

# Social Security in Central America

by CARL H. FARMAN\*

*The programs of social security in the Central American nations, like those of many other nations, have shown considerable development in recent years. As part of the Bulletin's continuing efforts to give a comprehensive picture of social security in the world today, the following summary review of the programs of the five Central American States is presented.*

IN the 16 years since Costa Rica first adopted general social insurance laws, the nations of Central America—Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua—have continued to develop and expand their social security programs. Legislation in Guatemala dates from 1946, in El Salvador from 1949, and in Nicaragua from December 1955. The laws all cover more than one risk and have, in most cases, established the policy and basis for expanding coverage and providing protection against a growing variety of risks. Even the one country without a general social security act is committed to the same policy, for Honduras adopted in 1955 the Fundamental Charter of Labor Guarantees that provides for the eventual establishment of all the major forms of social security.

The Central American programs operate in the principal urban centers and have only limited application among the agricultural laborers who form an important part of the employed populations. The need for covering such workers is recognized in the legislation, but the initial development has been among workers in industry and commerce and frequently in public employment. The largest coverage of agricultural workers is in Guatemala. All the programs are financed by tripartite contributions coming from workers, employers, and Government. In one or two instances the Government contribution has been suspended or temporarily curtailed because of special circumstances.

\* Division of Program Research, Office of Commissioner.

While there is a basic similarity among the programs, the various countries have developed their own distinctive approaches to the problem of social security. Costa Rica emphasizes health and maternity insurance. (Unless otherwise specified, health insurance programs include cash benefits as well as medical care.) Guatemala has concentrated its major effort on an accident insurance program (including non-work-connected accidents), supplemented more recently with maternity benefits. El Salvador combines workmen's compensation with health insurance and maternity protection in the first phase of its social insurance operations. All the programs that are in operation provide medical care, and in several of the countries social insurance funds have built and equipped medical installations.

Something of the evolution of these programs, as well as the nature of the protection now provided by each of them and the size of the operations, appears in the following review.

## Costa Rica

Costa Rica enacted workmen's compensation legislation on January 31, 1925, after the creation in October 1924 of the National Insurance Bank that was granted, and still retains, a monopoly of life, fire, automobile, and work-accident insurance in the country.

Legislation establishing the Ministry of Public Health and Social Protection was adopted in 1927 and was followed in 1928 by the formation of the Ministry of Labor and Social Welfare.

The first general social insurance act (adopted November 1, 1941) created the Costa Rican Social Insurance Fund. It established the objective of providing health, maternity, old-age, invalidity, and survivors insurance, with contributions to be paid by employers, insured workers, and the Government. Coverage was eventually to include private and public wage and salary workers, agricultural and domestic workers, homeworkers, and the self-employed. The law gave large powers to the Social Insurance Fund, authorizing it to determine contributions and benefits.

Cash and medical benefits for sickness and maternity, and the lump-sum payment in the event of death, went into operation September 1, 1942. Contributions for these risks were set at 2.5 percent of wages from the employer, 2.5 percent from the insured person, and 1 percent from the Government.

Basic related legislation of this period includes the constitutional amendments of June 1943 and the Labor Code of August 23, 1943. The amendments introduced into the Constitution a section on "Social Guarantees," and the Labor Code incorporated without important changes the workmen's compensation law of 1925. The Labor Code also made the Ministry of Labor and Social Welfare responsible for enforcing social legislation.

A new social insurance law was enacted on October 22, 1943, and implementing regulations were issued November 15. Health and maternity benefits were continued, with operations extended to the six largest cities. The contribution rates were revised in 1952, as shown in the accompanying chart.

New responsibilities were given the Social Insurance Fund by an act of August 6, 1945, which made it the country's principal agency for low-cost housing, a function it performed until a law of October 28, 1954, cre-

ated the National Institute of Housing and City Planning. Other activities of the 1940's included the introduction of medical care for dependents of insured workers and the construction of hospitals in San José and Turrialba.

After successfully carrying

through the early stages of the health insurance program, the Fund issued an order on December 17, 1946, for the establishment of old-age, invalidity, and survivors insurance. This program covers a relatively small number of white-collar and executive workers in private em-

ployment and a wider range of Government employees.

A new constitution was adopted on November 8, 1949; like its predecessor, it includes social guarantees. A regulation issued April 15, 1952, made minor changes in the health and maternity insurance provisions. More

