determine the degree to which funding of accrued benefits has been accomplished by a number of the private pension plans in the United States. It also contributes new information on the extent to which the values of accrued benefit are vested (extent to which ultimate payment is not contingent upon an employee's continuing in the service of the employer) as well as current vesting practices.

Thirty-three actuarial consulting firms and insurance companies supplied the data for the study. The qualifications for the plans included in the data were (1) that they be plans maintained for employees by private employers in the United States, (2) that they be advance-funded and in the process of funding for at least 10 years, (3) that they must be IRS qualified, and (4) that they each cover at least 25 participants. It is important to note that unfunded plans that provide the lowest degree of benefit security are not included. There is also underrepresentation of the collectively bargained multiemployer plan and smaller single-employer plans.

The methodology for determining the degree of funding is significant. The ratio of the value of assets accumulated under a pension plan to the value of all accrued pension benefits is the principal measuring device. (The term accrued pension benefits means the pension benefits attributable to service—and where applicable, compensation earned—before the date of the study.) The percentage that results from this method is the "Benefit Security Ratio" (BSR). A BSR of 100 percent or more means that in event of current plan termination the accrued benefits are fully paid for.

There are, however, many factors that affect the time expected for complete funding to take place. Benefits for periods of service rendered before the inception of the plan, the age distribution of the participants, the periodic improvement of benefits, and the existence of bargaining agreements relating to funding are just a few.

In order to provide a means of neutralizing some of the principal variables the authors have computed for each plan an *effective* period of past funding (a weighted average considering the number and magnitude of benefit liberalizations over the years). They have also selected funding benchmarks that one might expect a substantial number of plans to follow.

Using BSR's both with respect to accrued benefits in total and with respect to accrued benefits that are vested, the authors conclude that the study furnishes impressive evidence

> that during the past several decades, while the climate has been favorable to the independent development of private plans, these plans have responded with a remarkably healthy growth, both in the evolution of benefits and benefit forms and in the enhancement of employee security through sound financing.

Some basic conclusions may be drawn from the study, according to the authors.

> A high degree of benefit security had been achieved by the year 1966 by a vast majority of the plans included in the study. For example, assets were sufficient, on the average, to cover 94.4 percent of all accrued benefits under plans whose effective funding periods were 15 years or more.
>
> Considered in relation to the effective period of funding, between 90 and 94 percent of the plans studied had developed benefit security ratios in excess of the two benchmarks of funding progress.
>
> . . . While the recent period of rising interest rates has contributed to the favorable results one may nonetheless conclude that conservative assumptions and cost methods have been employed in the funding of most private pensions.
>
> With regard to the extent of vesting found under private pension plans, approximately half of the participants and benefit values in the study were found to be under plans having vesting classified as "early" (essentially after approximately ten years of service. . . . Vesting therefore appears to be at a reasonably advanced stage in its evolution, with liberalizations continuing to occur as other benefit priorities are satisfied.

Social Security Abroad

HIGHER FAMILY ALLOWANCES IN FRANCE*

In May 1969, the French Government issued a number of decrees affecting family allowances. These measures were considered as part of a plan to halt a declining birth rate that had dropped from a level of 18.1 per 1,000 population in 1964 to 16.8 per 1,000 in 1967 and was expected to

* Prepared by Leif Haanes-Olsen, International Staff.

fall between 16.6 and 16.8 per 1,000 in 1968. They are aimed at increasing the size of families as well as encouraging young couples to have children. (Families averaged 2.05 children under the family allowance program as of December 31, 1968.)[1]

Allowances are now raised for the third and fourth child, childless couples married less than 2 years lose a small cash allowance previously available to supplement a single wage, and a premium is paid for very young children.

Traditionally, France has been regarded as having a low birth rate and, at the same time, one of the highest family allowances in the world. In 1960, for example, these allowances accounted for 35 percent of all social security benefits paid, in comparison with 3–25 percent in the other 5 Common Market countries and 10–23 percent in the Scandinavian countries.

Three main components of the system of family allowances, all of which deal with monthly cash payments, are covered by the decrees: (1) children's allowances, (2) single wage allowances ("salaire unique"), paid to single persons or families with one single income and having one or more dependent children, and (3) mother-at-home allowances ("mère au foyer"), paid to the head of a family (not a wage or salary earner and not in agriculture) whose wife devotes full time to the home and children. All three of these allowances are related to base wages fixed for five cost-of-living zones in France. In Paris, the highest cost-of-living area, the base wage for children's allowances is currently 361 francs per month ($1 U.S. equals 5.55 francs); for the "salaire unique" and "mère au foyer" it is 194.50 francs. Originally related to regional monthly average wages, the base wage for children's allowances was later made a percentage of the hourly minimum wage of manual workers in the metals industry. Subsequently, this amount has been adjusted from time to time by decree.

