



The Social Insurance Bill of the French Government

by

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THE deplorable conditions under which the manual worker carried on his labours when the great industrial period opened have undergone a steady improvement under the beneficent influence of economists, far-seeing employers, and trade union leaders. The worker is now protected against industrial accident and disease, and against work which would impose too great a strain on his physical forces. In extending to him this kind of protection, legislators and governments have everywhere borne witness to their desire gradually to adapt the construction of modern society to new ideals of civilisation.

Nevertheless, the industrial worker, deprived as he is of almost all private resources, is only too well acquainted in far too many countries with the tragedies of unemployment, or of disease insidiously sapping or brutally undermining his health, or of invalidity, or of old age, an old age which is premature simply because the frame is worn out by toil and suffering. The problem which confronts us is that of how effectively to protect the worker against those terrible 'hazards' which always threaten the lives of the weak and of the poor.

Blame rather than praise attaches to thrift, when it is the thrift of a man who saves a pittance out of a wage already far too low, or who goes without the necessaries of life, or who restrains himself from the begetting of children thinking to save up a little capital, a sum so insignificant as positively to provoke mockery. But, even if the facts were otherwise, the advantages of thrift have never been pointed out to the worker, nor could he practise its virtues had he learnt them. He sells his labour from day to day; and his heroic pessimism urges him to get some enjoyment out of today rather than to accumulate something against the years to come. Collective thrift, on the other hand, practised through the agency of voluntary provident societies assisted by state resources, has so far proved singularly inadequate; the subscriptions of the wage earners do not suffice to do more than to accumulate very small funds, and out of these small funds only negligible benefits are available, altogether lacking in that powerful kind of attractive force without which it is impossible to obtain any considerable number of members for the mutual insurance societies.

ance involves an element of chance, financial equilibrium is likely to be more rapidly reached and more easily maintained when the risks are widely shared and the resources available are ample. Finally, from the psychological point of view, it is evident that insured persons are more powerfully attracted by, and more wholeheartedly in favour of, a scheme such as the present, when the assistance given is immediate and lasting. It is then a boon not to be despised.

CLASSES OF BENEFICIARIES

The framers of the Bill had before them two extreme policies : either to define classes of beneficiaries (e. g. wage earners, handicraftsmen) and admit for insurance all who fell within these classes without regard to age, wages, or income ; or, dispensing with classes, to limit insurance to persons fulfilling certain conditions. They chose an intermediate policy ; they made a definition of classes : wage earners, share-tenants (*métayers*), farmers, handicraftsmen, and small employers, and made their benefit subject to certain conditions. This policy had also been adopted in drafting the Workers' and Peasants' Pensions Act and has inspired all legislation in other countries.

The scheme of insurance thus conceived, which might have been compulsory for all or optional for all, will actually be compulsory for some and optional for the rest. Among those for whom insurance is obligatory are classed all wage earners and share-tenants whose remuneration or annual income is under 10,000 francs. Nevertheless, wage earners who already benefit under special pension schemes, and those in the employ of the State, the Departments, and the municipalities, the larger railway companies, slate quarries and mines, and registered seamen, are not covered by the scheme, but sickness insurance for the first six months, maternity benefit, and funeral benefit in case of death will be compulsorily extended to them under conditions to be determined by an administrative regulation.

The principle of compulsion has thus been adopted as the basis of the projected law, because every consideration counselled this course. Social insurance, which can prevent, cure, and relieve as public poor relief never can, should benefit above all the poor and needy, all those indeed who, in its absence, would come upon public poor relief. But experience has proved that if the law allowed them the choice of coming into or remaining outside the scheme, only those would enter who, by reason either of their age, health, or family burdens, might expect benefits out of all proportion to the small sacrifice involved. The result would be that the average risk would be so high that it would not be possible to meet expenses except by requiring from those concerned or from the state sacrifices far beyond their means. Compulsion, on the contrary, by merging all the risks, good and bad together, realises a low average risk, which permits of only a moderate average contribution being demanded.

Admittedly, compulsion constitutes an infringement of liberty, but individuals cannot justifiably claim the right to become a charge on the state through their own negligence. Quite apart from the fact that compulsion may have an educative value, every individual will put up with having his liberty infringed up to this point seeing that the scheme cannot operate without the financial assistance of employers and the state ; now compulsion is the only way of obtaining employers' contributions and it is state intervention which gets them in. Add the sacrifices made by the state itself on behalf of wage earners : how can they deny its right to exercise compulsion over themselves in the matter of insurance ? As compensation for compulsion, wage earners have the privilege of being insured regardless of age or health.

Persons earning over 10,000 francs cannot take advantage of the scheme ; this sum of 10,000 francs would seem to be the minimum imposed by the wage situation in France. Assuming that contributions are proportional to wages, it secures the advantage of considerable resources ; in addition, the interest of the insured themselves demands a high maximum wage. For wages are essentially variable, liable to sudden fluctuations resulting from individual or local causes or from the state of the labour market ; they often shrink with the greater physical weakness of advancing age. Thus a high maximum seems to be called for in order that insured persons may not be excluded today from the benefit which covered them yesterday and will again tomorrow.

Besides those who are compulsorily insured, the Social Insurance Bill provides for those who insure voluntarily, farmers, artisans, and small employers, working either alone or with a single workman, or with members of their families who live with them whether in receipt of wages or not, on condition that their annual income does not exceed 10,000 francs. Limits have, however, been set to their entry into the insurance scheme in order to avoid the disastrous effects of attracting bad risks. Else, there is no doubt that they would introduce into the body of insured as a whole very heavy risks which would unfairly weigh upon the compulsorily insured. There are no actuarial data for the persons who may insure voluntarily, and it would be impossible to make any financial estimate respecting them, so that a possible loss of a thousand million francs on their account might have to be reckoned with. It would be no exaggeration to say that the introduction of wide-spread voluntary insurance into a measure of this kind would be a piece of positive "financial lunacy". Therefore the Bill states that persons cannot take advantage of the scheme unless they are under thirty years of age and pass a satisfactory medical examination proving that they are not suffering from any chronic or incurable disease, nor from any disability, total or partial, susceptible of increasing their liability to disease. A single exception is made in favour of those who insure voluntarily under the Workers' and Peasants' Pensions Act, both in satisfaction of rights which have accumulated and in reward of provident effort.

