4.5 percent or even higher and whether it is not equitable to require a minimum State contribution from all employers for benefit purposes.

Research.—Other questions of public policy will undoubtedly arise. If policy decisions are to be based on objective considerations, much more basic research is needed on various aspects of the program. Too little is known about the characteristics of the unemployed and the reasons for their unemployment, especially in chronic labor surplus areas. Research is needed on the extent to which existing qualifying earnings requirements are appropriate measures of labor-force attachment. This information will be particularly important in the period ahead when young people and women, especially secondary workers, will form an increasing proportion of the labor force. Much more needs to be known of the effects of the disqualification provisions on workers and on the relationship between unemployment insurance and fringe benefits.

THE EMPLOYMENT SECURITY system cannot remain a static institution. To perform effectively the functions for which it was designed, it must constantly adjust to the needs and requirements of the changing labor market in a dynamic economy.

A Quarter Century of Social Security Abroad*

DURING THE FIRST 25 years of the social security program in the United States, a remarkable growth in social security also took place in other parts of the world. The older systems that antedated the American program underwent many changes during this period. Their coverage was greatly enlarged, new benefits were added, and in some countries the basic approach was fundamentally altered. At the same time, many other nations introduced social security measures for the first time. Included among them are a number of countries that did not exist as independent nations in 1935.

This article presents a review of major social security developments abroad since 1935. Only a summary picture can be given, however, because of their volume and complexity.

SITUATION IN 1935

When the Social Security Act was passed in the United States, there were around 28 countries that already had social security systems of fairly broad scope in operation. All but six of these were in Europe, where nearly every country had some form of legislation before 1935. The only non-European countries in which social security measures then existed for sizable proportions of the population were Australia, Chile, Japan, New Zealand, the Union of South Africa, and Uruguay.

Most of the programs in operation in 1935 took the form of social insurance. In relying primarily on this approach there was a tendency to follow the example of Germany, which had introduced the notion of governmental social insurance during the 1880's. The techniques of social insurance spread rapidly through Central and Eastern Europe and then to Western Europe. A few of the nations with social security programs in 1935 relied on social assistance, however, as their chief means of protection. These countries were concentrated in Scandinavia and the English-speaking world. Denmark was the first to adopt this approach on a national scale in 1891. It was followed in turn by New Zealand, Australia, Iceland, and the Union of South Af-

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rica. Some countries with social insurance systems also maintained assistance programs, but the latter were largely supplemental in character. Sweden adopted its first universal pension law in 1913.

Most of the early programs, especially those based on social insurance, had achieved a reasonably broad coverage in terms of risks by 1935. They usually provided pensions in case of old age, invalidity, and death; cash and medical benefits in the event of sickness; work accident benefits; and often unemployment benefits. Almost half the unemployment benefit programs, however, consisted of State-subsidized voluntary plans of the older Ghent type; these were found, for example, in Belgium, France, Italy, and New Zealand. There were only four general family allowance programs in operation in 1935.

The coverage of the early programs, as judged by present-day standards, was still far from complete. Their scope was often limited to industrial and commercial workers, or even to manual workers only, and they often excluded higher-paid employees (all or salaried). Agricultural employees were commonly excluded, and the systems rarely covered the self-employed. A number of countries also followed the German practice of having wholly separate systems for wage earners and salaried employees.

The programs were usually financed in part from special insurance contributions paid by employers and employees. To these was added in a number of countries a subsidy by the Government. Employer and employee contributions usually equaled a fixed percentage of wages; in a few countries such as the United Kingdom, however, flat contributions were imposed that paralleled the flat benefits provided. The assistance programs, in contrast, were financed entirely from general revenues, with local governments often sharing in the cost. A majority of the early programs were administered by self-governing institutions managed by governing bodies that included representatives of insured persons and employers.

The form of social insurance legislation as it existed in 1935 was considerably influenced by a series of conventions and recommendations adopted by the International Labor Organization between 1925 and 1934. Among subjects covered by ILO conventions adopted during this period were pension insurance, sickness insurance, unemployment insurance, and workmen's compensation.

