Increased Living Costs and Social Security Benefits

by CARL H. FARMAN*

In recent years, most nations have increased their social security benefits to meet higher living costs. The specific action taken to ensure adequate payments and services in four European countries with representative social security programs is reported in the following pages.

THE inroads of inflation on the living standards of social security beneficiaries have become familiar in many countries and have induced counter-measures of various sorts. The diversity of legislative action undertaken on behalf of retired beneficiaries serves to underline the virtually unanimous approval of higher benefits when they are required. Inspection of individual programs shows some of the techniques that have been adopted for the common objective.

Of the four countries whose programs are reviewed in some detail in this paper, Denmark and Sweden have experienced limited inflation, which has been largely offset for pensioners by automatic cost-of-living increases and more than offset in Sweden by other measures. Austria and Italy have had severe inflation, which has been met by many separate but related actions, each adapted to a specific anti-inflationary end.

The effect of inflation on real income has been especially great in retirement and survivors insurance. The statutory benefit in these programs may be a flat sum or may depend on earnings over a long period of years; once the pension amount has been determined, it is commonly paid for the beneficiary's life and can be changed only by special measures.

That some special measures have been put into effect is apparent from a review of the social security programs—particularly old-age, invalidity, and survivors insurance. In 34 of the 49 countries that have retirement or pension systems the programs have been in operation since the beginning of World War II. Index numbers on changes in the cost of living are available for all but eight—most of them in Eastern Europe. Among the remaining 26, the cost of living has approximately doubled since 1939 in 14 countries and more than doubled in the other 12; in some countries it is 10, 20, or 100 times the prewar figure. What these 26 countries have done to keep pensions or insurance benefits in line with higher living costs is indicated briefly in table 1.

Denmark

Denmark, the first country to have a general noncontributory pension program, was also the first to make its benefit amounts respond automatically to a rise or fall in the cost of living.

Established in 1891 and consolidated in certain respects with the general insurance programs in 1933, the old-age and invalidity pension system is the country's largest social security program and is the most closely linked with cost-of-living changes. Expenditures for the pension programs represented more than half (542 million crowns)[1] of the amount Denmark spent for its four insurance programs in 1949–50.

Pensions.—The governments (central and local) meet the entire cost of old-age pensions and most of the cost of invalidity pensions, although the insured person and the employer contribute toward the latter. The basic pension is a flat sum, varied according to cost-of-living zones and subject to reduction if income from other sources exceeds 50 percent of the basic pension.

In keeping with the intent of the 1891 law—that the payment "must be sufficient for the support of the person relieved, and of his family, and for their treatment in case of sickness"—the basic pension is increased by certain pension supplements to meet special needs or situations. There is an invalidity supplement and, if constant attendance is required, a helplessness supplement. A supplement is payable to the blind, and there is a marriage supplement if the wife of a pensioner is herself not eligible for a pension. An additional amount is payable to persons who defer their claim at least 2 years after reaching pensionable age. The basic pension is also increased proportionately by the following supplements:

Supplement	Percent of basic pension
Mandatory supplement	7½
Supplement for persons over age 80	8
Clothing supplement [1]	8
Children's supplement	(2)
Personal supplement [3]	7½

[1] Payable in December and subject to an income test.
[2] Approximately 50 crowns a month for infants and 20 percent less for children over age 2.
[3] Payable to persons in particularly difficult circumstances.

Denmark also has a provision that adjusts the pension—both the basic amount and the various supplements—to changes in the cost of living. The inflation of the First World War had led, in 1919, to legislation providing for increases in salaries of Government workers to offset increases in the cost of living. In 1922, when inflation was about at its peak, the first cost-of-living provision was introduced into the pension law. The annual pension was raised 12 crowns for a couple and 6 crowns for single pensioners whenever married Government employees received a 54-

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[1] A crown is approximately 14.48 cents in United States currency.

