

morbidity rates—may account for the differences by beneficiary type.

The average monthly benefit of black beneficiaries was considerably lower than that of whites in all but one beneficiary class, and few changes in this situation were noted for the period from 1960 to 1973. The comparatively low benefit among children and widowed mothers may result in part from the existence of larger families among blacks and hence the greater likelihood that their benefits were subject to the family maximum.

Social Security Abroad

Standardization of Short-term Benefits*

In recent years, a number of countries have begun to standardize the cash benefit amounts that replace short-term losses of income, primarily cash sickness, work-connected accident and illness, and unemployment payments. Traditionally, these categories evolved as completely separate programs, usually administered by different agencies of the social security system or of the Labor Ministry. The eligibility requirements, benefit amount, and duration of payments originally differed because the basic contingencies were regarded as unrelated.

As time passed, however, the distinction between work-related and other illnesses was erased in some countries. A relatively new tendency has been to view all short-term contingencies as one common social problem—the temporary loss of income—not from the point of view of differing causes. Once this approach is taken and the contingencies are equated, the question arises as to whether or not the same benefit amount should be paid for each. This situation has, in fact, arisen in several instances. Although only five countries are involved, they include conservative systems (Spain and Japan) as well as traditional innovators in the social security field (Denmark, the Netherlands, and Norway). Understandably, they have not carried

Differences in OASDHI covered earnings—size of covered earnings and length of time in covered employment—account for most of the differences in average monthly benefits. Among the older population, blacks were found to have had lower earnings than whites and fewer years in covered employment. Earnings differentials also were found among the younger generation, especially among the men, which means that the present discrepancies in social security benefit levels are likely to persist for some time to come.

out to the same extent the process of making the duration of benefits the same in all programs, particularly in regard to the unemployment benefits.

BACKGROUND

Advanced countries usually have had several concurrent short-term cash benefit programs: sickness insurance, workmen's compensation, and unemployment benefits. Cash sickness benefits, in the past, tended to be lower than work-related benefits. The sickness benefits were aimed at more people (including workers who would otherwise lose their wages because their illnesses were not job-connected but would nevertheless prevent them from working), and a greater variety of risk was involved. These benefits covered workers for virtually all diseases or accident, instead of a single employer or industry fund protecting a given number of workers for work-connected health injury problems.

Workmen's compensation programs historically evolved from employer liability systems. In contrast to the cash sickness benefit programs, they were aimed at more narrowly defined groups subject to predictable risks. Benefits tended to be higher than in the other short-term cash programs. In time, the risks became less predictable as the definition of job-relatedness became progressively broader in many countries, particularly for injuries incurred on the way to and from work. Because work-connected benefits were generally higher, there was a tendency to attempt to prove that all injuries were work related, often in prolonged court cases. This approach

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undoubtedly contributed to the coordination of sickness and work injury cash programs in several instances and may well have influenced the decision to standardize all cash benefits. Standardization usually meant increasing all benefits to the highest prevailing level.

Unemployment benefits, the third program, appeared relatively recently in many countries. Although it is often administered as part of the social security system, certain aspects of the program set it apart from the others and make coordination with other programs difficult. In certain instances, this problem may be caused by the fact that the unemployment plan is tied to a particular industry. Primarily, however, it is based on the nature of the program—the difficulty, for example, of predicting unemployment with respect to both timing and severity and of devising measures to effectively counteract unemployment.

Thus, in the past, these programs have operated separately, each supported by its own philosophy. The equalization of benefits in the countries mentioned departs from historical trends and represents a change in outlook. Until now the implication has been, and in most countries continues to be, that the earner's need is greater in some circumstances than in others. The sick person in some countries, for example, receives a higher cash benefit than the unemployed individual; in other countries the situation is reversed. With the steady expansion in supporting programs (free or near-free medical treatment, retraining or relocation of unemployed workers, etc.), there are some instances of increasing pressure to eliminate the differences.¹

APPROACHES TO STANDARDIZATION

The material that follows gives a brief outline of the cash benefit program in the countries involved, as well as a general discussion of the individual components that give each program its character (the size of the benefit, the length of coverage, etc.). Some key issues that have been instrumental in shaping these programs are also presented.

¹In Sweden, there is pressure to increase the relatively modest rates of the recently introduced universal unemployment program up to the level of the traditional union-related program where benefits now equal those for sickness and work injury.

Denmark

Since April 1, 1973, cash benefits in identical amounts have been payable from the first day of absence from work due to sickness and accident, whether work related or not.² The employer pays the benefit directly for the first 5 weeks at the rate of 90 percent of the recipient's average weekly earnings during the 4 weeks immediately preceding the incapacity. The benefit may not exceed 90 percent of the average earnings of all workers in manufacturing and the crafts during the immediately preceding April–June quarter. Starting with the sixth week, the municipality (commune) takes over the payment at the rate of 90 percent of the individual's annual earnings, subject to the maximum limitation cited above. The Danish program is administered by local governments, under the general supervision of the Ministry of Social Affairs.

