Foreign Social Security Programs in 1958

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The Social Security Administration published its first summary of foreign social security laws in 1940, and a second comprehensive study was issued in 1949. Since that year there has been considerable further expansion in foreign social security programs, as well as many changes in existing programs. A new and completely revised report on the status of the programs as of 1958 has been prepared and will be published in the near future. The following article is a condensation of the introduction to the 1958 report.

SOCIAL security legislation of some form now exists in almost 80 countries. Surveys made by the Social Security Administration in 1940, 1949, and 1958 show a continuous increase in the number of countries with different types of social security programs. In 1940, 33 countries were listed as having old-age, invalidity, and survivor programs; in 1949, 44 countries; and in 1958, 58 countries. Health and maternity benefits were available in 24 countries in 1940, 36 in 1949, and 59 in 1958. Twenty-one countries were listed as having unemployment insurance and related programs in 1940, 22 in 1949, and 26 in 1958. Seven countries were paying family allowances in 1940, 27 in 1949, and 38 in 1958. In both 1940 and 1949, 57 countries had work-injuries insurance and related programs; by 1958, 77 countries had such programs.[1] The increase results partly from the emergence of new nations and also from slight differences in the definitions used in the reports. No small part is due to the fact, however, that each year additional countries introduce social security measures for the first time.

Old-Age, Invalidity, and Survivor Programs

The 58 countries that now have old-age, invalidity, and survivor programs include all European and North American countries, all but two countries in South America, and about half of those in Central America and the Middle East. Relatively few systems, in contrast, are found in Asia and Africa.

Types of program.—The predominant reliance on social insurance for providing protection against the risks of old-age, invalidity, and death is demonstrated by the fact that about 45 of the countries have programs of a social insurance character. About a fourth of these countries also have supplemental assistance programs providing payments to needy aged persons, invalids, or survivors. Most insurance programs cover all three risks, but in a few countries periodical benefits are not payable for certain of the risks. Thus, Israel and Switzerland provide no general benefit for invalidity. Old-age payments are provided in Ireland on an assistance basis only, although pensions based on insurance are available for disabled persons and survivors. Only lump-sum payments are made to survivors in the Dominican Republic, Panama, Paraguay, Peru, Portugal (in most cases), the Philippines, and Communist China.

Systems of universal pensions under which a pension is available to every resident above a specified age, without conditions as to past contributions or employment, are found in the four Scandinavian countries of Denmark, Finland, Norway, and Sweden and also in Canada and New Zealand. Supplemental assistance payments are also usually available in these countries. There is no general pension provided for survivors, however, in Denmark or Finland, and Canada and New Zealand provide only assistance for invalids and survivors.

Pensions are provided only on an income- or means-test basis in another small group of countries—Australia, Iceland, and the Union of South Africa. In Ceylon, Iraq, Malaya, and the United Arab Republic, protection against long-term risks is provided by means of publicly operated provident or compulsory savings funds, and only lump-sum payments for old age and death are paid in Nationalist China.

Coverage.—The coverage of the universal pension systems usually extends, in principle, to all inhabitants falling within the risk categories concerned. Minimum residence requirements are sometimes specified, however, and certain systems exclude aliens unless they are covered by a reciprocity agreement. Similarly, all residents are potentially eligible for assistance, although those with more than the maximum allowable income or property are disqualified by a means test.

It is under social insurance that coverage problems are most acute, since considerable administrative and financial contact with insured persons is usually necessary for some years before they become eligible. Some groups — agricultural workers, for example—are often much more difficult to bring under insurance than others, such as employees of large industrial and commercial establishments. As a result, there is a tendency in many countries to cover first the groups for whom coverage is easier and to delay it for others.

Some countries cover virtually all residents or at least all gainfully occupied workers, including the self-employed and sometimes even the nonemployed. A few—Israel, Switzerland, and the United Kingdom, for example—achieve this coverage largely through a single comprehensive system. More commonly, as in Austria, Belgium, France, Luxembourg, and West Germany, such broad cover-

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* Division of Program Research, Office of the Commissioner. For detailed charts on the social security programs, see *Social Security Programs Throughout the World, 1958* (Division of Program Research), 1958.

[1] The totals include the United States.

age is built up through a combination of two or more basic systems operating side by side. There may be one system for employees and a separate one for independent workers or, as in various countries, separate systems for wage earners, salaried employees, and the self-employed.

In another large group of foreign systems, employed persons generally are covered, but self-employed workers are excluded. A third sizable group also excludes agricultural employees; their scope is limited largely to employment in industry and commerce. The narrowest coverage from an occupational standpoint is found in a few countries that limit it to what is essentially factory or industrial employment.

Another type of limitation on coverage, found principally but not exclusively in Latin America, results from a policy of gradual geographic introduction of pension programs. In Mexico, Nicaragua, Panama, and Peru, for example, programs were put into force initially in only a few cities or districts but are being gradually extended over a period of years to more and more regions.

A number of countries maintain special insurance systems for workers in certain occupations, such as miners, railway employees, seamen, and public employees. The benefits provided often are more generous than those under the general system.

