TABLE 2.—Percent of SMI enrollees meeting the deductible, by age and sex, July 1966–December 1970, as of January 1973

[Estimated from 5-percent sample of SMI enrollees]

Age and sex	July–Dec. 1966	1967	1968	1969	1970
Total	16.8	35.1	37.5	40.5	42.2
65–66	13.0	25.3	27.2	29.6	31.1
67–68	15.4	32.7	34.7	38.0	39.7
69–70	15.7	34.1	36.8	39.7	41.7
71–72	16.5	35.1	38.0	41.0	43.4
73–74	17.4	36.8	39.2	42.0	44.3
75–79	18.6	38.9	41.4	44.5	46.2
80–84	19.8	40.7	43.5	46.3	47.7
85 and over	20.7	42.0	45.0	47.7	49.0
Men	16.3	33.4	35.6	38.5	40.2
65–66	12.5	24.0	26.0	28.5	29.9
67–68	14.9	31.1	33.1	36.1	38.1
69–70	15.0	32.4	35.1	38.0	39.9
71–72	16 0	33.5	36.1	39.1	41.4
73–74	16.9	35.1	36.9	39.9	42.1
75–79	18.2	37.3	39.6	42.7	44.3
80–84	19.8	39.9	42.2	44.8	46.3
85 and over	20.3	42.0	44.4	47.8	48.7
Women	17.3	36.3	39.0	41.9	43.7
65–66	13.3	26.3	28.3	30.5	32.1
67–68	15.8	34.1	36.1	39.5	41.0
69–70	16.3	35.5	38.0	41.0	43.1
71–72	16.8	36.3	39.4	42.4	44.9
73–74	17.8	38.0	40.8	43.5	45.8
75–79	18.9	40.0	42.6	45.7	47.5
80–84	19.8	41.2	44.3	47.3	48.6
85 and over	20.9	41.9	45.4	47.7	49.2

carryover provision and more knowledge of how to file a claim.

Since persons aged 65 and 66 were not in the program for a full year, they had less opportunity to reach the deductible than those in the next age group. The percentage meeting the deductible rose steadily with each age group, and the rise in each year was about the same. For every age group, however, the proportion reaching the deductible was higher from year to year.

Social Security Abroad

No-Fault Accident Compensation in New Zealand*

New Zealand is introducing a Government-operated, no-fault accident insurance program that provides injured workers with a benefit of up to four-fifths of their usual earnings. This is the latest move in the social field by a country that allocates 37 percent of central government spending to welfare and social insurance.

The Accident Compensation Act of 1972—effective April 1, 1974—provides for two interrelated, no-fault accident compensation programs: (a) occupational disease and 24-hour accident coverage for the entire labor force, financed by contributions from employers and the self-employed; and (b) complete motor-vehicle accident coverage for the entire population financed by vehicle drivers and owners.[1]

An agency under the Ministry of Social Security—the Accident Compensation Commission—is to supervise the two programs. The new arrangements replace complicated mechanisms for dealing with compensation for industrial accidents and for highway injuries where negligence can be established. The result is a contributory accident insurance that is not work-related but earnings-related.

The two new programs provide for hospital and medical treatment, rehabilitation, and nontaxable cash compensation covering all the consequences of an accident—that is, loss of income and physical and emotional suffering. Benefits for income loss will be earnings-related, in contrast to the flat-rate benefits of the New Zealand social insurance system. Moreover, liability is being liberalized to cover all injuries to workers regardless of when or where they occur.

The cost of the new system is to fall on employers and the self-employed for the earners' accident compensation program and on motor vehicle drivers and owners for the motor vehicle compensation program. In a sense there is a general revenue component: medical-hospital benefits will continue to be provided by the national health insurance system that is entirely government financed.

The Act of 1972 was the end result of a series of reports starting in 1962, which examined the feasibility of establishing a Government-operated program offering complete coverage for work-accident and occupational disease victims. The

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[1] On March 9, 1973, the Government of New Zealand decided to extend coverage under the Accident Compensation Act to nonworking housewives and other nonearners (that is, students, retired persons, and the unemployed). As a consequence, the implementation date of the schemes was postponed from October 11, 1973, to April 1, 1974. Government sources expect that the appropriate amending legislation will be presented by the end of August 1974.

most notable of these reports was that of the Royal Commission on Compensation for Personal Injury in New Zealand, completed in 1967. It is generally called the Woodhouse Commission after its Chairman, Justice A. O. Woodhouse.