The unemployment program is voluntary, covers about 50 percent of all employees, and is not incorporated in the Daily Cash Benefits Act. Unemployment funds are established primarily by trade unions and managed by their officials under the supervision of the Ministry of Labor. Unemployment benefits are subject to the same maximum restriction of 90 percent of average earnings in manufacturing and the crafts.

Japan

Cash sickness, work injury, and unemployment benefits equal 60 percent of the recipient's former earnings in Japan. The three programs are based on slightly different definitions of earnings, but the effect on the average earner is minimal. Thus, sickness benefits are computed according to 36 wage classes on the basis of a "standard remuneration," with stipulated minimum and maximum benefits. Workmen's compensation benefits, on the other hand, are based on earnings during the preceding 3 months and computed on a daily basis. Two methods of computation are used in converting to this daily basis. For those who are paid by the month, total earnings for the 3-month period are divided

²The Daily Cash Benefits Act, legislated June 7, 1972, covers illness, accidents (including work injury), and maternity.

by the total number of days in the period in order to arrive at a daily wage; for those paid an hourly or daily wage, total earnings are divided by the number of individual working days.

The sickness insurance program, under national supervision by the Ministry of Health and Welfare, is administered locally by prefectural welfare departments and social insurance offices. Responsibility for the work injury and unemployment programs rests with the Ministry of Labor.

The work injury program is financed primarily by the employer. For unemployment benefits and sickness insurance, both the government and the insured person also contribute.

Despite slight differences in individual programs, the Japanese have succeeded, for all practical purposes, in equalizing cash benefits for the average earner.

The Netherlands

The Dutch were among the first to wipe out the distinction between sickness and work injury. Cash sickness, work injury, and unemployment benefits amount to 80 percent of earnings up to a relatively high ceiling (more than twice the average earnings in manufacturing). All employed persons are covered under the Health Insurance Act against the loss of wages due to sickness and accidents, including injuries sustained at the work place. If, after 52 weeks, the individual is judged to be at least 15 percent incapacitated, he becomes eligible under the Work Incapacity Insurance Act for benefits—ranging from 10 percent to 80 percent of his former income—that vary with the degree of incapacity.

Unemployment is covered by a short-term program and a general national unemployment program. The purpose of the former—the “waiting” program—is to cover unemployment up to 40 days. Generally, each industry has its own short-term program, administered by an industrial association. The general program continues the payment of benefits when the waiting program expires.

The insured and the employer contribute to the short-term programs. They also contribute,

in combination with the national government, to the general unemployment program.

All cash benefit programs are under the general supervision of the Ministry of Social Affairs and Public Health. At the local level, industrial associations administer these programs. In the unemployment program, their role is confined to the short-term benefits; a general unemployment fund administers the general benefits.

Norway

Cash sickness, work injury, and unemployment benefits may not exceed 90 percent of an individual's after-tax income in Norway. The benefit formula is designed to recover more income for the low earner than for the high earner.

As in the Netherlands, work injury cash benefits have for years been paid through the sickness insurance program. In 1970, however, the health, work injury, and unemployment programs were combined with old-age, invalidity, and survivor insurance into the National Insurance Program. This shift changed the contribution pattern by permitting a single contribution to the combined national program from the insured, the employer, and local and national governments—for allocation among individual programs according to need. The 1970 program also eliminated the risk factor that previously had determined the variable-rate contributions to the work injury program.

The sickness and work injury programs are under the national supervision of the Ministry of Social Affairs and are administered by the National Insurance Institution. The Ministry of Labor and Municipal Affairs has general supervisory responsibility for the unemployment program, administered nationally by the Directorate of Labor in the Ministry. At the local level, however, all three programs are administered and all benefits are payable through social insurance offices.

Spain

Following the 1966 legislation that changed the entire Spanish social security program, the different types of short-term cash benefits were

placed on an equal footing. They are payable at the rate of 75 percent of earnings for contribution purposes.

The government does not participate in the financing of the three programs. The employer is the sole contributor to the work injury program, but the insured and the employer combine to support sickness insurance and unemployment benefits.

The sickness, work injury, and unemployment programs are under the general supervision of the Ministry of Labor. The National Institute of Social Security administers all three programs through its local offices.

Standardizing Benefits

The brief review of the programs in the countries studied shows the unification of benefits in terms of average pay or in the benefit limits they impose. It does not, however, indicate how close to each other the provisions in these five countries actually are. A clearer way of showing their relative standings is provided by the following comparison of the number of hours of work needed to earn a day's cash benefit.

Country	Benefits in terms of hours of work
Denmark	7
Japan	4.5
Netherlands	6.5
Norway	6
Spain	6

For this purpose, the benefits of the average married worker with two children were used. (This typical family size reflects the average benefit in countries providing a supplement for dependents, without adversely affecting the data for countries without such provisions.)