The Bill makes no distinction between the two sexes.

With regard to age, persons are insurable from the moment that they fulfil the conditions laid down in the Industrial Code for admission to factories, shipyards, workshops, etc.; in other words, they must be thirteen years of age, or twelve years and possess their certificate of primary studies and a certificate of physical suitability. But workers under sixteen years of age who are serving an apprenticeship are nevertheless not reckoned as wage earners, the intention being to favour apprenticeship by not adding to the expenses incurred by the employer in his instruction of apprentices. Wage earners, share-tenants, etc. remain covered by the scheme until the age of sixty, unless they demand, when they become entitled thereto, the payment, whether anticipated or deferred, of their old age pension. They cease to come under the scheme in any case when they receive a pension on account of total incapacitation from work or when they begin to draw their old age pension.

Finally, there is the question of nationality, and we find foreign wage earners brought under the scheme in the same way as French wage earners; but certain benefits, i. e. disablement and old age pensions and allowances for family dependents, can only be paid to them provided that reciprocity treaties have been concluded with their countries of origin guaranteeing to French nationals equivalent advantages.

The insured are divided into six classes according to earning. The number of beneficiaries has been estimated on calculations based upon the assumption that the number of persons insuring voluntarily will increase, rising from 200,000 in the first year to a constant figure of 1,400,000 at the end of forty years, while the number of those compulsorily insured will remain constant from the first year onwards at 8,366,000, made up of 360,000 wage earners in the Departments of Upper Rhine, Lower Rhine, and Moselle, 7,214,000 wage earners of the other French Departments, 560,000 share tenants, and 232,000 privileged foreigners.

The distribution by sex and class is shown in the following table.

Class	Income range francs	Men	Women	Both sexes
1	0 to 1,199	145,000	380,000	525,000
2	1,200 to 2,399	657,000	1,561,000	2,218,000
3	2,400 to 3,999	2,250,000	771,000	3,021,000
4	4,000 to 5,999	1,613,000	392,000	2,005,000
5	6,000 to 7,999	411,000	22,000	433,000
6	8,000 to 10,000	155,000	9,000	164,000
	Total	5,231,000	3,135,000	8,366,000

These figures do not include 821,000 French wage earners of sixty years of age or more, 182,000 unprivileged foreigners, 869,000 state employees and railwaymen, making a total of 1,872,000 persons.

If account is taken of the fact that the insurance scheme will benefit in addition 1,406,000 women not in receipt of wages, whose

husbands are wage earners, and 3,131,000 children aged under sixteen years, whose fathers are wage earners, the total number of persons covered by the scheme during the first year will be not less than 13,103,000, or about one-third of the whole French population.

REGULATIONS FOR CONTRIBUTORS AND EMPLOYERS

Here, as throughout the Bill, the authors have endeavoured as far as possible to avoid complication by requiring from the persons concerned and from insurance organisations the fulfilment of only strictly indispensable formalities. However, being especially concerned to ensure from the outset the smooth and regular working of the Act, they have worked out a procedure which will permit of mutual supervision—public authorities over insured persons, insured persons over public authorities, and insured persons over each other.

When wage earners become eligible for insurance under the terms of the Act, they have only one step to take, but that one is indispensable: they must apply to the insurance office to be registered and have an insurance book issued to them. Unless they comply with this formality they can claim no benefit. This strict and necessary regulation, however, has a negative bearing only; it affords no means of reaching those who neglect to fill up the proper forms. The Bill therefore stipulates that employers shall send to the proper office, in the first instance during the month following the coming into force of the Act and after that during the fortnight following each engagement of staff, a detailed declaration showing the names, registered numbers, wages, and classes of the persons insured. With this information at its disposal the insurance office charged with the administration, application, and execution of the Act will be able to accomplish its function both effectively and efficiently. If the insured person has not been registered, the office will see to it that he becomes so forthwith; the office will also tell him what are his wages as declared by the employer and to what class he has been assigned. By this means the wage earner can assure himself that the statements made by his employer are correct and that the amounts which have been deducted from his wages or salary as contributions have in fact been put to the use for which they are intended. If the employer makes a mistake in the classification of a wage earner, the office points it out to him, thus permitting the almost immediate rectification of an error which, if overlooked, might place the insured person at a serious disadvantage. Finally, the office supplies to the regional fund responsible for opening an account to the credit of an insured person the necessary information and an indication of the insurance class to which such individual should be assigned.

An employer is also required to deduct from the wages of his clerks and workmen their contributions for the period during which he employs them. Under the system established by the Workers'

and Peasants' Pensions Act, every individual had a card⁽²⁾ to which the employer affixed stamps to the value of his own and his employee's contributions combined. The authors of the new Bill, however, propose to supersede this system, whose complexity, which practice has shown to be excessive, would be aggravated under the new scheme with its mass of insured persons and its array of classes and wage lists. An employer will merely have to furnish a monthly statement to the regional fund showing the names of the insured persons whom he has employed during the month, their classification, and the period of work for which they have received wages. On receipt of the statement, a few simple operations suffice to compute the total contributions due from the employer, who will pay the sum direct to the fund in the way which suits him best.

CONTRIBUTIONS

The framers of the Bill, having adopted the principle that the insurance scheme should be supported in the main by contributions and state subsidies had, in the matter of contributions, the choice of several systems, either exclusive payment by insured persons, or by employers, or joint payment by insured and employers in an agreed proportion. It is obvious that the cost of contributions should in no case be borne by employers alone, for the risks covered by the scheme cannot be assimilated to risks arising from the nature of employment ; no doubt, labour, by the wear and tear which it occasions, has usually a share, and a large share, in disease, disability, and old age, but the physical condition of individuals, their intemperance, and the social ills attributable to the improvidence or the negligence of society as a whole are no less responsible.