Source of funds.—The most common method of financing long-term benefits provided through social insurance is by means of a tripartite system of contributions paid jointly by insured persons, employers, and the Government. Employer and employee contributions alone, without a Government contribution, are used in a minority of countries. A third type of financing, found principally in Eastern Europe, consists of relying on employer contributions exclusively, although most enterprises are in fact State-owned. The universal pension systems tend to use some combination of earmarked income and other taxes, although eligibility for pensions is unrelated to taxes paid. Finally, payments provided on an assistance basis come chiefly from general revenue.

Most social insurance systems express contributions due as a fixed percentage of payroll. Some countries use a progressive scale rather than a fixed percentage, so that the contribution rates are larger for higher-paid workers than for lower-paid workers. A ceiling is frequently placed on the earnings of individual employees on which contributions are payable. A few countries, such as Iraq, Ireland, and the United Kingdom, collect contributions in the form of flat weekly amounts for all workers of a given type, irrespective of earnings.

A number of countries require employees and employers to contribute at the same rate, and others require a somewhat higher rate from employers. The rate for the self-employed —when they are covered—is nearly always higher than that payable by employees. The Government contribution is sometimes a fixed percentage of total covered earnings, sometimes a specified annual amount, and sometimes a fixed percentage of benefit payments. Another common procedure is for the Government to meet any excess of outgo over other contributions; thus an actual contribution from public funds may or may not be required in any given year.

Old-age benefits.—All the existing systems provide for payment of periodical old-age benefits except the provident-fund programs and that of Nationalist China, which make only lump-sum payments. The former systems may be subdivided, in turn, into two main types, according to whether the amounts payable are the same for all beneficiaries or vary in relation to the individual's past wages. A few social insurance systems, such as those of Israel, the Netherlands, Spain, and the United Kingdom, pay what are commonly called flat pensions, in that the pension amount is not related to the previous earnings of a claimant. The pensions provided under the universal pension plans are also flat in the same sense. Application of the maximum under systems using an income or means test may have somewhat the same effect.

About 40 of the old-age programs now in operation relate the benefits of individual beneficiaries in some way to their past average earnings. The majority of programs average earnings over the last 5 years before the benefit is awarded. In view of the general rise in wages, this procedure may work to the advantage of most claimants. Some countries average earnings, in contrast, over all or most of the period of potential or actual coverage under insurance. They have taken various measures, however, to modify somewhat the results of this procedure. One method involves an upward revaluation of wages recorded for earlier years, on the basis of changes in national-average wages or in the cost-of-living index. The former basis is used, for example, by West Germany and France, the latter by Belgium. These procedures maintain the differentials between higher- and lower-paid workers but adjust the individual averages upward to take account of the general rise in wages and living costs.

The formulas used under different programs for determining the actual percentage of average earnings to be paid as an old-age benefit vary, in general, according to the relative weight given to length of coverage in computing the benefit. Some provide for an amount equal to a fixed percentage—for example, 40 percent—of average earnings, unmodified by the length of coverage. A more common practice is to provide a basic percentage—for example, 25 percent—of average earnings, to which is added an increment of 1 percent or 2 percent of earnings for each year of coverage or each year in excess of a minimum number. These increments provide larger benefits to workers covered for a longer period than to workers whose average wages may be the same but who have been covered for a short period. Somewhat the same result is secured under other systems by providing decrements for periods of noncoverage or averaging earnings over total elapsed periods of time that may include some years of noncoverage.

Most programs have maximum benefit provisions, a ceiling on the earnings considered in computing benefit amounts, or both, which need to be related to prevailing wages in the country concerned before meaningful comparisons among the benefit formulas of different countries can be made. A number of systems also have transitional provisions that are considerably more generous for current beneficiaries than the basic formulas would indicate. Some programs provide for a progressive rather than constant relationship between average earnings and benefits by paying a larger percentage of earnings for low-paid workers than for higher-paid workers—sometimes through the use of wage classes.

Other supplements to the basic benefit are often provided, in addition to length-of-service increments. Many systems provide supplements when a beneficiary is supporting an aged or invalid spouse or young children. Others provide a special addition to benefits for workers who continue work after reaching pensionable age.

The effect of rising living costs in lessening the adequacy of benefits already awarded is a serious problem in most countries with old-age benefit programs. To deal with it systematically without the need for periodic legislative action, the laws of a growing number of countries now provide for automatic adjustment of current benefits to changes in an official cost-of-living index. Among countries with provisions of this sort are Belgium, Denmark, Finland, France, Iceland, Israel, Luxembourg, the Netherlands, and Sweden.

The minimum age at which old-age benefits are payable is of direct personal significance for individual workers and also has important implications for costs. In addition, it may significantly affect the manpower resources and employment opportunities in a country. The minimum ages at which benefits are now payable in different countries vary markedly—from 50 years to 70. The greatest concentration is at the ages of 60 and 65. About half the programs specify the same age for both men and women, but an almost equally large number allow women to draw a full pension at a lower age than men; the difference is usually 5 years.

