*New Graduated Retirement Benefits in Great Britain**

In the National Insurance Act of 1959, Great Britain departed for the first time from the principle of a flat-rate system, unrelated to earnings, for both contributions and benefits. For retirement benefits the new law retains the existing flat-rate system but superimposes on it a graduated system, with contributions and benefits related to wages. The new provisions are summarized in the following pages.

MAJOR changes in the British system of retirement benefits were made by the National Insurance Act, 1959. This new law, which was assented to July 9, 1959, will come into force on a date or dates to be fixed by the Minister of Pensions and National Insurance. The Government had indicated earlier that, because of the detailed technical planning involved both for employers and for government departments, the new provisions could not be brought into actual operation before April 1961.

The National Insurance Act, 1959, modifies principally the provisions of the national insurance system relating to retirement pensions and contributions and does not, in general, affect the survivor, sickness, maternity, and unemployment benefits under that system. The major substantive changes consist essentially of the superimposition of a new system of graduated contributions and graduated retirement benefits, related to earnings, on the existing system of flat contributions and flat benefits. A basic feature of the new legislation, however, is the authorization granted for "contracting out" from the graduated contribution and benefit provisions with respect to those employees covered by approved private plans providing "equivalent" pension benefits. The new provisions apply only to employees and not to the self-employed or nonemployed, who will continue to be covered only by the flat contribution and flat benefit provisions.

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Background

The introduction of the principle of wage-related contributions and benefits in the British national insurance system is a major landmark in the evolution of that program. The use of flat contributions and flat benefits has been a traditional and prominent characteristic of social security legislation in Great Britain almost since the enactment of its first pension law in 1908. This approach was reaffirmed in the Beveridge Report of 1942 and was reimbodied in the broad postwar legislation setting up the comprehensive national insurance system in 1946.

Important economic and other developments in the United Kingdom in recent years have drawn attention increasingly to the need for some kind of fundamental alteration in the nature of the pension system. For one thing, a considerably higher and more stable level of employment has been achieved than was expected earlier. There has also been a sustained rise in national productivity and living standards generally, although it has been accompanied by rising prices. Another development has been the increasing inability of the flat-pension approach to adjust to these changes, limited as it is by the necessity of fixing the flat contribution at a level low enough for all to be able to pay.

There has also been a remarkable growth in recent years in the number and coverage of supplementary private pension plans in the United Kingdom; such plans now cover more than a third of the total working population. Both the proportion and number of aged persons in the population have increased steadily, and the number of such persons has grown much more rapidly than the number of persons contributing to the system. Finally, this situation has in turn led to a continuous rise in pension costs, to growing unfunded pension liabilities, and to the prospect of an ever-increasing need for subsidies from general taxation.

These and other developments and problems led to a series of studies in recent years to explore the economic problems of aged workers and to find ways of improving the adequacy of pensions, of broadening the scope of supplementary plans, and of strengthening the financial basis of the pension system as a whole. A report issued in 1953 by the National Advisory Committee on the Employment of Older Men and Women examined the problem primarily in terms of the gainful employment of aged persons.[1]

The Committee on the Economic and Financial Problems of the Provision for Old Age (the Phillips Committee) in a report issued in 1954 reviewed existing measures for providing for aged persons, population trends anticipated, and financial problems involved in providing for the aged. The Committee then formulated a series of recommendations for improving the national insurance and national assistance programs and the private pension plans.[2] In May 1958 the British Government Actuary published the findings of an intensive study of the coverage and rules of supplementary occupational pension plans then in operation, based on a representative sample.[3]

The opposition Labour Party in 1957 formally advanced detailed pro-

[1] Cmd. 8963, H. M. Stationery Office, London, 1953.

[2] Cmd. 9333, H. M. Stationery Office, London, 1954.

[3] *Occupational Pension Schemes — A Survey by the Government Actuary*, H. M. Stationery Office, London, 1958.