Neither would it be possible to contemplate charging wage earners with the whole contribution. This argument might perhaps be sustained if wages were, in general, calculated so as to leave a sufficient margin to the workers when all charges had been paid ; but no one would dare affirm as much under present conditions. The conclusion has therefore been that contributions should be divided between employers and wage earners, and, in deciding that each should bear half, a principle would seem to have been adopted with which the parties concerned will not fail to agree.

This first point having been settled, methods of paying contributions remained to be settled. Here also several possible systems presented themselves to the framers of the Bill. In deciding in favour of the one eventually proposed, they were guided by a series of considerations which might be summed up as follows. Require from each a sacrifice in direct proportion to his liabilities in order to afford him advantages which are also in proportion to his needs ; create among all persons insured a

⁽²⁾ *International Labour Review*, Vol. II, No. 1, April 1921 : *Old Age Pensions Legislation in France* ; p. 68.

widespread solidarity ; maintain the utmost simplicity of procedure. Further reference will be made to this topic below.

Insured persons are distributed into six classes, as has already been said, and the contribution of each class is fixed at 5 per cent. of the average wage of each class. The contributions specified are, consequently, 45 francs for the first class, 90, 160, 250, 350, and 450 francs for the second, third, fourth, fifth, and sixth classes respectively, both for the wage earner and the employer. The voluntarily insured, having no employers, must obviously pay the double contribution. The Bill also provides that every five years a special Act will fix, according to the results of the previous quinquennial period, the amount of the contributions and payments to be required in the course of the following years.

No distinction is drawn between men and women, for, though equity demands that, when calculated as flat-rates, the contributions from the two sexes should be unequal (given the fact that women's wages are on the average lower than men's), yet the case is different in a system which bases the rate of contribution solely on the rate of wages received. It will also be noted that contributions do not take into account risks introduced either by age or family dependents ; nevertheless, the fact that the contributions are the same for an unmarried person as for a person with a family dependent on him entails a clear advantage for the latter, whose risks are much heavier and who will draw much larger benefits.

BENEFITS

If insurance under the scheme is integral, in the sense that there is no series of distinct or superposed policies to cover the different risks and that even persons insuring voluntarily cannot choose what risks they will insure against, yet within the scheme the risks are of very various character, as much from the technical point of view as from the point of view of the benefits which accompany them.

Further, these benefits include, besides the fund common to the beneficiaries of the various classes, money payments which are not the same throughout. This inequality requires some justification. Starting from the simple justice of the idea that allowances for sickness, disablement, maternity, and death are intended to replace wages, it becomes obvious that, as soon as wages stop owing to illness or accident, the expenses which were met by wages, and were closely proportioned to them, all expenditure, in fact, denoted by "standard of living", goes on as before, or at least does not diminish automatically ; on the contrary it tends to increase, especially at the outset ; therefore for these various allowances to be really efficacious and helpful, they must be strictly proportioned to wages.

Sickness and Disablement

In case of sickness or disablement insured persons have the right, during the first six months following sickness or accident

and during the five years following, to medical care, surgical assistance as necessary, provision of medicines and appliances, and curative or preventive treatment in hospitals. In addition, they have the right to allowances in case of incapacitation from work equal to or exceeding 60 per cent. of total disablement. Allowances are granted daily during the first six months, because, the condition on account of which they are given being usually temporary, they should be liable to cease at a day's notice as soon as the insured person resumes his work. These allowances, which are 1.50, 3, 5.25, 8.25, 11.50, and 15 francs according to class, correspond exactly to half the basic wage. At the end of the sixth month, and for a period of five years, allowances are, so to say, consolidated. They are converted from daily into monthly payments and are fixed, according to class, at 45, 75, 110, 140, 195, and 250 francs. They then correspond to no more than 60, 50, and 41 per cent. of the basic wage for the first three, and to 33 per cent. for the remaining classes. The idea was that allowances ought to be particularly ample at first, when the disturbance and money difficulties occasioned by an illness are at their height, but that they could be reduced later when the sick person or his family have had time to get accustomed to their changed circumstances.

To qualify for benefits during the first six months of sickness, not less than 120 daily contributions must have been paid in the course of the preceding six months; to qualify for benefits extending beyond this period, 480 daily contributions must have been paid during the two years preceding the occurrence of the illness or accident. These 120 and 480 contributions are only equal to four-fifths of the contributions theoretically due over these periods, the year being reckoned as 300 days in order to take account of various causes, involuntary unemployment, holidays, etc. which might prevent a wage earner from regularly making payment of his contributions.

On this sole condition, the insured person has the right, during the first six months of sickness, to benefits corresponding to the class in which he was when his illness began. During the next five years he is granted the benefits of the same class, if he has belonged to this class or a higher class for at least two years; otherwise he receives the benefits of the class immediately below.

On the expiration of the two periods mentioned above, i. e. after five and a half years, the insured person who continues to be incapacitated from work to the extent of 60 or more per cent. has his monthly allowance converted into a disablement pension calculated on the same basis and fixed according to class at 500, 900, 1,275, 1,650, 2,325, and 3,000 francs per annum. Further, in order to allow for the special risks introduced by aged persons, the disablement pension thus provided is reduced, for those who enter the scheme at the age of thirty years or more, by one-thirtieth for every year by which the age of the insured person at his entry into the scheme exceeds thirty. But, in order that this necessary rule should not bear too hardly upon insured persons of over thirty years of age at the time when the Act shall come into

operation, the pension for such persons shall in no case be below 500 francs.

A few more remarks may be made on the subject of these various allowances. The scales of daily and monthly allowances and of disablement pensions which have been mentioned refer to total incapacitation from work. In case of partial incapacitation the Bill decrees in the mutual interest of the disabled and of the insurance funds that the monthly allowances and the pensions are subject to revision, whenever the incapacitation from work undergoes a variation of at least 20 per cent. or falls below 60 per cent. With regard to disablement itself, one looks in vain for a definition in the text; in contrast with German, Italian, Luxemburg, Roumanian, and Swedish measures, to quote no others, the Bill provides that it will be determined according to a schedule drawn up by a committee composed of doctors, employers, and insured persons.