Apart from the countries referred to above, a number of countries in 1935 had laws prescribing the compensation employers were to pay to workers injured during employment. This was true as well of various colonial territories that subsequently became independent. It may also be noted that various countries, particularly in South America, had by 1935 established social security programs for special groups of workers such as employees of railroads, banks, public utilities, or the Government, even though they had no general system.

PREWAR DEVELOPMENTS (1935–39)

The period between 1935 and the outbreak of World War II in late 1939 was marked both by the aftermath of the economic depression and by unsettled political conditions created by the threat of war. The success of the older social security programs in weathering the depression, and the aid they gave in ameliorating its hardships, provided some impetus to a further spread of social security. It was during this time that there began, among other things, the remarkable spread of new social security programs in Latin America; this movement continued throughout the war and well into the decade of the 1950's. Thus, in the same year that the United States passed the Social Security Act, Ecuador became the third South American country to adopt a general social security law applying to industry and commerce. During the following year, Peru instituted a broad new insurance system covering most wage earners, and Brazil provided social security protection for its industrial workers for the first time.

The immediate prewar period also saw the introduction of assistance pensions and compulsory unemployment insurance in Norway, a universal pension system in Finland, a wage earner's pension program in Yugoslavia, and unemployment insurance in South Africa. The New Zealand social security act was passed in 1938. This law was notable for the manner in which it embodied protection against all risks in a single unified system and for its generalized coverage. Instead of being social insurance, however, the new program was financed through a special income tax and benefits were provided on an income-test basis. Australia also enacted a general law during 1938, but its implementation was deferred until after the war.

Most of the older programs underwent minor changes during the half decade immediately preceding the war, but in general they were not altered fundamentally. Chile, Hungary, the Netherlands, and Spain introduced family allowances during this period.

EVENTS DURING THE WAR (1940–44)

The outbreak of hostilities in 1939 inevitably had extensive repercussions on social security measures then in existence. These programs continued to function, in the main, but they eventually underwent extensive readjustment in numerous countries to adapt them to wartime conditions. Preoccupation with military matters and manpower shortages greatly lessened for a time, however, the amount of public attention given to the further development of social security.

In the first part of the war, therefore, a certain freezing of the evolution of social security occurred in the belligerent countries where programs had previously existed. Despite this, such programs made a distinct contribution in some countries to the meeting of extraordinary welfare needs occasioned by the war. Benefits were raised from time to time to cover the rise in living costs, and the high levels of employment and earnings led to higher contribution income. In Europe itself, German legislation was extended to various occupied countries, while in others local legislation was altered to adjust it to the desires of the occupying power.

The situation differed in the Western Hemisphere, which was not directly ravaged by the fighting taking place in Europe and Asia. Here, where there were few general social security programs before the war, great interest arose in this field. Each year saw adoption of legislation in more and more countries that previously had had no laws of this type. The movement was particularly pronounced in Latin America, partly as a result of the emphasis given to social security at regional labor conferences held by the ILO in 1936 and 1939. In 1940, Venezuela enacted its first general social insurance law. Similar action was taken in the next few years by Costa Rico, Mexico, Panama, and Paraguay. Most of these laws called for only gradual introduction of the programs authorized, with regard to types of benefits or districts covered, but the first basic steps were taken.

It also may be noted that Canada enacted its first permanent national social security law in 1940, in the form of unemployment insurance. Japan introduced its first general pension system in 1941. In 1944, Australia adopted its first national system of unemployment and sickness benefits.

One branch of social security in which there was fairly rapid development during the war was family allowances. Before the war began, statutory family allowance programs were to be found in only about eight countries. In contrast, such legislation was promulgated in nearly a dozen countries during the early 1940's, including Australia, Brazil, Bulgaria, Canada, Finland, Ireland, Morocco, Portugal, Rumania, Tunisia, Uruguay, and the Union of Soviet Socialist Republics.

The most important social security development during the war from a historical point of view, however, probably was not the actual legislation. It was instead the extensive planning of postwar social security measures that took place that was to leave the most enduring imprint. The heavy sacrifices imposed by the war and the spirit engendered by concentration on a common cause gave impetus in many countries to plans for greatly improving the content of social security measures as soon as possible after the war ended.