Table 1.—*Weekly national insurance contributions of adult employees not under contracted-out plans* [1]

Weekly earnings	Weekly contributions (in shillings and pence)					
	Total		Flat		Graduated	
	s.	*d.*	*s.*	*d.*	*s.*	*d.*
Men:						
£3 or less	3	0½	3	0½		
£3–9	5	9½	5	9½		
£10	6	7½	5	9½		10
£11	7	5½	5	9½	1	8
£12	8	3½	5	9½	2	6
£13	9	2½	5	9½	3	5
£14	10	0½	5	9½	4	3
£15 or more	10	10½	5	9½	5	1
Women:[2]						
£3 or less	2	10½	2	10½		
£3–9	5	4½	5	4½		
£10	6	2½	5	4½		10
£11	7	0½	5	4½	1	8
£12	7	10½	5	4½	2	6
£13	8	9½	5	4½	3	5
£14	9	7½	5	4½	4	3
£15 or more	10	5½	5	4½	5	1

[1] Employer contributions are the same as those shown above for employees, except that, for employees earning less than £3 a week, they are 8s. 6½d. for men and 7s. 10½d. for women.

[2] Married women and widow pensioners may elect not to pay the flat contribution (and to forego the flat benefits concerned), but they must pay the graduated contribution.

posals for modifying the existing system of retirement benefits.[4] They called for the creation of a national superannuation system, financed through wage-related contributions (payable at rates of 3 percent by employees and 5 percent by employers) and providing for pensions that would include both a flat-rate benefit and a graduated benefit varying with the average lifetime earnings of each recipient and the number of years of contributions under the new plan. The latter factor would have led to a long-term rise in the amount of the graduated benefit.

Contracting-out with respect to the graduated benefit would have been permitted under the Labour Party proposal on the initiative of the individual worker. Self-employed persons, as well as employees, would have been covered by the graduated contribution and benefit provisions. Pension amounts would have been automatically adjusted, at the time of the award, to past changes in the level of national average earnings, and they would also be adjusted, after the award, to future changes in the cost of living. Because of the relationship between contributions and gradually rising pension outlays, the plan envisaged the accumulation of a rather large reserve, amounting to £7.8 billion in 1980; part of the reserve was to be invested in industrial shares.

In October 1958 the Government issued a White Paper that set forth its own proposals for modifying legislation on retirement benefits, as well as the rationale of the changes proposed.[5] The proposals presented, with certain changes in the provisions with respect to the Government contribution, were embodied in the national insurance bill presented to Parliament by the Minister of Pensions and National Insurance in December 1958. This is the bill that, after certain changes in Parliament, became a law on July 9, 1959.

Employee and Employer Contributions

Each adult male employee in the United Kingdom earning more than £3 a week is currently paying a flat contribution of 7s. 4½d. a week under the national insurance program.[6] (The rate given here and those that follow do not include contributions to industrial injuries insurance and to the national health service.) This national insurance contribution provides coverage for old-age, survivor, sickness, maternity, and unemployment benefits. His employer at the same time pays 7s. ½d. a week. The corresponding employee and employer contributions for women earning more than £3 a week at the present time are 6s. 2½d. and 5s. 9½d. a week, respectively. The contributions payable when the worker is under age 18 are somewhat lower. If the employee earns £3 a week or less, the employer pays a larger share of the total contribution.

Under the provisions as amended in 1959, employees covered by contracted-out plans and their employers will continue to pay the existing flat contributions noted above (in addition to those under the private plan). All adult employees not under contracted-out plans and their employers will, in contrast, pay both (1) a reduced new minimum flat contribution and (2) if their wages exceed £9 a week, an additional contribution graduated according to their wages.

In specific terms, all adult employees who are covered exclusively by the national system and who earn more than £3 a week will pay under the new law a flat minimum contribution of 5s. 9½d. a week (5s. 4½d. for women). In addition, if they are earning more than £9 a week, they will pay a graduated contribution of 4.25 percent (rounded to avoid fractional amounts) on the part of their wages that exceeds £9 and does not exceed £15 a week. Employers will pay the same contributions with respect to each adult worker in their employ, including both the flat minimum contributions and the graduated contributions. For adult employees earning £3 a week or less, the weekly flat contributions payable by employees will be 3s. ½d. for men and 2s. 10½d. for women; their employers will pay 8s. 6½d. and 7s. 10½d., respectively. Table 1 shows the approximate weekly contributions that will be payable until 1965 under the new provisions by adult employees not covered by contracted-out plans.

