

World Trends in Social Security Benefits, 1935-55

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The 20 years since the passage of the Social Security Act have seen the development in the United States of comprehensive programs of old-age and survivors insurance, unemployment insurance, and public assistance. In other countries as well, the years from 1935 to 1955 have brought new social security programs and an expansion in some older systems. A summary report on international developments is presented in the following pages.

SOCIAL security, in the sense of public programs of insurance, assistance, and related measures, is a little more than 70 years old; the first compulsory social insurance act—that of Germany—dates from 1883. The two most recent decades have been marked by the spread of social security programs to all parts of the world and great improvements in the programs existing before 1935.

During these 20 years the number of countries¹ with laws providing for old-age, invalidity, and survivors insurance increased from 28 to 49, and the number having health insurance from 23 to 45. The number of family allowance programs rose in number from 4 to 34. Insurance against work injuries (workmen's compensation), which was established in most countries well before 1935, and unemployment insurance programs have increased in extent but not to the same degree as the other programs.

During the years 1935-55, the number of persons covered under social security programs has increased substantially, as a result both of the expansion of coverage in countries with long-established programs and the introduction of social security systems in other nations.

New laws initiating new programs

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¹ For purposes of this article, countries with populations of less than 100,000 are not taken into account, and China and Germany are each considered as a single country.

have been only one way of bringing more people under social security coverage. Expansion to additional areas within a country has been another. Many Latin American programs, for example, started with general enabling acts that were applied first only in one or two large cities or industrial areas. Bolivia, Colombia, Costa Rica, Guatemala, Panama, Paraguay, Peru, and Venezuela are among the nations in which significant increases in coverage have occurred in the past 20 years as a result of extension of the operation of existing programs to additional areas of the country.

Expansion has also been occupational; nearly every country with programs in 1935, and several that have enacted legislation since then, have in recent years extended coverage to new occupational groups. Self-employed persons in Great Britain and most of the self-employed persons in the United States, Italian farmers, German artisans, and, in France, students and self-employed persons in specified professions are examples of groups so covered.

Growth in the numbers protected has been achieved in several health insurance systems by making dependents eligible for benefits and in some retirement plans by extending pension rights to the survivors of an insured worker.

In a few countries, expanded coverage has been brought about in a single broad sweep by providing universal eligibility for a specific benefit. In some cases this has been the cul-

mination of a gradual development, as in the British National Health Service. In others, newly adopted programs have been universal in scope—the Canadian old-age pension system, for example. Larger employed populations—a byproduct of demographic and economic growth—have also served to increase the number of persons protected by social security.

Benefit expansion in recent years has been notable. New services and new cash benefit programs have been made available, and existing programs have been liberalized to provide higher cash payments or better medical care.

Fourteen countries² today have provision for the five principal types of protection—old-age, invalidity, and survivors insurance; health insurance (medical care and cash sickness benefits); workmen's compensation; unemployment insurance; and family allowances. In 1935 no country had all five programs, although Belgium, France, and Italy had some protection against all these risks.

The provision of more adequate benefits in existing programs has also been fairly generally achieved, always within the limits of the country's economic resources. Minimum amounts have commonly been established for benefits to the aged, the disabled, and dependent survivors. In the face of inflationary trends, the legislatures and social security institutions have acted to maintain the real value of their payments. Even in countries with extreme inflation, the rise in retirement and survivor payments has usually been greater than the cost-of-living increase. In some countries, notably Sweden, pen-

² Japan makes provision for family allowances as a part of the wage structure and not under a legally established social security program.

sions take into account the rise not only in living costs but in real wages.

When benefits under the contributory insurance program are inadequate, a considerable number of countries have set up assistance programs to help needy aged and disabled persons, widows, and survivor children. These programs are noted in the discussion of retirement and pension systems.

Something of the growth of social security is shown in tables 1 and 2. Table 1 lists, for the five most usual types of social security program, the nations that had plans in operation (or about to begin operations) as of January 1935 and the dates their first general laws were adopted. Table 2 shows the extent to which new legislation has been adopted and put into effect from January 1935 to January 1955.

To simplify the presentation, only the date of the earliest legislation establishing a major program for each of the five categories or types of plan is shown. Significant amending laws, such as the addition of survivor benefits in the United States in 1939 and the extensive amendments of Great Britain's programs in 1946, thus do not appear.