The widespread aspiration for a greater degree of social security had already been recognized in 1941 in the Atlantic Charter, which referred to the objective "of securing, for all, improved labor standards, economic advancement, and social security." An ILO conference held in the United States in 1944 adopted the so-called Philadelphia Declaration, which proclaimed that the war against want should be carried on with unrelenting vigor within each nation and also set forth basic social security principles. A formal recommendation was also adopted at this conference affirming that all persons should be guaranteed, through social insurance or public assistance, income sufficient to free them from want or destitution.

Concrete plans were drawn up in a number of countries, during the closing years of the war, for the new social measures that would be put into effect at the war's end. In the case of some occupied countries, such plans were developed by governments-in-exile, to be put into force as soon as possible after liberation of their homeland. The most famous of the wartime plans was, undoubtedly, the Beveridge Report of 1942, which outlined a comprehensive program of social insurance and related services for the United Kingdom in the postwar period. The breadth and depth of this report served to stimulate comparable planning in numerous countries.

POSTWAR PERIOD (1945–49)

The termination of World War II marked the beginning of an unprecedented period of social security development. There were the lost years of the war to be made up; and the hardships undergone by peoples in many countries had intensified their desire for greater economic security. The result was a steadily growing volume of social security legislation in more and more countries, a trend that continued almost unabated down to the present time.

Two main types of social security activity took place during the first 5 years after the end of hostilities. On the one hand, there was the reorientation of the older systems. These needed to be put back into operation on a peacetime basis as soon as possible, and at the same time required major overhauling to adapt them to the new environment. On the other hand, there was the introduction of new programs in countries that had not previously had legislation of this type. Such programs were introduced mainly in long-established countries during the period under review, but even before 1950 a beginning was made on social security legislation by some new nations that became independent only after the war ended.

Older Programs Revised

Many of the older social security programs were operating in 1945 under temporary wartime legislation. This could not be continued indefinitely. Inflation had not only rendered benefit levels obsolete but had also largely impaired the value of accumulated reserves. Coverage was far from complete, not all risks were fully covered, eligibility conditions were out of date, and the administrative structure had in some cases been substantially weakened during the war. These were among the problems that had to be dealt with in the postwar reconstruction of social security.

The planning initiated during the war in some countries was speeded up. In others, it was started as soon as possible after the war. The end result was the gradual adoption in country after country of sweeping reform laws that greatly changed and broadened social security systems from what they had been before 1940. The general purpose of much of this activity was to effect a greater integration of national social security measures, extend coverage to as large a part of the population as possible, provide for broad coverage of risks, bring benefits in line with postwar income and price levels, place social security financing mainly on a pay-as-you-go basis, and make more efficient the administrative arrangements through which the systems operated.

Because of the complexity of present-day social security programs and their close interrelationship with the national economy, the substitution of modernized long-run programs for temporary wartime arrangements proceeded rather slowly at the outset. Belgium was one of the first countries to replace its older laws with new legislation, starting this process in December 1944. A decree of October 1945 provided a new basis for the French nonagricultural social insurance system. These were among the earliest of the postwar reform laws.

In 1946, the United Kingdom introduced three major new programs to replace its older ones: the national insurance and industrial injuries insurance programs and the national health service. It had already established a family allowance program in 1945, and it set up a new national assistance program in 1948. Other countries making fundamental changes in older legislation during this period were Australia, Czechoslovakia, Iceland, Luxembourg, Rumania, and Sweden.

New Programs Established

A number of entirely new programs also came into being in the first few years after the war. During 1946–49, the countries of Albania, Bolivia, Colombia, the Dominican Republic, El Salvador, Guatemala, and India enacted their first social insurance laws. The majority of these are being applied gradually by regions. Switzerland and Turkey also began pension insurance programs during this period, while Japan set up the first unemployment insurance program in Asia. Family allowances were started in a number of countries, including Austria, Luxembourg, Norway, Poland, South Africa, Sweden, Viet-Nam, and Yugoslavia.

