Worldwide Developments in Social Security, 1975-77

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A comparison of Social Security Programs Throughout the World, 1977 *with the previous reports in the series reveals that considerable program growth has occurred in most of the nearly 130 countries surveyed Additional programs and new program features are continually being introduced in response to changing economic, social, and demographic conditions This article assesses recent developments in several areas Adjustments for inflation and recession, retirement age, invalidity protection, health care benefits, coverage, and program costs These developments reflect an increase in social security protection against the economic consequences of old age, invalidity, sickness, work injury, unemployment, and death that is being afforded to larger segments of society throughout the world*

ALL BUT A FEW countries throughout the world had one or more public programs providing some type of social security protection in 1977. Some of these programs date back to the late 19th century and contain extensive provisions Some other systems—particularly those of the 60 countries that obtained their independence during the past two decades—are much newer and, as a consequence, are still quite limited in the scope of their protection and in their coverage Whether old or new, most of these programs have been undergoing periodic change and extension

The dynamic nature of the systems makes it necessary to revise international social security summaries from time to time The changes and developments have been recorded since 1938 in *Social Security Programs Throughout the World*, a chartbook published biennially by the Office of Research and Statistics of the Social Security Administration The most recent edition, for 1977, analyzes the principal provisions in effect at the beginning of that year in 129 nations that had at least one type of social security program

This article highlights international developments in social security since the beginning of 1975, the cutoff point for the previous edition [1] A review of the new volume reveals widespread acceptance of social security programs, a diversity in the kind of programs in effect, and continual adaptation of existing programs to meet the particular needs of a country

As a mechanism for meeting human needs, social security programs have achieved near universal acceptance in a comparatively short time Nations with widely differing political, economic, and social settings have made these programs available to their people Even among the newest of the emerging countries and among those with the least economic development, it is rare not to find at least one social security program in operation In 1977, there were 158 independent countries Sufficient data are available for analysis of the programs in 129 nations

Although many of the social security programs have features in common, much diversity is also apparent The fact that the mechanism is adaptable to local conditions and reflects varied cultural traditions explains in part its wide acceptance

Continuing refinement and adjustment of existing social security programs to meet the needs of individual nations have been the most significant recent social security developments Throughout the past two decades, social security programs have generally been characterized by increased benefit amounts, broader coverage, lower retirement ages, extended invalidity pension coverage, expanded health care, and the addition of new programs Enactment of these measures has, in turn, led to higher payroll taxes and an increase in Government funding In a number of countries, developments since early 1975 reflect continued movement in this direction

At the same time, the recession and continuing

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[1] For an analysis of world social security patterns covering a longer timespan, see Martin B Tracy, "World Developments and Trends in Social Security," *Social Security Bulletin*, April 1976

high rates of inflation in the 1970's have increased the financial demands on the social security systems of numerous industrial nations Benefits, which are indexed under all the advanced programs, have risen rapidly to keep pace with increased prices and wages When wages and pensions were equally affected, the systems were able to cope with moderate inflation As the recession intensified, however, it led to mounting unemployment, which caused a reduction in payroll tax receipts to the point where eventually they fell behind expenditures

Although the economic strains on the systems presumably are temporary, long-range factors have also had an unfavorable impact on social security finances Among the most important of these factors in many industrial countries are changes in demographic patterns and developments occurring within the health insurance and old-age branches The number of persons reaching pensionable age has been rising more rapidly than the number of those in the work force As a result of scientific advances, greater availability of treatment, and growth in the number of older persons, the use of medical services has increased and resulted in a dramatic rise in the cost of health insurance Old-age benefit expenditures have grown significantly as both the number of pensioners and the size of their pensions have increased—the latter after a change in the benefit-computation formula, the adoption of indexing, or both

To compensate for the rising deficits, many countries have increased their payroll tax Others have delayed implementation of costly program improvements or have actively sought ways to limit or reduce program expenditures

TYPES OF PROGRAMS

The definition of the kinds of measures that are included in a "social security" program, as distinguished from private or group measures of protection, varies somewhat from country to country Nevertheless, fairly widespread agreement exists as to a number of the chief characteristics of such programs These features have been taken into account in determining the programs included in the report

The term "social security" in the context of the report refers to programs established by Government statutes that insure individuals against interruption or loss of their earning power, and for certain expenditures arising from marriage, birth, and death Cash allowances to families for the maintenance of children also come within this definition

Protection of the insured person and his dependents is usually extended through one or both of the following methods It may be provided in the form of (1) cash payments to replace at least a portion of income lost as the result of old-age, invalidity, and death, sickness and maternity, a work injury, and unemployment; or (2) services, primarily hospitalization, medical care, and rehabilitation