For purposes of this survey, legislation applying to special groups, such as civil servants, or to a single occupation has also been disregarded. The benefits or risks are grouped according to the most common type of program arrangement. Most countries having old-age, invalidity, or survivor programs now provide all three types of benefit. In a number of countries, however, the program started with only one or two of the three. The date of the first law applying to large groups of the population and providing old-age, invalidity, or survivor benefits is shown in the first column of each table.

Similarly, there is shown in the second column the date of the first law applying to large groups of the population and providing either medical care or cash sickness benefits. Special maternity benefits, ordinarily including both cash and medical care, are usually provided in connection with a general health insurance program. Legislation in three countries (Argentina, Cuba, and Guate-

mala) that provide for maternity insurance only is not shown in the table.

Old-Age, Invalidity, and Survivor Programs

During 1935-55 the number of nations having retirement, invalidity, and survivor programs in operation increased from 28 to 49. In 1935, three-fourths of the programs were in European countries; 20 years later only half were in Europe. There were 12 systems in Latin America, four in the Near East, and two in the Far East.

Most countries provide insurance on attainment of a specific age (or upon retirement), or in the event of permanent disability or death. In a few countries, indicated in the tables by an asterisk, pensions are paid only to persons meeting an income test. In Ireland the old-age pension is contingent on a means test, but disability and survivor benefits are provided through insurance.

Among exceptions to the usual practice of providing protection against these three risks are Denmark and Panama, which do not pay survivor pensions, and Norway and Switzerland, which have no invalidity benefits. Denmark and Norway use the income test for old-age pensions. Canada has no survivor benefits, and aid to disabled persons takes the form of Dominion-Provincial assistance. In the United States payments to the needy disabled are provided under Federal-State assistance programs.

Two countries now provide universal old-age pensions for everyone meeting the age and residence requirements. Regardless of the contributions they have paid and of their personal wealth or income, claimants aged 70 and over in Canada and aged 67 and over in Sweden receive substantial pensions. New Zealand's "superannuation" benefit represents a more gradual approach to the same objective—benefits for all, without income test or contribution requirements. These countries have special income taxes to finance the benefits.

An increasing number of countries provide old-age assistance to supplement their old-age insurance programs. Such programs are in opera-

tion in Argentina, Belgium, Canada, Czechoslovakia, Finland, France, Great Britain, Iceland, Ireland, Japan (where aid to the aged is part of a national assistance act), the Netherlands, New Zealand, Portugal, Sweden, Switzerland, the United States, and Uruguay. These are largely programs that have been established in recent years.

The growth of the aged population and, in many countries, favorable employment conditions have led to the adoption since 1935 of various provisions to encourage the worker to stay on the job, including pension increases for work after reaching the earliest pensionable age. Such increases are made in Chile, Czechoslovakia, France, Great Britain, Hungary, Israel, Italy, Paraguay, Rumania, and Yugoslavia.

Another development is the growth in the number of laws establishing an earlier retirement age (or in some cases the payment of a larger benefit) as a reward for certain types of hazardous or arduous employment covered by the social security system. Albania, Belgium, Bulgaria, Chile, China (mainland), Czechoslovakia, Greece, Iran, Israel, Japan, Poland, Turkey, and the Soviet Union have such provisions today. In 1935, only Belgium and the Soviet Union made this distinction between workers.

Health and Maternity Insurance

Forty-five health and maternity programs were in operation in 1955, compared with 23 in 1935. The slow but steady growth during the first 50 years after Germany's law of 1883 was succeeded by increased activity that spread these systems to almost every part of the world. In Europe the Iberian, Italian, and Scandinavian peninsulas have health insurance systems that did not exist in 1935; in the Orient, China (both Formosa and the mainland) and India have introduced health insurance, though as yet on a limited scale. There were no programs 20 years ago in the countries from Mexico to Peru, including the Caribbean nations, although Cuba had insurance provided by the voluntary societies. Today, 12 of these countries have programs, and Nicaragua enacted a law in Decem-

ber 1955 looking to that objective.³ Argentina provides maternity benefits only.

In the Far East and Near East, health and maternity insurance programs were in operation in January 1955 in five nations—India, Iran, Japan, Turkey, and China (Formosa and the mainland). A health and maternity insurance plan went into operation in Burma as of January 1, 1956. Only Japan had such a program in 1935.

This expansion has been accompanied by a number of subsidiary developments, including better provision for the dependents of the worker covered under health insurance. Of 20 countries with health insurance programs in 1935, 12 had protection for dependents and eight did not (except on a voluntary, additional, or more costly basis). In 1955, of the laws governing 45 programs, only half a dozen did not require that dependents' benefits be provided.⁴ Usually the members of the family get the same care as the insured worker, but because in some cases they pay a larger share of the cost or have briefer duration of hospital benefits, the terms of services to dependents are somewhat less favorable than those for the insured worker himself. Among the nations that in recent years have acted to assure medical care to dependents are Bulgaria, Chile, Ecuador, Great Britain, Ireland, Japan, and Luxembourg.