It is evident from the above that there was a considerable development of social security in foreign countries during the early postwar period. This trend, still continuing as the wartime decade drew to a close, foreshadowed the still greater expansion that was to occur throughout the world during the 1950's.

A great deal of social security activity at the international level also began soon after the war ended. The ILO held several regional labor conferences in Asia, the Middle East, and the American Continent between 1947 and 1949 at which social security was a major topic of discussion. These did a good deal to stimulate the interest of less-industrialized nations in social security. The ILO also set up an international committee of social security experts in 1948 to advise it on social security matters. In addition, shortly after the war's end, it commenced an extensive program of technical assistance in the social security field; advice was furnished to numerous nations introducing social security for the first time, as well as some of the countries revising their older laws.

The first session of the permanent Social Commission of the United Nations was held in 1947. This Commission was established by the U.N. Economic and Social Council to advise it on matters in the social field. A major part of its work has been concerned with social welfare services. The International Social Security Association, which is an international organization of agencies adminstering social insurance, was also reconstituted in 1947. It had been started in 1927 as an organization of mutual benefit societies but became inactive during the war. The new association held several meetings during the late 1940's and began the issuance of various types of documentation.

THE PAST DECADE (1950–59)

The period of the 1950's witnessed, without doubt, a more extensive development of social security than had occurred in any previous decade. In country after country, social security programs were introduced where none had existed before, older programs were extended, and major structural changes were made in the types of measures applied. By the end of the decade, there were indeed few countries on earth that either did not have some type of social security law in operation or at least had not made considerable progress in preparing such a law.

New Programs

More than a dozen nations made their first real start in social security during this period. These were to be found in all regions of the globe. Countries in Asia adopting their first social security laws during the 1950's included Burma, Ceylon, China (both Nationalist and Communist), Malaya, and the Philippines. In the Middle East and North Africa, there were Iran, Iraq, Libya, Morocco, and the United Arab Republic. In Central America, Honduras and Nicaragua enacted their first general social security legislation. A few other less-industrialized countries, such as Pakistan, Indonesia, and Lebanon, gave considerable study to the problems of introducing social insurance during the same period but did not reach the final stage of legislation. It should be noted also that social security programs were established in various colonial territories during the 10-year period; this was done, for example, in the Belgian Congo, Brunei, Cyprus, Gibraltar, Malta, Ruanda-Urundi, Singapore, and some French overseas territories.

Some of the countries with new programs chose to concentrate initially on the short-term risks of sickness and maternity, and sometimes work accidents in addition; in these cases medical benefits as well as cash benefits were provided. Others decided instead to deal first with the long-term risks of old-age, invalidity, and death. The approaches utilized for dealing with these risks in the new schemes ranged from social insurance to provident funds (in Ceylon, Iraq, and Malaya) or social assistance.

Some of the new measures referred to above were put into actual operation within the normal lag of 1–2 years required for administrative preparations; in a few cases, implementation was delayed for 3 or more years. In some countries, however, only part of the benefit provisions were applied at the outset, while other parts were indefinitely deferred. Another procedure followed in a number of countries has been to apply the new program initially in only one or a few cities or districts and then to extend it gradually in successive stages to other regions as necessary administrative, medical, and financial resources are available. Among countries whose programs began during the past decade that are following this latter practice are Burma, Honduras, Libya, Nicaragua, and the United Arab Republic.

Developments in Older Programs

The process of reforming and expanding older social security systems that commenced after the war also continued into the 1950's. Some countries were unable to achieve sufficient stabilization of their economies, or to complete the necessary planning, before this time. Others that had revised their programs soon after the war ended undertook still further and sometimes more fundamental changes and consolidations during the last decade. Among problems of the older programs that were dealt with during this period were incompleteness of coverage and the exclusion of important groups, absence of protection against certain risks, benefit inadequacy caused by inflation and rising income levels, the continuing growth of the aged population, rising costs, and ineffective administrative arrangements.