*Social insurance in Costa Rica, El Salvador, Guatemala, and Nicaragua:*

Country and enabling legislation	Old-age, invalidity, and survivors insurance		Health and maternity insurance
	Benefits	Contributions	Benefits
			Medical services
<p><i>Costa Rica</i> (Law 17, Oct. 22, 1943, Social Insurance; supercedes original act, Nov. 1, 1941. Regulation of Dec. 17, 1946, established old-age, invalidity, and survivors insurance. Regulation of Feb. 4, 1952, as amended, governs health and maternity insurance. Labor Code, Aug. 26, 1943, as amended, governs workmen's compensation.)</p>	<p><i>Old-age:</i> Payable at age 65, after 180 monthly contributions; basic amount, 40% of average salary in last 10 years of employment, plus annual increment of 1.5% of average earnings for each contribution year after first 3. Minimum, 40 colones a month; maximum, 90% of average earnings (subject to earnings maximum of 400 colones a month).</p> <p><i>Invalidity:</i> Payable after 36 monthly contributions; pension computed as for old age (with same minimum and maximum), except that earnings are based on last 3 years of employment.</p> <p><i>Survivors:</i> Widow or dependent invalid widower, 30% of pension paid or payable to the insured, plus 15% of that pension for each child under 16 (30% to each full orphan). Dependent parents, 15% of insured worker's pension each. Dependent brothers or sisters, 10% of insured worker's pension each. Maximum, 100% of pension paid or payable to the insured. Widow and orphans have first claim. Dependent father must be aged 65 or invalid.</p>	<p><i>Worker, employer, and Government:</i> 2.5% each of worker's wages up to 400 colones a month.</p>	<p><i>Sickness:</i> Insured worker, after 4 weekly contributions, is entitled to general and specialist services, dental care, hospital care, and medicines for up to 52 weeks. Also, 75% of cost of prescribed appliances and 15 colones for eyeglasses. Dependents in some areas receive same sickness benefits as insured, for 26 weeks. Full medical care up to age 2 for children of mothers insured at confinement and continuing in covered employment. After 8 contributions, dependents eligible.</p> <p><i>Maternity:</i> Insured woman, with 6 months' contributions in 12 months preceding confinement, receives medical, surgical, and hospital services, medicines, and milk for infant for 5 months if unable to nurse child.</p>
<p><i>El Salvador</i> (Decree 1263, Dec. 3, 1953, Social Insurance Law; supercedes original act of Sept. 28, 1949. Decree No. 37, May 10, 1954, Regulation for the Application of Social Insurance. Regulations, 1956).</p>	<p>(*)</p>	<p>(*)</p>	<p><i>Sickness:</i> Insured worker and dependents receive medical, surgical, pharmaceutical, dental, hospital, and laboratory services up to 26 weeks (may be extended to not more than 52 weeks). Person who stops working must have minimum of 8 weeks' coverage in the 4 months preceding claim.</p> <p><i>Maternity:</i> Same services as for sickness. Also necessary care during pregnancy, confinement, and postnatal period. Provided to insured woman or wife of insured man; 26 weeks of coverage in the 12 months before confinement required. Prenatal care given under same conditions as sickness benefit.</p>
<p><i>Guatemala</i> (Legislative Decree No. 295, Oct. 30, 1946, as amended, Organic Law of the Guatemalan Social Security Institute. Regulation, June 30, 1949, as amended, General Accidents. Regulation, Mar. 21, 1953, as amended, Maternal and Child Protection.)</p>	<p>(*)</p>	<p>(*)</p>	<p><i>Sickness:</i> None, except under general accident insurance (shown under "workmen's compensation").</p> <p><i>Maternity:</i> For insured woman or wife or common-law wife of insured worker, prenatal, obstetrical, and postnatal care, including treatment for any illness resulting from confinement if discovered within 6 months; layette; milk or other diet if needed. Rehabilitation services, including needed medical care, available to insured women in case of extended temporary disablement resulting from maternity.</p>

See footnotes at end of table.

extensive liberalizations were proposed, but the program was not operating with a sufficient surplus to permit them.

The oldest agency concerned with social insurance in Costa Rica is the National Insurance Bank (also referred to as the National Insurance

Institute). It is the exclusive carrier of accident and other forms of insurance but shares administration of workmen's compensation with county officials, local courts, and the labor tribunals of the country. The Bank has a Board of six directors, appointed by the President of the Re-

public, and a manager who is in charge of personnel and other administrative matters.

The other agency, the Social Insurance Fund, has responsibility for social insurance other than workmen's compensation. Its Board of Directors is composed of seven mem-