Another principal characteristic of social security programs is the approach used in providing the cash payments under the income-maintenance programs mentioned above Three broad approaches may be distinguished in this connection Employment-related, universal, and means-tested Under the first two, the insured person and his dependents and survivors may claim benefits as a matter of right, means-tested benefits, on the other hand, are administratively determined It is difficult to define any of these approaches with precision since they can appear in a variety of forms in different countries They nevertheless provide a useful basis for identifying diverse types of social security programs

NEW PROGRAMS

As noted earlier, the current edition of the report contains summaries for 129 of the 158 independent countries Two of the nations—Bahrain and Kuwait—have been added to the report since the 1975 edition was published A number of countries were not included because they either had no social security program or data on it were lacking A few other nations were excluded for reasons of space

Compared with earlier periods, a tapering-off in the number of new programs has occurred This relative stability indicates that, with the passage of time, more and more countries have succeeded in implementing their basic legislative programs and are now refining and expanding them

The following tabulation shows the number of countries included in various editions of the report as having some type of social security program

Type of program	Year of edition					
	1940	1949	1958	1967	1973	1977
Any type	57	58	80	120	127	129
Old-age invalidity, and survivor	33	44	58	92	105	114
Sickness and maternity	24	36	59	65	70	72
Work injury	57	57	77	117	125	129
Unemployment	21	22	26	34	37	38
Family allowances	7	27	38	62	65	65

Twelve new programs appear in the 1977 edition Old-age, invalidity, and survivor pension programs have been implemented in Bahrain, Kuwait, Pakistan, Senegal, the Sudan, and Western Samoa Invalidity and survivor pensions are now available in Mauritius Other programs added recently include maternity benefits in Brazil, work-injury benefits in Bahrain and Kuwait, unemployment compensation in Portugal, and family allowances in Malta

Part of the growth since 1958 in the number of social security programs is attributable to the emergence of 60 new countries Some of these nations have as yet only one type of social security program The tabulation above reveals that the program most commonly found provides work-injury benefits

RECENT PATTERNS

The effort made by many countries to refine and adapt their existing programs to meet their needs better has resulted in significant developments in several areas These patterns are evident in adjustments for inflation and recession, retirement age, invalidity pension protection and costs, constant-attendance allowances, health care benefits and costs, and coverage

Adjustment for Inflation and Recession

The accelerated inflation of the 1970's coupled with the 1974 recession, led many countries to reexamine the benefit adjustment mechanisms and benefit levels of their social insurance programs in light of changes in wages, prices, or both[2] In some cases, new adjustment procedures have been introduced or existing revaluation methods or benefit-computation formulas have been revised to maintain better the value of benefits Other countries have sought ways of limiting benefit increases to preserve the financial stability of their social insurance systems

Since early 1975, an automatic price index, aimed at increasing the level of pension payments, has been in effect in Australia A system of semiautomatic revaluation, which considers both wage and price changes, has been instituted in Turkey In Colombia, the adjustment procedure has been revised from semiautomatic revaluation based on price changes to an automatic revaluation tied to wage changes The trend has also been to add wage indexing in addition to (Israel) or in combination with (Italy) price indexing, or to use the more favorable of the two indexing methods (United Kingdom)

Some countries have implemented measures designed to maintain or improve the value of benefits Others, whose national systems have been adversely affected by the prevailing economic conditions of the 1970's, have moved toward slowing the rate of benefit increases in an attempt to contain pension expenditures Benefit adjustments are required by law in most developed countries, and consequently cannot be stopped The amount of the adjustment may either be limited or spread over several years Increasingly, advisory groups are being asked to evaluate the economic impact of benefit adjustments and counsel on the extent to which limitations should be imposed

In 1976, the Dutch legislature introduced a provision that, while it maintained the link between the minimum wage and the old-age pension for a couple, allowed the Government to implement smaller increases in the pension level than would be called for under the usual adjustment procedures if it felt this step was necessary for overall economic policy In Belgium, the Government has temporarily postponed the automatic indexing of benefits and in its place is now paying a flat-rate addition

[2] For a more detailed analysis of benefit adjustment mechanisms, see Martin B Tracy, "Maintaining Value of Social Security Benefits During Inflation Foreign Experience," *Social Security Bulletin*, November 1976

In addition to revaluation procedures, a variety of other methods has been introduced since early 1975 to help cushion the impact of inflation on benefit levels A reduction in the number of years used in computing benefit amounts in Brazil, Costa Rica, the Philippines, Rwanda, and Syria has eliminated to some extent the drag on the size of the benefit caused by using a long-term, low-level wage base in the computation Formulas calling for the use of the highest earning years have been substituted for those based on the most recent years in Argentina, France, and Syria Gabon, Mauritius, the Philippines, Rwanda, and the Sudan have substituted an earnings-related pension for a lump-sum payment In most instances, these benefit formula changes were applied to the old-age, survivor, and invalidity benefit computations