Maternity

The benefits granted to insured women during maternity include medical attendance, drugs, and allowances. During the six weeks preceding, and the six weeks following, confinement insured women are entitled to allowances, known as "confinement allowances", on the one condition that they cease all paid work and take as much rest as the exigencies of domestic life will permit. Confinement allowances are equal to the daily sickness allowances, with the difference that they are calculated on the highest wages classification reached by the beneficiary during her pregnancy. In case of incapacitation from work, the allowances are extended to the entire period of pregnancy and to the six months following delivery.

The Bill also provides, in the interest of insured women who nurse their children, "mothers' milk allowances", varying according to class from 25 to 60 francs for the first month and from 15 to 60 francs per month from the second to the end of the twelfth month. The condition for the grant of these various benefits is that 120 daily contributions must have been paid during the six months preceding the occasion on which the grant is made.

Death

On the decease of an insured male person a grant of 150, 300, 525, 825, 1,150, or 1,500 francs, according to his classification, is paid to his widow, and in default of her, to his descendants, and in default of them, to his ascendants. The same grant is paid *mutatis mutandis* when the deceased is a woman. The condition for the grant is that the insured person must have paid 240 daily contributions in the course of the twelve months preceding his decease.

With regard to the minimum number of contributions which must have been effected in order to be able to claim benefits for sickness, disablement, maternity, and death, it should be added that insured persons are excused from paying contributions

throughout the period during which they are in receipt of an allowance for total or partial incapacitation from work and throughout the term of their compulsory military service.

Family Dependents

One of the most original features of the Bill is the provision of extensive advantages for the families of insured persons. This carries out the principle, laid down in the introductory remarks prefixed to the Bill, that social insurance is essentially concerned with the family. The wife or husband and the children under sixteen years of age of an insured person, when supported by him or her, enjoy free medical and surgical attendance, provision of drugs, and treatment in special preventive or curative hospitals during the first six months following the occurrence of illness or accident. The benefits granted in the case of pregnancy, allowances excepted, are also extended to the wife of a wage earner not herself in receipt of wages. Further, the allowances to which an insured person has a personal right are increased in direct proportion to the number of his children not in receipt of wages, when they are supported by him. These increases are, per child, 0.50 francs for the daily allowance, 10 francs for the monthly allowance, and 100 francs for the grant payable on decease and for the annual disablement pension. Finally, insured persons have the benefit of grants payable on the birth of each child at the rate of 200 francs if the father or mother is insured, and 400 francs if they are both insured. The payment of the birth grant, which is always received by the mother, is made one-half at birth, if the child is likely to live, one quarter at the end of the sixth month, and the remaining quarter at the end of the twelfth month ; this grant constitutes, therefore, a sort of premium on the health and preservation of the child.

Old Age

When they attain the age of sixty years, insured persons have the right to an old age pension. In order to make clear how the pension is made up, it should be explained that an account is opened for each insured person at the time of his registration into which is paid a fraction of each of his contributions, the sums received being capitalised. The pension provided against old age consists of the total annuity produced by the sums paid in to this account. Nevertheless, the Bill stipulates that insured persons have the right, under certain conditions, to a guaranteed minimum pension. The intention is to relieve the misgivings of future pensioners by guaranteeing beforehand that their pension will never fall below a certain figure determined in advance.

The conditions which entitle to this minimum guaranteed pension vary according as the insured person comes under the normal or the transitional arrangements of the Bill. Insured persons less than thirty years of age at the date of the coming into force of the Act, are entitled, provided they have paid at least

9,000 contributions, to a pension of 500, 900, 1,275, 1,650, 2,325, or 3,000 francs, according to their classification. If the insured person has belonged successively to several classes, the minimum is calculated in accordance with the time spent in each class. Insured persons who are over thirty years of age at the date of the coming into force of the Act have the right to a guaranteed minimum calculated on the basis of the period for which they have been insured and the period spent in each class, on the one condition that they must have paid four-fifths of the contributions normally due over the period between their entry into the scheme and the age of sixty years; this minimum annuity can never be less than 500 francs. In cases where the annuity produced by the capitalised sums standing to a person's credit is below the minimum, he will be entitled to a complementary pension, which will be provided partly by the state and partly by a special old age pension guarantee fund.

Insured persons may demand that the payment of their old age pension should be anticipated from the age of fifty-five years, or deferred until the age of sixty-five years. Finally, even if a person ceases to be insured as from a certain date, after contributing for a certain period, the life annuity produced by the capitalised sum standing to his credit remains his property in any case.

MEDICAL SERVICE

No brief summary, such as the above, of the many benefits to which insured persons and their families are entitled under the terms of the law would be complete without some consideration of the all-important question of the medical service which is provided in the Bill in connection therewith.

The aim of insurance is to afford to insured persons who are sick or in poor health, or to their families, treatment which shall be prompt, thorough, and competent, and in which they can have entire confidence. Such assistance will necessitate the active co-operation of the whole medical profession, the provision of good medicines, and perfected methods of treatment.

The framers of the Bill had the choice of two methods of enlisting the co-operation of the medical faculty, that of individual contract between the insurance fund and each doctor, or that of collective contract between the same fund and a group of doctors. The collective contract was preferred on account of the many advantages which it offers. On the one hand, we have a multiplicity of contracts, professional competition, and perhaps the impossibility of properly administering the scheme, on the other, a single contract entailing equal obligations for all its signatories; in the one case, variety, if not anarchy, in methods of treatment, in the other, a technical organisation as nearly perfect as possible, worked out in common, and applied by common consent. The question now arises as to with whom the funds are to conclude their contracts. The answer is supplied by the fact that there exist throughout the country a large number of well organised associations of doctors.

The principal aims of these associations are the establishment of permanent relations between the practitioners of a district, the defence of their common interests, and the preparation of contracts to be entered into with public authorities or other bodies. Their membership and influence are constantly increasing, and they are obviously indicated as the parties who, on behalf of the medical faculty, should enter into contracts with the insurance authorities. It is, for that matter, extremely probable that all these contracts will follow in most details the model contract which will be arranged between the public authorities and the authorised representatives of the French medical faculty.