**Benefit and contribution provisions, by type of program, 1957**

Health and maternity insurance—Continued		Workmen's compensation <sup>1</sup>		
Benefits—Continued		Benefits		Contributions
Cash	Contributions	Services	Cash	
<p><i>Sickness:</i> Rate, 50% of wage in month preceding illness. Duration, 25 weeks. Qualifying period, 4 weekly contributions in 4 weeks preceding illness. Waiting period, 4 days.</p> <p><i>Death:</i> Funeral benefit, 137.50 colones.</p> <p><i>Maternity:</i> Insured woman with 6 months' contributions in preceding 12 months receives 50% of earnings for 30 days before and 30 days after confinement.</p>	<p><i>Worker:</i> 3% of wages; 4% if services to dependents are provided.</p> <p><i>Employer:</i> 3% of wages paid; 5% if services to dependents are provided.</p> <p><i>Government:</i> 1% of wages of covered workers; 2% if services to dependents are provided.</p>	<p>Medical, surgical, and hospital care as necessary; medicines; orthopedic appliances to value of 300 colones; cost of room and board if not hospitalized and medical care is given away from home.</p>	<p>Temporary disability: 50% of wage up to 52 weeks.</p> <p>Permanent total disability: 66⅔% of wage, payable for 10 years.</p> <p>Permanent partial disability: 50% of wage loss, according to schedule, payable for 5 years.</p> <p>Death: Funeral payment of 200 colones, plus transportation cost to 200 colones if death occurs away from home.</p> <p>Survivor pension: 30% of earnings to widow if no children, 20% to full orphan, 15% to half orphan, 10% to father aged 50 or invalid, 10% to other dependent relatives. Individual amounts reduced if more than 1 survivor is entitled. Maximum survivor pensions, 60% of earnings. Widow and children have first claim.</p>	<p><i>Employer:</i> Full cost; rate varies with risk.</p>
<p><i>Sickness:</i> Rate, 75% of average base wage for first 60 days; 40% thereafter. Reduced 50% if hospitalized and no dependents (minimum, 1 colon). Duration, up to 52 weeks. Waiting period, 3 days. Qualifying period, 8 weeks' coverage in the 3 calendar months preceding claim.</p>	<p><i>Worker:</i> 2.5% of wage. <sup>3</sup></p> <p><i>Employer:</i> 5% of wages paid. <sup>3</sup></p> <p><i>Government:</i> 2.5% of wages. <sup>3</sup></p>	<p>Same as for sickness, plus prosthetic and orthopedic appliances.</p>	<p>Temporary disability: Same as for sickness, paid from day following injury until recovery or certification of permanent disability.</p> <p>Permanent total disability: 60% of annual base wage; increased to 90% if constant attendance required.</p> <p>Permanent partial disability: According to schedules and in proportion to loss in earning capacity; loss must exceed 20%.</p> <p>Death: Funeral benefit, 150 colones.</p> <p>Survivor pension: Spouse or common-law wife and children under 16 entitled to 40% of permanent total disability pension for 1 survivor; 60% for 2; 80% for 3; and 100% for 4 or more. Paid to age 18 if child is still in school. Spouse receives 40% of benefit; remainder is divided equally among others.</p>	<p>(<sup>3</sup>)</p>
<p><i>Sickness:</i> None, except under general accident insurance (shown under "workmen's compensation".)</p> <p><i>Maternity:</i> For insured woman, full wage for 30 days before and 45 days after confinement. For illness caused by pregnancy or confinement, full wage for 3 months; thereafter ⅔ of wage. For rehabilitation services, funeral benefit, and survivor benefit, same rate as under general accident insurance; payable to minor and invalid children dependent on insured person at time of her death.</p>	<p><i>Worker:</i> 1% of wage.</p> <p><i>Employer:</i> 2% of wages paid.</p> <p><i>Government:</i> 1% (temporarily suspended, 1955-58).</p>	<p>Under general accident insurance, services same for work-connected and non-work-connected accidents to insured persons.</p> <p>Medical, surgical, and hospital care; appliances; transportation and board and lodging if treatment must be received away from home. Physical and occupational rehabilitation services. Reimbursement for medical costs incurred in accident sustained outside country.</p>	<p>Under general accident insurance, cash benefits same for work-connected and non-work-connected accidents to insured persons.</p> <p>Temporary disability: ⅔ of wage, beginning day after injury.</p> <p>Permanent disability: Lump sum of 180-800 quetzales, according to type of injury. During period of rehabilitation, 15-22.50 quetzales a month, plus 10 quetzales for each dependent. Pension for total disability, ⅔ of wage.</p> <p>Death: Funeral benefit, 60 quetzales.</p> <p>Survivor pension: 10 quetzales a month each for (a) widow, (b) children under age 18 (no age limit if invalid), (c) mother, (d) common-law widow and children, (e) father and grandparents if over age 60, (f) any other person proving dependency. Pension doubled if only 1 beneficiary. Benefits increased by ⅔ in zones with higher living costs.</p>	<p><i>Worker:</i> 1⅓% of wage.</p> <p><i>Employer:</i> 2⅓% of wages paid.</p> <p><i>Government:</i> 1⅓% of wages. Because of special financial conditions, Government share suspended, 1955-58. Government continues to pay employer share for public employees.</p>

bers, appointed by the President for 5-year terms and eligible for reappointment. Labor and management are represented, and one member must be a physician. The autonomy of this policy-making body is unusual; its members are authorized by law to "perform their duties with absolute independence of the Executive Power." The fund has—and has used—the power to cover new risks, extend the program to new areas, change contribution rates, and generally modify important parts of the program.

The following data summarize the Fund's operation in 1953—the most recent year for which fairly complete information is available.<sup>1</sup>

<sup>1</sup> For 1955 coverage under health and maternity insurance is estimated at 79,491 and under old-age, invalidity, and survivors insurance at 19,875. Cash sickness benefits paid amounted to 965,450 colones and maternity benefits to 276,684 colones, or a combined total of 1,242,134 colones.