The new law also provides for further quinquennial changes in contribution rates, starting in 1965. Both the flat minimum contributions of adult employees not under a contracted-out plan and those of their employers are to increase by 5d. a week in 1965, 1970, 1975, and 1980. The rate of their graduated contributions is also to advance—to 4.50 percent in 1965, 4.75 percent in 1970, 5.00 percent in 1975, and 5.25 percent in 1980. In addition, the existing flat national insurance contributions payable by employees under contracted-out plans, by their employers, and also by self-employed and nonemployed persons will each be increased by 9d. a week in the 4 years mentioned. Rates payable by youths under age 18 and by their employers will each be increased 5d. at the same time. The law empowers the Minister

[4] *National Superannuation: Labour's Policy for Security in Old Age,* The Labour Party, London.

[5] Ministry of Pensions and National Insurance, *Provision for Old-Age: The Future Development of the National Insurance Scheme,* Cmnd. 538, H. M. Stationery Office, London, 1958.

[6] In United States money, the pound (£) is the equivalent of $2.80; the shilling is 14 cents, and the penny is about a cent. The current average earnings of all male employees is about £12 10s. a week.

of Pensions and National Insurance to provide, with the consent of the Treasury, for smaller increases in future years than those listed.

Additional provisions of the law relating to contributions deal with the definition of wages to be used in computing graduated contributions; procedures to be followed when an employee has two or more employers or receives his wages in unequal installments; methods of determining weekly liability for graduated contributions; withholding by employers of the graduated contributions payable by employees; penalties for noncompliance with contribution requirements; and related matters.

As indicated earlier the contributions described in this section do not include the amounts payable for industrial injuries insurance and the national health service, which are not changed by the new law. A male adult employee pays 8d. a week for industrial injuries insurance and 1s. 10½d. for the national health service, and his employer contributes 9d. and 5½d., respectively. A woman pays 5d. a week for industrial injuries insurance and 1s. 4½d. for the national health service; her employer pays 6d. and 5½d.

Benefit Provisions

At the present time, a uniform standard retirement pension of £2 10s. a week is payable under the national insurance program to a single man retiring at age 65 and to a single woman retiring at age 60, if they meet specified contribution conditions. Aged married couples receive £4 a week if the wife is not eligible for a pension on the basis of her own insurance and £5 if she is so insured. Proportionately reduced pensions are payable to retiring workers having an annual average of 13–49 weeks of contributions paid or credited, rather than the minimum of 50 weeks required to qualify for a full pension.

Retirement from regular work is necessary for entitlement to these flat pensions by men under age 70 or women under age 65. Part-time earnings of up to £3 a week are nevertheless permitted without causing a reduction in the pension. On the other hand, a single person who continued working in insured employment after reaching the minimum pensionable age had his pension of £2 10s. increased by 1s. 6d. a week for each 25 additional weekly contributions he paid after reaching that age. If he was married and his wife was not insured, their £4 pension was increased by 2s. 6d. for every 25 additional weekly contributions paid.

The new law does not change the amount of the standard flat pension. These pensions will continue to be payable at the previously applicable rates to all qualified beneficiaries, whether or not they belong to a contracted-out group. The 1959 amendments do increase, however, the increments to flat pensions payable to persons who continue to work and contribute after reaching the minimum pensionable age. Beginning August 3, 1959, the increments will be equal to 1s. a week for every 12 additional weekly contributions paid during deferred retirement, or 1s. 6d. in the case of a couple with the wife uninsured.