Table 1.—*Legislative action relating social security benefits to increased cost of living, 26 countries, 1939–52*

Country and cost-of-living increase	Legislative action
Doubled:	
Australia	Flat-rate benefits increased.
Canada	New national pension program established.
Denmark	(See text.)
Germany	Computed benefits increased by flat amounts, percentage increases, and higher minimum pension.
Great Britain	New system established; subsequent increases in flat-rate benefits.
Ireland	Flat-rate benefits increased.
Netherlands	Benefits increased by flat-rate amounts and percentagewise. Noncontributory pension program, based on income test, introduced.
New Zealand	Flat-rate benefits increased (sometimes subsequent to administrative action).
Norway	Flat-rate benefits increased. Automatic cost-of-living increases introduced, then superseded by pension increases.
Portugal	None.[1]
Sweden	(See text.)
Union of South Africa	Flat-rate benefits increased.
Uruguay	None.[1]
United States of America	Benefit formula liberalized; minimum pension raised.
3 times, but less than 10:	
Belgium	New system established; benefits later increased percentagewise and by raising minimum rates.
Brazil	Pensions increased. Old-age pensions added to industrial workers' system and formula adjusted to wages in final year of work.
Iceland	Cost-of-living formula adopted.
Luxembourg	Cost-of-living formula adopted. Benefit amounts increased.
Peru	None.[1]
Spain	Flat-rate amounts increased.
10 times or more:	
Austria	(See text.)
Chile	Basic law for wage earners established a new pension program for the aged and survivors; formula for invalidity benefit changed. Salaried employees' benefit formula liberalized.
Finland	Flat-rate amounts increased.
Greece	Benefit amount increased several times. New system established with liberalized pension formula.
Italy	(See text.)
France	New system established; benefit formula subsequently liberalized.

[1] According to available data.

crown annual cost-of-living increase.[2] This adjustment was made semiannually.

In the succeeding deflation, economy measures following a change in the value of the crown affected all types of social insurance and assistance. In 1927 the automatic linkage of pensions with living costs was repealed. Actual pension amounts were not reduced—in some cases they were increased—but the amount of total "deduction-free" income was lowered.

In 1933, during the depression, a cost-of-living provision was restored for old-age pensions and was applied to invalidity and maternity benefits also. The provision stipulated that pensions (basic plus supplements) were to be raised or lowered semiannually by 3 percent whenever the official index number of prices rose or fell 3 percent from the October 1929 level. The index itself was calculated on the basis of a family budget with a total expenditure of 2,000 crowns at the price level of July 1914.

[2] International Labor Office, *Legislative Series*, 1922—Den. 3, Sect. 5, Act of 1922.

Since 1933, various changes have been made in the formula to keep pensions in line with living costs, but there has been no change in the basic pattern. The most recent formula, enacted in 1946, provided for a 1-percent change annually in the pension when the index number changed by 1 percent from the January 1946 level, and an additional 2-percent change in the pension for each additional change of 2 percent in the index. In 1951 the pension adjustment was put on a semiannual basis because of the rapid increase in the cost of living.

Every 6 months the Minister of Social Affairs publishes a regulation detailing what the basic and supplementary payments, as modified by the change in the price index, are to be for the half-year ahead.

Through these various devices Denmark has achieved considerable variation in a flat pension system. The changes in the value of the basic pension during the 30 years since the cost-of-living provisions went into effect are shown in table 2.

Other programs.—The cost-of-living index plays a small but definite role in some of the other Danish programs. In unemployment insurance it is used to modify the maximum amount of the daily cash benefit payable and also help determine income limits for liability to insurance. In accident insurance the index has been employed since 1948 to fix the upper limit for compulsory coverage and for computation of income for benefit purposes. In health insurance the cash maternity benefit is the only one to be governed by the index number; this provision was incorporated in the 1933 Social Insurance Act.

Sweden

Although Sweden has a national pension tradition of 40 years' standing, its experience with cost-of-living supplements dates only from 1950. The system currently pays old-age pensioners the highest benefit in Europe—the result of the basic pension plus cost-of-living and "standard-of-living" supplements. The system is universal in its coverage, and contributions are collected with the national income tax.

Pensions.—The pension program, to which this account is limited because it is the only one in which the cost-of-living adjustment is significant, is by far the largest of the Swedish social security operations.

Expenditures for the program in 1950 amounted to 892 million crowns.[3] For family allowances—the next largest program—expenditures were little more than half that amount.

The old-age pension is payable to all citizens at age 67, without regard to income, at the annual rate of 1,750 crowns for a single person. This amount includes two fixed elements—a basic minimum annual pension of 1,000 crowns, adopted in 1946, and a flat-rate amount of 400 crowns, voted in 1953—plus one variable element, the cost-of-living supplement discussed below.

The invalidity pension (total) consists of (1) a basic sum of 200 crowns a year regardless of other income and (2) a supplement, varying according to other resources, that brings the

[3] The crown is approximately 19.33 cents in United States currency.