[Amounts in colones; the colon is 15 cents in U.S. currency]

Item	1953
Number of workers covered:	
Total.....	73,705
As percent of labor force.....	27.8
Income, total.....	19,901,120
Health and maternity insurance.....	14,983,736
Old-age, invalidity, and survivors insurance.....	4,917,384
Benefit costs, total.....	10,023,938
Health and maternity insurance.....	9,819,219
Cash benefits.....	1,148,746
Medical services.....	8,670,473
Old-age, invalidity, and survivors insurance.....	204,719

### El Salvador

Social insurance in El Salvador had its beginnings with the workmen's compensation law of May 11, 1911, which remained in effect, as amended, until 1956 in the areas where the law on social insurance had not been introduced. A law for the protection of salaried employees was adopted on June 9, 1927. Among other regulations, it contained provisions for dismissal wages.

Nearly 20 years later, on January 15, 1946, the National Labor Department came into existence as a division-to-be of the planned ministry of labor. Toward the end of the same year—on October 15—the Ministry of Labor and Social Welfare was created.

Serious planning for social security began about this time, and a three-member committee was formed to study foreign systems and draft a bill. Its work was completed by May 22, 1947, when a proposed law was submitted to the Ministry of Labor and Social Welfare. Several successive committees contributed planning and redrafting services until the country's first general social insurance law was adopted September 28, 1949, and became effective October 12. It was a broad enabling law that looked to the gradual growth of most forms of social security covering most of the Nation's population.

### Social insurance in Costa Rica, El Salvador, Guatemala and Nicaragua:

Country and enabling legislation	Old-age, invalidity, and survivors insurance		Health and maternity insurance
	Benefits	Contributions	Benefits
			Medical services
Nicaragua (Labor Code, Jan. 12, 1945, workmen's compensation, Decree No. 161, Dec. 22, 1955; Organic Social Security Law, Regulations, Oct. 24, 1956.) <sup>4</sup>	<p><b>Old-age:</b> Payable at age 60 (or age 65, at option of insured person), after 750 weekly contributions—monthly pension equal to 30% of basic wage, plus supplements of (1) 1.5% of basic wage for each 50 weeks of contributions after first 150 paid before qualifying for pension and (2) 1% of basic wage for each 50 contributions thereafter. To provide supplement for wife or companion and, if insured person is invalid, for each dependent child under age 14, pension is increased by 10% of basic pension and first supplement. Maximum, 80% of wage. Retirement from covered employment required.</p> <p><b>Invalidity:</b> 150 weekly contributions required in the 6 years preceding incapacity; insured person must be able to earn no more than 33% of usual earnings of healthy person of similar training, etc. Pension is 30% of basic wage (monthly average of last 3 years of employment), plus 1.5% of basic wage for each 50 weekly contributions after the first 150 (½ benefit payable for 34–50% disability). Increased by dependent's supplement as for old age; same maximum.</p> <p><b>Survivors:</b> Widow or invalid, dependent widower: 50% of pension of insured person or of amount to which he would have been entitled for total disability. Payable to widow for 2 years if under age 45 and not an invalid; otherwise normally payable for life or until remarriage. Each legitimate child under age 14, half widow's benefit; full orphan, same as widow. Maximum survivor pensions, 80% of basic earnings of insured person. Same qualifying period as for invalidity.</p>	<p><b>Worker:</b> 4% of wage.<sup>5</sup>  <b>Employer:</b> 8% of wages paid.<sup>5</sup>  <b>Government:</b> 4% of wages, plus employer share for covered public employees.<sup>5</sup>            Contributions based on wage classes; maximum weekly average wage creditable, 618 cordobas.</p>	<p><b>Sickness:</b> Insured worker, after 4 weekly contributions in 9 weeks preceding claim (or 12 contributions in last 6 months), is entitled to medical, surgical, specialist, hospital, and dental services (prosthesis excluded), and medicines—up to 26 weeks for illness (may be extended). Dependents not eligible initially. Enterprises with own hospitals may by contract provide medical care and have part of contributions as employer excused.</p> <p><b>Maternity:</b> Insured woman or wife of insured man, after 16 weekly contributions in 9 calendar months preceding confinement, receives medical, hospital, and dental services and medicines before, during, and after confinement. Prenatal care provided if 4 contributions paid in 9 weeks preceding confinement. Special aid, in cash or kind, for care of infant in first 6 months.</p>

<sup>1</sup> Costa Rica has separate system under law of 1924 as amended; administered by National Insurance Bank (exclusive insurer). Program shown for Guatemala is general accident insurance, covering work-connected and non-work-connected accidents.

<sup>2</sup> Provided for in general enabling law; not yet in operation.

<sup>3</sup> Same contribution covers health and maternity insurance and workmen's compensation.

<sup>4</sup> Medical and related services for sickness and maternity were inaugurated in the Managua area in the first quarter of 1957; cash benefits were not paid initially, and information on the first date for such payments is not available. The first

The Institute of Social Insurance created by the law was formally established by the Minister of Labor and Social Welfare on December 23, 1949. In the spring of 1950 its budget was approved in preparation for undertaking benefit operations.

