

Benefits Paid Abroad Under OASDHI

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THE SOCIAL SECURITY AMENDMENTS of 1967 have made some significant changes in the provisions of the Social Security Act governing payment of old-age, survivors, and disability insurance (OASDI) benefits to noncitizens of the United States living abroad.¹ These changes, which became fully effective on July 1, 1968, are the first major amendments to the provisions since they were first enacted by the Social Security Amendments of 1956.

This article traces the legislative background of OASDI benefit payments to noncitizens of the United States living abroad and indicates how the recent legislative changes will affect payments to such persons entitled to benefits now and in the foreseeable future.² In addition, program operations abroad are compared with the operations of the social security program as a whole.

LEGISLATIVE BACKGROUND

There are two main views as to whether social security benefits should be paid to persons who live outside the country sponsoring the program. One general view is that if the right to benefits is earned and paid for under a contributory social insurance system, the beneficiary's place of residence should be immaterial to his right to receive payment. The other view stresses the fact that even under contributory social insurance systems, individuals may become entitled to benefits on the basis of only token contributions. And since benefits frequently have been designed to relieve domestic social and economic problems, a country should not be obligated to pay benefits to noncitizens abroad unless the other country is willing to reciprocate. Principles incorporating both points of view have been established in con-

ventions adopted by the International Labor Conference (the former in 1967³ and the latter in 1962⁴).

From the first payments of old-age and survivors benefits in 1940 to the implementation of the Social Security Amendments of 1956, nearly all persons who met the usual requirements for entitlement to benefits as stated in the law could become entitled to receive benefits without regard to their place of residence. The only exceptions were persons deported from the United States for certain specified reasons after September 1, 1954, and their dependents or survivors who were also noncitizens of the United States outside the country.⁵ U.S. Treasury regulations that have been in effect since before the Social Security Amendments of 1956, prohibit mailing payments to beneficiaries, regardless of citizenship, residing in certain countries where there is no reasonable assurance that the payee would actually receive the check and be able to negotiate it.⁶ Before 1968, however, these regulations had no effect on the beneficiary's entitlement.

Amendments of 1956

The 1956 amendments to the Social Security Act were the first to place significant restrictions

³ Article 32 1(a) of Convention No. 128 on Invalidity, Old-Age, and Survivor Benefits. As a practical matter, some exceptions are possible under this Article, but Recommendation No. 131, adopted at the same time, suggests that eventually all protected persons should receive benefits without regard to their absence from a country.

⁴ Article 5 of Convention No. 118 on Equality of Treatment (Social Security).

⁵ Section 202(n) of the Social Security Act (enacted in the Social Security Amendments of 1954).

⁶ On December 31, 1956, under Treasury Circular 655 (Title 31, Code of Federal Regulation, Part 211) all benefit payments were being withheld from beneficiaries in Albania, Bulgaria, China (People's Republic), Czechoslovakia, East Germany, Hungary, North Korea, Poland, Rumania, and the U.S.S.R. (including Estonia, Latvia, and Lithuania). Subsequently added to this list were Cuba (1963) and North Viet Nam (1964). Removed from this list were Poland (1957), Rumania (1960), Bulgaria (1963), Czechoslovakia (1968), Hungary (1968), and the U.S.S.R. (including Estonia, Latvia, and Lithuania) (1968).

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¹ Section 162, Public Law 90-248, enacted January 2, 1968, which amends title II, section 202(t) of the Social Security Act.

² For an earlier description of OASDHI program operations abroad, see "United States Social Security Programs: Their Application to Nonnationals and to Beneficiaries Living Abroad," *Social Security Bulletin*, September 1964.

on the payment of OASDI benefits to noncitizens of the United States living outside the country. When considering these provisions, Congress expressed concern that some noncitizens had come to this country, served in covered employment for a short period, and then returned to their native countries to live on their old-age and survivors benefits for the rest of their lives. Congress nevertheless felt that it was desirable, in the interest of fairness and comity, to continue payments abroad to citizens of countries that permit payment to United States citizens under the same circumstances. Both views of the problem were taken into account in enacting the 1956 provisions for noncitizens of the United States abroad. The rights of United States citizens living abroad were unaffected.

Under these amendments a noncitizen of the United States ceased to be eligible for benefit payments after he had been outside the United States⁷ for 6 consecutive calendar months and until he had again been in the United States for 1 calendar month unless one of the following conditions were met:

1. He was eligible for monthly benefits for December 1956.
2. He is in the active military service of the United States.
3. He received benefits based on the social security account of a worker who either (a) resided in the United States for 10 years, (b) earned at least 40 quarters of coverage under the United States social security system and was thus permanently insured, (c) had railroad work that was treated as covered employment under the United States social security system, or (d) died while in the military service of the United States or as a result of a service-connected disability (providing that his release from military service was not dishonorable).
4. He is a citizen of a country that on August 1, 1956, had a treaty in effect with the United States providing for national treatment in the payment of social insurance benefits to the citizens of that country (commonly referred to as the "treaty exception").
5. He is a citizen of a country that is formally determined to have in effect a social insurance or pension system of general application that pays periodic benefits (or their actuarial equivalent) on account of old age, retirement, or death to otherwise eligible United States citizens while they are outside that country, regardless of the length of absence and without reduction because of such absence (commonly referred to as the "social insurance or pension system exception").