The basic qualifying period for a full old-age benefit ranges from as few as 5 or less up to nearly 45 years. Most new programs, however, as well as many older systems that have been amended, are so designed as to permit workers with relatively brief coverage to qualify for perhaps full benefits in a relatively brief period. These transitional provisions, together with provisions for reduced benefits and for crediting as periods of service a worker's periods of incapacity, unemployment, and the like, lessen somewhat the significance of the general qualifying periods in the law. Some countries also shorten the qualifying period for workers in unusually arduous or unhealthy occupations.

The universal pension systems do not, of course, lay down any qualifying period of employment or contribution. Most of them do prescribe certain periods of residence, at least for aliens, and may also have nationality conditions.

A number of systems require claimants to retire from employment before they can receive a benefit, but an almost equally large number do not. Some countries that require retirement nevertheless permit beneficiaries to receive certain exempted amounts of part-time or occasional earnings without having their payments suspended, and some do not apply the retirement requirement after beneficiaries have reached a specified age.

Invalidity benefits.—Benefits are usually computed in much the same way for permanent disability as for old age. That is, they commonly vary in relation to average earnings during a similar period and usually consist of a basic proportion of earnings, plus sometimes an increment related to length of coverage. The same supplements for dependents are generally granted as well. Some of the programs also provide special supplements for persons so severely incapacitated as to require the constant attendance of another person in their daily lives. A few pay a larger benefit for total incapacity for any work and a smaller benefit if a worker is incapacitated for work in his usual occupation but is not incapable of working in others.

A number of laws specify a minimum percentage loss of working or earning capacity—commonly about two-thirds—that must be suffered to come within the definition of invalidity. The qualifying period is nearly always briefer than that for old-age benefits. Three to 5 years of coverage or contribution are the periods most frequently specified. A few countries—Belgium, Ireland, and the United Kingdom, for example—provide invalidity pensions in the form of their ordinary cash sickness benefit, but with unlimited duration, and do not actually have a separate invalidity benefit as such. The upper limit on the age at which an invalidity benefit may be awarded is normally the minimum age at which an old-age benefit is payable. The lower limit in most countries is in the teens; it is related to the lowest age for admission to social insurance or to the upper age for family allowances.

Survivor benefits.—Most foreign systems pay periodical benefits to survivors of insured persons or beneficiaries, although a few pay only a lump sum. These benefits are generally expressed as a percentage of the amount being paid to the deceased person at the time of his death or to which he would have been then entitled if he had become disabled.

Benefits are nearly always payable to at least certain categories of widows. The rates customarily are 50–75 percent of the deceased person's benefit. Some systems pay a benefit to all widows, but more commonly benefits are restricted to widows above a specified age, disabled widows, and those caring for children. Benefits awarded to the first two categories are normally payable until death, but those for younger mothers may cease when all the children have grown up unless the mother has by then attained a specified age. Widow's benefits are likewise generally terminated on remarriage, although often a final lump-sum payment is made.

A number of programs also provide benefits to some widowers of deceased insured women. Ordinarily the widower must be disabled or have attained the age at which old-age benefits are payable and must have been wholly dependent upon his wife.

Orphan's benefits are also provided under most foreign programs. A distinction is usually made between half orphans and full orphans, with benefits for the latter as much as 50 percent higher. A maximum age limit, such as 15 or 18 years, is always fixed, but the limit is generally raised if an orphan is a student, an apprentice, or an invalid. A number of countries also provide benefits for certain other surviving relatives but ordinarily only if there is no eligible widow or orphan. The relatives most frequently included are aged or invalid parents, but young brothers and sisters, grandchildren, and aged grandparents are occasionally included as well. Such relatives, to qualify, must have resided with and been dependent on the deceased.

Administration.—The kinds of agencies in which responsibility for the administration of old-age, invalidity, and survivor benefits is lodged vary from country to country. The differences are traceable to the historical development of the program in each country, the particular character of that program, the general government structure, the administrative organization of other social security programs, traditional patterns followed in the administration of social programs generally, and so on.

In some countries administration is entirely in the hands of a Government ministry or department. In the majority of foreign countries, however, responsibility for actual administration is entrusted by law to a variety of types of quasi-autonomous institutions and funds. These agencies are ordinarily subject to at least general supervision by a department of the Government, but otherwise they are largely self-governing. They are managed commonly by a tripartite board composed of representatives of insured persons, employers, and the Government.

Health and Maternity Programs

Fifty-nine countries now have some type of health and maternity program in operation. Almost the same number of countries have old-age, invalidity, and survivor programs, but the two groups of countries are not identical. All European countries except Finland possess a health and maternity insurance program. In North America and South America most of the countries have programs of this sort, though in a few maternity benefits only are provided. Programs are also found in four Middle Eastern countries, although in one maternity benefits only are involved and in another only cash payments from a provident fund. Six Asian countries have health and maternity insurance measures—several of them introduced within the past few years. There is only one program among the independent nations of Africa.