As this comparison (based on average earnings in manufacturing) shows, the 90-percent-of-income benefit limit in Norway and the 75-percent limit in Spain both equal 6 hours of income from work for the average recipient. The Norwegian formula operates on a sliding scale that provides the low earner with a higher percentage of former income (up to 90 percent) and the average earner receives a lower rate. In Spain the benefit base (graduated by wage class) gives the average

worker 75 percent of his former income. In Japan, a relatively low percentage and a low maximum income limit combine to produce a relatively low relationship between benefits and hours worked. Cash benefits are most generous in Denmark where, as a result of recent legislation, they equal about 7 hours of work on a daily basis. In the Netherlands, Norway, and Spain, benefits cover about three-fourths of earnings.

Although it has been more difficult for the countries to align the time-related element of the short-term benefit program—the waiting period before benefits become payable, and the length of payment—some have succeeded in coordinating the waiting periods, as the tabulation that follows shows. In some countries, it should

Country	Waiting period (in days)		
	Sickness	Work Injury	Unem- ployment
Denmark.....	0	0	0
Japan.....	3	3	7
Netherlands.....	2	2	(¹)
Norway.....	3	3	3
Spain.....	3	1	3

¹ Varies with the industry.

be noted, the beneficiary receives compensation for the waiting period retroactively if incapacity has lasted for a specified period of time.

As would be expected, less uniformity has been reached in the duration of payments. The sickness and work injury programs may make payments for the same period of time, but uniformity with the unemployment benefit is rare. In practice, all three may be supplemented or extended in some way. Sickness and temporary work injury benefits may be converted into permanent disability if no recovery occurs. Unemployment benefits may be supplemented by training or retraining; or, in some countries, by an old-age pension if the beneficiary has reached a specified age (usually 60) and has been out of work for some time; or by some other program.

As the accompanying table suggests, unemployment benefits are usually paid for a shorter period than the others. The emphasis has often been, not on extending unemployment benefits, but on putting the worker back on the job as rapidly as possible, through training or retraining projects, as mentioned, or by requiring employers to announce intended lay-offs well in advance to give the individual as well as the community time

Duration of benefit payments, by type, five countries

Country	Duration of benefits (in weeks)		
	Sickness	Work injury	Unemployment
Denmark.....	(¹)	(²)	52
Japan.....	³ 24	⁴ 156	50
Netherlands.....	52	⁵ 52	26
Norway.....	52	⁶ 52	⁷ 21
Spain.....	⁸ 78	104	⁹ 26

- ¹ Duration of illness
- ² Duration of injury or until determination of permanent disability.
- ³ 72 weeks for tuberculosis
- ⁴ Eligible for permanent disability pension after 3 years
- ⁵ Payable under the sickness benefit program for the first 52 weeks, thereafter through the work injury program if disability is at least 15 percent
- ⁶ Ordinary sickness benefits first 52 weeks, thereafter entitled to rehabilitation allowances
- ⁷ Extended coverage for older workers
- ⁸ 104 weeks in some circumstances
- ⁹ 52 weeks in some circumstances

to adjust. The trend has thus been to lengthen the duration of health-connected benefits but to hasten and encourage reemployment—or early retirement for older workers—during periods of unemployment.

Eliminating the distinction between cash sickness and work injury programs has led in Denmark, the Netherlands, and Norway—and elsewhere—to the disappearance of the risk factor in work injury financing.³ Some employers pay higher contributions as a result, other employers have benefited considerably. In Norway, for example, the contributions per employee in the highest risk category were once 15 times those for the lower risk category.

COMMENTARY

Some of the issues dealt with here, particularly the standardization of benefits and the length of the waiting period, have been debated extensively in other countries. There appears to be a growing attitude that the need for cash is the

³ In Denmark, the employer insures against permanent disability with a private carrier, at premium rates that vary with risk.

same in all circumstances involving a separation from work and that administrative problems no longer defy solution. As a result, the standard cash benefit concept may continue to spread.

The abolition of the waiting period in short-term cash benefit programs is also being discussed, perhaps stimulated by the Danish action in 1973. A primary argument against abolition is the fear of excessive costs, that the number of new beneficiaries attracted by abolishing the waiting period would make the program too expensive. Proponents, on the other hand, point to savings that would result from a simplified administration.

Until recently, in the absence of detailed studies to show otherwise, cash benefits were often assumed to be relatively adequate. There was little incentive for change. This attitude is clearly reflected in the fact that most past changes were confined to long-term benefits.

In only one country—Denmark—have cash benefit programs been studied in detail. Before the recent changes that eliminated the waiting period, extensive inquiries revealed that cash benefits fell far short of their intended purpose.⁴ Thus, 3 in every 4 of those suffering a “social accident”—sickness or injury (work-related or otherwise) and unemployment, with sickness by far the most common—did not benefit from the program at all. This situation was produced by a combination of several factors: recovery within the 6-day waiting period, ignorance of or disregard for the program, lack of coverage, etc. It is too early to tell what effect the abolition of the waiting period has had on the Danish program.

⁴ See the Danish National Institute of Social Research, *Studies for Social Reform, 1970-72* (4 vols. in Danish with English summaries), and Bent Rold Andersen, *Some Major Results of a Study of the Coverage and Functioning of Social Agencies and Legislation in Denmark* (discussion paper at the Conference of Social Security Research, Vienna, September 28-October 1969).