The Commission was set up mainly because of dissatisfaction with the existing mechanisms for determining responsibility and monetary compensation for injuries suffered by an employee in the course of his employment, and by the general public in a highway accident involving the use of a motor vehicle. The warrant establishing the 1967 Commission, in fact, restricted its investigation to the question of compensation for injuries "arising out of accidents (including diseases) suffered by persons in employment." It did not cover injuries from highway accidents or those of workers outside their employment.

In the course of its inquiry the Commission found it desirable, however, to extend its examination to all accidental injuries regardless of cause or place of injury. The Commission's final report, which provided the broad foundation for the Accident Compensation Act, called for comprehensive, full-time coverage for all New Zealand citizens regardless of how or where they were injured.

BACKGROUND

The new law creates one uniform system for the handling of accident compensation cases instead of the former variety of methods. Accident compensation in New Zealand has been dealt with through the common law process, by the workmen's compensation program, and by an assistance program administered by the Department of Social Security. All victims of personal injury have been able to sue for damages under common law on the basis of negligence. Those who have been successful receive compensation covering their losses (medical costs, earnings losses, and pain and suffering).

As workmen's compensation has not precluded common law action with respect to employment injury in New Zealand, it has been the norm for seriously injured employees to pursue remedies under both processes simultaneously. If the employee is successful in common law action, he is not entitled to workmen's compensation. If he is not successful, he can fall back on workmen's compensation. This procedure has led to unequal settlements for similar injuries, has overloaded the court system, and has militated against prompt rehabilitation on the part of the injured worker.

Except for suits under the common law, New Zealand's workmen's compensation system has resembled closely the basic form of the system in the United States with employers insuring themselves through private insurance carriers. Only work-connected injuries and occupational diseases have been covered in the past. Compensation has been related to medical expenses, earnings-related cash benefits, and rehabilitation services. Medical treatment in hospitals has been provided to workmen's compensation cases free of charge under the national health service scheme, and the costs of such treatment have not been charged back to workmen's compensation.

There is, in addition to the common law process and workmen's compensation, indirect involvement of the Department of Social Security in the payment of benefits to injured workers. First, the Department has provided assistance to many of the disabled and their families because the maximum ceiling on the weekly benefit has been NZ $32. This amount is considered too low to maintain a minimum standard of living in a country where the average weekly earnings of wage and salary earners in 1971 was NZ $59.73 a week. Second, as the work-related disability pension is payable only for a maximum of 6 years, the Department of Social Security has had to make assistance payments to the disabled when the benefit is terminated. The social security fund is contributing an estimated NZ $2 million a year in such cases.

COVERAGE

Under the new legislation, regular members of the labor force receive occupational disease and 24-hour accident coverage; others are to be protected for occupational diseases and work-connected accidents only. Wage and salary earners and the self-employed must fulfill a 12-month residence requirement (not necessarily continuous) to qualify for continuous (24 hour) coverage. In addition, an employee must have been in paid employment for 160 hours or more during the 8 weeks preceding his accident, or have customarily been in paid employment at least 10 hours a week, or must earn at least NZ $500 per year. According to 1969 income tax returns, 90 percent of the working population earns more than NZ $500 per year and would therefore financially qualify for continuous coverage.

The 10 percent of employed workers who do not qualify for continuous coverage (newly immigrated workers, apprentices, and part-time workers, for example) will be protected by the "work accident cover" scheme. This is basically a workmen's compensation program that will protect them for occupational disease and work-related accidents. Travel to and from work will also be covered in the work accident program.

The main groups outside the labor force who were not covered by the initial legislation are the young, nonworking housewives, retired persons, and the unemployed.[2] The Commission report, in recommending a universal accident compensation plan, had paid particular attention to housewives and the retired. The report had recommended that these two groups be paid at a minimum benefit rate of NZ $11.75 per week, subject to a 15-day waiting period. The Government in arguing for passage of the bill noted that the scheme did not cover as wide a group as that recommended in the report but maintained that coverage of the entire population was not feasible at present. The Government cited the problems of establishing a method of financing an employer-funded program that would include all citizens and also pointed out the absence of any method of determining an equitable cash compensation (temporary and/or permanent) for housewives and other nonearners, without wage or salary to serve as a yardstick.