Types of program.—Most of these programs are social insurance programs under which both cash and medical benefits are provided in cases of ordinary sickness as well as maternity. Eligibility for benefits is conditioned upon insurance coverage.

A somewhat different arrangement prevails in about one-sixth of the countries where only cash benefits are provided through social insurance. Medical services, in contrast, are sometimes furnished by the Government under a separate program applying to all residents rather than to social insurance contributors only. Such programs, under which a variety of medical services are in effect furnished as a public service by the Government, are referred to as a national health service in some countries. Among the countries where such a method of providing medical care is used in whole or part are Australia, Czechoslovakia, Ireland, New Zealand, Sweden, the Union of Soviet Socialist Republics, and the United Kingdom.

A few other countries provide some cash benefits for wage loss, but medical care services are not furnished under the insurance program or for the population as a whole under public programs. These countries include Iraq, Israel (cash maternity benefits only), and the Philippines. In Canada, in contrast, various hospitalization and related medical services will be provided under a new program, but no cash sickness benefits are payable. A few countries, such as Australia and New Zealand, provide cash benefits on an assistance rather than an insurance basis.

Coverage.—The risks of income loss from sickness and maternity exist to a much greater degree for persons working for another than for self-employed persons. Accordingly, the coverage of nearly all foreign cash benefit programs is confined either to employees in general or to particular classes of employees. Some of the newer systems apply only to employees of larger firms in industry and commerce, and certain European programs exclude higher-paid salaried employees.

In the large number of countries providing both medical and cash benefits through social insurance, coverage is in general the same for both types of benefit. A number of countries, however, also cover old-age beneficiaries under their health insurance program — sometimes without cost to the beneficiaries and sometimes with a charge representing a specified percentage of their benefit.

The provision of health and maternity benefits in some countries is organized around membership in various types of mutual sickness clubs, societies, or funds. Membership in such bodies is usually compulsory for specified categories of employees. Members' contributions are paid to the societies, which also receive Government subsidies and sometimes employer contributions as well. The societies in turn provide benefits at levels that may not be below certain statutory minimum standards. This type of coverage is found, for example, in Belgium, Denmark, Iceland, Japan, and Switzerland.

A number of countries maintain special systems for certain classes of employees (railroad workers, seamen, or public employees, for example). Some also have provisions authorizing voluntary coverage under the programs for workers leaving covered employment, self-employed persons, or others.

Nearly a fifth of the countries are introducing their programs of health and maternity benefits gradually. Burma, Colombia, El Salvador, Honduras, India, Mexico, Nicaragua, Panama, Peru, Turkey, and Venezuela are among the countries that follow this procedure. Typically, benefits are first provided in the capital city and perhaps certain other centers and are then later extended by stages to other urban or to rural districts. The pace of the extension is usually controlled by the rapidity with which new clinics and hospitals can be financed and erected in different regions.

Source of funds.—In the large number of countries relying on social insurance, conventional social insurance methods are used in financing health and maternity programs; that is, a fixed percentage of payroll is generally payable as a contribution by employers and employees. These contributions are placed in a central fund, from which both cash and medical benefits are financed. A sizable group of countries integrate the financing of health and maternity benefits with that of other types of benefits and require only a single contribution for all.

A majority of foreign countries also provide for some type of Government contribution, so that tripartite financing is, in fact, the most common arrangement. Some countries, however, use only employee and employer contributions. In others, particularly where benefits are provided through mutual societies, only employees and the Government may participate. In contrast, certain countries—including most of those in Eastern Europe—rely exclusively on contributions by the employing establishments. In most countries where medical care is provided to all residents as a public service, the Government usually pays all or the greater part of the cost of such care.

Cash sickness benefits.—Cash payments are made under nearly all foreign programs to workers prevented from working by a nonoccupational sickness or injury. To qualify for such payments, a worker must actually sustain a wage loss; that is, he must be incapacitated for work and not be receiving sick-leave payments, and he must also normally secure medical certification of his inability to work.

The rates at which benefits are paid are generally 50–75 percent of average earnings during the preceding year. Supplements are often provided for recipients supporting a wife or children. A number of countries reduce benefits during hospitalization, with a greater reduction for single persons than for married persons.

Cash sickness benefits are not ordinarily payable if sickness lasts for only a few days; the waiting period is 2–7 days under most systems. A maximum limit on the aggregate number of weeks during which benefits may be drawn is also usually fixed. The most common limit is 26 weeks, but some countries provide for a considerably longer period or even for unlimited duration. Some countries also extend their ordinary duration to perhaps 52 or 78 weeks in special cases—for example, when recovery seems probable during the extension or for special diseases. At the end of the maximum duration, the cash sickness benefit is converted to an invalidity benefit in most foreign countries if it appears that the incapacity will be permanent or of long duration.

Medical benefits for sickness.—As already noted, foreign programs providing cash benefits for sickness nearly always provide medical benefits as well. Varied methods are used to provide such benefits. Under one general approach, insured patients themselves pay such bills as those of doctors, hospitals, and druggists and then receive reimbursement from the social insurance system later. Under a second method, the social insurance system pays doctors and hospitals directly for the services they render to insured persons. The third general method used in some countries is for the social security agency or Government department to acquire its own dispensaries, clinics, and hospitals, as well as its own medical staff, and to provide services directly to the population covered.