The majority of countries in both Western and Eastern Europe carried out major reforms of their older social security legislation during the 1950's, especially around the middle part of the decade. Illustrative of these are the Austrian and Belgian legislation of 1955, changes made in the programs of the Netherlands and the U.S.S.R. in 1956, and the new West German pension law of 1957. Bolivia and Chile in South America, as well as Japan, also made important social insurance changes during the decade. Canada and Norway established new universal pension systems, and the former country also set up a nationwide hospitalization insurance program in 1957. Six more countries (Chile, Bolivia, Denmark, West Germany, East Germany, and Iran) instituted family allowance programs.

A number of significant developments occurred as recently as 1959. Cuba merged many of its separate occupational pension programs into a single new Social Security Bank. Denmark introduced widows' pensions under its national pension system, and Israel began the payment of family allowances. Japan established a national pension system for all persons not previously covered, and the Netherlands adopted a new general survivors' insurance law. Both Sweden and the United Kingdom established important programs of wage-related pensions that will supplement their existing flat pensions. Switzerland adopted its first general invalidity insurance program.

The changes made in the older programs during the 1950's had important consequences. The scope of these programs was greatly extended, sometimes to the entire population, and sizable groups hitherto excluded, such as agricultural workers or the self-employed, were often covered. Protection was extended to risks not previously included, and family allowances were added in a number of countries. Benefits were increased in numerous instances as a result of rising prices and income levels, with about 10 countries now providing for automatic adjustment of long-term pensions on the basis of an economic index. The finances of a number of programs were placed on a somewhat stabler basis, and their administrative organization was strengthened.

International Activity

There was also an intensification of activity in the international field during the decade. The ILO provided technical assistance to most of the countries introducing social security programs, advising them on the framing and implementation of their laws. A general convention on minimum standards of social security was also adopted at its 1952 conference that has now been ratified by more than a dozen countries. The International Social Security Association acquired members in nearly 70 countries and held a considerable number of general international meetings as well as meetings on special subjects. The U.S. Social Security Administration joined this Association in 1957. At least five multilateral treaties to preserve the social security rights of migrating workers were signed by European countries. These apply to workers in countries belonging to the Coal and Steel Community and the Council of Europe, citizens of Scandinavian countries, transport workers, and boatmen on the Rhine river. A large number of bilateral agreements having the same objective were also concluded.

CURRENT SITUATION

As a result of developments during the past quarter century, the number of countries having some form of social security measure has risen to about 75 in 1960, exclusive of colonies. Two-thirds of these countries have both pension and sickness benefit programs, and about one-third also provide unemployment benefits. Forty nations are also now paying family allowances. Practically all countries have laws concerning benefits in case of work injury, and this is the only type of general legislation yet in force in seven countries (Afghanistan, Ghana, Haiti, Indonesia, Jordan, Lebanon, and Pakistan).

The most comprehensive social security systems, in terms both of risks and of persons covered, continue to be found in Europe. The next most comprehensive are those in South America and North America. The majority of countries in Central America as well as in the Middle East have made a start on social security, but their coverage of risks, persons, and regions remains on the whole fairly limited. Coverage is still narrower in most Asian countries, although a number of them have taken significant steps in recent years. The least progress has been made in Africa where so many new countries are just now gaining their independence.

An outstanding feature of social security measures today is their overwhelming reliance on social insurance, under which benefits are financed from special contributions paid by insured persons, employers, and often the Government. About three-fourths of the existing old-age, invalidity, and survivor benefit programs now take the form of social insurance. The remaining one-fourth include six universal pension systems (Canada, New Zealand, and the four Scandinavian countries), income-test plans in three countries (Australia, Iceland, and the Union of South Africa), and provident funds in five (Ceylon, India, Iraq, Malaya, and the United Arab Republic). About five-sixths of the existing sickness benefit programs also use social insurance to provide both cash and medical benefits in cases of sickness and maternity. Included in the remaining one-sixth that provide only cash benefits in this way, however, are various countries like the United Kingdom, New Zealand, and the U.S.S.R. that maintain a national health service for the whole population.