Table 2.—*Denmark: Basic pension rates in selected years*

Type of pensioner	Amount of pension (crowns per year)								
	1922	1927	1933	1937	1944	1946	1948	1950	1951
Highest cost-of-living zone:									
Couple [1]	1,008	1,008	1,076	1,086	1,803	2,310	2,376	2,544	2,832
Man [2]	532	768	732	732	1,215	1,560	1,584	1,692	1,884
Woman	504	642	678	678	1,125	1,560	1,584	1,692	1,884
Medium cost-of-living zone:									
Couple [1]	804	804	912	912	1,515	1,965	2,088	2,232	2,484
Man [2]	444	540	606	732	1,005	1,326	1,392	1,488	1,656
Woman	402	510	565	678	936	1,326	1,392	1,488	1,656
Lowest cost-of-living zone:									
Couple [1]	600	600	702	702	1,164	1,662	1,764	1,884	2,100
Man [2]	330	402	468	606	777	1,122	1,176	1,260	1,404
Woman	300	378	432	564	727	1,122	1,176	1,260	1,404
Cost-of-living index (1914=100)	*199*	*176*	*160*	*180*	*288*	*289*	*305*	*309*	*378*

[1] Both of pensionable age.

[2] Includes pension to couple where pensioner is married if spouse is not of pensionable age.

total for persons with low incomes up to the amount of the basic 1946 old-age pension. In addition, a flat-rate amount of 400 crowns [4] and a cost-of-living supplement are paid as in the case of old-age pensions.

No part of the widow's benefit (added to the program by the 1946 act) is payable without a means test. The maximum basic pension is 600 crowns annually, and supplements bring the total to 1,050 crowns a year. The widow's pension is payable from age 55 to age 67.

If the wife (or housekeeper) of a pensioner is over age 60, she may receive a housewife's supplement, which also is subject to a means test.

In tabular summary the benefits rates are as follows:

Type of payment	Amount of pension (crowns per year)		
	Single old-age or invalidity pensioner	Pensioner if spouse also has pension or housewife's supplement	Widow pensioner or recipient of housewife's supplement
Total	1,750	1,400	1,050
Basic pension of 1946	1,000	800	600
Cost-of-living supplement	350	280	210
1953 flat-rate increase (40% of 1946 basic benefit)	400	320	240

Several other supplements are designed to meet special situations or avoid anomalies. Pensioners with children of eligible age receive, in addition to the regular family allowance of 290 crowns a year, a special children's allowance of 320 crowns annually per child.

An extra allowance is also payable to blind persons receiving invalidity benefits. In addition to the basic pension of 200 crowns, the blind person receives 700 crowns a year without income test. He may also receive the supplements based on the means test, but in such cases the 700 crowns must be considered as income in computing the additional amounts. A sickness supplement, payable at the same rate as the invalidity pension, is provided for persons who have been ill at least 6 months but whose disablement is not judged to be permanent.

Housing allowances, introduced in 1938, were the first part of the Swedish pension system to allow for differences in the cost of living, but the differences are of place and not of time. The housing supplements vary in amount according to cost-of-living zones and are subject to the means test. The 1953 act provides that, beginning in 1954, the amounts of all housing supplements to pensioners are to be determined by the local governments.

The 1953 act also raises the amount of outside income allowable before the income test is applicable for any relevant part of the pension benefit. Through 1953, the first 400 crowns of income for a single person and the first 600 crowns for a couple were ignored in computing the amount of the supplements that vary with income. As of January 1, 1954, the amounts ignored in the computation are 1,000 and 1,500 crowns, respectively, and the formula by which the supplements are reduced for income in excess of these amounts is also liberalized.

Cost-of-living and standard-of-living increases.—Originally the amount of the old-age pension was related to the number and total amount of contributions paid by the insured person, but in 1948, when the National Pensions Act of 1946 went into effect, the link to contributions was dropped and the basic pension became a flat sum for all beneficiaries. The legislation was aimed at making the national pensions sufficient for a subsistence level of living without supplementation from public assistance. Pension expenses more than doubled in the new program's first year of operation.

In 1950 an automatic cost-of-living supplement was introduced that amounts, in effect, to a 5-percent increase in the basic pension for each 5-point rise in the index (base period 1946). Whenever the cost of living rises or falls by 5 points, one of three sums (fixed by law) is to be added to or subtracted from the basic pension. These amounts are 30 crowns for persons getting the 600-crown maximum pension (widows, or wives receiving a housewife's supplement); 40 crowns for persons getting the 800-crown pension (married pensioners whose spouse also receives a national pension or the housewife's supplement); and 50 crowns for persons receiving the 1,000-crown basic pension (other old-age or invalidity pensioners). Living costs are computed quarterly, and the benefit changes are automatic and unrelated to any income test.