Under the new legislation, which was made retroactive to April 1, 1969, the following rates of children's allowances, in terms of the base wage, are now in effect: 22 percent for the second child, 35 percent each for the third and fourth child, and 33 percent for the fifth and each other child. The previous rate from the third child on was 33 percent. As a result, families with three and four children now receive 57 percent and 92 percent of the base, respectively, compared with the earlier 55 percent and 88 percent. At the current base wage, this amounts to an additional 14.40 francs per month for a family with four or more children.

However, the main thrust of the government's program has been directed toward the "salaire unique" and "mère au foyer" allowances. With respect to the former, the provision that permitted payment of 10 percent of the base amount to young married couples without children has been repealed. In addition, families with one or more children under age 2 will now receive half the base amount, regardless of how many children aged 2 or over they may have. In families where all children are aged 2 or older, the old allowance schedule of 20 percent, 40 percent, and 50 percent for one, two, and three or more children, respectively, is still in effect. Thus, a married couple without children stands to gain 97.25 francs a month by starting a family—the equivalent of 11.4 percent of average earnings in manufacturing (based on latest available earnings data as of March, 1968).

The 50-percent-of-base allowance is also in effect under the "mère au foyer" program when one or more children are under age 2. When all children are aged 2 or older, allowances are determined by the old rates—that is, 10 percent of the monthly base for two dependent children and increasing by 10 percentage points for each additional child to a maximum 50 percent for six or more dependent children.

The relative significance of family allowances as part of average total income was shown by a study issued in 1967.[2] As the tabulation below indicates, few (1.5 percent) families with two children derive more than 30 percent of their income from family allowances. Where three children are concerned, this proportion rises to 20 percent of the families. The proportion rises

[1] Office National d'Allocations Familiales pour Travailleurs Salariés, *Statistiques Demographiques et Financières se Rapportant au Quatrième Trimestre 1968.*

[2] *Les Conditions de Vie des Familles,* Centre de Recherches et de Documentation sur la Consommation, Paris, March 1967. Average total income includes family allowances, unemployment benefits, social security benefits, paid overtime and bonuses, rental income, vacation allowances, and other unspecified income. Table 44, page 133.

progressively: 36.6 percent of all families with four children receive more than 30 percent of total income from children's allowances, 43.1 percent of families with five children, and 60.8 percent of families with six children.

Family allowances as percent of average total income	Percentage distribution by number of children				
	2	3	4	5	6
Total percent	100.0	100.0	100.0	100.0	100.0
Less than 10	41.8	11.6	3.8	.2	7.5
10–19	51.8	36.3	24.0	26.9	10.6
20–29	4.9	32.1	35.6	29.8	21.1
30–39		12.8	31.6	22.1	25.2
40–49		5.4	4.2	17.3	27.5
50 or more	1.5	1.8	.8	3.7	8.1

On the international level, the relatively high standing of French family allowances is seen in the comparisons shown in table 1, with those of the United Kingdom, the Federal Republic of Germany, and Sweden. Because of the difficulty inherent in international comparisons based on monetary values of benefits, the allowances for each country have been calculated as a percentage of average monthly earnings in manufacturing. Allowances for France and Germany are shown at the minimum levels. As indicated, the French allowances for families of four or more are more than double those of the other countries, even at their minimum levels.

When the factors of age and number of children are considered, these differences become still more apparent. For example, in a family with three children aged 8, 10, and 12, family allowances in France would amount to 43 percent of average earnings in manufacturing—that is, the basic rate of 24 percent plus 11 percent for three children plus an additional 4 percent for each of the two children in the age group 10–14.

Historically, the French family allowance program, which is financed through employer contributions, has shown an annual surplus. It is not yet clear whether contribution rates are to be increased to cover the higher benefits.

TABLE 1.—Family allowances as percentages of estimated average monthly earnings in manufacturing, selected countries, 1968

Country	Allowances as percent of average monthly earnings in manufacturing.					
	1 child	2 children	3 children	4 children	5 children	6 children
France [1]	[2]	9	24	39	53	67
United Kingdom		5	10	15	20	25
West Germany [3]		[4] 3	6	13	21	29
Sweden [5]	5	10	15	20	25	30

[1] In families with more than one child: add 11 percent if one or more of the children are under age 2, 9 percent if there are 2 dependent children aged 2 or over, and 11 percent if there are 3 more dependent children regardless of age. In addition, add 4 percent for each dependent child in the age group 10–14 and 7 percent for each dependent child aged 15 or over.

[2] Add 11 percent if child is under age 2, or 5 percent if aged 2 or older.

[3] Add 3 percent for each student or trainee aged 15–27 when there is more than one child in the family.

[4] Second child eligible for basic family allowance if family earns less than 650 Deutsche Mark per month. Otherwise, allowance starts with the third child.

[5] Based on 1967 average earnings.

Source: International Labour Organization, *ILO—Yearbook of Labour Statistics*, 1968. Data on France obtained from the Bureau of Labor Statistics, U.S. Department of Labor.