Social Security Abroad

Liberalizations In Turkey*

In a law enacted October 1969, Turkey introduced a number of significant changes in its social security system. Inaugurated in the period after World War II and last revised in 1964, the social security program provides old-age, invalidity, and survivor benefits, health services, and workmen's compensation. Unemployment insurance is still in the planning stage. Presently the system covers more than 1 million workers in industry out of a nonagricultural labor force of about 4 million.

The changes provide for a revision of the benefit formula and lower the retirement age for the second time in a decade. A number of liberalizing provisions, particularly with respect to health and disability, are also included in the law.

The improvement of benefits brought about by the formula revision will compensate for the relative decline in values of pensions that has taken place against the background of inflation and rising incomes of the working population. Turkey now enjoys a high rate of industrial growth—well over 10 percent annually. As a result, annual increases of about 11 percent a year in the daily earnings of nonagricultural workers have been possible in recent years. In addition, a large number of Turkish workers have found employment in Western Europe, where chronic labor shortages have also driven up wages at a rapid rate. These workers send home remittances that are important to continued economic progress. Those who return to Turkey bring back new skills that also contribute to domestic progress. For pensioners, however, the economic growth has seemed at times to bring only a decline in well-being.

Prices have also gone up but less rapidly than wages, averaging about 5–6 percent a year in Ankara and about 8–9 percent in Istanbul, as the two leading cost-of-living indexes indicate. Since the social security system currently has no automatic provision for periodic adjustment of pensions in force and since there has been no ad hoc revision for a number of years, social and political pressures had arisen for increases, particularly before national elections of last October.

FORMULA CHANGES

The new law goes beyond increasing benefits on a simple cash or percentage basis. It revises the benefit formula in a way calculated to cope more realistically with inflationary trends in the years immediately before retirement. The 1964 formula set old-age benefits at 50 percent of average annual covered earnings, calculated on the basis of the highest 7 of the last 10 calendar years preceding retirement.

Under the new formula the pension is 70 percent of earnings in the highest 3 of the last 5 years. Before the change, earnings credited for the granting of a new pension had been revalued on the basis of an annual index, but there was a lag factor of about 2 years. Shortening the period of years used for computation is designed to benefit the new retiree by minimizing the negative effect of the time lag.

A fully qualified retiree who in 1969 would have been entitled to a pension of about 48 percent of his last year's gross earnings would receive 66 percent under the new formula—a theoretical improvement of more than 40 percent. The new law does not provide a mechanism for automatic adjustment of pensions in force to compensate for inflation. Now, however, the replacement level has been raised to one that will presumably afford the pensioner a relatively adequate pension for a longer period of time even with continuing inflation.

CEILING RAISED

As one means of financing the improvement, the taxable base has been increased by raising the ceiling on taxable earnings while the contribution rates remain the same. The current rates are 9 percent of earnings for the worker and 11 percent of payroll for the employer. For workmen's compensation, the contribution, paid entirely by the employer, varies.

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Raising the ceiling from 100 lire to 120 lire ($1 equals 9 lire) has made a much larger part of the total national wage bill subject to social security taxation. The percentage taxed is, however, still considerably lower than was the case immediately after the last change in 1964. At that time, when the ceiling went from 50 lire to 100 lire, it stood at a level that was five times daily average earnings in the nonagricultural sector.

By 1969 this relationship had declined to three times average earnings. Thus, the new ceiling of 120 lire only partially restores the relationship by setting the ceiling back to about four times average earnings.

The retirement age was lowered from 55 to 50 for women and from 60 to 55 for men. The trend toward lower retirement age that began with the 1964 legislation—which dropped the age for women from 60 to 55 and for men from 65 to 60—was thus continued. Like some of the other new provisions in the 1969 law, this change represented a realistic approach since it aligns the social security program more closely with life expectancy rates in Turkey. The life expectancy of an infant at birth is presently 56 years; for each child at age 5, presently, life expectancy goes to age 60. The number of old-age pensioners aged 60 and older in 1967 was 2,239, according to official statistics. In addition, there were 1,739 disability pensioners aged 60 and over.

OTHER MEASURES

Under another liberalizing measure, old-age and disability pensioners no longer must contribute 20 percent of the cost of medicine required during illness. Health insurance will now cover the entire cost.

The requirements for disability insurance have been relaxed slightly to make eligible more workers whose work history was made up of short-term or seasonal employment or broken by periods of employment in Western Europe. Previously an individual must have worked an average of 150 days a year in establishing a total of at least 1,800 days of paid insurance before the onset of disability. The required annual average has now been reduced to 120 days.

RECENT PUBLICATIONS

(*Continued from page 12*)

LOTAN, GIORA. *National Insurance in Israel.* Jerusalem: National Insurance Institute, Oct. 1969. 162 pp.

The Director General of Israel's National Insurance Institute from its establishment in 1954 to 1969 reviews the years of building a social insurance program.

OKUN, ARTHUR M. *The Political Economy of Prosperity.* Washington: Brookings Institution, 1970. 152 pp. $4.95.

Explores "the areas of agreement and disagreement among economists in their policy recommendations to the U.S. Government and reviews the experience with stabilization policy in the sixties."

TAX FOUNDATION, INC. *Tax Credits: Past Experience and Current Issues.* New York: The Foundation, 1969. 35 pp. $1.50.

Reviews experience of various levels of government with tax credits and provides background for an evaluation of their efficiency.

U.S. PRESIDENT'S COMMISSION ON INCOME MAINTENANCE PROGRAMS. *Poverty Amid Plenty: The American Paradox.* Washington: U.S. Govt. Print. Off., 1969. 155 pp. $1.75.

VELDKAMP, GERARD M. J. "A New Dimension for International Co-operation in Social Security." *International Labour Review*, vol. 100, Aug. 1969, pp. 131–139. $1.25.

New forms of international action to aid developing nations in building elementary social insurance systems to cover basic urgent needs.

WOGAMAN, PHILIP. *Guaranteed Annual Income: The Moral Issue.* Nashville, Tenn.: Abingdon Press, 1968. 158 pp. $3.50.

Presents arguments for and against guaranteed annual income.

RETIREMENT AND OLD AGE

HAVIGHURST, ROBERT J., and others, eds. *Adjustment to Retirement: A Cross-national Study.* Assen, The Netherlands: Van Gorcum & Co. N.V., 1969. 195 pp. $21.65.

Focuses on retired men aged 69–75 (former school teachers or workers in heavy industry) in Austria, England, France, West Germany, Italy, the Netherlands, Poland, and the United States.

U.S. CONGRESS. SENATE. SPECIAL COMMITTEE ON AGING. *Pension Aspects of the Economics of Aging: Present and Future Roles of Private Pensions.* Washington: U.S. Govt. Print. Off., 1970. (91st Cong., 2d sess., Committee Print.) 61 pp.

Working paper on private pensions and their relation to income-maintenance problems of the aged.

BIXBY, LENORE E., and IRELAN, LOLA M. "The Social Security Administration Program of Retirement Research." *The Gerontologist*, vol. 9, Summer 1969, pp. 143–147.

Describes recent Social Security Administration surveys of aged social security beneficiaries and notes differences in design and emphasis of early studies.

HEALTH AND MEDICAL CARE

ENNES, HOWARD. "The Insurance Industry Looks Ahead