TABLE 5.—Average monthly benefits in current-payment status for all beneficiaries, June 1971, and for Spanish-surnamed beneficiaries, July 1971, by type of beneficiary, five southwestern States

Type of beneficiary	All beneficiaries	Spanish-surnamed
Retired workers	$129 14	[1] $117.20
Wives and husbands of retired workers	67.21	[1] 50.60
Disabled workers	149.20	[1] 135.90
Wives and husbands of disabled workers	46 85	[1] 36.20
Survivors of deceased workers (except children):		
Widows and widowers	111.59	98.18
Widowed mothers	94 20	78.76
Disabled widows and widowers	92 56	80.85
Parents	110 98	101.09
Children [2]	75 48	54.83
Special age-72 beneficiaries:		
Primary	48 09	48.19
Spouse	24 18	24.20

[1] Based on benefits in force, July 1971.
[2] Children under age 18, disabled children aged 18 and over, and students aged 18–21 of retired, disabled, and deceased workers.

ences in benefit amount reflect the lower earnings of the Spanish-surnamed and the differences in size of family (as well as the application of the maximum limit on family benefits). The effect of limited earnings is modified somewhat, however, by the fact that the formula for determining the worker's primary insurance amount (on which the worker's benefits and those of his dependents are based) is weighted in favor of those with low wages.

The difference between the averages might be even greater if it were not for the relatively low proportion of women—whose benefits tend to be smaller than those of men—among the Spanish-surnamed retired-worker and disabled-worker beneficiaries.

In July 1971, the average monthly benefit currently payable to Spanish-surnamed retired-worker beneficiaries in the five States was $117—90 percent of the average payable to all retired workers in those States (table 5). The average ($136) going to disabled-worker beneficiaries with Spanish surnames was also nine-tenths of the average amount for all disabled-worker beneficiaries in these States.

Data on benefit amounts by sex are not available for the five States. It is estimated, however, that the amounts being received by Spanish-surnamed men with retired-worker benefits are 85 percent of those received by all men retired workers and that those with disabled-worker benefits get about 90 percent of the amount payable to the total group.

Child beneficiaries with Spanish surnames were receiving, on the average, only 73 percent of the average benefit for all entitled children in the Southwest—$55 compared with $75. The differences in average benefits were similar but less pronounced for the spouses of retired and disabled workers and for widowed mothers.

Social Security Abroad

Social Security Revisions in Spain*

Social security legislation enacted in 1972 represents the first major revision of the Spanish system since the implementation of the basic social security law (*Ley de Bases*) in 1966. (The *Ley de Bases* lays down the basic principles and provisions for Spain's present social security system and establishes the framework for uniformity of benefits.) The announced purpose of the 1972 law is to bring benefits more closely into line with actual earnings. Improvement of benefits is to be carried out in a series of steps extending into 1975 in order to permit a gradual adjustment of the benefit formula and to spread out the increasing costs involved. The new law also provides for the inauguration of automatic adjustment of benefits and relaxes qualifications for certain survivor, disability, and health benefits. Another aim of the legislation is to extend coverage under the general social security system to marginal groups and to eliminate gradually the numerous special funds so that the system will eventually be centralized.

An increase in unemployment insurance benefits is included in the law. This action was taken to provide in particular for technological unemployment, which may be on the increase. The country is experiencing very rapid industrialization and a radical change of the economic structure that has led to one of the highest economic growth rates in Western Europe (7.3 percent a year in the period 1962–71).

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Behind the revisions is the Government's expressed desire to bring the Spanish social security system more closely into parallel with the systems of the countries of the European Economic Community by simplifying the structure and financing of the system and achieving a more equitable redistribution of income. The similarity of several of the new changes to those made in recent years elsewhere in Western Europe emphasizes this pattern.

SIMPLIFICATION

Steps toward eventual unification are motivated by the desire to make the Spanish system simpler, on a pattern not unlike that of France. At the heart of the system is the general social security fund that covers wage and salary workers aged 15 and over and the self-employed. Paralleling this pension scheme has been the system of labor associations—somewhat akin to the "complementary" private system in France.

These associations, numbering in the thousands and affecting practically the same group as the general fund, have paid a supplement equal to the regular old-age, survivors, and disability benefit, provided medical care for work-related injuries, and covered other aspects of workmen's compensation. Slated to disappear under the new law, they have been mandatory in industries designated by the Ministry of Labor. They occur on a national level (as in the oil industry, banking, transportation, and retail and wholesale trade), on a regional level (as in the chemical and metallurgical industries), or in a single large company.

A third component of the system consists of special social security funds that cover the self-employed in agriculture, the nonagricultural self-employed, seafarers and fishermen, domestic workers, government employees, railroad workers, and those in special fields such as winegrowing, canning, and forestry. The triple structure has proven to be excessively complicated, and plans for modernization have resulted.

The simplification process involves bringing special funds (such as that for agriculture) into the general fund, as France has been doing for some years. In addition, the labor associations are to disappear by 2000 and their work will gradually be taken over by one central agency. The separate contribution schedules are already being amalgamated, as discussed below.

FORMULA CHANGE

To take account of inflation, economic progress, and changing views of adequacy, a number of European countries have been studying ways to increase benefits without excessive strain on their financing mechanism. Recent techniques have included Switzerland's introduction of mandatory private pensions to supplement social security benefits, France's extending computable years of coverage from 30 years to 37½ years, and Germany's reduction of the time lag in the adjustment process.