The most important problem attaching to the contract is the determination of methods of remuneration. Will doctors be paid at so much per visit, or receive a lump sum under a contract system? The answer to this question must depend on finance. The costs of insurance have to be calculated within very narrow limits. Now, payment by visit, which no doubt is the method preferred by doctors, represents financially an unknown quantity, and as such must be avoided at any price. The Bill lays down that the fund shall pay to the medical association accepting the duty of affording medical attention to the insured persons, a fixed sum, not calculated per unmarried member or per member having dependents or per member sick, but per beneficiary under the scheme, i. e. per number of insured persons, husbands and wives and children; the aggregate remuneration will therefore be in exact proportion to the actual total of the members of the fund and their dependents. No more equitable rule nor one more conformable to the interests of the profession can be imagined. This aggregate remuneration, to which will be added the proceeds of the visit vouchers referred to later, will be divided by the association among its members in proportion to the number of visits and consultations given by each of them—another regulation which cannot but be considered fair.

It has been urged against the contract system that doctors would try to cut down the number of their visits. This would be true if there were a fixed remuneration paid to each doctor, but it does not hold in the case of proportional remuneration; the fear would rather be that doctors might tend to multiply their visits with a view to drawing a larger share of the aggregate sum received by the association; but supervision and the voucher system for visits will prevent this. Nor does it seem in any way necessary to fear that practitioners will only pay tardy and careless visits to their patients or diagnose them without any sort of proper examination; personally, I put too much faith in the honour of the medical profession to accept such a view. In any case, the free choice of doctor allowed to the insured person will cause the less scrupulous members of the profession to be eliminated by the action of patients themselves. From the doctor's point of view the advantage of a regular, quick, and undisputed payment of fees will be considerable, though too much stress need not be laid on this.

We may now enquire how the medical treatment and drug services will actually operate. The insurance fund, having concluded the collective contract with the proper medical association, publishes the list of doctors who are party to the contract, and communicates it to insured persons ; it publishes at the same time the list of chemists who have agreed to supply medicines according to a price-list drawn up by common agreement. The insured person, when ill, can choose his doctor and his chemist from among those included in the list published by the fund ; but, as far as visits are concerned, it is inevitable that his choice should be confined to the practitioners on the list who are specially designated as giving treatment in his own locality. On the other hand, the insured is perfectly free to obtain advice from any of the doctors on the general list, provided that no additional expense is entailed either for the doctors or for the fund.

The Bill introduces a system of visit vouchers (control vouchers) known in France as the Lyons system. This system consists in the delivery by the insured to the doctor at each visit of a voucher purchased beforehand from the insurance fund. This system has already given excellent results in the Lyons district, and is, by general consent, the most effective remedy for abuse of visits. While it is willingly accepted by members of mutual insurance societies, who are called upon to pay only a very small subscription, it may be asked whether it is not open to criticism in a scheme under which the contributions are more considerable. We think not, for the price of the voucher can always be fixed so low as never to bear hardly upon the persons concerned. The usefulness of the system is obvious ; not only has it the effect of guaranteeing doctors against unreasonable requests for visits, but it enlists the co-operation of the sick in limiting the number of superfluous visits which certain doctors might be tempted to pay ; for in such cases the insured would refuse to deliver to the doctor the voucher which is the sole means the doctor has of proving to his association that he has paid the visit and is entitled to remuneration for it. Another advantage of the system is that it avoids all red-tape and book-keeping : the doctor has only to retain the vouchers delivered to him at every visit and despatch them to the fund in order to receive remuneration in proportion to the number of visits paid, as described above. We may note yet another advantage of the visit voucher system : it will appreciably augment, in proportion to the number of visits performed, the lump sum paid as remuneration to the medical association by the funds, and will thus act as a corrective to the contract system pure and simple.

ACTUARIAL PRINCIPLES AND COST

Old-age insurance, as has been stated above, is based on a system of capitalisation. The principle of this system is that the premiums paid on behalf of any individual are credited to his account, and his claims to an annual pension are then

calculated on the basis of his age at the times of his successive payments and with the help of a special tariff based on mortality statistics. Under Article 62 of the Bill annual pensions are payable on the alienated capital principle; in other words, premiums which have been paid by any individual dying before the age when his annual pension falls due are not paid over to his heirs (as is done when the reserve-capital system is adopted), but go to pay the pensions of survivors, and in this way help to increase them.

The system of capitalisation, which is well suited to French methods, give the maximum of security to the insured: it increases every contribution, takes account of old age, encourages the paying in of additional sums, and permits the annuity payable at a particular age to be calculated at any moment. It has been possible to adopt this system of capitalised annuities because it will normally allow of the building up of adequate pensions; when conditions are normal appeal will only have to be made to the old age pension guarantee fund in quite exceptional circumstances.

Sickness, disability, maternity, and death insurance on the other hand, are based wholly on the principle of distribution of losses, (as is customary in the mutual benefit insurance systems). Had an attempt been made to meet expenditure by a system of capitalisation or accumulation of funds, there would have been the probability of reducing benefits to absurdly small proportions, unless such heavy immediate payments or annual contributions were to be demanded from insured persons as it would have been beyond the power of any of them to meet. The principle of distribution of losses works quite differently. Insurance operations being distributed over one year only, calculations can be made of the average contribution necessary to cover an average risk, given statistics relating to liability to disease and expectation of life and given the benefits which it is proposed to grant. All contributions are then massed together and drawn on to the profit of everyone in general and each one in particular.

But, granted the system of distribution of losses itself, there is a choice of two methods: either distribution in a crude form, requiring the payment of an equal contribution, i.e. the mean amount from each insured person, or what might be called equitable distribution, which consists of demanding from some persons more than the average contribution and from others less, from each in exact proportion to his ability. As we have seen already, it is the latter method which has been adopted in the Bill.