The particular kinds of services provided as medical benefits differ somewhat from country to country, but they usually include at least general practitioner care, some hospitalization, and essential medicines. They also often include, in addition, specialist care, dental care, a wider range of medicines, and perhaps certain appliances (such as artificial limbs, spectacles, and dentures).

Where medical benefits are provided through reimbursement or by direct payments to doctors and hospitals, the social insurance payment covers only a part of the cost (for example, 75 percent) in some countries and the patient bears the remaining cost of the treatment. Where medical services are provided directly by the social insurance system or as a public service, patients are also sometimes required to pay a fixed fee per visit or per prescription.

Some countries have no limit on the duration of medical benefits, and others prescribe a maximum, such as 26 weeks, for any one illness. A limit is sometimes placed on the duration of hospitalization paid for by the system, even though there may be no limit on other services. Some countries with a time limit on medical benefits permit an extension in special cases.

Cash maternity benefits.—The great majority of foreign health insurance programs provide cash benefits to insured women workers when they undergo confinement. Prerequisites of such maternity benefits are that the woman abstain from paid work, that she suffer an actual loss of wages, and usually that she take advantage of prenatal and postnatal medical services provided by the system. The percentage of earnings payable as a maternity benefit varies widely—from 50 percent to 100 percent of wages. Benefits usually start about 6 weeks before the expected date of confinement and are commonly payable up to 6 weeks after confinement.

In addition to the basic maternity benefit, a number of countries provide nursing allowances to mothers nursing their children. This allowance is commonly at a rate of about one-fourth of the maternity benefit and may continue for 6 months or longer. Some systems also provide a grant for the layette or else provide the equipment itself. Finally, some health and maternity programs pay a lump-sum maternity grant in respect of each birth. This lump sum is sometimes payable to wives of insured men, as well as to insured women workers.

Medical benefits for maternity.—Nearly all foreign countries providing medical benefits for sickness also provide prenatal and obstetric care, as well as postnatal care, to working women covered by the insurance system. The obstetric care in some cases is furnished by a midwife, though care by a doctor is usually available if required. In addition to medicines, care in a maternity home or hospital is usually provided if necessary. The method used in a particular country for providing maternity care—reimbursement, direct payment, or direct provision of services—is nearly always the same as that for medical benefits generally.

Benefits for dependents.—The majority of foreign social insurance systems that furnish medical care to insured workers provide much the same services to their dependents, who always include the spouse and children and sometimes other relatives living with and supported by the insured person. Under some systems, however, medical benefits for dependents are somewhat more restricted than those available for insured persons. The maximum duration of hospitalization may be somewhat briefer, for example, or a larger percentage of the cost of medicines may be required to be paid. Medical care in maternity cases is generally provided to the wife of an insured man on the same basis as other kinds of medical care.

Since ordinarily the total number of dependents considerably exceeds the number of covered workers, extension of medical benefits to dependents under a social insurance system greatly increases not only the volume of medical services to be provided but the cost of such services. As a result, some of the newer health and maternity insurance programs, as in India and Burma, currently omit medical benefits for dependents although it is intended to provide them later.

Qualifying conditions.—Nearly all programs providing health and maternity benefits require claimants for cash benefits, in addition to being incapacitated, to have completed a minimum qualifying period of insured employment or contribution. The main purpose of this condition is to confine benefits to those who regularly derive their livelihood from employment and thus to those who suffer a genuine wage loss when ill. The length of this qualifying period differs among programs from as little as 1 month to 6 months or longer. The period usually must have been fairly recent —for example, the last 6 or 12 months immediately preceding the claim. The qualifying period for cash maternity benefits is generally somewhat longer, often 10 months of employment or contribution during the last year or two before the claim.

Some social insurance systems require the same qualifying period for medical as for cash benefits. A worker then becomes and remains eligible for both types of benefit concurrently. Other programs, however, prescribe a briefer qualifying period for medical benefits, and some impose no qualifying period—providing medical benefits, in effect, to any worker currently in insured employment.

Administration.—Much the same general pattern of administrative organization exists for foreign health and maternity programs as for old-age, invalidity, and survivor programs. The largest number of countries provide for administration by self-governing semi-autonomous institutions, some of which operate their own medical facilities. Responsibility for detailed administration in certain other countries is placed in the hands of local or occupational sickness funds or societies, which workers are required to join. These societies collect contributions, pay cash benefits, and arrange for the medical care of their members, often through contracts with doctors and perhaps hospitals in the locality. Such funds in some countries are affiliated in turn with larger federations, which carry on coordination activities nationally.

Health and maternity programs in most of the remaining countries are administered by Government departments or agencies. Their administration is often linked with that of other social security benefits under a single integrated program.