To compensate for the costs of higher benefits and new program features and to make up for diminished payroll tax receipts owing to the rise in unemployment, many countries increased their payroll tax rates from January 1975 to the beginning of 1977 During this period, the rate went up for one or more programs in 39 countries. More taxes also became payable in the 29 countries that raised or eliminated the earnings ceiling subject to payroll contributions General revenue financing was introduced for the first time to cover the increased expenditures of work-injury programs in Cuba and Saudi Arabia and the sickness and maternity program in Spain In many countries where provisions already existed for general revenue financing, the amount of the Government contribution was increased

Retirement Age

The trend toward lowering the retirement age for entitlement to old-age pensions continues to stand out [3] In some cases, measures permitting greater flexibility in retirement choices were introduced in response to growing public pressures for earlier retirement and the sharp rise in unemployment triggered by the economic slowdown of the mid-1970's It was anticipated that a lowering in the retirement age would promote the employment of younger workers by encouraging the retirement of older ones and also alleviate, to some extent, the financial effects of unemployment on older workers who lose their jobs

Since the beginning of 1975, Ireland, Swaziland, and Sweden have reduced the retirement age outright Israel is now the only country with an age-70 requirement for entitlement to full retirement benefits With benefits payable at age 45 and retirement from work, Swaziland and Uganda are the only nations with a statutory-age requirement for a full pension of below 50

To help ease the mounting pressures for early retirement options and to take cost considerations into account, the provision of old-age pensions to certain categories of workers below the fixed retirement age and the addition of flexible retirement features continued to gain acceptance during this period Since January 1975, provisions for granting early retirement pensions on the basis of arduous or unhealthy work were implemented in Belgium, Hungary, Turkey, and the Union of Soviet Socialist Republics; a similar benefit based on prolonged unemployment was made available in Portugal, Belgium, Egypt, France, and Syria have joined the group of countries that provides early unreduced old-age benefits to those with many years of service Flexible retirement age features have been introduced in the programs of Belgium, Sweden, and the United Kingdom Czechoslovakia and Denmark have increased the pension increments to encourage workers to maintain their employment past the normal pensionable age

Invalidity Pension Protection and Costs

One of the notable trends revealed in an analysis of legislative changes since early 1975 is the extension of invalidity pension protection to previously excluded categories of the working-age population with only a limited labor-force attachment or none at all Those who become disabled at an early age or who leave work to raise a family and subsequently become disabled are usually unable to satisfy the social insurance

[3] For a fuller discussion of flexible retirement provisions and trends in foreign programs, see Martin B Tracy, "Flexible Retirement Features Abroad," in this issue

system's qualifying period, which traditionally is based on recent labor-force participation

Israel, the Netherlands, and the United Kingdom have taken steps to close the gaps in coverage by eliminating the qualifying period for certain groups, such as housewives and those congenitally disabled or disabled at an early age In all three countries, however, these improvements were either scheduled to be implemented in stages (Israel) or postponed because of cost considerations (the Netherlands and the United Kingdom)

Though the approaches followed varied somewhat, the three countries introduced fundamental changes in the scope of invalidity pension protection The 1968 Israeli Disability Insurance Act, as amended in 1973, provided the legal framework for granting invalidity pensions to disabled persons whose earning capacities have been substantially reduced First to qualify, in April 1974, were all persons aged 18 or over other than housewives Housewives became qualified for benefits 3 years later, with the entitlement of disabled children still subject to subsequent legislation Unlike other beneficiaries, housewives are exempt from undergoing a qualifying period and make no contributions

In the United Kingdom, the 1975 Social Security Benefits Act created noncontributory invalidity benefits These benefits were payable first, in November 1975, to men and single women of working age and then, in November 1977, to married women who have been incapacitated for work for a specified time but are not eligible for the contributory invalidity pension because they have not been able to build up a sufficient contribution record on account of their disability

Under both the Israeli and the British provisions, a more stringent definition of invalidity applies to housewives In addition to being incapable of paid work, they must also be unable to carry out their regular household duties

In the Netherlands, the General Invalidity Insurance Act, implemented in October 1976, provides a basic invalidity benefit equal to the old-age benefit for disabled heads of families, both employees and self-employed, and for disabled single persons aged 17 or over, including those disabled since childhood Because of the substantial costs involved, married women and widows receiving survivor benefits are presently excluded In addition to the basic invalidity benefit, workers may receive a supplementary benefit to bring the total benefit up to 80 percent of past earnings if totally disabled, or from 10 percent to 65 percent if partially incapacitated, depending on the degree of disability