The Constitution of 1950 had sections on social security and on labor, including labor inspection. The latter provisions resulted in improved enforcement of the workmen's compensation legislation.

Meanwhile the Institute continued its intensive planning, the outcome of which was the adoption on December 3, 1953, of a new social security measure repealing the act of 1949. Employer registration began April 20, 1954, and the general starting date for benefits was July 1, 1954. The first outpatient clinic opened in August of the same year. By June 1956 the social insurance program was operating in four of the country's 14 Departments: San Salvador, La

Liberated, La Unión, and Sonsonate.

A new workmen's compensation law was decreed by the Legislative Assembly on May 24, 1956. It made insurance compulsory through private insurance companies and extended coverage to agricultural workers regularly employed for fixed wages.

In the beginning stages, the Government of El Salvador met the cost of providing social insurance services, which were limited to maternity care in some areas but provided also some sickness benefits. Amending legislation of August 1956 provided for maintenance of individual records, better enforcement, and the collection of contributions from individuals retroactively to June 1, 1956. With these objectives a registration of workers and a reregistration of employers were carried out in the fall of 1956.

Administration under the Institute of Social Insurance is divided be-

tween the Board of Directors, which determines policy, and the General Management, which carries out the policy. The Board has 12 members—four from Government,<sup>2</sup> two from workers' organizations, two from employers' organizations, one from the Medical College of El Salvador, and one from the Dental Society of El Salvador. The Minister of Labor and Social Welfare is chairman, and the Director General of the Institute is secretary. The Director General and the assistant director are named by the President of the Republic. Government members are appointed by their respective ministers. The Ministry of Labor and Social Welfare is the responsible Government department.

Data on coverage at the end of 1955 and financial data from the

<sup>2</sup> The Ministries of Finance, Labor and Social Welfare, Public Health and Social Assistance, and Economy are represented by one member each.

**Benefit and contribution provisions, by type of program, 1957—Continued**

Health and maternity insurance—Continued		Workmen's compensation <sup>1</sup>		
Benefits—Continued	Contributions	Benefits		Contributions
Cash		Services	Cash	
<p><i>Sickness:</i> Rate, 60% of wage; reduced ½ if hospitalized and no dependents. Duration, 26 weeks (may be extended). Qualifying period, 12 weekly contributions in last 6 calendar months preceding claim.</p> <p><i>Death:</i> Either adequate funeral or cash payment of 600, 1,000, or 1,500 cordobas, according to wage class in last 4 contribution weeks preceding death or receipt of pension. If not pensioner, must have had 4 weeks of contributions or cash benefit in 6 months preceding death.</p> <p><i>Maternity:</i> Insured woman, 60% of wage for 6 weeks before and after confinement. Provided after 16 weekly contributions in 9 months preceding confinement.</p>	(*)	(*) <i>Under Labor Code of 1945:</i> Medical care, medicines, and appliances.	(*) <i>Under Labor Code of 1945:</i> 60% of wage loss for temporary disability (reduced if accident occurred in small undertaking) and lump sum for permanent total disability equal to 620 days' wages (also reduced for small-scale undertaking). Variable pension for 5 years is payable for permanent partial disability and, for survivors, a lump sum not in excess of 620 days' wages. Funeral benefit is equal to 1 month's wages.	<i>Employer:</i> Full cost; rate varies with risk.

benefits under old-age, invalidity, and survivors insurance will be payable after the first 3 years of contributions. Contributions were first collected in February 1957 for these types of social insurance. Workmen's compensation provisions of the Organic Social Security Law not yet in operation (see footnote 6).

<sup>1</sup> Same contribution covers all programs except workmen's compensation.

<sup>6</sup> Provisions of Organic Social Security Law (not yet in operation) make pensions payable to permanently disabled workers and to survivors at rates to be determined; temporary disability benefits (60 percent of wage) and comprehensive medical and rehabilitative services are specified.

proposed 1956 Budget are shown below.

[Amounts in colones; the colon is 40 cents in U.S. currency]

Item	1956 budget
Number of workers covered:	
Total.....	1 43,310
As percent of labor force.....	1 6.6
Income.....	5,432,000
Benefit costs, total.....	2,814,499
Cash benefits.....	492,000
Medical services.....	2,322,499

<sup>1</sup> As of December 1955.

## Guatemala

Guatemala was the first nation in the hemisphere to adopt workmen's compensation legislation. In 1906 it enacted a "Workmen's Protective Law" providing for benefits in case of work accidents. The program was to be administered by mutual aid funds, and the worker was to pay two-thirds the cost. Economic and social conditions were generally unfavorable, and the law was never effectively enforced.

Twenty years later (April 30, 1926) the country adopted its first labor code, which included improvements in workmen's compensation and also provided for payment to working women temporarily absent because of maternity confinement. The General Office of Public Welfare and Social Insurance was created by executive order in 1931. About the same time, public employee pensions became increasingly important. A legislative decree of April 30, 1932, set up a system of contributory pensions for government workers, and in 1936 military pensions were made contributory.