There were seven automatic cost-of-living increases between 1950 and May 1953, when the latest amendments took effect. Since then living costs have been stable, and there were no further changes in the index supplement in 1953.

The Government considered that the automatic adjustment to price changes was not a sufficient answer to the problem of adequacy and in 1953 proposed further increases. The Minister for Social Affairs pointed out that, while prices and pensions rose about 35 percent in 1946–52, wages received by male workers in

[4] The flat-rate supplement is payable in case the total pension is paid; it is not added to the basic pension of 200 crowns.

Table 3.—*Austria: Increases in old-age, invalidity, and survivor pensions for wage earners, by date of legislative provision, 1945–52*

Type of pension	Average monthly amount (in schillings)			
	Total	Basic pension	Food supplement	As percent of 1945 benefit
	1945			
Old-age, invalidity	46.00	46.00		
Widow's	26.00	26.00		
Orphan's	10.60	10.60		
	Oct. 1, 1948			
Old-age, invalidity	199.00	165.00	34.00	432.6
Widow's	106.00	89.00	17.00	407.7
Orphan's	70.00	47.00	23.00	660.4
	Jan. 1, 1949			
Old-age, invalidity	214.00	180.00	42.00	465.2
Widow's	114.00	97.00	17.00	438.5
Orphan's	88.00	51.00	37.00	830.2
	July 1, 1949			
Old-age, invalidity	284.00	250.00	34.00	617.7
Widow's	136.00	119.00	17.00	523.1
Orphan's	111.00	74.00	37.00	1,047.2
	Oct. 1, 1950			
Old-age, invalidity	364.00	250.00	114.00	791.3
Widow's	186.00	119.00	67.00	692.3
Orphan's	134.00	74.00	60.00	1,320.8
	July 25, 1951			
Old-age, invalidity	511.00	272.00	239.00	1,110.9
Widow's	270.00	123.00	147.00	1,037.7
Orphan's	(1)	(1)	(1)	
	May 1952			
Old-age, invalidity	544.00	(1)	(1)	1,182.6
Widow's	307.00	(1)	(1)	1,180.7
Orphan's	186.40	(1)	(1)	1,758.5

[1] Not available.

Source: Robert Uhlir, "Die Invalidenversicherung," *Soziale Sicherheit*, Vienna, July 1951, pp. 241–246. (Supplemented by later data.)

industry went up approximately 90 percent, and he recommended an increase of 75 percent from the 1946 pension amounts. The Riksdag voted such an increase by adding to the 35-percent increase under the cost-of-living supplements a further 40-percent rise in each pension.

Swedish policy thus incorporates the principle that pensions should not only retain earlier purchasing power under the cost-of-living supplements but should be increased in real terms that correspond at least approximately to changes in real wages.

Austria

Though Austria's social security system goes back to the 1880's, old-age, invalidity, and survivors insurance for wage earners was not established until 1939, after Austria's annexation by Germany and the promulgation of the German National Insurance Code. Salaried employees have had their program since 1906. In terms of expenditures in 1950, old-age, invalidity, and survivors insurance was the largest of Austria's social security programs; the total of 1,616 million schillings[5] spent for that program was more than a third of all expenditures for social security in that year.

Payments under old-age, invalidity, and survivors insurance consist of a basic amount that is the same for all pensioners, plus annual increments based on earnings for the entire contribution period, other small supplements varying according to wage class and number of contributions, and flat monthly allowances for each dependent. Unemployment insurance payments are flat amounts, varying with wage class and number of dependents. Benefits under workmen's compensation (for short-term disability) and the basic cash benefit under health insurance are paid at the rate of 50 percent of wages, with larger amounts if the disability or sickness is prolonged. Family allowances, a fixed monthly amount, are paid to families of employed workers as well as to social insurance beneficiaries with eligible children.

The cost-of-living supplements are for food and rent and date from 1948 and 1951, respectively. They are here considered with reference to old-age, invalidity, and survivors insurance and workmen's compensation, the only programs in which the food supplements have an important role. The rent supplements consist of a small flat-rate amount paid to employed persons (but not the self-employed) as well as to social insurance beneficiaries; thus the provisions are not exclusively an insurance or assistance measure.

Old-age, invalidity, and survivors insurance.—The first significant increases were made in 1945, when the basic old-age and invalidity pension for wage earners was raised to an average of 46 schillings a month, and the average payment to survivors was set at 26 schillings for widows and 10.60 schillings for orphans. By August 1947 these averages had been raised to 156 schillings, 84 schillings, and 44 schillings.