The major innovation in benefits under the new law, however, is the provision for payment of graduated or wage-related retirement benefits in addition to the existing flat pensions. Eligibility for the new benefits is based in general on payment of the graduated contributions, as described above. Graduated benefits accordingly will be available under the national system only to employees who are not covered by a plan that is contracted out. They will not be payable to employees under contracted-out plans, self-employed persons, or nonemployed persons. The graduated pensions will be subject to the same retirement condition and earnings rules as are flat pensions — that is, they will become payable to men at age 65 and to women at age 60 if they retire and to men at age 70 and to women at age 65 whether or not they retire.

The size of the graduated pension payable to any individual worker is to be computed from the aggregate total of the graduated contributions he has paid throughout his life. The specific formula for this computation will be as follows from 1961 to 1964: 6d. a week is to be paid as a graduated benefit for each £7 10s. of graduated employee contributions paid by a man during his lifetime and for each £9 paid by a woman. The benefit for women per unit of contribution has been set lower because of their lower pensionable age and longer life expectancy, which more than offset the fact that the contribution rate for men takes into account the graduated pensions payable to widows. It should be noted, however, that no supplements for spouse or children are added to the graduated pensions.

When the rate of the graduated employee contribution rises to more than 4.25 percent in 1965, the two basic amounts (£7 10s. and £9) for which additions of 6d. are to be made in the pension amount will be increased proportionately only with respect to the contributions made at the higher rates. In other words, the pension "purchased" per pound of contributions in 1961–64 will be exactly the same as the amount purchased per pound of contributions in subsequent years, even though the contributions for the later periods are larger.

Thus workers will build up a small amount of graduated pension rights each week that they have earnings of more than £9 on which graduated contributions are paid. This approach is described in the Government's White Paper as the "brick" system. The pension acquired in any individual case will thus be a function only of the total lifetime weekly earnings of £9–£15 on which contributions are paid.

Consider, for example, a man who is covered under the graduated portion of the system for 15 years at a level weekly wage of £14. His weekly contribution in 1961–64 under the graduated plan will be 4s. 3d. (4.25 percent of £5, the amount by which his wages exceed £9). Accordingly, his aggregate graduated contributions at the 4½-percent rate applicable in 1961–64 would amount to 3,315s. (15 times 52 times 4s. 3d.). In essence, this total is used to determine the graduated pension because the scheduled future increases in the contribution rate do not result in higher pensions. The graduated pension thus would be 11s. a week, since each 150s. of the 3,315s. produces 6d. of pension, and there are 22 full units of 150s. in 3,315s.

Table 2 indicates the total combined flat and graduated pension that will be payable under the new provisions for individuals at different wage levels and with different periods of coverage. It may be seen from the table that a man covered at the maximum earnings rate of £15 for 47 years, from age 18 to age 65, could build up a graduated pension of 41s. or £2 1s. a week. This amount would represent an addition of 82 percent to the single man's flat pension of 50s. and of 51 percent to the married worker's flat pension of 80s. In contrast, a man covered for graduated pensions for only 5 years, from age 60 to age 65, could add only 4s. a week to his flat pension—an increase of 8 percent for a single man and of 5 percent for a married man.

It should be noted that, if a worker continues to work and to contribute after reaching the minimum pensionable age, the graduated pension to which he would otherwise then be entitled is further increased as a result of the additional graduated contributions paid. The law provides, also, that half the graduated benefit foregone at pensionable age, because of deferred retirement, will also be treated as an additional employee contribution to be considered in computing the increased graduated benefit payable at the time of ultimate retirement.

If the hypothetical worker discussed earlier were to continue to work for an additional 5 years beyond age 65 and thus forego his pension of 11s. under the graduated plan during this period, his additional graduated contributions at the 4¼-percent contribution rate would total 1,105s. (5 times 52 times 4s. 3d.). He would further be credited with 50 percent of the pension payments that he did not receive, or 1,430s. (.50 times 5 times 52 times 11s.). His total "credited contributions" would then be 5,850s. (3,315s. plus 1,105s. plus 1,430s.) and his graduated pension would amount to 19s. 6d. a week since there are 39 units of 150s. in 5,850s.