In Great Britain the National Health Service now furnishes a range of services that includes such items as specialist care, hospitalization, and necessary prosthetic appliances. The

Table 1.—Countries with social security programs in operation January 1, 1935, by type of program and date of first general law¹

Country	Old-age, invalidity, and survivors insurance (or pensions) ²	Health and maternity insurance	Workmen's compensation	Unemployment insurance ³	Family allowances
Argentina			1915		
Australia	* 1908		† 1902		
Austria	1906	1888	1887	1920	
Belgium	1924		1903	† 1920	1930
Bolivia			1924		
Brazil	1934	1934	1919		
Bulgaria	1924	1918	1924	1925	
Burma			1923		
Cambodia			1934		
Canada			† 1908		
Ceylon			1934		
Chile	1924	1924	1916		
Colombia			1915		
Costa Rica			1924		
Cuba			1916		
Czechoslovakia	1906	1888	1887	† 1921	
Denmark	* 1891	1892	1898	† 1907	
Dominican Republic			1932		
Ecuador			1921		
El Salvador			1911		
Finland			1898	† 1917	
France	1910	1928	1898	† 1905	1932
Germany	1889	1883	1884	1927	
Great Britain	1908	1911	1897	1911	
Greece	1922	1922	1914		
Guatemala			1906		
Hungary	1928	1891	1907		
Iceland	1909		1917		
India			1923		
Ireland	1908	1911	1897	1911	
Israel			1927		
Italy	1919		1898	1919	1934
Japan		1922	1911		
Libya			1913		
Luxembourg	1911	1901	1902		
Mexico			1931		
Netherlands	† 1913	† 1913	1901	† 1916	
New Zealand	1898		1900		1926
Nicaragua			1930		
Norway		1909	1894		
Pakistan			1928		
Panama			1916		
Paraguay			1927		
Peru			1911		
Philippines			1927		
Poland	1927	1920	1884	1924	
Portugal	1933	1933	1913		
Rumania	1912	1912	1912		
Spain	1919		1900	† 1919	
Sweden	1913	1891	1901	† 1934	
Switzerland		1911	1911	† 1924	
Union of South Africa	* 1928		1914		
Union of Soviet Socialist Republics	1922	1912	1903	(⁵)	
United States of America			1908		
Uruguay	1928		1914		
Venezuela			1928		
Vietnam			1934		
Yugoslavia	1922	1922	1922		

³ Cuba has extensive voluntary insurance but compulsory maternity insurance only. Guatemala covers general accidents and maternity but not sickness in general. Haiti's program includes both accident and health insurance, but the latter program is not yet operating.

⁴ Colombia, the Dominican Republic, India, Peru, Panama, and El Salvador. A few countries are omitted from the comparison—Brazil (which provides dependents' benefits as facilities permit), Turkey (with dependents' benefits in some cases), Portugal (where the provisions vary with the societies), Switzerland (where dependents' benefits are usual but not required by Federal law), and Greece and Ecuador (programs only beginning in 1935).

¹ Includes countries now independent whose status may have been different at time of first law. The term "general" applies to any law covering workers in industry, commerce, or agriculture or any combination of these groups.

² Asterisk denotes countries having programs with benefits subject to income test or having assistance programs only.

³ Dagger denotes voluntary government-subsidized program.

⁴ Date refers to the first State or Provincial law. ⁵ Old-age, invalidity, and survivors insurance law effective 1919, as amended. Health insurance law effective 1929, as amended.

⁶ Under Federal enabling law, several Cantons have compulsory programs, and some have voluntary government-subsidized programs.

⁷ Program established by 1922 law, discontinued in 1930.

entire national medical plant and almost every doctor, dentist, and nurse are at the service of any one living in that country. In the mid-1930's, only general practitioner care and the "additional" benefits offered by some of the friendly societies were available.