From the exceedingly minute actuarial calculations which have been carried out, it appears that out of the 3,100 million francs received in the form of contributions (1,500 millions from insured persons and 1,600 from employers), 1,200 millions will be capitalised in the old age pensions' accounts of individuals, while the remaining 1,900 millions will meet the risks provided

for on the system of distribution of losses. In detail, the fraction of the aggregate contributions allocated for distribution is respectively eight-tenths, seven-tenths, and six-tenths for the first, second, and third classes, and five-tenths for each of the fourth, fifth, and sixth classes, while the remaining fraction goes to the building up of the old age pension fund. An attempt has been made by this means to mitigate the insufficiency of the contributions of the lower classes.

No mention has thus far been made of the financial participation of the state in the insurance scheme. Here the guiding principle has been that the contributions required from insured persons and employers should be so calculated as to enable the main cost of insurance to be met from these sources. Nevertheless, the community owed it to itself, in spite of the state of present-day finance, to make a sacrifice which should be adequate to the national and social importance of the insurance scheme. But such community assistance, it is argued, ought to be reserved in favour of the weak, who are unable to build up an adequate old age pension by their own contributions, of those falling under the transitional arrangements, and of those with family dependents, without distinction of class. Therefore the state, under the terms of the Bill, takes responsibility for a portion of the supplementary pensions and for the whole of the expenditure resulting from increased allowances for children and from birth benefits; further, it is to bear half the cost of building and equipping hospitals for curative and preventive treatment, the expenses of the regional offices, and, up to an agreed amount, the cost of managing the insurance funds. The probable total cost to the state will be negligible when the importance of the object to be attained is considered. It has been estimated that the cost will amount to 156 million francs in the first year, and will rise to a maximum of 336 million francs in the tenth and eleventh years, falling thereafter to 181 millions in the forty-fifth year.

ADMINISTRATIVE MACHINERY

The Bill provides for the division of France into a maximum number of twenty-five regions, and the creation in each of a regional insurance fund to which all insured persons will be officially attached. The regional fund, which will carry out on its own responsibility all operations relating to the insurance of its members, will possess a branch in every rural district or parish of more than 10,000 inhabitants, the business of the branch being to assure, under the supervision of the fund, the payment of insurance benefits. The fund will also exercise the control necessary to the smooth operation of the scheme, and will initiate measures of protection and hygiene affecting the health of the group under its care. An organisation conceived along these lines has no bureaucratic character. On the contrary, it is based on the principles of autonomy and decentralisation, for the managing committees of the regional funds and of the branches are

constituted one half of representatives of the insured, one quarter of employers' representatives, and one quarter of representatives of the public interest.

The Bill contemplates other administrative machinery besides the regional funds. Recognising the important services which mutual insurance has already rendered, and can still render, to the country, it formally guarantees to mutual aid societies with a membership of two hundred and fifty the right of setting up old age pension funds, sickness insurance funds affording aid during the first six months of sickness, and funds for maternity and death insurance. The funds thus constituted can in turn make use of small mutual aid societies with a membership of no more than fifty for the purpose of allocating benefits. Further, the Bill provides that associations of employers, of manual workers, and of agricultural workers, and commercial, industrial, and agricultural concerns may also set up old age pension and sickness funds, with the object of ensuring that the workers of a particular trade, or in a particular concern, obtain the benefits already described.

Though compulsion is sanctioned as the basis of the Bill, yet it is compulsion which comports a measure of freedom, for insured persons have an absolute right to be attached to whatever fund they please, whether for sickness, maternity, and death insurance, or old age pension.

TECHNICAL WORKING OF INSURANCE

Contributions of all kinds, due from compulsorily insured persons, their employers, and voluntarily insured persons, are paid in to the regional fund of the territorial division in which the insured carries on his occupation. According as the insured person is attached solely to a regional fund, or belongs to a society approved for the purposes of old age pension or sickness and disablement insurance during the first six months, the regional fund retains the whole contribution or pays back to the approved society the fractions corresponding to the services which they undertake.

Let us take the simplest case, that in which the insured person is attached to a regional fund only. The fund applies a portion of his contribution to his personal old age pension account; the remainder of his contribution is credited to the general distribution account of the fund, and is split up in its turn, according to a scale fixed annually for each kind of insurance by a Decree of the Minister of Labour, among five sections (sickness during the first six months, sickness and disablement beyond six months, maternity, death, and old age pension guarantee fund). Theoretically, the revenue thus credited to the various sections of the general distribution account should balance their expenditure, but, in practice, this exact agreement will never occur, and there will always exist, varying considerably in amount, either a surplus or a deficit of receipts as against disbursements.

Though the calculations which have been made justify the assumption that deficits in the receipts will be only occasional, if not exceptional, the whole insurance system, nevertheless, has had to be organised to provide against such deficits, whence the creation of a series of reserves, designed to secure perfect regularity and safety in the operation of the mechanism. These reserves are formed partly by the reserve funds of the regional funds, and partly by a General Guarantee Fund provided with resources intended for the maintenance of equilibrium in those kinds of insurance whose risks are covered on the distribution system. If, when accounts are made up, the sections of the general distribution account of the regional fund show a surplus, it is applied to augment the reserves, one-third going to the reserve fund of the regional fund and two-thirds to the General Guarantee Fund. Details of these operations cannot be entered into here, but enough has been said to show that the principle of solidarity of interests among the insured within a particular regional fund is duplicated by a solidarity no less effective of the interests of the several funds—a real national solidarity aiming at assimilating the risks of the various funds, and equalising conditions for the beneficiaries and their employers.

At the same time, however, it was necessary to encourage the insured and their administrative agents to insist upon economical management. To this end the Bill provides that the regional funds and mutual aid societies may retain, under certain conditions, savings effected by them, with the object of affording advantages to their members either individually or collectively.