The increases did not keep pace with the rise in the cost of living, and in October 1948 the food supplement was introduced on a modest scale. It was one of a series of measures designed to take the place of the Government price subsidies for foodstuffs, which were discontinued in the same month. The food supplement was payable to wage and salary workers as well as to social insurance beneficiaries, but collective bargaining soon resulted in wage increases that obviated the need for supplementing wages in this special manner. The food supplement continued to be paid to beneficiaries of old-age, invalidity, and survivors insurance, however, and the pension amounts were increased periodically by the National Legislature (table 3).

Altogether, the rates of the benefits (including supplements) for aged and disabled persons and widows have increased elevenfold since 1945. In less than 3 years after its intro-

[5] A schilling is approximately 4 cents in United States currency.

duction, the amount of the food supplement for the retired or invalid worker went up sevenfold. Orphans' benefits have risen even faster than the other payments. The rise for all the benefits in the program has been relatively greater than the rise in the cost-of-living index.

Contributions for the program have likewise been increased, both as a percent of taxable earnings and in the amount on which contributions are assessed. Wage earners and employers now each pay 5 percent of earnings (in 1948, 2.8 percent each), and the ceiling on taxable wages is 1,800 schillings a month instead of 190. For salaried employees the contribution rate, now as before, is 10 percent, with the cost divided equally between employer and employee. The maximum taxable earnings of 1,800 schillings for salaried employees is well above the 1948 ceiling of 420 schillings a month.

From the beneficiary's standpoint, a major criticism of the program is that it approximates assistance techniques to some extent. A characteristic of Austrian old-age, invalidity, and survivors insurance has been the fact that beneficiaries entitled to a pension receive it whether or not they continue in employment and have other income. Even the simple safeguards adopted to ensure a wise use of the public funds appropriated for the food supplements have brought about a difference in the insurance program. The supplements introduce an "extraneous element," for if all social factors, including the amount of income from self-employment, are to be investigated, there is, in effect, a means test.[6]

Workmen's compensation. — In workmen's compensation the provisions for food allowances reflect the facts that the rise in wage rates between 1948 and 1951 brought them in line with the cost of living and that both wage and price levels have tended to stabilize. The food supplements therefore are payable only to workers who became disabled in the earlier years and whose benefits are based on the lower wage scales (table 4).

[6] H. Wychera, "Ernaehrungszulage und Wohnungsbeihilfe," *Soziale Sicherheit*, April 1952, p. 104.

Table 4.—*Austria: Cost-of-living supplements under workmen's compensation, by date of accident*

For accidents occurring—	Monthly amount (in schillings): Supplement for incapacity of— At least 50 percent	Less than 50 percent	Survivor supplement
Before June 1, 1949	239	114	147
June 1, 1949–Sept. 30, 1950	205	80	130
Oct. 1, 1950–July 15, 1951	125	----------	--------
After July 15, 1951	----------	----------	--------

General characteristics of the food supplements. — All food supplements are subject to certain general rules. Supplements are payable only as an addition to cash benefits, and no more than one may be paid to one person at the same time. The supplement may be paid although the beneficiary performs some casual work for another person (up to 5 days a month), but it is never paid to a self-employed person.

Certain relief payments do not affect eligibility for the food supplements. Thus, the supplements are paid to persons receiving assistance to kleinrentner—that is, persons with abnormally low incomes as a result of inflation—and to those receiving "resistance victims' assistance."

Since 1951, the allowances have been treated as income under the social insurance legislation and thus are subject to deductions for social security contributions.

Italy

Italy's general social security system includes six programs. The two largest—family allowances and old-age, invalidity, and survivors insurance—and the two smallest—tuberculosis insurance and unemployment insurance—make up a group administered or supervised by the National Social Insurance Institute. These programs are particularly vulnerable to inflation, since the basic legislation set up taxes and benefits in money amounts rather than as a percentage of pay. (In retirement and survivors insurance the benefit is a multiple of contributions paid, a formula that preserves the link with the flat amount.) The four programs have been greatly modified as to both contributions and benefits, and these adaptations to monetary depreciation are reviewed here.[7]

Cost-of-living supplements in these four programs were initiated, reviewed, and expanded in various ways to meet an inflation that made living costs 50 times higher in 1951 than in 1938. All the adaptations were made in the decade 1943–52, generally as provisional, emergency measures that did not aim at changing the principles of the existing system. Amounts were radically changed, however, and by 1951 the benefits had increased proportionately more than the cost of living.