The main problems with pension levels in the past, the Spanish have pointed out,[1] were: (1) they were based on hypothetical wage averages that were lower than actual wages and (2) benefits and earnings records were not systematically adjusted to offset inflation and improvement in the level of living. To remedy this situation, the new law provides that pensions will, after a period of transition, be based on actual earnings up to a ceiling and be adjusted periodically in order to maintain purchasing power and share in economic growth. The specifics of the adjustment process are to be spelled out in implementing decrees. For the lower wage scales particularly, these changes are expected to produce what is termed a "more realistic benefit."

The old formula provided that at age 65 (for men and women) a worker with at least 10 years of contributions was eligible for an old-age benefit consisting of (a) 25 percent of the "base wage" and (b) 1 percent of the base wage for each year of contributions from 11 to 35, up to a maximum of 50 percent. This benefit was paid 14 times a year. There were 12 occupational wage classes, ranging from apprentices in the lowest class to engineers in the highest. In addition, an equal amount was payable through the labor associations. Nominally, therefore, the pension could reach 100 percent of the "base wage."

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[1] Manuel Aldenueva, *Seguridad Social*, Instituto de Nacional Previsión, 1972, chapter 20.

If the benefit replaced 100 percent of actual wages, it might well be considered high. As pointed out in official discussions leading to the new law, however, the 12 occupational wage scales formerly used were established at a level that was sometimes only half the actual wage, since actual earnings levels vary widely within each category. The resultant benefit was, therefore, relatively low. Adjustment of wage records for the calculation of new pensions was carried out from time to time by raising the level of each of the 12 wage categories but not in coordination with wage or price indexes.

Improvement is to be introduced by raising each of the 12 categories—eventually up to the level of actual wages for each occupational classification. The old formula is retained, pending the establishment of a single uniform replacement rate that will encompass both the social security benefit and the labor association benefit supplement. Presumably, this improvement will be achieved by 1975, when the single unified contribution rate is established and the "complementary" pensions done away with entirely. Under the new formula, the calculations are to be changed gradually so that by 1975 they will be based on earnings up to a limit of 280,000 pesetas[2] a year (about four times average earnings in manufacturing). The exact formula has not been determined as yet, but the intent is to approach a replacement rate of 80–100 percent of the wage class. Whether so high a replacement rate based on real wages is financially feasible remains a question.

The new law does not spell out what is meant by "periodic" adjustment of benefits and leaves to implementing legislation the determination of what index to use. The law does state that there will be periodic reevaluation of the old-age disability, and survivor pensions, taking into account annual increases in the average level of wages, the cost of living index, the general evolution of the economy, and the financial status of the social security system. This approach resembles that of the "semiautomatic" mechanisms used in other countries of Europe, in which the adjustment is made only after consultation and deliberation. The intent is to spread out the effect of sharp fluctuations on indexes.

[2] Currently equal to $4,900 in U.S. dollars.

CONTRIBUTION RATES

Benefits in Spain are financed by payroll contributions and by subsidies from the Government. The employer contributes 42 percent and the worker 8 percent of what heretofore has been known as the "base wage." The base wage has determined the level of benefits and formed the basis for the payroll tax, as well as the financing of the overall program. Until the new law was enacted, the contribution rate for the total social security package was subject to an upper earnings limit of 18,000 pesetas a month (216,000 pesetas a year), assessed by type of programs, as follows:

Program	Contribution rate (percent) under old law		
	Total	Employer	Employee
Total	50 0	42 0	8.0
Old-age, invalidity, and survivor	13 4	9 4	4.0
Sickness and maternity	17.1	13 9	3.2
Unemployment	2.0	1 7	.3
Family allowances	14.0	13 5	.5
Other	3.5	3 5	0

As noted earlier, under the new law the 12 wage classes are to be adjusted to the actual earnings levels in a series of annual steps. Initially, contributions will be made on two amounts: (1) the standard scale of wage classes, as before, and (2) the "complement"—a percentage of the difference between the standard wage base and the ceiling on actual earnings, fixed at 280,000 pesetas a year. The percentage of contribution will decline with respect to the first amount and it will rise for the second amount until April 1, 1975, when a single uniform rate is planned to apply to all pay up to one single ceiling, as follows:

Year	Contribution rate (percent) under new law		
	On wage base (percent of payroll)	On complement (percent of wage base)	Total contribution
1972	50	10	60
1973	45	15	60
1974	40	20	60
1975	35	35	70
Thereafter	----------	----------	70

RELAXATION OF REQUIREMENTS

Age requirements were relaxed in two areas—permanent disability and survivor benefits. Under the previous law, an individual had to have completed his forty-fifth year and have contributed 1,800 days out of the past 10 years to qualify for a permanent disability benefit. The age limitation is no longer mentioned in the law. For work-connected disability a minimum qualifying period has never been required.

Under the previous law, in order to qualify for a survivor's benefit a widow had to be disabled, aged 40, or have in her care children who qualified for orphans' pensions. Now a widow may receive a benefit regardless of age or work capacity and even if she has no dependent children.

An element of relaxation was also introduced in the health insurance field. Formerly, the highest of the 12 pay categories was excluded from health insurance coverage, presumably because persons at that level—engineers and university graduates in the top white-collar brackets, for example—could afford private care. Now, the highest pay scale is covered under the health insurance system, but those earning above a ceiling periodically specified by the government will still be excluded. This change has the effect of bringing in nearly all white-collar workers but still excluding managerial personnel with salaries very far above the national average.