ADMINISTRATION AND SETTLEMENT OF CLAIMS

The share of those who administer a new measure of so wide a range in its success scarcely needs emphasising. They must be, as it were, the "men behind the scene", the propagandists. The administrative organs provided by the Bill are known as offices. Their sphere of authority, like those of the funds, will be the region, and they will have a section in each district. Like the funds they will be controlled by elected councils, but the managers will be nominated by the public authorities. The offices and their sections will be charged with the registration of insured persons, the issue to them of insurance books, and with the receipt, verification, and transmission of the declarations referred to above; they will settle certain kinds of disputes, will supervise the activities of the various insurance organisations, and will institute legal proceedings when required. The final innovation provided by the Bill is the institution of Disputed Claims Boards (*Conseils du Contentieux*) which, besides judges or public officials, include likewise representatives of employers and employees.

The Social Insurance Bill, which was introduced, as has been already stated, on 22 March, was referred to the Social Insurance Committee of the Chamber of Deputies, who shortly after began

a general discussion of it. This Committee, under the chairmanship of Mr. Paul Jourdain, the deputy for the Upper Rhine, who, as Minister of Labour, had prepared the text of the Bill, appointed as its spokesman Dr. Grinda, deputy for the Alpes Maritimes, who in addition to having considerable influence in parliamentary and political circles possesses a special competence in the subject. The Committee heard a great deal of valuable evidence during June, July, November, and December 1921, and January 1922. In the latter month the discussion of the Bill, Article by Article, was begun. The Committee was admirably prepared by the accurate knowledge it had gained, both from oral testimony and from elaborate reports, issued for its information, of the opinions of the parties interested in the Bill.

A brief analysis of these opinions may here be attempted. Some bear the stamp of private interest, while others display a clear comprehension of national needs. First came the spontaneous approval of the general public, of which the lavish praise of the French press—with few exceptions—was but one of many indications; afterwards the wage earners gave their adherence, with slight reservations as to detail, and so also did most of the inhabitants of Alsace-Lorraine.

The French medical faculty as a body is insisting that medical services should be paid for simply and solely on the basis of so much per visit. Nevertheless, the Federation of Medical Associations of Alsace, at its congress in July 1921, while affirming that payment according to time spent is always the preferable arrangement, has declared itself "not opposed to the contract system as a temporary measure, if that system is necessary to the success of the Act and if it ensures that doctors shall be suitably remunerated for their services". An ingenious solution, which has the support of a number of deputies and doctors, would leave the insurance funds quite free to bargain with the doctors, either as a body or as individuals. However that may be, it is imperative that agreement should be obtained, and we have no doubt that it will be arrived at in the end.

The arrangements of terms with the chemists will offer no difficulty.

The mutual insurance movement, though won over to the fundamental principles of compulsion and deduction from wages on which the Bill rests, was at first somewhat apprehensive of its ulterior effects. From a hasty reading of the text, or judging perhaps from an unsound commentary, it concluded that mutual aid societies would be put in a position of inferiority in relation to the official funds, that their membership would decline and their activity be so hindered that they would be condemned to vegetate, if not to disappear. But the fears of the mutual insurance organisations have gradually been allayed, for after expressing the most contradictory opinions at their district and national congresses, they agreed to adopt the principles formulated by Messrs. Lairolle, Porte, and Robelin last March at the Superior Council of Mutual Aid Societies. This Council, on behalf of the

whole mutual insurance movement, concentrated on the following demands :

(a) that members of mutual aid societies should be considered, when the Act is put into force, as automatically affiliated to a mutual insurance fund ;

(b) that members should be able at the same time to demand admission to voluntary insurance, without regard to health or age, on the same terms as persons insured under the old age pension scheme ;

(c) that the collection of contributions, their distribution among the various funds, and disablement insurance should not be entrusted to an official fund, but to an Association of the official funds, mutual insurance funds, and trade union funds of the district ;

(d) that mutual insurance funds should support the General Guarantee Fund by means of a fixed levy on the contributions of their members, with the object of obtaining in return the right of disposing freely of their surpluses.

These demands were subjected to a lengthy examination by the Insurance Committee, and an agreement was come to both on the essential principles of the Bill and on the modifications which would have to be made in it, if mutual insurance organs were to occupy their proper position in the system of social insurance. Their principal demands having thus received satisfaction, the representatives have assured the Committee of the whole-hearted support of the mutual insurance movement in carrying out the reform.

While the misgivings of the members of mutual insurance societies were thus being dissipated, the opposition of a large section of the employers has grown stronger. The body representing the majority of employers' associations had advanced against the Government Bill a series of criticisms, which may be summarised thus : it is dangerous to set up in France a ready-made universal system of social insurance ; progress must be made by stages in order to acquire the necessary experience, to accustom the working class to the mechanism of insurance, and to train the necessary staff. Compulsion is likely to weaken those habits of providence and thrift which give the nation its strength and its character ; deduction of contributions from wages is likely to cause disputes between employers and workers. The contributions themselves will have the effect of increasing the cost of production by 10 per cent. It is therefore necessary that the great industrial states of Europe, the United States, and Japan should agree to institute in their countries a system similar to that provided by the French Bill ; otherwise French industry will be rendered incapable of competing in world markets.

It is impossible to neglect the weight of these observations, presented as they are with ability and authority by the most competent men in industrial and commercial circles. On the other

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Tendencies in Trade Union Development in the United States

by

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IT is significant that the aims for which union leaders are now working are much the same as in 1898. This does not mean that organised labour in America has stood still. Within the broad field of possible objectives, trade unions have marked out boundaries, and those boundaries have not been definitely violated, though the emphasis and activity within the frontiers have swerved from some particular objects to others. In 1898 trade unions were occupied with their relations to one another, to employers, to the immigrant problem, to politics, and to courts of law. Lately the relations to politics and to courts of law have received comparatively greater attention. The agitation for public ownership of the railroads and the participation of labour in their direct management, which commenced in 1919, is regarded in certain quarters as a radical break in traditional policy. But there is much support for the view that the so-called Plumb Plan embodying this idea does not occupy yet a vital place in the working programme of any trade union. There is warrant for saying that the quality of union activity has not changed markedly, though the weighting of particular activities has been modified to meet new situations.