Two "secretariats" were created in December 1944—one for Government, Labor, and Social Welfare and the other for Public Health and Social Assistance. In the following year, under the Constitution of 1945, they were raised to cabinet rank and made ministries. The Constitution, dated March 15, contained sections looking to the introduction of social insurance, and studies for that purpose began immediately.

The same month that the Constitution was adopted saw the establishment of a new and improved military retirement system. Later in 1945 a decree of November 19 created a semimilitary noncontributory pen-

sion system with potentially broad coverage. This decree provided for pensions to persons who, as civilians or members of the military forces, helped defend the political and social institutions of the country.

On October 30, 1946, after extended studies and considerable documentation, the Organic Law of the Guatemalan Social Security Institute was adopted. Chief administrative officials and a board of directors were promptly named, and in mid-1947 the Institute issued regulations for employer registration. The first employer contributions were collected in December, and benefit operations began in January. On January 2, 1948, the Institute was formally inaugurated.

At this time the program covered work injuries in the Municipality of Guatemala, and in October 1948 coverage was extended to several Departments—Guatemala, Escuintla, Izabal, Sacatepéquez, and Quezaltenango. Protection against non-work-connected injuries was added August 1, 1949, and the expanded accident program, providing medical services and cash benefits, became effective in all the foregoing Departments and in one new one, Chimaltenango. There was further geographical expansion in June 1951 and October 1952.

The latest benefit to be added was maternity protection. On May 1, 1953, a program of maternity and child protection, providing cash and medical benefits at confinement, began operations in the Department of Guatemala.

A decree of October 15, 1956, created a new Ministry of Labor and Social Welfare, which took over the labor functions formerly exercised by the Ministry of Economy and Labor and the welfare functions performed previously by the Ministry of Public Health. The new Ministry is in charge of "supervision, coordination, and improvement of the systems of social security and welfare." A new constitution and labor code were also adopted in 1956.

By that year, social security against accidents was operating in the areas where half the population lives. Actual coverage, however, was about 200,000—approximately 7 percent of the total population of the country—plus dependents.

Administration of this system is the responsibility of the Institute of Social Security, a largely autonomous organization having a policy-making board of six directors (and six alternates) named by the President for terms of 6 years. Represented are the Ministry of Labor and Social Welfare, the Monetary Board of the Bank of Guatemala, the University of San Carlos, the Official College of Physicians and Surgeons, employer organizations, and labor unions. Direct administration is under the manager, who is appointed by the Board of Directors. An advisory technical council reports to the manager.

A school of social service has been established by the Government, and other professional training carried out. The Institute has brought modern medical care to parts of the country where workers had previously received little or no medical attention. When it is considered necessary, the rehabilitation service includes instruction in reading and writing. Emergency accident care is given any injured person regardless of his affiliation with the Institute.

Data on operations in the fiscal year 1954-55<sup>3</sup> are shown below.

[Amounts in quetzales; the quetzal is \$1.00 in U.S. currency]

Item	1954-55
Number of workers covered:	
Total.....	1 203,572
As percent of labor force.....	17.8
Income, total.....	5,480,621
Benefit costs, total.....	4,138,024
Maternity.....	709,356
Cash benefits.....	113,127
Medical services.....	596,229
Accident.....	3,428,668
Cash benefits.....	<sup>2</sup> 1,471,595
Medical services.....	1,957,073

<sup>1</sup> Insured only against accidents, but the number presumably includes most or all of the 27,000 persons covered by maternity insurance.

<sup>2</sup> For work accidents only.

## Honduras

Honduras has less social insurance legislation than any of the other Central American Republics. Plans have been projected at different times, and the basic law of the land made provision for social and labor legislation as early as 1924,

<sup>3</sup> More recent data show total income of 5,999,000 quetzales for the fiscal year 1955-56, with a budget for the fiscal year 1957-58 of 70,005,100 quetzales.

under the now obsolete constitution of that year.

Several pension plans for Government employees were set up in the 1920's, including that for teachers under the 1923 Code of Public Education and the 1923 amendments to the Telegraphic and Telephone Law, which made provision for Government telegraph workers. The Electrical Communications Law of 1934 continued the latter provision. Meanwhile, in 1928 primary teachers were the subject of a retirement act that required a 2-percent contribution from the instructors.

Work-accident legislation first came with the Mining Code of 1937, which contained some provisions concerning compensation for occupational injury. Before that time, in the period between the Constitution of 1924 and the more conservative Constitution of 1936, bills on labor and on workmen's compensation had been repeatedly introduced—in 1925, 1927, 1929, 1931, and 1932. Though several came to a vote, none was adopted. After 1937 there were few general bills of this sort, although the Merchant Marine Law of 1943 provided compensation for maritime accidents.

The problem of workmen's compensation, as well as labor conditions generally, was assigned for consideration to a congressional committee appointed in March 1950. A general workmen's compensation law was the result; it was published February 23, 1952, and took effect 20 days later. The same month witnessed the creation of the Department of Labor and Social Welfare within the Ministry of Development and Labor.

