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## Social Security Abroad

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RECENT DEVELOPMENTS of significance in the field of social security are reported for several countries in the notes that follow.\*

### Prospects for Unemployment Insurance In Israel

A report on the questions of unemployment insurance and unemployment grants has recently been submitted to Israel's Minister of Labor by a committee representing government, labor, and management. Established in December 1966 during a period of recession, the committee bases its report on two principal assumptions: (1) that it is the responsibility of the state to provide employment for all job seekers or to pay unemployment grants to those for whom jobs cannot be found, and (2) that providing employment is preferable to paying grants. In a broad sense, the recommendations are equivalent to guaranteed employment for members of the labor force, since all who are not working but are able to do so are provided with jobs through the labor exchanges, given relief work, or given grants.

These recommendations—and earlier discussions of measures to counter unemployment—emphasize job-finding, relief work, and temporary assistance payments, rather than benefits based on a formal program of unemployment insurance. General recommendations of the committee include the following:

- entitling a unemployed worker to a number of days of relief work, depending upon his family situation;
- determining the wages of relief workers by regulations;
- making the right to relief work contingent on training (with exemptions in certain cases);
- paying special unemployment grants, financed from general revenues, to those who do not receive a minimum number of days of relief work;
- denying grants to unemployed persons who refuse “appropriate work” offered by the unemployment exchanges (with the principles for defining “appropriate work” determined by the Minister of Labor).

The committee emphasized these measures as short term solutions in view of the existing em-

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\* Prepared by International Staff, Office of Research and Statistics.

ployment situation. In effect, they represent a continuation of the existing apparatus of relief work and emergency grants set up in April 1967. For the long run, the committee proposed that unemployment insurance be considered the solution.

### Recession

When the public committee was set up in December 1966 to examine the need for “assured employment and unemployment insurance” the country was faced with mounting unemployment for the first time in a number of years. From 1958 to 1966, the unemployed constituted less than 4 percent of the labor force. These were years of full or “overfull” employment, with labor shortages existing in many sectors of the economy. The unemployed were those unable to fill the thousands of vacant jobs because of lack of skill or education or those who lived too far from job locations. Such persons were to be found chiefly in the development towns established under the country's population dispersal policy, and most of the inhabitants were relatively recent immigrants. Work relief projects employing several thousand persons were concentrated in these towns.

In 1966, a rise in unemployment occurred in the development towns as well as a small increase in unemployment in the more urbanized coastal areas. By 1967 total unemployment was variously estimated at up to 10 percent.<sup>1</sup>

In analyzing the recession, the Minister of Labor stated<sup>2</sup> that although the government saw as its duty the provision of employment for all, it was necessary to divert economic activity to productive branches of industry to bring about a better balance of the economy as a whole, to improve the balance of payments, and to make possible a continuation of full employment in the future. He felt that the change of direction was responsible for a transitory period of unemployment that had led to a virtually stationary gross national product for two years.

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<sup>1</sup> Joseph Neipris, “Social Services in Israel,” *The Israeli Economist*, Jerusalem, August 1967, pages 156-160; see also *Labour and National Insurance* (Ministry of Labor), January 15, 1968, pages 30-31, and February 15, 1967, pages 66-67.

<sup>2</sup> *Labour and National Insurance*, November 15, 1967, pages 342-343.

More specifically, the recession was manifested in a decline in housing construction (pacing the decline in immigration), a decline in the growth of public services, the completion of large projects such as the new Port of Ashdod and national water facilities, and some slowdown in industrial growth.<sup>3</sup>

### Anti-Recession Moves

Underemployment, as well as unemployment, has been a matter of concern to the government. It has been officially estimated that the problem affects from 10 to 15 percent of the labor force. One solution has been the stimulation of labor mobility. The Minister of Labor appointed an interdepartmental investigatory committee in May 1966. A number of the recommendations of this committee concerned social security. Among other things, it recommended that Histadrut (General Federation of Labor) be encouraged to adopt a unified pension system and to sign agreements to ensure the free transfer of full pension rights, so that the worker would lose none of his accrued rights by moving from one pension fund to another. In general, the committee proposed investigation of the possibility of introducing a single comprehensive pension scheme to cover all workers. It also recommended that the severance pay law be amended to safeguard accrued severance pay for workers moving from one job to another, to include severance pay in a comprehensive pension system, and to make health payments transferable.

A second move involved the creation, in April 1967, of means-tested unemployment grants for able-bodied persons aged 21-65 seeking employment. The grants, which were to supplement the work relief program, generally excluded owners of farms. A 4-month waiting period was required for persons who were not salaried workers or were not registered with the labor exchange as of January 1, 1967.

Debate has centered on the establishment of unemployment insurance by law. At the present time, the Minister of Labor and Histadrut do not favor such a move, although they do not oppose

<sup>3</sup>U.S. Bureau of Labor Statistics, *Labor Law and Practice in Israel*, 1967, page 33, and *Labour and National Insurance*, April 14, 1967, pages 142-143.

it in principle. Opposition has generally been on the grounds that unemployment insurance would be costly and that it might lead to a weakening of the policy to direct all able-bodied individuals to productive labor. At hearings of a parliamentary committee on proposals to establish a system by law, Histadrut's position was that if unemployment insurance were adopted at some future time it should include the following provisions:

- (1) financing by the government to maintain flexibility during periods of unemployment and to permit a freeze during periods of more than full employment, or, alternatively, tripartite financing;
- (2) linkage of unemployment insurance rates to wage rates for relief work rather than to previous wages during employment; and
- (3) payments of benefits only when the government is unable to provide work or an unemployed person is unable to work.

### Extension of Social Security Coverage in Chile

The Chilean Congress passed legislation early in 1968 to (1) extend the coverage of work-accident and occupational illness insurance and (2) authorize the establishment of a new health insurance program for salaried employees in the public and private sectors. Both measures were introduced in Congress several years ago and enacted only after considerable discussion. The first law extends coverage for work injuries to virtually the entire labor force; the second covers one-half or more of medical costs and introduces sick pay for salaried employees.

### WORK-ACCIDENT AND OCCUPATIONAL DISEASE INSURANCE

The new law establishing work-accident and occupational disease insurance, signed January 23, 1968, provides for compulsory coverage of all wage earners and salaried employees, including domestic servants and apprentices. It replaces the voluntary work-injury law of 1931 for employed persons which covered only 29.5 percent of the working population subject to social security (34.5 percent of the wage earners and 10.6 percent of the salaried employees).

The President of Chile has 1 year in which to