The sharp increase in invalidity pension expenditures stemming primarily from the rapid rise in the number of invalidity pensioners has become a matter of considerable concern Belgium, Finland, Italy, the Netherlands, Sweden, and the United States are among those countries that have undertaken studies to identify specific factors in the invalidity pension growth

Among the factors identified are such recent changes in labor-market structure as the increase in unemployment brought about by the continuing economic downswing, the exhaustion of workers stemming from the rapid work pace and life style, and technologically induced shifts to new jobs requiring different vocational and educational skills Other explanations for the increase in expenditures include higher benefit levels, improved health care protection under national systems that reduces the need for pensioners to spend a portion of their benefits on medical care, greater public awareness of and a change in public attitudes toward the program, the delay in instituting rehabilitation measures, and the growth in the age of the population

Constant-Attendance Allowances

Constant-attendance allowances are cash benefits paid on behalf of permanently disabled persons who require either full- or part-time care by another person at home Such home care is aimed at reducing spiraling health care costs These benefits have recently been adopted by five additional countries under their old-age, survivor, and invalidity insurance programs for non-work-connected disability or under their work-injury programs for employment-connected disability[4]

In three of the five countries—Burundi, Ireland, and Portugal—the allowance is payable for both work- and non-work-related invalidity. In the two remaining nations—Mauritius and the Sudan—it is payable under the work-injury pro-

[4] See Martin B Tracy, "Constant-Attendance Allowances for Non-Work Related Disability," *Social Security Bulletin*, November 1974, pages 32–37

gram only A total of 92 countries now provide constant-attendance allowances [5]

Health Programs

Among the most notable recent developments in health care was the introduction in 1975 of a universal health service in Australia to replace a national health program that was based on the dual approach of subsidized voluntary health insurance and public assistance After a change in governments, "option-out" features were added to the new health service system in the following year Elsewhere, changes in health care delivery included the introduction of social insurance health care systems in Senegal and South Korea, institution of an employer-financed social insurance health care system in Mauritania, and the extension of pharmaceutical benefits in Gabon

The scope of health care coverage also continues to be extended, particularly in many less developed systems More industrial workers were brought under mandatory health coverage in India and Iraq, for example, where coverage is limited to industrial workers in factories with a specified number of employees In Paraguay, entitlement to medical care has been expanded to include dependent aged parents of insured workers

The worldwide trend toward rising health care costs, which necessitates increased expenditures by national health systems, was reflected in only a few instances by a rise in contribution rates To a large extent, the higher expenditures were offset by increased income from higher payrolls and ceilings These funds were supplemented by income from a variety of measures such as greater reliance on general revenues and transfers from other social insurance programs Among developed countries, France stood out as an exception to this pattern Health insurance contribution rates in that country were raised for both employer and employee

[5] Forty-six nations provide the benefit as part of their invalidity and work-injury programs, 37 under the work-injury program only, and nine under the invalidity program only

Coverage

The scope of social security protection continues to broaden, a trend marked especially in many of the less developed systems In these programs, coverage applies chiefly to workers in factories with a specified number of employees Since early 1975, more industrial workers have been brought under mandatory old-age and invalidity coverage in Egypt, Iran, and Iraq and under work-injury protection in Burma, Fiji, Gabon, India, Sierra Leone, and the Sudan Compulsory old-age and invalidity coverage was expanded to include self-employed persons in the Bahamas, Barbados, Brazil, Colombia, and Portugal Coverage is also continually being expanded from urban areas to rural sectors in several South American and Asian countries

In the older, well-developed systems, where nearly all workers are protected under social security programs, coverage is being extended to special segments of society under particular programs Self-employed persons are now covered under the invalidity pension branch in the Netherlands and under the unemployment benefit programs in Denmark, Luxembourg, and Norway (if they are at least aged 65) Prisoners became insured for pensions and unemployment and sickness benefits in the Federal Republic of Germany and for unemployment benefits and family allowances in Italy In France, sickness insurance coverage has been extended to young persons looking for their first job and to the families of military personnel and those who have recently completed their service

Various coverage improvements have been directed at women in particular Cash maternity benefits are now being paid to women who adopt a child under a specified age in Denmark and France In the Federal Republic of Germany, a parent who stops work to care for a young, sick child may receive cash benefits for several days Mothers caring for a handicapped child or adult have been brought under mandatory old-age coverage in France In that nation, sickness insurance is now provided for widowed, divorced, or separated spouses