for this. Eligibility for guaranteed allowances hinges, for example, on a rather restrictive means test whereby total family income (actual income as well as income imputed on the basis of family resources according to prescribed formulas) cannot exceed BF 75,000 per year (approximately $1,700). This amount is less than one-half the average earnings of a male manual worker in manufacturing. The restrictive nature of the means test has limited the response to the program and caused a considerable portion of those applying for allowances to fail the means test. Both because of their modest size and the limited response, the allowances have had little immediate effect on the income of the appropriate segments of the population.

[1] Programs in other countries sometimes have constant or declining benefit rates For a general discussion, see Leif Haanes-Olsen, "Children's Allowances: Their Size and Structure in Five Countries," *Social Security Bulletin*, May 1972.

[2] U.S. $1 = BF 43 83 (July 12, 1971). These rates are comparable to BF 629, BF 1,060, and BF 1,484, respectively, in the program for wage and salary employees.

[3] The child must normally be under age 16 (or under age 25 if a student) to be eligible for allowances

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