Worldwide Developments in Social Security, 1967–69*

IF A WORKER in Western Samoa becomes totally disabled from an on-the-job injury he can receive benefits amounting to 80 percent of his earnings for as long as 6 years. But in Laos, benefits for the totally disabled injured on the job consist of a lump-sum payment amounting to the worker's earnings for 12 months. Meanwhile in Swaziland, where cattle and goats are the principal livestock, the workmen's compensation program excludes herdboys injured on the job.

These are but three details among thousands reported in *Social Security Programs Throughout the World, 1969*, published recently by the Social Security Administration's Office of Research and Statistics. The new edition is the latest in a series first issued in 1940 to analyze the principal provisions of social security programs in all countries of the world. In perusing the 274 pages of the new volume, two major impressions are immediately apparent.

First, social security programs, as defined by the report, have become in a comparatively short time almost as traditional to the business of government as the raising of armies or the levying of taxes.

In 1969 there were 132 independent countries in the world. No less than 123 had at least one type of social security program in operation. The diminishing minority without social security of any type included Equatorial Guinea, Kuwait, Lesotho, Maldive Islands, Mauritius, Nauru, North Korea, Nepal, and Southern Yemen.

In the 20 years from 1949 to 1969, 65 nations were added to the number with programs. Much of this expansion was among the 55 new nations who were gaining their independence during these years.

A second major impression from the study is that, although forms of social security in several European countries are now 85 to 90 years old, no universal, patented, how-to-do-it formula has yet been devised that is universally accepted as *the way* to create and administer a social security program. With 123 sovereign nations operating one or more programs an enormous diversity exists. The variations from country to country reflect the economic development of each nation. They also reflect the cultural traditions and the individuality that distinguish the people of one nation from another. This versatility of the social security mechanism, its ability to adapt to local conditions, may well explain how 93 percent of the nations of the world could make such programs available to their people.

The effort made by many countries to refine and adjust existing programs to meet their individual needs has been the most significant social security development since 1967—the date of the last previous edition of *Social Security Programs Throughout the World.* The basic structure of many programs have been modified. Rising income and price levels in recent years, as well as other factors, have led to major adjustments of benefit formulas and amounts in numerous countries. The occupational and geographic coverage of social security has been broadened in various ways. Just as compilers of previous editions of this report were hard put to chart the rapid rate of social security expansion into new countries where it was unknown before, for the 1969 edition one problem was to include the constant and dynamic changes taking place in so many long-established systems.

WHAT IS SOCIAL SECURITY?

The types of programs that fall under the heading of "social security programs"—distinct from group or private measures of protection—differ somewhat from one country to another. On some of the chief characteristics of such programs, however, there is fairly general agreement, and these have been taken into account in determining which programs to include in the report.

One major characteristic of these social security measures is the provision of some kind of cash

* Based on information from *Social Security Throughout the World, 1969*, Social Security Administration, Office of Research and Statistics, 1970.

payments to individuals to replace, at least in part, the loss or deficiency in their income caused by one or more of these long-term or short-term contingencies: old age, invalidity, and death; sickness or maternity; work injury; and unemployment. Measures that provide regular cash allowances to families for the maintenance of children are also regarded as social security programs. In addition, statutory programs that provide curative medical services to individuals (other than traditional public-health services), or that are concerned with the financing of curative services, are usually considered a form of social security provision.

Another characteristic of social security programs is their creation by public statutes—whether or not the actual program administration is entirely in public hands.

The approach used in providing the cash payments and services mentioned above is a third characteristic. Three major approaches may be distinguished: social insurance, public service, and social assistance. It is not easy to define any of these approaches with precision, for they all appear in a variety of forms in different countries. Nevertheless, they provide a useful basis for classifying diverse types of social security measures in the compilation of the report.

Against this background, the status of foreign social security programs since 1940 is reflected in the following tabulation:

Type of program	1940	1949	1958	1969
Any type	57	58	80	123
Old-age, invalidity, and survivor	33	44	58	97
Sickness and maternity	24	36	59	68
Work injury	57	57	77	120
Unemployment	21	22	26	34
Family allowance	7	27	38	62

Work-Injury Programs

The most common type of social security program is one that provides compensation for work-connected injuries and diseases. In 1969, 120 countries in all parts of the world offered such programs.

Some of the original laws for these programs date back to the 19th century. Germany and Poland were among the first to enact such provisions (1884), with Austria, Czechoslovakia, and the United Kingdom following in 1897. The first United States legislation was enacted in 1908 for the protection of Federal employees, and 10 States enacted laws in 1911.

The report notes that programs of this kind change rather slowly as a rule and tend to retain their basic structure over a long period. The trend in recent years, however, has been toward placing such programs on a social insurance rather than a private insurance basis. Among countries that have made major structural changes since 1967 are Brazil, Chile, Guyana, Malaysia, and Spain.