The year 1952 also saw enactment of a decree setting up a social security fund into which proceeds from fines and other money were to be paid for eventual use of a proposed Social Security Institute. The Institute has not yet been created.

Under legislation of 1954, employers were required to provide old-age and invalidity pensions for wage and salary workers with 10 or more years of employment. The law applies to commercial, industrial, agricultural, banking, and mining establishments anywhere in the country. The pension varies from 20 percent of the last remuneration for a person with

10 years' employment to 60 percent for the person retiring after 25 years or more. Firms must set aside at least 10 percent of their annual profits to pay the benefits. Retiring workers with 10 years' service may claim the pension at age 55; at age 60, retirement is compulsory. Permanently incapacitated workers with 10 years of employment are entitled to pensions at the same rate as those paid for retirement because of age. If the beneficiary dies within the first year that he receives the benefit, his wife or other survivors are entitled to the same pension for the remainder of the year. Several company programs in the mining, oil, air transport, and fruit industries provide sickness, accident, and additional retirement benefits.

On February 16, 1955, the Fundamental Charter of Labor Guarantees was adopted. This law has sections affirming the right to social security.

### *Nicaragua*

Nicaragua's first workmen's compensation act was adopted May 13, 1930, and revised by the Labor Code of January 12, 1945. The Ministry of Agriculture and Labor, which under the Labor Code was given charge of such public administration as the program requires, dates from July 1952.

In the absence of general social insurance, a number of mutual aid societies were formed in the 1930's and later. Ten of the more important, located chiefly in the Managua area, had about 2,100 members in 1952 and assistance funds available of about 41,400 cordobas. The main benefits were funeral payments, weekly payments in case of sickness or lump sums for operations, dividends on earnings of shares, and loans from shares to members. These societies are regulated by the Commercial Code and are under the general supervision of the Ministry of the Interior and the Ministry of Labor.

The Constitution of 1948 provided for social legislation, and social insurance planning began in the 1950's. A report was released in December 1953, and a committee was formed immediately. In April 1954 various organizations, including some from management, labor, and the medical

profession, were asked to name representatives to a group studying the subject. Technical assistance was obtained from the International Labor Office.

The Minister of Labor named a planning committee for social security in May 1955 that included representatives from interested groups, and this body prepared a draft bill in September 1955 that was approved by the President and submitted to the National Congress. As the Organic Social Security Law, it passed both houses and was signed on December 22, 1955. The measure took effect January 2, 1956, with the establishment of the National Social Security Institute.

The program was to be put into effect gradually, with the risks to be covered in the following order: sickness and maternity, work injuries, old age, invalidity, death, and unemployment. In October 1956 it was announced that benefits would be provided in the Managua area early in 1957. Contribution rates were fixed at 16 percent of wages, payable one-half by the employer and one-fourth each by the worker and the Government and covering the risks of sickness, maternity, old-age, invalidity, and death.

Medical and related services for sickness and maternity were inaugurated in the first quarter of 1957 in the Managua area. Cash sickness and maternity benefits were not paid initially, and no information is available on the beginning date for these payments. Benefits under old-age, invalidity, and survivors insurance will not be payable until contributions have been made for 3 years. The first contributions for these types of social insurance were collected in February 1957; the Government, the National Railway, banks, and certain public utility companies were the first employers to pay.

Under the Organic Social Security Law, administration is in the hands of the National Social Security Institute. This law also provides for an assistance organization—primarily for the provision of medical and institutional care—to be known as the National Assistance and Social Welfare Board. The act is thus a broad social security measure. The

National Social Security Institute is charged with the administration of the social insurance programs, as well as preliminary research and preparation. Its three principal constituent organs are the Council of Directors, the General Management, and the Technical Council.

The Institute's Council of Directors is identical in composition with the Council of Directors of the National Assistance and Social Welfare Board. It has 15 members—four from workers' organizations, three from employer groups, one from the Medical

College, one from the minority party, and six from the Government. The latter are the chairman, the Minister of Labor, Minister of Public Health, Minister of Economy, Minister of Finance, and the Director General of the National Social Security Institute.

The national budget of 272 million cordobas for 1956-57 included 14 million cordobas for social insurance, the amount calculated as equivalent to the Government contribution and its share as employer of covered public workers. There are as yet no

statistics on the operations of the program.

The gainfully employed population was estimated in 1953 at about 330,000, of whom 234,000 were in agricultural and stock-raising pursuits. Gainfully employed persons in urban areas, including some in agriculture, numbered about 182,000, and the original estimates indicated that about 127,000 would eventually be covered by social insurance. At the present time, however, the number is much smaller, since the zone of operations is restricted.