The widow of a man who has paid graduated contributions, or who has been receiving a graduated benefit, will receive one-half the graduated benefit that her husband had earned up to the time of his death. It is payable, however, only when the widow has reached age 60, and it is also conditional upon her retirement, unless she is over age 65. It is also payable even though the widow has herself become entitled to a graduated benefit through her own contributions.

Supplementary Private Plans

The new law provides that the graduated contribution and benefit provisions described above shall not apply to employees who are covered under an approved private pension plan (or provisions for public employees) conforming to specified requirements. The possibility of contracting out is a major element of the new legislation. The study by the Government Actuary indicated that about 9 million persons, or more than one-third the total working population, were already covered under private pension plans or public employee pension provisions in early 1958. About half of all male employees and more than a fifth of the female employees were covered by such provisions.

The decision as to whether or not to use the contracting-out provision is left by the law entirely with the individual employer. He is required to give a prescribed period of advance notice, however, if he elects to do so. It is anticipated that the machinery for receiving and acting on employer applications to contract out will be put into operation well before the effective date for payment of the new graduated contributions. The law also implies that an employer will be able to bring his employees into the national system for graduated benefits at a later time, even though he does not elect to do so at the start.

For a private plan to qualify under the contracting-out provisions, it must conform with certain standards laid down by the law and the employer must obtain a certificate from an official registrar that designates the employment concerned as "nonparticipating employment." One of the qualifications for such a designation is that the private plan be set up by an irrevocable trust, an inalienable insurance policy, public statute, or other approved arrangement. In the second place, it must provide "equivalent" pensions that are "on the whole as favourable as the right to benefit to be derived from graduated contributions" under the national system. Thirdly, the plan must contain acceptable arrangements for preserving the pension rights of workers if they should leave the employment covered by the plan. Finally, evidence must be furnished regarding the financial soundness of the plan at the start,

Table 2.—*Flat and graduated benefits: Total weekly amount and percent of average weekly wage, by sex and age at entry into graduated system*

Average weekly wage	Total pension by age at entry into graduated system											
	Age 18			Age 30			Age 50			Age 60 for men, age 55 for women		
	Single man	Married man	Woman	Single man	Married man	Woman	Single man	Married man	Woman	Single man	Married man	Woman
	Weekly amount (in shillings) [1]											
£9 or less	50	80	50	50	80	50	50	80	50	50	80	50
£10	56	86	55	55	85	53	52	82	51	50	80	50
£11	63	93	60	60	90	57	54	84	52	51	81	51
£12	70	100	65	65	95	60	56	86	53	52	82	51
£13	77	107	70	70	100	64	58	88	54	52	82	52
£14	84	114	75	75	105	68	61	91	56	53	83	53
£15 or more	91	121	80	80	110	72	63	93	57	54	84	53
	As percent of average weekly wage											
£9 or less	28	44	28	28	44	28	28	44	28	28	44	28
£10	28	43	28	28	42	26	26	41	26	25	40	25
£11	29	42	27	27	41	26	25	38	24	23	37	23
£12	29	42	27	27	40	25	23	36	22	22	34	21
£13	30	41	27	27	38	25	22	34	21	20	32	20
£14	30	41	27	27	38	24	22	32	20	19	30	19
£15	30	40	27	27	37	24	21	31	19	18	28	18

[1] Benefit amounts in a few instances are 6d. more than those shown.

and perhaps periodically in the future.

Equivalent pensions are defined as noncommutable life pensions that ordinarily are available at not later than age 65 for men and age 60 for women, except for any retirement requirement imposed. Such pensions must build up over the period of coverage under the plan at the same rate, at least, as graduated pension rights would build up under the public plan if graduated contributions were paid at the maximum rate—that is, on wages of £15 a week. This latter obligation applies with respect to each individual employee covered by the plan, even though his weekly earnings may be less than £15. Moreover, it is not simply a long-run obligation, but it applies to every employee covered by the plan at any given time, even though the employment of some may be of short duration.