The scope of most work-injury programs is commonly limited to employees working for an employer, with the benefits financed solely by the employer. The principal exception is in countries where work-injury insurance forms an integral part of a general social insurance program financed by contributions from insured persons, employers, and the government. Among the highly industrialized nations practically all those employed in the country are covered. In predominantly agricultural countries, all agricultural employees are commonly excluded. The herdboys of Swaziland, noted above, are thus excluded from that country's program.

But even in this most widespread social security program, one finds the element of diversity. Rumania, for example, provides the usual work-injury benefits for employees but also makes such benefits available to students—an occupation not usually considered hazardous (except perhaps on the playing field or during demonstration marches).

Old-Age, Invalidity, and Survivor Programs

Ninety-seven nations had some type of old-age, invalidity, and survivor benefit program by 1969. They included all countries of Europe, where public pension systems originated during the first decade of this century or earlier. Only 1 of the 26 nations of North and South America is without this form of social security. The program is less universal in Africa, Asia, and Oceania.

Following the early European experience with pension provisions before World War I, a considerable number of systems came into being in the 1930's and 1940's. The United States program dates from this era. Yet well over half of all pension systems in force in 1969 were less than 20 years old. Since 1967, new programs have been launched in Niger, Uganda, Malagasy Republic, Rogo, Guatemala, Guyana, and El Salvador.

Many older systems have made fundamental changes in the basic character of their public pension systems since 1967. Argentina raised its pensionable age, changed its benefit provisions, and merged numerous separate systems. Belgium merged its wage-earner and salaried-employee systems and introduced a guaranteed minimum pension. Denmark abolished the means test for a universal pension. Still other significant changes or reforms were adopted in France, Italy, and Spain. New benefit provisions were added in many countries.

About 4 out of 5 percent of the 97 systems use, either in whole or in part, the social insurance approach as a means of providing protection against the economic consequences of old-age, invalidity, and death.

Universal pension programs are found in seven countries. Under these programs an old-age pension is payable to every permanent resident in the country above a specified age, without being subject to any condition relating to prior contribution, employment, or income. Some type of supplemental assistance payment for the aged is also available in these countries. The Scandinavians provide universal invalidity and survivor pensions as well. New Zealand provides income-test pensions for invalids and survivors. In Canada, social insurance pensions are payable along with the universal pension.

Another small group of countries provides, potentially for any resident, pensions that are subject to some kind of income or means test.

The risks of old-age, invalidity, and death, with which pension programs deal, constitute a potential threat to all segments of a country's population. This is true irrespective of the manner in which workers derive their livelihood. The scope of pension programs in terms of groups, occupations, industries, and regions covered, therefore, is an important matter of national policy.

Social insurance programs necessarily require considerable administrative and financial contact with insured persons for a number of years before they finally become eligible for pensions. As a result, administrative and financial difficulties may oblige new social insurance programs to have a fairly restricted coverage during their early years. They may also allow only a gradual extension of coverage over a long period. Particularly in the early stages of industrialization of a new country, a large part of the population may still be living in a predominantly non-cash, tribal type of economy. In this case modern social insurance arrangements may not be the most suitable method of assuring an income to the nonworking members of the community.

With so many factors and variables to be considered by each country, it is not surprising that contribution rates in force under the different systems are set at many levels. The combined employer-employee rate ranges from as low as 3 percent in some countries to more than 30 percent of payroll in others.

Likewise the minimum age at which pensions are payable shows great variation. The range for ordinary workers is, in fact, from as low as 50 years up to as high as 70 years. The greatest concentration, however, is at ages 60 and 65. In general, the more northern the latitude, the higher the minimum age.

About half the programs have the same pensionable age for women as men. Others, like the United States program, permit women to draw a full pension at an earlier age than men, despite their usually longer life expectancy. The differential in most cases is 5 years.

Under a majority of social insurance programs, workers are required to retire before they can qualify for an old-age pension. Some countries—including Canada, Israel, Italy, the United Kingdom, and the United States—eliminate the retirement requirement after pensioners reach a specified age above the minimum pensionable age. But in Brazil, Chile, France, West Germany, Ireland, the Netherlands, and some other countries an old-age pension is payable even if the pensioner continues to work full time.

Variations in all of these programs distinguish the social security system of one country from another. Retired farmers in West Germany, for example, may take 3-week vacations with their wives, and the social security system pays the salary of someone to run the farm while they are away. The Swedish system authorizes housewives with 2 or more children under age 14 and income below a specified limit to get away from the "work which is never done" by paying for an annual vacation. And in Austria, where tradition holds that a girl without a dowry may never become a bride, the social security system provides a dowry benefit for the daughters of covered workers.