The motor vehicle insurance provides medical treatment, rehabilitation, and cash compensation to everyone for injuries sustained in motor vehicle accidents. This provision fully meets the Woodhouse Report recommendations.

BENEFITS

The Accident Compensation Act of 1972 provides earnings-related payments in the event of loss of earnings capacity and lump-sum payments according to a fixed schedule of rates for loss of bodily functions and, at the discretion of the Commission, for disfigurement and pain and suffering. In case of death, survivors will receive compensation if they were dependent upon the deceased. All the compensation levels can be adjusted yearly, at the discretion of the Accident Compensation Commission, on the basis of increases in the cost-of-living index.

Temporary disability benefit.—Under the 1972 law, a temporary disability benefit will be paid at the rate of 80 percent of previous gross earnings (including overtime, holiday pay, and bonuses)[3] up to a maximum level of NZ $160 per week. The first 6 days of incapacity are to be paid by the employer at the full amount of wages (excluding overtime). If the employee had been employed for less than 7 days before the accident or had intended to terminate his employment 6 days after the accident, the Commission will cover the first 6 days of disability at 80 percent of full wages (excluding overtime).

Permanent disability benefit.—The Act also provides for a permanent disability benefit payable when the Commission considers that the injured party's medical condition is stabilized and that all practical steps have been taken toward his retraining and rehabilitation. The benefit is then calculated with respect to previous earnings as well as to future capacity to earn. It is payable up to a maximum level of NZ $160 a week and until age 65 when the individual becomes eligible for the non-means-tested superannuation pension.

After the date of assessment, this disability benefit cannot be reduced because the injured worker's earning capacity has improved. The benefit amount may be increased, however, if his condition has further deteriorated as a result of the injury. In addition, for a full-time worker the amount can be raised if it falls below a minimum prescribed amount yet to be determined.

Benefit for loss of potential earning capacity.—The provisions for temporary and permanent disability establish the benefit at 80 percent of regular earnings for regular members of the labor force. Trainees, apprentices, and students working part-time do not, of course, have regular earnings on which to base the calculations.

[2] See footnote, page 25.

[3] The calculation of previous earnings excludes nontaxable means-tested welfare benefits (e.g., the age pension and the family benefit).

Moreover, any pay they do receive is unrelated to expected wages or salaries in their future career. If these young people become disabled in a "covered" accident,[4] the Commission is empowered to establish hypothetical earnings rates based on career potentials. This determination is made between ages 16 and 21, the prime training or education period. A full-time student who is not in paid employment would be eligible for such a benefit only if he were injured in a motor vehicle accident.

Lump-sum payments to injured workers.—Lump-sum payments are to be made for loss of bodily function and for other losses, such as the loss of capacity for enjoying life (including loss from disfigurement) and for pain and mental suffering. Compensation for the loss of bodily function is to be determined on a scheduled basis and will be paid up to a maximum of NZ $5,000. Compensation for pain and suffering will be determined on a case by case basis and will be paid up to a maximum of NZ $7,500.

Survivor's benefits.—In addition to paying funeral expenses of the insured, the Commission will make lump-sum payments of not more than NZ $1,000 to the dependent widow or widower (including dependent divorced spouses) and of NZ $500 to each child up to a maximum of NZ $1,500. Compensation up to one-half the disability pension of the insured is payable to a dependent surviving spouse until he or she remarries or reaches age 65. Children are eligible for one-sixth of the disability pension (one-third if they are double orphans) until they reach age 16, or age 18 if they are students. Lump-sum payments equal to survivor's benefit payments for 2 years will be made to widows and widowers when they remarry.

Medical benefits.—As in workmen's compensation, medical and hospital treatment will be provided free of charge under the national health service system. The cost of such services will not be charged back to either of the accident compensation funds. Medical benefits, which include artificial limbs, aids, and certain clothing, will also cover damage to teeth. Costs of transportation, food, and lodging necessary for obtaining medical treatment will be paid by the Accident Compensation Commission, which will also reimburse employers for such expenses.

Rehabilitation.—Services provided to the injured are to emphasize rehabilitation. Every effort is to be made to ensure as speedily as possible the restoration of the handicapped to the "fullest physical, mental, social, vocational and economic usefulness of which they are capable." The Accident Compensation Commission will promote and coordinate public and private facilities for rehabilitation and ensure the training or retraining of any incapacitated earners.