For one hundred years the activities of labour have fluctuated roughly according to the movement of prices ⁽¹⁾. When business has been bad and markets depressed, the labour movement has turned to far-reaching plans of social change. The political and educational activities of the '20s, the co-operative and

⁽¹⁾ Following the depression of 1904 membership in the American Federation of Labour fell off 222,000 during 1905 and 1906; similarly in 1909 membership fell off 104,013; in 1915, 74,324; and in 1921, 172,212.

agrarian movements of the '40s and '50s, the "greenbackism" (2) of the '60s and '70s all flourished during periods of falling prices. By contrast the great growth in union organisation, the use of strikes and economic weapons, the making of trade agreements have characterised good times—rising prices. In the course of this fluctuating history American wage earners have tried various methods of bettering their status, until by a process of trial and error and by a conjunction of circumstances the existing system of opportunistic collective bargaining was settled upon in 1886 when the American Federation of Labour was organised.

A number of political and economic factors, some of them peculiar to American society, have influenced this varied development (3). On the political side the early and wide extension of manhood suffrage without organised effort on the part of labour naturally inclined the wage earners to attempt escaping from an onerous situation by use of their political franchise. From the year 1829 the record of labour is a succession of political parties sporadically sponsored when other avenues of relief seemed closed, winning a short-lived, dubious success, then falling away when changed economic conditions made other tactics seem more fruitful. This is not to say that labour parties accomplished nothing. Popular education, special laws exempting wages from seizure for debt and making wages a first claim upon the assets of an enterprise (wage exemption and mechanics' lien laws), and the Homestead Acts are all evidence to the contrary. But political influences working in the opposite direction proved stronger. The earliest parties were hampered by lack of leadership of the requisite ability or faithfulness, by the manipulation of workers' votes by professional politicians, and by the emergence of a two-party tradition making an original handicap to any new third party. As new States were added, another difficulty arose in the Federal character of American government. Most labour legislation is enacted by the several States. Hence to obtain effective results, a concerted movement in many States became essential. And this was difficult for amateur labour politicians. What was

(2) The term "greenback" was given to the paper notes issued during the Civil War (1861-1865) by the Government of the United States, because of the colour of the back of the notes. These notes became irredeemable paper currency and were regarded as "cheap money" by a large number of people, especially the farmers, who desired their issue in opposition to any policy of deflation.

(3) *Editorial Note*: The reader may be referred to various books by the author of this article dealing with different phases of the American Labour movement. (1) *The History of Labour in the United States*; 2 Vols. New York, Macmillan Company, 1918, written by the author of this article and his associates, principally in the University of Wisconsin; (2) *Principles of Labour Legislation*; xii+559 pp., New York, Harper & Brothers, 1920, written jointly with John B. Andrews; (3) *Industrial Goodwill*, 213 pp., New York, McGraw Hill Company, 1919; (4) *Races and Immigrants in America*, xxix+242 pp., New York, Macmillan Company, 1920; (5) *Industrial Government*, xii+425 pp., New York, Macmillan Company, 1921; (6) Co-editor of *A Documentary History of American Industrial Society*; 10 vols. in 1911; Cleveland, The Arthur H. Clark Co. 1910-1911.

hand, such important associations as the Republican Committee of Commerce, Industry, and Agriculture, the National Building Federation, the Marseilles Chamber of Commerce, etc., have lent their support to the Bill. The last body in particular has stated in regard to the ulterior effects of the charge upon industry : " Will the ulterior effects of insurance make any difference to our commerce and our industry ? Our answer is frankly no : a charge which has not prevented and which does not prevent the industry and commerce of Germany from prospering cannot be a hindrance to the industry and commerce of France. . . . The Chamber can only desire the realisation of this fine effort towards social peace, for whose success it will do everything in its power. "

The welcome of the authorised representatives of French manual and salaried workers, who have given evidence of an understanding of the needs of society, has been for the most part enthusiastic. The General Confederation of Labour at its Congress of 1 May 1921 insistently demanded the carrying out of a reform which it credits itself with having been the first to suggest. To those who would blame the " reformist " character of the measure, the Confederation replies that " every kind of progress increases the combativeness of the masses and leads us nearer to our ultimate aim. The securing of insurance against old age, sickness, and disablement is an advantage and a conquest which neither limits nor retards the march of the workers towards their ideal of justice and better conditions of living. This is the line of action which ought to be followed, and against all the forces of oppression and of discord the independent General Confederation of Labour will remain erect and invincible ". From one end of the country to the other, the voice of the workers, from the smallest trade unions up to the great national federations, has echoed the declaration of the leaders of the Confederation. The Christian workers, who are grouped in a powerful Confederation, the Committee on Trades and Labour Legislation, have formally pronounced in favour of the Bill. The firm resolution of French workers to secure the passage of a social insurance Act with the least possible delay can no longer be in doubt.

Finally, though in Alsace-Lorraine the Bill has awakened among the sickness funds of industrial establishments and corporations apprehensions as to their status, apprehensions which it would seem easy to remove, yet the Federation of Sickness Funds has welcomed the Bill as a marked improvement on the local legislation, and has hailed the French social insurance of the future with enthusiasm. There only remains to add that the Social Insurance Committee of the Chamber of Deputies is actively pursuing the examination of the text of the Bill, and has already given its verdict with but one dissenting voice in favour of the fundamental principles of compulsion, deduction of contributions from wages, and integral insurance covering all the risks handled.

Though it has aroused much sympathy and support, the Social Insurance Bill will have, as may be imagined, many obstacles to

overcome before it is finally sanctioned by Parliament. Perhaps the strongest opposition will come, as we have already suggested, from a section of the employers who are alarmed at the possible economic consequences of the reform. They should be reminded that Czechoslovakia, Denmark, Germany, Great Britain, Italy, Luxemburg, Poland, Portugal, Roumania, and Sweden are provided with insurance schemes which impose upon industry charges comparable to those entailed by the French Bill, and, further, that Switzerland and Belgium also are on the eve of taking the same step. The moment is therefore approaching when industry throughout Europe will be more or less similarly situated in regard to social insurance.