Survivor benefits are paid under nearly all programs to at least some categories of widows. The rate of a widow's pension is customarily from one-half to three-fourths of the pension of the deceased worker. And ordinarily not more than one widow claims a deceased spouse's benefit. But in Libya, where polygamy is the accepted custom, social security will pay survivor benefits for as many as 4 widows of a deceased worker. In such cases the benefit is divided equally among the surviving beneficiaries. In still other countries, a mistress can qualify for a survivor benefit.

Sickness and Maternity Programs

The third most widespread form of social security—sickness and maternity programs—was found in 68 nations in 1969. This total does not include various countries in which one or more limited types of sickness benefits are provided. Nor does it include about 20 countries with some type of maternity insurance program only.

Germany's sickness insurance program for workers, established in 1883, was the first of this type. All nations in Europe now have such programs, as do all but five of the countries of North and South America. In many of the latter group, however, the scope of the programs is quite limited. In Asia, Oceania, and Africa, sickness benefit plans tend to be the exception rather than the rule.

Despite the early German experience, most programs of the 68 nations were not enacted until after public pension programs were established. In fact, a considerable number of the sickness and maternity programs in 1969 were less than 15 years old.

The great majority of the programs are social insurance (health insurance) systems that provide both cash benefits and medical services in case of sickness and maternity. Coverage under social insurance is normally a condition of eligibility for medical services as well as for cash benefits. Most programs are financed wholly or mainly from social insurance contributions paid by employees, employers, or both, at a fixed percentage of earnings. In many countries, some type of government subsidy is also provided.

A somewhat different pattern is found in 11 countries where only cash benefits for sickness and maternity are ordinarily provided by the social insurance programs. Medical services, in contrast, are usually furnished by the government under a separate program that in most countries is open at least potentially to all residents and may be referred to as "national health service." And in still other countries, a certain amount of free curative care is provided directly by the government to residents.

In most of the five State temporary disability insurance programs in the United States, and those in Morocco and the Philippines, the programs provide cash benefits for wage loss due to sickness, but no medical services are provided for the population as a whole under a public program. In the United States, health insurance is now provided for persons aged 65 and over and eligible for old-age, survivors, and disability insurance benefits.

The formula for cash sickness benefits in the majority of countries produces an amount between 50 percent and 75 percent of average earnings during the preceding few months. Supplements are paid to workers who support a wife and children. And most countries provide cash benefits to working mothers for a specified period of time before and after childbirth. Health insurance programs in most countries pay for doctor's services and hospital bills, as in Medicare (health insurance for the aged) in the United States.

Thermal baths and "water cures" are covered by the French program. Norway reimburses physicians for travel expenses if they must journey to the homes of ailing beneficiaries. If the doctor makes the trip by snowmobile or other motorized vehicle, the social security system pays him 2.5 kroner[1] per kilometer. He gets 3 kroner if he goes by horse or reindeer, 8 if he walks.

FAMILY ALLOWANCE PROGRAMS

Thirty years ago only seven countries throughout the world offered social security programs of the family allowance type. But these programs—

[1] One U.S. dollar equals 7.5 kroner.

which provide regular cash payments to families with children—expanded rapidly after World War II. By 1960 the expansion began to slow. Since 1967 there have been no additions to the 62 nations on the list. During 1968 and 1969, however, a number of countries have made changes in allowance rates and in eligibility conditions.

As with several other programs, family allowances are most popular in Europe. All countries on that continent have them, as do 20 African countries, most of them French-speaking nations. In the Americas, the list includes Canada, Argentina, Bolivia, Brazil, Chile, Colombia, and Uruguay. Five countries in Asia and Oceania and three in the Middle East complete the 62-nation total.

In general, family allowance systems are of two categories. The programs of 15 nations pay the allowances in principle to all families. In the other 47, entitlement to the allowance is related to employment.

Whatever the category, some 49 countries pay an allowance with the first child. Two or more children are required before the allowance is paid in 6 countries, including the United Kingdom and France. In still other countries the family must have three or more children in order to be eligible but exceptions may be made if family earnings are below a specified level. In the USSR the allowances go only to families with four or more children.

In countries where all resident families are eligible, family allowances are financed from general revenues. Where eligibility is linked to employment, the cost is met in whole or in part through contributions by the employer, who pays a percent of payroll. Government subsidies make up whatever is not covered by the contribution.

Most countries pay a uniform amount for every eligible child no matter how many in the family. The Central African Republic, for example, pays 600 francs for the first and each additional child until they reach a specified age. With many individual variations, other countries graduate the allowances as the number of children increase. In the Netherlands, each child in the family from the second through the eighth receives a slightly higher allowance. After the eighth each additional child is paid at a flat rate. Poland's allowance rate peaks with the third child and decreases for the fourth and fifth children.