Unemployment Benefit Programs

Unemployment insurance or related programs now exist in 26 countries. Most are found in Western Europe, where there is a program in every country except Iceland and Portugal. In the Americas, Canada, Chile, and Uruguay (in addition to the United States) have programs; those of Chile and Uruguay are fairly limited. Japan is the only Asian country with a program, and the one program in Africa is that of the Union of South Africa. Most systems now in operation were established before 1940; few new programs have been set up in recent years.

Types of program.—About three-fifths of the programs are compulsory insurance programs of broad scope. In addition, three Scandinavian countries (Denmark, Finland, and Sweden) have systems of an insurance character; they are, however, based on the principle of subsidized voluntary insurance and managed by unemployment funds organized voluntarily by trade unions.

Four other countries included (Australia, France, Luxembourg, and New Zealand) do not have unemployment insurance programs proper but maintain comprehensive systems of unemployment assistance. The system in Chile provides limited benefits for salaried employees only, that of Uruguay is essentially a guaranteed-wage plan for a few industries, and the Spanish program deals only with special technological unemployment.

Coverage.—The compulsory unemployment insurance programs are about equally divided between those covering employed persons generally and those that are confined largely to nonagricultural employees. A few exclude salaried employees whose earnings are above a certain amount, and a number have special provisions restricting the coverage of various types of seasonal and temporary workers. Special systems—usually for seamen, dock workers, and building workers—are also found in a number of countries.

The coverage of the voluntary systems is considerably influenced by the extent of union organization. Nearly half the employed population is covered by the voluntary systems of Denmark and Sweden. The unemployment assistance programs, except in Luxembourg, have no specific occupational limits on coverage; they may even under some circumstances make payments to self-employed persons who are without work, if their means are less than the maximums allowed.

Source of funds.—Methods of financing unemployment insurance do not differ markedly from those of other forms of social insurance. Most foreign programs are financed by special contributions paid by insured persons and employers, with the Government adding a subsidy in a number of countries. Contributions under all but a few are expressed as a percentage of payroll. No other country follows the practice adopted by the United States of varying the contribution rate of employers according to their individual unemployment experience. In a few countries, however, there is variation of contribution rates for all employers in an industry according to the unemployment experience of the industry as a whole.

The voluntary insurance programs obtain their revenue almost exclusively from insured persons and the Government. The four unemployment assistance programs, in contrast, are financed exclusively by the Government.

Benefit amounts and duration.—

The size of the unemployment benefit is expressed as a percentage of the average wages of the recipient during a recent period under a majority of unemployment insurance programs. The legal percentage is most commonly perhaps 50–75 percent of earnings; in some countries, however, a ceiling on earnings taken into account for benefit purposes or maximum benefit provisions narrow considerably the proportion of workers for whom the legal percentage of wages is actually operative. Most programs also provide flat supplements or an additional percentage of earnings for dependents, when the unemployed worker is the head of a family.

A few countries, instead of varying benefits with past wages, pay flat benefits to unemployed workers, which differ only with the marital status and age of the worker or the size of the community where he lives. This practice is followed, for example, in Belgium, Ireland, and the United Kingdom.

Unemployment benefits are not usually paid for the first few days of joblessness. Most programs have a waiting period of 3–7 days, though a few provide a shorter period. Under some the waiting period needs to be served only once a year; elsewhere it must be served for each fresh spell of unemployment. Special lengthened waiting periods are sometimes prescribed for particular classes of workers, such as seasonal employees.

Most unemployment insurance programs also place a limit on the maximum period of time during which benefits may be drawn. This maximum duration is ordinarily expressed as a fixed number of weeks and varies among countries from as few as 8 weeks up to 36 weeks or even longer in certain cases. The most common limit is 26 weeks.

Some programs have additional provisions that link the maximum number of weeks during which benefits are payable to the length of the preceding period of coverage or contribution of each individual claimant. These provisions sometimes operate in such a way as to reduce the maximum duration for workers covered only briefly to a period considerably shorter than the statutory maximum. On the other hand, some programs have provisions that enable workers with a long history of coverage to have their benefits extended well beyond the ordinary maximum period fixed by law. In the United Kingdom, for example, a worker under certain circumstances can build up rights to unemployment insurance benefits for 19 months.

A number of countries with unemployment insurance programs also maintain a supplementary unemployment assistance system. Workers who have exhausted their rights to ordinary insurance benefits thus may continue to receive some form of unemployment assistance payment under these systems, subject to an income or means test. Recipients are usually required to continue their registration at an employment exchange, just as under unemployment insurance.

Qualifying conditions and disqualifications.—To obtain benefits under unemployment insurance, workers must be involuntarily unemployed and must also usually have completed a minimum qualifying period of employment or contribution. Most foreign programs require the qualifying period to be served within the last year or so before unemployment occurs, with 6 months the most commonly prescribed minimum.

To qualify for benefits under nearly all foreign unemployment insurance laws, the applicant must be capable of work and available for work. Likewise, practically all programs require workers to register with an employment exchange and to report regularly to it thereafter.