## Notes and Brief Reports

### State-Chartered Credit Unions in 1956\*

In 1956 business activity reached a new high for a peacetime period, and credit union operations likewise flourished. In credit unions chartered under State laws, total assets

Table 1.—Development of State-chartered credit unions, 1925-1956

Year	Number of credit unions		Number of members	Assets
	Active	Reporting		
1925	419	176	108,000	(1)
1929	974	838	264,908	(1)
1931	1,500	1,244	286,143	\$33,645,343
1932	1,612	1,472	301,119	31,416,072
1933	2,016	1,772	359,646	35,496,668
1934	2,450	2,028	427,097	40,212,112
1935	2,600	2,589	597,609	47,964,088
1936	3,490	2,734	854,475	73,659,146
1937	3,792	3,128	1,055,736	97,087,995
1938	4,239	3,977	1,236,826	117,672,392
1939	4,782	4,677	1,459,377	145,803,444
1940	5,267	5,175	1,700,390	180,649,090
1941	5,663	5,506	1,907,694	216,557,977
1942	5,622	5,400	1,797,084	221,114,849
1943	5,285	5,124	1,721,240	228,314,723
1944	4,993	4,907	1,629,706	253,663,658
1945	4,923	4,858	1,626,364	281,524,015
1946	5,003	4,864	1,717,616	322,082,553
1947	5,155	5,097	1,893,944	380,751,106
1948	5,273	5,271	2,120,708	443,049,653
1949	5,427	5,402	2,271,115	510,726,465
1950	5,602	5,585	2,482,539	599,165,879
1951	5,881	5,886	2,732,495	693,613,296
1952	6,362	6,324	3,035,046	853,709,783
1953	7,096	6,986	3,390,121	1,040,874,593
1954	7,814	7,713	3,756,852	1,237,175,507
1955 <sup>2</sup>	8,387	8,288	4,121,421	1,476,014,239
1956	8,901	8,763	4,548,617	1,741,742,069

<sup>1</sup> Data not available.

<sup>2</sup> Revised.

\* Prepared in the Statistics and Reports Branch, Bureau of Federal Credit Unions.

exceeded \$1.7 billion (table 1), a gain of 18 percent from the amount a year earlier. Membership passed the 4.5-million mark, rising more than 10 percent during the year, and members' shareholdings increased \$227.8 million (18 percent) to a total of nearly \$1.5 billion. The average savings of members of State-chartered credit unions moved up to \$323 by the end of the year; on December

31, 1955, the average was \$302. Income exceeded the operating expenses of credit unions chartered under State laws by \$68.9 million in 1956. This amount was \$11.2 million (19 percent) greater than net earnings in 1955. In credit unions that paid a dividend in 1956, members received \$46.4 million, or \$7.4 million more than in the preceding year.

Data on State-chartered credit unions are reported annually to the Bureau of Federal Credit Unions by the official in each State who is re-

Table 2.—Total amount of loans and amount of real estate loans made by State-chartered credit unions, 25 States, 1956<sup>1</sup>

State	Loans outstanding, end of year		Loans made during year	
	Total	Secured by real estate	Total	Secured by real estate
Total, 25 States.....	\$914,126,227	\$230,003,178	<sup>2</sup> \$976,021,000	<sup>2</sup> \$91,220,000
Arizona.....	2,207,485	37,855	2,475,595	37,855
California.....	120,674,796	19,281,345	119,727,003	(3)
Colorado.....	24,375,086	2,860,010	30,824,945	1,560,696
Florida.....	22,417,975	2,368,315	30,921,336	(3)
Iowa.....	28,676,110	4,300,357	33,992,214	1,691,648
Kansas.....	15,512,858	1,393,400	19,246,620	(3)
Maine.....	2,974,009	7,034	3,569,929	
Massachusetts.....	99,982,803	46,167,178	94,488,053	12,246,499
Michigan.....	109,385,103	29,489,272	124,213,308	4,713,900
Minnesota.....	63,298,788	26,492,666	62,940,797	9,004,621
Mississippi.....	1,307,444	211,191	1,356,282	102,600
Missouri <sup>4</sup> .....	57,828,160	9,795,520	(5)	(5)
New Hampshire <sup>5</sup> .....	4,404,962	2,300,935	(6)	(6)
North Dakota.....	4,633,397	545,315	3,207,784	(6)
Ohio.....	79,550,067	9,732,011	105,882,795	(6)
Oklahoma.....	12,810,791	410,623	(6)	(6)
Oregon.....	11,742,688	717,590	13,772,627	440,699
Rhode Island.....	34,569,334	20,168,616	20,015,559	5,721,844
Tennessee.....	22,169,834	3,930,175	(7)	(7)
Texas.....	55,659,603	3,446,979	76,963,845	1,809,499
Utah.....	15,330,817	1,980,586	16,891,437	991,899
Vermont.....	1,708,231	247,977	406,516	34,449
Washington.....	26,541,495	2,116,216	32,835,905	818,593
West Virginia.....	1,904,342	217,729	2,185,667	(8)
Wisconsin.....	94,460,049	41,784,274	76,278,605	15,766,037

<sup>1</sup> States reporting on real estate loans. Data are for calendar year, unless otherwise noted.

<sup>2</sup> Includes estimate for States not reporting.

<sup>3</sup> Data not reported.

<sup>4</sup> Fiscal year ended Sept. 30.

<sup>5</sup> Fiscal year ended June 30.