Other notable developments since

1935 include an expansion in the number of programs that provide services under public health auspices rather than insurance; an effort in several countries to give extended care for long illnesses, especially tuberculosis; and—in Latin America particularly—the use of social insur-

Table 2.—Countries with social security programs in operation, January 1, 1955, by type of program and date of legislation¹

Country	Old-age, invalidity, and survivors insurance (or pensions) ²	Health and maternity insurance	Workmen's compensation	Unemployment insurance	Family allowances
Afghanistan			1946		
Albania	1947	1947	1947		
Argentina	1944		x		
Australia	* x	1944	x	1944	1941
Austria	x	x	x	x	1948
Belgium	x	1944	x	3 x	x
Bolivia		1949	x		1953
Brazil	x	x	x		1941
Bulgaria	x	x	x	(4)	1942
Burma			x		
Cambodia			x		
Canada	1951		x	1940	1944
Ceylon			x		
Chile	x	x	x		1937
China (Communist) ⁵	1951	1951	1951		
China (Nationalist) ⁵		1950	1950		
Colombia		1946	x		
Costa Rica	1946	1941	x		
Cuba	1941		x		
Czechoslovakia	x	x	x	(6)	1945
Denmark	* x	x	x	x	1950
Dominican Republic	1947	1947	x		
Ecuador	1935	1935	x		
Egypt	* 1950		1936		
El Salvador		1949	x		
Finland	1937		x	x	1943
France	x	x	x		x
Germany	x	x	x	x	1954
Great Britain	x	x	x	x	1945
Greece	x	x	x	1945	
Guatemala ⁷			x		
Haiti			1951		
Honduras			1952		
Hungary	x	x	x		1938
Iceland	x	1936	x		1945
India		1948	x		
Indonesia			1939		
Iran	1953	1953	1943		1950
Ireland	x	x	x	x	1944
Israel	1953		x		
Italy	x	1943	x	x	x
Japan	1941	x	x	1947	
Jordan			1955		
Lebanon			1943		
Libya			x		
Luxembourg	x	x	x		1947
Mexico	1942	1942	x		
Netherlands	x	x	x	8 1949	1939
New Zealand	x	1938	x	1938	x
Nicaragua			x		
Norway	* 1936	x	x	1938	1946
Pakistan			x		
Panama	1941	1941	x		
Paraguay	1943	1943	x		
Peru	1936	1936	x		
Philippines			x		
Poland	x	x	x	(9)	1947
Portugal	x	x	x		1942
Rumania	x	x	x		1944
Spain	x	1942	x	(10)	1938
Sweden	x	x	x	x	1947
Switzerland	1946	x	x	x	1952
Syria			1943		
Turkey	1949	1950	1945		
Union of South Africa	* x		x	1937	1947
Union of Soviet Socialist Republics	x	x	x		1944
United States of America	1935		x	1935	
Uruguay	x		x		1943
Venezuela		1940	x		
Vietnam			x		1947
Yugoslavia	x	x	x	1952	1950

¹ Legislation in effect before 1955 is represented by "x." For date of such legislation see table 1.

² Asterisk denotes countries having programs with benefits subject to income test or having assistance programs only.

³ In 1945 voluntary government-subsidized program became compulsory.

⁴ Program discontinued, 1951.

⁵ When data from the table are used in the text, China has been counted as a single country.

⁶ Program discontinued, 1948.

⁷ General social insurance enabling law, 1946, began with system of work-accident insurance entirely different from former program. Benefits for general accidents were introduced 1949; maternity benefits introduced, 1953.

⁸ Voluntary government-subsidized system suspended in 1940; limited subsidized system established in 1945; compulsory general program enacted in 1949, effective 1952.

⁹ Program not in operation, 1955.

¹⁰ Program discontinued, 1938.

ance capital funds to build health insurance hospitals and clinics.

Workmen's Compensation

Insurance or compensation for work accidents and occupational diseases is the most widespread type of social insurance. For most countries it is the earliest form to be adopted, and in 12 countries it is still the only type. In the past 20 years it has grown steadily among nations that previously had no social security legislation.

Since 1935 new programs have been established in Afghanistan, Albania, China (Formosa and the mainland), Egypt, Haiti, Honduras, Indonesia, Iran, Jordan, Lebanon, Syria, and Turkey. A number of new countries have legislation that antedates 1935 and their establishment as nations; they are Burma, Cambodia, Ceylon, India, Israel, Pakistan, the Philippines, and Vietnam.

While in 1935 the total number of independent countries having work accident insurance or workmen's compensation laws was about 50, the present total is 71. With every degree of per capita income, administrative efficiency, and social development represented among these 71 countries, there is inevitably a great diversity in the legal standards and in the administration of the various programs. The general trend is toward the coverage of more people and the provision of more nearly adequate benefits, but examples may be found of nations at virtually every stage in this evolutionary process.