Item	1951 index numbers (1938=100)
Old-age, invalidity, and survivors insurance	6,399
Tuberculosis insurance	11,090
Unemployment insurance	6,971
Family allowances [1]	10,842
Cost of living	*5,483*

[1] Program for wage earners in industry; for index number for this program, 1940 equals 100.
Source: Carmela Girardi Tositti, "L'adeguamento delle prestazioni della previdenza nel dopoguerra," *Previdenza Sociale*, May–June 1952, pp. 503–529.

Old-age, invalidity, and survivors insurance. — The retirement system, founded in 1919 as old-age and invalidity insurance of the full-reserve type, developed slowly and was unable during the 1940's to meet the abnormal demands for adequate pensions. Consequently, the legislature introduced more types of cost-of-living supplements into this system than into any other. Benefit expenditures increased greatly and in 1951, at the level of 110 billion lire (about $176 million), were greater than in any of the other insurance programs though still well below the cost of family allowances. Finally, the system was fundamentally amended by the Act of April 4, 1952, and is therefore the first major Italian program since the war to be the subject of a new and permanent law.

Before the 1952 act was adopted,

[7] The other two programs—insurance against sickness and industrial injuries—have been less seriously affected by inflation because their contributions and benefits are defined as percentages of pay, and as pay went up contributions and benefits automatically followed.

Table 5.—*Italy: Legislative action relating old-age, invalidity, and survivors insurance benefits to increased cost of living, 1943–52*

Date	Action taken	Percent of total pension [1]	
		Basic pension	Supplements
Mar. 18, 1943	Pensions increased 25%. Contributions increased	100	0
Mar. 1, 1945	Pensions increased 70% through "integration" supplements; minimum set. Integration Fund established to finance increases.	27	73
May 20, 1946	Pensions increased by percentages varying inversely with size of benefit, from 700% to 36%; minimum benefit doubled. Government contribution introduced increasing each pension by 300 lire a month.	9	91
May 6, 1947	Compensation for high cost of bread introduced; 104 lire per month per person, including dependents. Financed from Integration Fund.	3	97
July 16, 1947	Compensation for high cost of bread doubled	3	97
July 29, 1947	Temporary contingency supplements introduced. Social Solidarity Fund, with equal contributions from worker and employer, created to finance increase. Government contribution repealed.	3	97
July 6, 1948	Compensation for high cost of bread increased 150%, to 520 lire a month.	3	97
June 14, 1949	Addition made to temporary contingency supplements—900 lire a month for persons aged 65 and over, 600 lire for persons under age 65.	2	98
Dec. 23, 1949 (effective 1/1/50).	Addition to temporary contingency supplements increased—1,000 lire a month for persons aged 65 and over.	2	98
April 4, 1952 (effective April 30).	Program fundamentally amended, with pension to consist of basic amount under 1943 amendments, multiplied by 45 and supplemented by annual addition, at Christmas, of 1/12 of annual benefit; minimum: 65,000 lire a year for old-age and invalidity pensioners, 45,500 for survivors; contribution fixed annually for supplementary Integration Fund; initial rate, 9% of wages (assumed minimum wage set at 400 lire daily)—employer paying 6.6% and insured, 2.4%. Small basic contribution paid by employer.	[2] 3	[2] 97

[1] As of December 31 of the year the legislation became effective.

[2] Estimated.

the pension system had three kinds of supplements, all of which had the general aim of making benefits more nearly adequate in the face of higher living costs. They were "integration" supplements, dating from 1945; "high-cost-of-bread" supplements, dating from 1947; and "contingency" supplements ("temporary" contingency supplements, introduced in 1947, and "supplementary" contingency supplements, set up in 1949).

Table 6.—*Italy: Cost-of-living supplements and supplementary contributions under unemployment insurance, 1945–50*

Effective date of legislative provision	Payments (lire per day)		Employer contribution as percent of taxable earnings	Maximum taxable earnings (lire per day)
	Insured	Each eligible dependent		
Sept. 28, 1945	30	5	4.00	144
May 30, 1946	50	8	4.00	250
Jan. 1, 1947	50	8	4.60	250
April 16, 1947	54	12	4.90	250
July 1, 1947	58	16	4.90	250
Sept. 14, 1947	208	40	8.00	250
Aug. 1, 1948	220	52	4.00	750
June 6, 1949	220	80	4.00	750
Jan. 1, 1950	220	80	3.25	750

Source: Papa Gina, "L'Assicurazione Contro la Disoccupazione e i Suoi Resultati," *Previdenza Sociale*, May–June 1952, pp. 554–578.