There are various circumstances under which workers are disqualified from receiving unemployment benefits, even though they satisfy the qualifying conditions. Thus, workers are disqualified in most countries if they left their previous employment voluntarily without good cause, if they were dismissed because of their own misconduct, or if they were participating to a specified degree in a labor dispute whose resulting work stoppage led to their unemployment. The periods during which the disqualifications remain in force differ considerably from country to country, ranging from only a few weeks to permanent disqualification.

A beneficiary will have his benefits suspended temporarily or permanently, in nearly all countries, if he refuses without good cause an offer of a suitable job. All laws require the employment offered to have been suitable for the worker, although the definitions of suitable employment used are not the same. Among factors often dealt with in such definitions are wages of the new job in relation to previous earnings, its location in relation to the worker's home, its relationship to the worker's previous occupation and physical capabilities and training, and the extent to which it may be an unhealthy or dangerous job.

Administration. — Unemployment insurance in some countries is administered by Government departments; elsewhere administration is usually entrusted to self-governing institutions managed by boards containing representatives of insured persons, employers, and perhaps the Government. Under either type of administration, the agency responsible for unemployment insurance sometimes administers other branches of social security as well. The unemployment funds of Denmark, Finland, and Sweden are administered entirely by trade unions.

There is a close link between administration of unemployment insurance and employment services in nearly all foreign countries. Some countries completely merge the two, especially at the local level, where claims are often received and paid by the labor exchange itself. Others require beneficiaries to register with an exchange, but a separate social insurance office receives claims and pays benefits.

Family Allowance Programs

Programs under which regular cash payments are made to families with children existed in only a few countries before World War II, but they have since spread fairly rapidly. They are thus in a sense the newest of the main social security branches. Of the 38 such programs, a majority are found in Europe. Relatively few are yet in operation in other parts of the world.

Coverage. — Family allowance systems fall into two main categories from the standpoint of the types of families covered. Allowances are paid in some countries—mainly Scandinavian and British Commonwealth countries—to virtually all resident families having the requisite number of children. In another and slightly larger group of countries, eligibility is made an incident of the employment relationship, with allowances restricted in principle largely to families of employed workers. A few in the second group, however, also cover all or some self-employed workers as well. Most countries that link eligibility for allowances with employment nevertheless continue the allowances when a worker becomes a social insurance beneficiary, even though—at least temporarily—he is not working.

Another aspect of coverage is the relative size of the families to which allowances are payable. Considerable difference exists in this respect, although more than half the countries pay allowances to all eligible families with children, even those with only one child. Most of the other countries limit allowances to families having at least two children, or else to those with three or more.

Source of funds.—The basic structural differences in the coverage of foreign family allowance programs are reflected in their financing. The entire cost of the program is generally borne by the Government out of general revenue in countries where all resident families with the requisite number of children are eligible. In contrast, most programs that relate eligibility to employment status are financed exclusively from employer contributions. An employee contribution toward family allowances is rarely required, although self-employed persons contribute in some countries.

Allowances. — Formulas determining the amount of the allowances, which are not usually scaled to individual earnings, take two main forms. Some programs provide allowances that are uniform in amount for every eligible child, irrespective of the number of children in a family. The others involve a progressive increase in the allowance for each additional eligible child in a family; the allowance for the fifth child, for example, may be considerably larger than that for the first or second child. A few programs also provide larger allowances for older than for younger children.

The allowances for any given child usually cease when the latter reaches a specified age—commonly 15-18. The majority of countries increase this normal limit by several years for children who remain in school or who are apprentices. The limit is also either increased or removed entirely for children who are disabled.

Administration.—Programs under which allowances are paid to all families are customarily administered by Government departments. Those limited to employed workers, in contrast, are usually administered by special semi-autonomous bodies under public supervision. Under the latter form of administration, so-called equalization or compensation funds are often set up to handle financial operations; employers pay allowances directly to their own employees and then settle with the appropriate local fund for only the surpluses or deficits of contributions due after deduction of allowances paid. A similar procedure is then followed by national or regional equalization funds in relation to the local funds under their jurisdiction.

Work-Injuries Insurance

Programs providing compensation for injuries and occupational diseases suffered during employment are both the oldest branch of social security and numerically the largest. More than 75 countries in all parts of the world now have such a program, and there are few countries that do not have some legislation in this field.

A number of the original laws date back many years, and in many foreign countries some form of occupational injuries insurance represented the first type of social security measure to be adopted. In a few countries it is still the only type in force. There has been a trend in recent years toward some amalgamation of work-injuries insurance with other social insurance measures, and from time to time adjustments have been made in benefit rates. By and large, nevertheless, legislative changes have proceeded rather slowly in this field.

Coverage.—Because of its nature, work-injuries insurance is generally restricted to employees, though a few countries have made such protection available to some of the self-employed. A number of the more highly industrialized foreign countries now cover virtually all employed persons. In a substantial group of other countries, especially those that are predominantly agricultural, all agricultural employees are excluded or only those employees in agriculture are covered who use power-driven machinery.

Source of funds.—Work-injuries insurance is financed entirely by employers in the great majority of countries. The principal exception is where it is an integral part of a general social insurance program that is financed from contributions by employers, the insured, and the Government. There is a considerable difference among the programs, however, in the manner in which employers finance the benefits provided.