Still other diversity is found in Switzerland, where the Federal family allowance plan pays 35 francs[2] a month for each child residing in the mountains but only 30 francs for each child elsewhere.

The USSR system pays the allowance only up to age 5. In most other countries the allowance continues to age 15 or 18, with some countries extending the limit by several years if the child remains in school or is undergoing an apprenticeship.

UNEMPLOYMENT BENEFIT PROGRAMS

The least common form of social security systems are unemployment benefit programs. They are limited mainly to industrialized countries whose labor markets are sufficiently well organized to afford a workable basis for this form of social security. Thirty-four countries had some type of unemployment insurance program in 1969. Twenty-two of the programs were in Europe, 6 in the Americas, 3 in Asia and Oceania, 2 in Africa, and Cyprus had a program.

The majority of the programs were established before World War II, with relatively few additions since. This pattern is in sharp contrast to the rapid expansion of other forms of social security. It is attributable to the comparatively slow rate of industrial development in the newer countries, as well as to the fairly high employment levels prevailing in many countries during much of the postwar period.

About 25 of the 34 programs are compulsory insurance systems of fairly broad scope, with France the most recent to adopt this approach. Denmark, Finland, and Sweden have systems organized by trade unions on an insurance basis but with voluntary participation. Still other countries maintain general unemployment assistance programs where allowances are paid to unemployed persons who satisfy a specified income or means test.

In about half the 34 programs all employed persons are covered. In the others, coverage is limited primarily to workers in industry and commerce, with workers in agriculture usually excluded.

Revenues for financing unemployment insur-

[2] 1 franc equals 23.2 U.S. cents.

ance under most systems come from special contributions paid regularly by insured persons and employers, with the government granting an additional subsidy in a number of countries. The United States program is an exception to the usual practice in its reliance only on employer contributions and in determining contribution rates in accordance with the employers' experience with unemployment.

The common qualifying period for a worker is about 6 months of insurance within the year before unemployment began. Workers in nearly all countries are disqualified if they leave their previous employment voluntarily without good cause, or if they are dismissed for misconduct or were participating to a specified extent in a labor dispute that caused a work stoppage. The unemployed worker who without good cause refuses an offer of a suitable job may also have benefits temporarily or permanently suspended.

Most unemployment benefits are commonly fixed at an amount from 50 to 75 percent of average earnings, with a maximum limit—often 26 weeks—on the period benefits can be drawn.

LIKE THE PREVIOUS reports in this series, *Social Security Programs Throughout the World, 1969*, reveals the continuing versatility of the social security mechanism in meeting the diverse needs of people living in vastly different political, economic, and social settings. Between 1967 and 1969 there has been a noticeable slowing in the rapid expansion of social security programs into areas where they were unknown before, and for good reason. With 93 percent of the independent nations having established programs there is little room left in the world for expansion. The 1969 report lists only Laos, Swaziland, and Western Samoa as additions to the 1967 list of independent countries with some kind of social security program. But the 1969 report also makes clear that wherever social security has taken root, the work of refining and adjusting the established programs is accelerating. Since the mechanism has proved so flexible in its adaptations to local conditions, traditions, and needs, it is reasonable to expect that dynamic change will continue to characterize social security systems wherever they exist.

Social Security Abroad

Changes in the Sickness Insurance Program in Sweden*

A series of reforms in the Swedish sickness insurance program became effective January 1, 1970. The most significant of these is the so-called "7-kronor reform" that, by bringing about a simplification in the reimbursement for medical services, seeks to improve social security protection and to lessen the current burden on in-patient facilities. The legislative reforms also provide for improved benefits for patients in part-time hospital care, as well as for pensioners in full-time hospital care. In addition, cash allowances were raised with respect to expenses incurred in overnight travel during visits to doctors outside the patient's immediate geographical area. These measures are expected to add about 250 million kronor[1] to sickness insurance expenses, four-fifths of which will be raised by increasing the employer contribution rate from 2.6 percent of payroll to 2.9 percent. The remaining 50 million kronor are to be covered by government funds. The employee contribution rates are not affected.

Hospital care in Sweden has for over a hundred years been provided almost entirely in public hospitals, which are supported from tax revenue—primarily county taxes with a small Federal grant. A very modest daily charge previously paid by the patient (before the initiation of health insurance) is now paid in almost all cases by the sickness insurance system, so that the individual and his family have no out-of-pocket expenses for in-patient care.

Medical services for ambulatory patients have been provided through hospital out-patient departments, by medical officers employed by the counties, and to a lesser extent by hospital-based

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[1] One U.S. dollar equals 5.17 Swedish kronor.