Changes in the contributions collectible through the postwar years were effected partly by changes in the rate of contribution and partly by increases in the maximum wage on which contributions were collected. Even with a lower rate charges may actually be higher, if the taxable wage base is increased. Worker contributions, abandoned in all programs in 1946, were reinstated for the retirement program with the establishment of the Social Solidarity Fund in 1947.

The 1952 act left the employer contributions virtually unchanged at 6.8 percent of earnings but increased from 1.5 percent to 2.4 percent the rate for the insured worker. At the same time, the maximum on wages on which contributions are levied was removed entirely, and a minimum wage of 400 lire a day was assumed.

In résumé, the cost-of-living supplements under old-age, invalidity, and survivors insurance during the period of postwar inflation took several forms, and contributions fluctuated from year to year according to the needs of the system, which was on a pay-as-you-go basis. No reserves were accumulated, and no accounting of contributions by the individual was kept. The basic contributions served, however, as a record of covered employment, if not of earnings.

If the 1952 amendments represent Italy's long-range policy on old-age, invalidity, and survivors insurance, then this policy seems to place its approval on the broad outlines of the emergency program created in recent years. Both basic and supplementary benefits are retained. The former are computed according to new and higher wage classes, and the latter are a multiple of the basic sum. Such a method assures a closer relationship than before between what the insured person receives as benefit and what he has earned and contributed to the program.

Table 7.—*Italy: Cost-of-living supplements (integration benefits) under tuberculosis insurance, 1945–53*

Period covered by legislative provision	Amount paid during institutional care (lire per day)		Amount of postsanatorial benefits, for insured or dependents (lire per day)
	Insured, no dependents	Insured, head of family	
Aug. 25, 1945–May 29, 1946.	10	10, plus 5 for each child.	
May 30, 1946–Feb. 23, 1947.	15	50, plus 8 for each child.	
Feb. 24, 1947–July 12, 1948.	15	50, plus 8 for each child.	200 (payable for 180 days, plus 90 days in certain cases).
July 13, 1948–Nov. 18, 1950.	50	200, plus 8 for each child.	Insured: 500, first 90 days; 400, next 90 days; 300, last 90 days. Dependents: 300 for 180 days.
From Nov. 19, 1950.	50	200, plus 30 for each child.	Same as above

Unemployment insurance. — The postwar developments in unemployment insurance, the smallest of the Italian programs, have been similar in broad outline to that in old-age, invalidity, and survivors insurance. Parliament has repeatedly increased the benefits, which have always been expressed in flat amounts rather than as a percentage of pay. Contributions in recent years have been paid entirely by the employer; the Integra-

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Table 5.—*Old-age and survivors insurance: Monthly benefits in current-payment status*[1] *at the end of the month by type of benefit and by month, October 1952-October 1953, and monthly benefits awarded, October 1953*

[Amounts in thousands; data corrected to Nov. 20, 1953]