Some workmen's compensation laws simply place on each individual employer the responsibility for paying benefits prescribed by law and do not require him to carry insurance. Many employers covered under such laws in practice pay benefits directly from their own funds as injuries occur. Others voluntarily take out a private or mutual insurance policy of some kind to protect themselves against their risk.

The programs of a second sizable group of nations, in contrast, require all or most employers to insure themselves against occupational injuries to their employees. This insurance can be placed only with a private company in some countries, since there is no central publicly operated fund with which to insure. In other countries a public fund exists, but employers have an option of insuring with this fund or with a private carrier. A certain number of laws of this type also permit some employers to carry their own risk through the principle of self-insurance. The premiums that private or mutual carriers charge usually vary according to the incidence of work accidents in different undertakings or industries, so that the cost of protection differs considerably among employers.

In a third group of countries, there is a central fund that has been established either as an integral part of the general social insurance program or separately. All employers subject to the law are required to pay contributions to this fund, from which in turn all benefits are paid. Under some programs, contribution rates vary among employers according to the risk of work injury in the undertaking or industry concerned. In others, especially where work-injuries insurance is linked closely with other types of social insurance, there is nationwide pooling of the risk, and the same contribution rate is paid by all employers.

Benefits for workers.—Temporary disability benefits are usually payable from the start of incapacity resulting from a work injury, although often there is a waiting period of perhaps 2 or 3 days. They normally are continued for a limited period of time thereafter, such as 6 months or a year, if the incapacity lasts that long. There is never any minimum qualifying period of employment.

The rate of temporary disability benefits in nearly all foreign countries is expressed as a percentage of the average earnings of the injured worker during a short period immediately before his injury. The specific percentages are usually at least 50 percent and in some countries are as high as 100 percent of previous earnings. The percentage rate for temporary disability benefits under work-injuries insurance is customarily somewhat higher than that payable for ordinary sickness.

A second type of cash work-injury benefit is that paid in cases of permanent total disability. This benefit usually becomes payable immediately after termination of the temporary disability benefit and is based upon a medical finding that the incapacity of the worker is both permanent and total.

The benefit generally consists of a pension, payable for life, that equals a percentage of the injured person's average earnings. The percentages represented by these pensions are generally larger than those for an ordinary invalidity benefit in the same country; under most systems they are between two-thirds and three-fourths of earnings below a specified ceiling. Unlike invalidity benefits, moreover, the percentages rarely vary with the length of time a worker was covered. A supplement is often added if the beneficiary requires the constant attendance of another person. A minority of countries do not provide any pension but pay a lump sum equal to several years' wages.

A third type of cash benefit is paid for permanent partial disability. Such a benefit is payable when victims of a work accident have lost only part of their working or earning capacity. It is also commonly paid in the form of a pension and is usually equal to that proportion of a full benefit that corresponds to the percentage loss of capacity. In some countries, the benefit for permanent partial disability consists of a lump-sum payment rather than a pension and is equal to fewer years' wages than that paid for total incapacity. A number of systems also provide for commuting the periodic benefits into a lump sum if they are less then a stated percentage—say 20 percent—of earnings.

The other main form of benefit provided to injured workers consists of medical care. This benefit is generally provided entirely without cost to the worker. In a number of countries it includes a wider range of services than are available to insured persons generally under ordinary sickness insurance. No specific limit is placed in some countries on the period during which the services are provided, but in a number of others the amount of free care is subject to a maximum time limit on duration or a maximum monetary cost figure.

Benefits for survivors.—Many foreign countries pay regular benefits to survivors of workers who die as a consequence of a work injury. Such benefits are customarily payable to a widow of any age until her death or remarriage, to a disabled widower, to half and full orphans while they are under a specified age, and sometimes also to dependent parents or other relatives.

The amounts are usually expressed as a percentage either of the worker's recent average earnings or of the periodic benefits he received or might have received at his death. The percentages are usually somewhat higher than those for ordinary survivor benefits under the general insurance program and do not vary with the deceased worker's duration of employment. They are usually about 30 percent of his average earnings for a widow, about half as much for each half orphan, and about two-thirds as much for each full orphan. A limit of 60–75 percent of earnings is often placed on the total amount that may be paid to all survivors.

Not all foreign systems provide benefits for survivors, however, since a certain number pay only lump-sum amounts equal to a specified number of years' earnings of the deceased person. Most systems also pay some kind of a funeral grant, such as 1 month's wages.

Administration.—A wide variety of administrative arrangements are used in different countries in the application of work-injuries insurance legislation. In some countries the same agencies, whether governmental or semi-autonomous, that administer other social insurance programs also administer this branch of social security. In others, it is entrusted either to a Government department not otherwise engaged in social security administration or to a special agency established for dealing with this one program alone. The functions involved in administration obviously differ considerably between countries where employers are not required to insure at all or can insure themselves only with private carriers and those having a publicly operated fund where the administrative agency is responsible both for collection of contributions and payment of benefits.