FINANCING

The two schemes are to be financed through contributions on a merit-rated basis and are not expected to require Government funding. Funds for the earners' accident compensation program are to come from contributions from employers and the self-employed. Contributions will vary within a range of ¼ of 1 percent to 5 percent of earnings on a maximum of NZ $10,400 earnings a year. The self-employed are to pay on a minimum of NZ $1,000 earnings. For employers and the self-employed with safety records worse or better than others in the same class, the programs provide for penalty rates and rebates, as appropriate. This measure is intended to encourage employers to improve plant safety and thus reduce accidents.

Funds for the motor vehicle accident program will come from contributions made by owners and drivers of motor vehicles. Contribution rates for motor vehicles will vary on the basis of general characteristics and weight of the vehicle: tractors, NZ $1.60; motorcycles, NZ $7.90; standard motorcars, NZ $11.35; public taxicabs, NZ $46.00. The standard tax on driving permits will be NZ $2.00 a year, with provision for penalty rates for "drivers whose driving or accident record is significantly worse than average."

ADMINISTRATION

The two interrelated compensation programs

[4] Under the initial legislation, for example, a student working more than 10 hours a week or earning NZ $500 a year would be covered for all accidents regardless of when or where they occurred. Students working less than 10 hours a week and earning less than NZ $500 would be covered for work-related accidents only. All students, whether or not they work, would be covered for injuries sustained in a motor vehicle accident. Greater coverage will be provided under the yet-to-be promulgated amending legislation.

are to be administered by a three-man Accident Compensation Commission. The Commission, in the Department of Labor under the Minister of Social Security, will have control over the collection of contributions, the payment of cash benefits and awards, the assessment of incapacity, the investigation of injuries, and the development, coordination, and supervision of accident prevention and rehabilitation programs. The Commission can delegate much of its authority for administering the two programs; it can, for example, appoint "agents" to collect contributions and handle claims.

It is not known at present what role the insurance industry will play. The Woodhouse Report emphasized the importance of a centralized administration and advised against private insurance companies participating in any aspect of the two accident compensation programs. The Accident Compensation Act is unclear as to their role. No private group may underwrite the Government-established funds, but there does appear to be a role for private companies in the handling of claims. The Act states that the Commission "may" from time to time appoint as one of its agents any insurance company or association. Such agents will be paid for services rendered either by fees or by commissions.

Research Grants Studies

Section 1110 of the Social Security Act provides for a cooperative research grants program. The grants given by the Social Security Administration under this program are to nonprofit organizations for research in the broad area of social security. Reports on two recently completed grants projects are summarized below. Similar summaries will be published in the BULLETIN as the projects are concluded.

WORK AFTER RETIREMENT

What psychological factors influence men to continue working after mandatory retirement and what effect do different retirement systems have on retirement-related attitudes? Social Security Research Grants Project 56047 produced two reports in this area—"Work After Retirement: Some Psychological Factors" and "A Comparison of the Effects of Two Retirement Systems." The exploratory research was carried out at the Center for the Study of Aging and Human Development of Duke University and involved men on university faculties who were in good health and financially secure.

The authors, Gerda G. Fillenbaum and George L. Maddox (Director of the Center), found that the retirement decision is based on a set of mutually reinforcing preretirement factors—such as the importance of the work being done, personal involvement in work-related matters, a distaste for retirement, and an attempt to circumvent retirement. Although environmental matters (assurance of continued access to work facilities and local availability of paid work, for example) seemed to have little relevance to continued working, certain specific matters (such as the possession of particular skills) did appear to be important.

The reports indicate that those under a "flexible" retirement system (that is, they lost tenure at age 65 and were forcefully reminded about retirement for the next 5 years) were more likely to favor retirement, to have made plans for both work and leisure, and to be better adjusted after retirement than were those under a more "abrupt" retirement system—mandatory retirement at age 70.

* * *

DETERMINANTS OF INTERSTATE MIGRATION OF THE ELDERLY

The literature dealing with patterns and determinants of population mobility is massive. Most of the published research concentrates on population movements as a whole, or on movements of the labor force.

Interstate migration rates of persons aged 65 and over are the focus of a research project directed by Steve L. Barsby and Dennis R. Cox at the College of Business and Public Administration, University of Arizona, 1970–72. They found that research directed primarily at migration patterns of the elderly is extremely scarce.