The law also lays down certain rules governing cases where an employee ceases to be covered by an approved private pension plan, either because he changes his employment or because the plan itself is terminated. One permissible procedure in this situation is to provide such an employee with vested or frozen pension rights, which will become effective upon reaching pensionable age and which will be at least equivalent to the maximum graduated rights he could have earned under the public system during the same period. Under another possible procedure, the employer whose service an employee is leaving or who terminates his private plan will make a lump-sum payment to the national system or possibly to another contracted-out plan if the worker becomes newly covered by the latter. This lump sum is, in general, to be sufficient to obtain for the employee the same accumulated pension rights that he would have earned if he had been covered at the maximum rate under the public system during the previously contracted-out period.

Government Contribution

The contributions to be paid by the Government to the national insurance system as a whole have also been modified by the new law. When the new contribution rates for employees and employers come into force, the "Exchequer supplements" are to be equal to one-fourth of all flat contributions paid by both, whether or not in contracted-out employment. No supplement will be payable, however, with respect to any graduated contributions. In the case of self-employed and nonemployed persons, the Exchequer supplement is to equal one-third of the contributions paid. It is provided, in addition, that the total of such Exchequer supplements from 1962 onward shall not in any case be less than £170 million a year.

Provision is also made for extending to March 1962 the period (beginning March 1955 and scheduled to end March 1960) during which an aggregate lump-sum Exchequer payment of £325 million to the national insurance system is authorized. This payment, it should be noted, is in addition to the Exchequer supplements to contributions of insured persons and employers mentioned above.

Future Income and Outgo

The actuarial calculations for the amended system assume that at its start the graduated contribution and benefit provisions will not apply to an estimated 7,750,000 low-paid adult employees, earning £9 a week or less, or to 1,500,000 employed youths under age 18.[7] These two groups represent about 35 percent and 7 percent, respectively, of all employees (an estimated 22,250,000). It is also assumed that, of the remaining 13,000,000 employees earning more than £9 a week, 2,500,000 or about one-fifth will be covered by contracted-out pension plans. (Most of the 2,500,000 are expected to be earning £11 a week or more; an employee under the exclusively national system earning less than £11 will pay a smaller total contribution and receive a larger pension than a similar individual under contracted-out plans will contribute and receive under the national scheme). Thus, about 10,500,000 employees, or approximately 47 percent of all employees, will be covered by the graduated provisions of the statutory plan.

Illustrative estimates of annual income and expenditure under the new and preceding legislation for the national insurance system as a whole (including survivor, sickness, maternity, and unemployment insurance, as well as retirement insurance) during the next four decades are summarized in table 3, derived from the Government Actuary's report. The

[7] *National Insurance Bill, 1959—Report by the Government Actuary on the Financial Provisions of the Bill*, Cmnd. 629, H. M. Stationery Office, London, 1959. The remainder of the article is based mainly on this report.

Table 3.—*Estimated income and expenditures of national insurance system [1] under old law and under amended law, selected fiscal years 1962–2002 [2]*

[In millions of pounds]

Item	1962	1972	1982	1992	2002
	Under old law				
Income, total	871	892	902	927	959
Flat contributions	698	716	725	746	773
Exchequer supplements	123	126	127	131	136
Interest	50	50	50	50	50
Expenditures, total	1,009	1,202	1,326	1,361	1,343
Flat pensions	683	862	990	1,022	990
Other benefits and administrative costs	326	340	336	339	353
	Under amended law				
Income, total	1,022	1,242	1,472	1,574	1,685
Flat contributions	606	720	828	851	882
Graduated contributions	196	295	391	464	537
Exchequer supplements	170	177	203	209	216
Interest	50	50	50	50	50
Expenditures, total	1,014	1,234	1,414	1,516	1,570
Flat pensions	684	874	1,011	1,045	1,014
Graduated pensions	--------	16	63	128	199
Other benefits and administrative costs	330	344	340	343	357

[1] Retirement, survivor, sickness, maternity, and unemployment insurance.
[2] Fiscal year begins April 1.

new graduated retirement benefits introduced by the 1959 legislation will necessarily occasion an increase in expenditure for retirement pensions under the national insurance system. It will be seen from the table, however, that because of the deferred manner in which rights to such wage-related benefits will be accumulated this increase will not be very rapid. The British Government Actuary has estimated that the annual cost of the graduated benefits will be only about £16 million after 10 years and about £63 million after 20 years. The cost is expected to rise further, to about £200 million a year, after 40 years, at which time it will account for about one-sixth of the total cost of retirement pensions. A slight increase in expenditures for retirement pensions will also be occasioned by the larger increments provided for deferral of retirement after reaching pensionable age.