All except four of the existing unemployment benefit programs are also social insurance systems, though in three Scandinavian countries they are voluntary rather than compulsory in character. The other four (in Australia, France, Luxembourg, and New Zealand) are unemployment assistance programs. A growing number of countries also provide work-accident benefits through social insurance. Many others, however, require individual employers to pay the benefits prescribed, with considerable variation as to whether or not they must insure themselves against this risk. Under the majority of family allowance programs, allowances are financed and paid by employers, through equalization funds, with coverage limited primarily to employed workers. In Scandinavian and British Commonwealth countries, in contrast, the Government itself usually pays allowances directly to all families with children and finances them from general taxation.

Public assistance continues to play an important complementary role in countries with well-developed social insurance systems, not only for persons who are not covered under social insurance but also for those whose insurance benefits prove inadequate. Some assistance schemes have been reorganized in recent years, while new schemes have been set up in some countries. Among countries with supplemental assistance programs at present are Argentina, Austria, Belgium, Canada, Czechoslovakia, Denmark, Finland, France, Ireland, Japan, the Netherlands, New Zealand, Norway, Portugal, Sweden, Switzerland, the United Kingdom, and Uruguay. Assistance to the needy is also recognized as a Government responsibility in a number of less-developed countries and dependent territories.

There is little reason to expect that the future will see a decrease in the rate of social security development in foreign countries, compared with the past quarter century. Some of the older programs, it is true, have been basically reconstructed in recent years, and these may undergo only minor changes for some years to come. But various countries were still reviewing their programs at the start of 1960—such as the review of the 75-year-old sickness insurance program in West Germany—and so still further general reform legislation may be anticipated.

The countries with newer programs undoubtedly will seek gradually to remedy shortcomings revealed in the first years of operation, enlarge the risks and proportions of the population covered, and improve benefits. Countries without any significant social security measures at present will probably try before long to make a start in this direction. Prominent among these, no doubt, will in time be the numerous new nations in Africa that are just now achieving their independence.

Significant Events, 1935-60

1935

January 17: Report of Committee on Economic Security transmitted to Congress with recommendations for Federal old-age insurance, Federal-State public assistance and unemployment compensation programs, and extension of public health services, maternal and child health services, services for crippled children, child welfare services, and vocational rehabilitation services. Economic Security Bill introduced.

August 14: Social Security Act became law.

August 23: Members of Social Security Board named by President: John G. Winant (chairman), Arthur J. Altmeyer, and Vincent M. Miles.

August 29: Railroad Retirement Act of 1935 and Carriers Taxing Act of 1935 signed by President (to replace Railroad Retirement Act of 1934).

1936

January 1: Federal unemployment tax of 1 percent of payrolls first applicable to employers of 8 or more, with credit offset for contributions paid to State unemployment funds.

February: Public assistance payments to recipients first made with Federal participation under Social Security Act in old-age assistance (17 States), aid to dependent children (10 States), aid to the blind (9 States).

March 5: First Federal grant for administration of State unemployment insurance law (New Hampshire) certified.

August 17: First State unemployment benefit paid in Wisconsin.

November: All States, the District of Columbia, Alaska, and Hawaii actively participating in program of maternal and child health services under Social Security Act.

1937

January 1: Workers began to acquire credits toward old-age insurance benefits. Employers and employees each subject to tax of 1 percent of wages, up to $3,000 a year. Lump-sum payments first payable to eligible workers, their survivors, or their estates.

Federal unemployment tax payable by employers of 8 or more increased to 2 percent of payrolls.

May 24: Constitutionality of old-age and unemployment insurance provisions of Social Security Act upheld by U.S. Supreme Court. (301 U.S. 495, 548, 619.)

June 24: Railroad Retirement Act of 1937 became law, amending portions of Railroad Retirement Act of 1935.

June 30: Unemployment insurance legislation became nationwide with approved laws in all States.

1938

January 1: Federal unemployment tax, payable by employers of 8 or more, increased to 3 percent of payrolls.

June 25: Railroad Unemployment Insurance Act became law.

September: All 51 jurisdictions making old-age assistance payments under Social Security Act.