Item	Total		Old-age		Wife's or husband's		Child's		Widow's or widower's		Mother's		Parent's	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Monthly benefits in current-payment status at end of month:														
1952														
October	4, 880, 239	$198, 295. 1	2, 557, 399	$125, 343. 9	715, 885	$18, 509. 5	920, 307	$27, 460. 3	442, 786	$18, 003. 1	222, 681	$8, 104. 5	21,181	$873. 8
November	4, 942, 409	201, 234. 4	2, 594, 371	127, 438. 9	725, 389	18, 803. 4	927, 268	27, 738. 9	448, 053	18, 218. 1	226, 042	8, 156. 2	21, 286	878. 9
December	5, 025, 549	205, 179. 0	2, 643, 932	130, 217. 4	737, 859	19, 178. 4	938, 751	28, 141. 3	454, 563	18, 482. 2	228, 984	8, 272. 7	21, 460	887. 0
1953														
January	5, 108, 422	209, 293. 8	2, 691, 729	133, 086. 5	750, 436	19, 581. 4	950, 134	28, 564. 3	461, 884	18, 785. 7	232, 627	8, 382. 3	21, 612	893. 7
February	5, 204, 176	214, 435. 9	2, 753, 071	136, 928. 1	767, 100	20, 147. 2	959, 552	28, 928. 6	468, 130	19, 045. 8	234, 596	8, 487. 1	21, 727	899. 1
March	5, 305, 159	219, 585. 5	2, 817, 018	140, 725. 0	784, 747	20, 712. 3	969, 445	29, 300. 1	475, 504	19, 349. 6	236, 613	8, 593. 5	21, 832	904. 9
April	5, 401, 081	224, 274. 0	2, 873, 082	143, 972. 6	800, 520	21, 204. 3	982, 296	29, 760. 6	483, 422	19, 679. 8	239, 717	8, 741. 8	22, 044	914. 9
May	5, 486, 643	228, 634. 4	2, 926, 906	147, 138. 7	813, 278	21, 620. 5	992, 330	30, 134. 0	490, 149	19, 963. 0	241, 725	8, 852. 3	22, 255	925. 9
June	5, 573, 594	232, 998. 6	2, 977, 476	150, 124. 2	826, 599	22, 050. 3	1, 003, 281	30, 540. 7	498, 967	20, 332. 4	244, 809	9, 014. 9	22, 462	936. 2
July	5, 637, 603	236, 359. 9	3, 017, 541	152, 570. 1	836, 219	22, 376. 7	1, 008, 141	30, 696. 0	506, 390	20, 643. 6	246, 684	9, 128. 8	22, 628	944. 8
August	5, 704, 558	239, 920. 5	3, 060, 592	155, 193. 8	846, 832	22, 730. 5	1, 013, 051	30, 886. 5	513, 291	20, 938. 8	247, 975	9, 217. 5	22, 817	953. 4
September	5, 768, 684	243, 181. 7	3, 097. 983	157, 403. 9	856, 864	23, 050. 3	1, 022, 242	31, 287. 5	519, 376	21, 194. 7	249, 235	9, 284. 0	22, 984	961. 3
October	5, 837, 214	246, 572. 3	3, 136, 415	159, 639. 8	866, 904	23, 366. 0	1, 033, 890	31, 760. 4	526, 613	21, 501. 9	250, 233	9, 334. 6	23, 159	969. 7
Monthly benefits awarded in October 1953	112, 572	5, 162. 1	59, 070	3, 333. 9	19, 249	557. 6	18, 164	579. 4	9, 671	403. 7	6, 085	272. 3	333	15. 1

[1] Benefit in current-payment status is subject to no deduction or only to deduction of fixed amount that is less than the current month's benefit.

INCREASED LIVING COSTS

(Continued from page 19)

tion Fund, established in 1945, is the principal source. The supplements to meet the increased living costs and their financing are shown in table 6.

The basic benefits are only 7 lire a day for wage earners and 12 for salaried employees. The basic contribution for unemployment insurance, which is a small part of the total basic contribution, varies according to wage class from 1 to 4 lire a week.

Assistance as well as insurance is available to unemployed persons under national legislation. Under 1946 legislation, assistance may be introduced in a given area by a Decree of the Minister of Labor and Social Insurance, issued in conjunction with the Minister of the Treasury, certifying the locality as entitled to an extraordinary subsidy for unemployment. Claimants must register at a public employment office and must submit to a means test. The assistance payment is the same as for insured unemployment except that the basic sum is not paid. Approximately 100 communities throughout the country were certified to receive grants for this purpose in 1951.

Tuberculosis insurance.—Cash benefits under tuberculosis insurance have been supplemented in much the same way as those under retirement and unemployment insurance. The medical care services—much the largest part of the tuberculosis insurance program — are operated principally through a network of nearly 100 sanatoriums throughout Italy. Money payments, which amount to about 15 percent of all disbursements under the program, are of three kinds — payment to the patient's family during the time he is in a sanatorium, pocket money for the patient during this same period, and a periodic cash payment during the period of convalescence, but the compensable period is limited to 270 days.

The basic benefit, dating from prewar legislation, includes only the payment to the family—4, 8, or 12 lire a day for a farm worker, wage earner, or salaried employee, respectively, plus 1 lira a day for each dependent child. In addition to these payments, the family also receives family allowances.

Family allowances.—In comparison with a family allowance payment in 1937 of 4 lire weekly for each child, the 1953 family allowances for most employed persons, including the large group of industrial workers, amounted to 918 lire weekly for each child, 600 lire for the spouse, and 330 for a dependent parent. The allowances supplement the average wage by about 35 percent for a family of husband, wife, and two children. This proportionate increase is larger than in any other country except France and has been made possible by the addition of the integration and high-cost-of-bread allowances and by charges on the employer for these purposes. The present employer tax is 22.5 percent of wages not in excess of 900 lire a day for men and 750 lire for women.

Italy is one of the countries where family allowances are a major addition to wages and salaries, and these benefits have shared fully in the social security increases introduced to help offset higher living costs.