In the administration of workmen's compensation there has been a definite trend toward the use of public funds as the carriers of the insurance. Fifteen countries had exclusive public funds in 1935, while 37 operated wholly or exclusively with such funds in 1955. In Colombia, El Salvador, Guatemala, India, Mexico, Paraguay, and Venezuela, workmen's compensation insurance is handled exclusively by public agencies in those parts of the national territory where a broad social security program has been introduced.

Today much more frequently than 20 years ago, workmen's compensation programs are combined or operated in conjunction with other social

insurance programs. A number of countries newly embarking on social security programs have started with a combined workmen's compensation and health and maternity insurance system. This has occurred in Bolivia, Burma, Colombia, El Salvador, Guatemala (where workmen's compensation is combined only with maternity and non-work-connected injury insurance), India, and Venezuela. In Iran, Mexico, and Paraguay, old-age, invalidity, and survivors insurance is also combined with the employment injuries program.

Unemployment Insurance

In the early 1930's the major domestic problem of the industrialized nations was unemployment, but for most of the past 20 years this issue has not been generally serious. The great extent of joblessness during the depression era brought a fairly widespread belief that unemployment was not an insurable risk. Nevertheless, in the 1930's unemployment insurance programs were adopted by several governments—Spain, Sweden, the United States, Canada (where a 1935 law that was declared unconstitutional was reenacted in 1940), the Union of South Africa, Norway, and New Zealand. Since 1940, national laws have been adopted in Australia, Japan, the Netherlands, and Yugoslavia.

In recent years, Bulgaria, Czechoslovakia, France, Poland, and Spain have discontinued their unemployment insurance programs. Outside Europe, five nations (Australia, Canada, Japan, New Zealand, and the United States) have adopted unemployment insurance or related programs in the past 2 decades. Latin America has some small-scale unemployment insurance operations—in Chile, where salaried employees have had protection since 1937; Uruguay, with guaranteed-wage plans in the wool, hide, and meat-packing indus-

tries; and Ecuador, where a compulsory program was instituted in 1954 for school teachers.

Methods of coping with unemployment vary greatly from country to country but not so much as they did in the early 1930's, when there were several types of work relief and public aid in addition to unemployment insurance. Currently, 14 countries paying cash benefits have compulsory insurance programs.⁵ Four countries—Denmark, Finland, Sweden, and Switzerland—now have voluntary systems with government subsidies; there were eight programs of this type in 1935. In Australia and New Zealand, payment of benefits is contingent on a liberal income test. France and Luxembourg have programs of national unemployment relief. In Spain and Portugal, public works are used instead of insurance to combat unemployment. Finland also makes extensive use of public works for this purpose.

Italy combines all these methods. It has compulsory unemployment insurance, unemployment assistance, a national guaranteed-wage plan, and a program of public works. The variety of attacks on the problem is evidence of the seriousness of unemployment in Italy, where more people are out of work now than in the 1930's.

Family Allowances

The rapid development of family allowance programs in recent years has materially increased the cash income of families with children in many parts of the world. Twenty years ago New Zealand and three European nations—Belgium, France, and Italy—had family allowance programs. By 1955 there were 24 pro-

⁵ Austria, Belgium, Canada, Germany, Great Britain, Greece, Ireland, Italy, Japan, the Netherlands, Norway, the Union of South Africa, the United States, and Yugoslavia.

grams in Europe, four in South America, and six in other parts of the world. Development has been particularly rapid in the larger, richer, and more industrialized nations.

In some Scandinavian countries and most of the British Commonwealth the allowances have been paid to all families with children or with more than a specified number of children. In Denmark and South Africa the allowances are paid only to families with low incomes. In the other countries, with one or two exceptions, family allowances have more the character of a supplement to wages. They are in many cases paid at the workplace by the employer, and the fact of employment rather than of residence determines eligibility, although "employment" usually includes the period when the claimant is receiving social insurance benefits as well as when he is actually working. France pays prenatal allowances, maternity allowances, regular family allowances starting with the second child, and single-wage allowances for wage earners with one or more children if there is only one wage earner in the family.

Summary

During the past 20 years social security measures have taken on an increasing importance in countries throughout the world. All industrial nations now have some kind of social insurance protection for workers faced with the hazards of income loss or sickness costs. In a number of countries, separate programs for different risks have been replaced by comprehensive programs covering almost the entire population. Increasingly, also, countries starting on the road to industrialization have begun to build a social security structure to meet immediate needs and to lay the groundwork for the protection of families against the major hazards of an industrial economy.