One of the basic objectives of the amending legislation was the avoidance of the increasing deficits that would have occurred under the provisions previously in force. The amendments have therefore provided an increase in the revenues of the national insurance system that is greater than the increase in costs.

Despite the reduction in the rates of the flat contributions payable by all employees who are not covered under a private plan, this loss in revenue will be more than offset by the new graduated contributions to be paid by employees not under a private plan and earning more than £9 weekly. The income from this second group will also continue to rise in the future if wage levels rise. Moreover, the 5-year step-ups in all contribution rates that are provided by the new legislation will further raise the yield from contributions in future years. In addition, the Exchequer supplements, with their new £170 million-a-year minimum, will be about £50 million a year higher than under previous legislation for some years and about £80 million higher by the end of the century.

Under the provisions in force before the 1959 law, aggregate national insurance expenditures (including those for retirement pensions, other social insurance benefits, and administration) were expected to exceed income (including contributions, Exchequer supplements, and interest) by about £138 million a year in 1961–62 and by more than £400 million in 1981–82. Under the new law, in contrast, such expenditures and income are expected to be substantially in balance for the next 15 years or so and then to show a small surplus of income over expenditures amounting to £50–£100 million a year during the following 20 years.

The new legislation is regarded as introducing a major change in the financial theory underlying the British national insurance system. The Government Actuary characterizes this change as a shift from the older concept of "actuarial contribution." This concept has been defined by the Government Actuary as "the evaluation of future benefits to the individual in terms of the weekly contribution which an entrant at the initial age would have to pay throughout his contributing lifetime in order to provide, on average, for the cost of the benefits to which he and his dependents will become entitled." According to the Government Actuary, the amendments, in effect, result in a "pay-as-you-go" system, involving an approximate balance between total income and expenditure over short periods of years.

It is of interest to note that the actuarial projections indicating an approximate balance in the future between the income and expenditure of the national insurance system under the amended provisions are based on two important economic premises stipulated by the Government: an average rate of unemployment of 3 percent, and an assumed 2-percent annual increase in average wages. Any deviation of actual experience from these assumptions in the future would presumably modify the expected relationship between income and outgo, in the absence of new legislation.

THE FISCAL YEAR

(Continued from page 3)

rights under the regular programs were in effect in 36 States. Benefits totaling about $600 million were paid during the 13 months of operation. All but one of the programs were terminated by the end of the fiscal year or shortly thereafter.

In June 1959 initial claims (representing new unemployment) filed under the regular programs numbered 984,700 — 11 percent more than in May but 35 percent less than in June 1958. Insured unemployment dropped 11 percent to an average of 1.3 million, which was about half the average a year earlier. In an average week, 1.2 million unemployed workers drew benefits — 15 percent less than in May and 54 percent less than in June 1958. The $146.7 million paid in benefits was 12 percent less than the May total and 55 percent less than that in June 1958. The average benefit paid for total unemployment was $29.23. A drop of 11 percent in the number of beneficiaries exhausting their benefit rights brought the total for the month to 130,300—only slightly more than half the number in June 1958.

As the temporary unemployment compensation programs drew to a close, the number of jobless workers claiming such benefits declined from 127,800 in an average week in May to 68,400 in June. More than $10.0 million was paid in benefits—$7.6 million less than in May. Insured unemployment under the two programs for veterans dropped during June, but the number of initial claims rose slightly. Benefits paid under the program for ex-servicemen totaled $5.6 million; under the program for Korea veterans the total amounted to $1.1 million.