⁷ The United States is defined here as all the States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and American Samoa.

Until 1967 the only changes in the 1956 provisions affecting the payment of regular cash benefits were two liberalizations made in 1958.⁸ However, the Social Security Amendments of 1965, which established the health insurance program for the aged (Medicare), specifically excluded payment for covered medical services received outside the United States, except in certain restricted instances. In 1966 an amendment that instituted payment from general revenues of special age-72 benefits limited payments to qualified persons residing in the 50 States and the District of Columbia.⁹

Amendments of 1967

The Social Security Amendments of 1967 have made substantial changes in provisions for payments to noncitizens of the United States living abroad. They change the definition of what constitutes absence from the United States; they alter the treatment of citizens of some countries that do not meet the social insurance or pension system exception; and they alter the treatment of noncitizens of the United States residing in countries covered by the Treasury regulations.

Formerly, a beneficiary who returned to the United States for any part of a day within a period of 6 calendar months from the time he last departed was exempt from suspension of his benefits even though he failed to qualify under any of the other conditions for eligibility. Under the new amendments he must return at least once every 30 days. If he fails to return within 30 days, the first day of the month following the month of departure begins the 6-calendar-month period after which benefits are suspended. This 6-calendar-month period can be interrupted only if the beneficiary remains in the United States for 30 full consecutive days. If the 6-month period has ended, such a person can have his benefits reinstated only after he has remained in the United States for a full calendar month.

Under the 1956 provisions a citizen of a country that did not meet the social insurance or pension

⁸ See items 3(c) and 3(d) above. Item 3(c) was added by Public Law 85-927 and item 3(d) was added by Public Law 85-237. Both were enacted in 1958 but were effective retroactive to January 1, 1957.

⁹ Section 302, Public Law 89-368, enacting section 228 of the Social Security Act.

system exception could be exempted from the 6-month rule and continue to receive benefits while outside the United States if he or the worker on whose account his benefit was based had earned 40 quarters of coverage or had lived in the United States for at least 10 years. Under the new amendments these exemptions apply only to persons who are stateless or are citizens of countries that have no generally applicable social insurance or pension system in effect. If a country has such a system in effect but does not pay qualified United States citizens living outside the country full benefits or the actuarial equivalent without restrictions, its citizens are subject to the newly revised 6-month rule. Also, under the new amendments the 40-quarters-of-coverage and 10-year-residence exceptions will no longer apply to a citizen of a country that has no generally applicable social insurance or pension system if at any time in the 5 years before January 1968 (or within 5 years before the first month thereafter for which his benefits are suspended under the 6-month rule) payments were withheld from persons residing in that country under the previously cited Treasury regulations.

Formerly, the benefits payable to an entitled noncitizen of the United States living in one of the countries covered by the Treasury regulations could accumulate and be credited to him without limit. Under the new amendments, beginning with July 1968, no benefits are payable for months during which he resides in one of those countries, and no more than 12 monthly benefits that were credited to him before July 1968 but not actually paid during the time the Treasury regulations applied to the country may thereafter be paid.

It should be emphasized that the recent amendments and the provisions as they existed before the amendments do not affect the rights of OASDI beneficiaries abroad who are United States citizens. Under the Treasury regulations, benefits may not be delivered to them while they are in restricted countries, but they may accumulate and be credited to them. Under the Social Security Act it is the citizenship of the beneficiary himself—not the citizenship of the insured worker—that is controlling in the application of the amended 10-year-residence and 40-quarters-of-coverage exceptions.

Under the Treasury regulations the cause of nonpayment is residence rather than merely presence in a restricted country. Residence is considered to be presence in the country for a significant period of time and making or intending to make a home there. However, actual delivery of benefit checks to the beneficiary or to someone in his behalf is prohibited as long as he is present in the restricted country and until he leaves or the restriction is lifted.

The legal effects of the new amendments can be summarized as follows: Citizens of countries that have no generally applicable social insurance or pension system in effect and stateless persons will be mostly unaffected unless they fail to meet the 40-quarters-of-coverage or 10-year-residence requirements. If they do not meet them, they will have to meet the new and more stringent 6-month rule. Most seriously affected will be citizens of countries that have generally applicable social insurance or pension systems in effect, but that do not provide for full and unrestricted payments to United States citizens outside the country. Citizens of these countries, though they have 40 quarters of coverage or have lived in the United States for 10 years, will be subject to the new 6-month rule. Finally, benefits will no longer be payable to noncitizens of the United States while they are residing in countries covered by the Treasury regulations, and the number of unpaid benefits to which they were entitled before July 1968 will in most instances be limited to a total of 12.

Treaty exception.—Treaties of eight countries have been determined to meet the requirements of the treaty exception. These treaties are of one general type known as Treaties of Friendship, Commerce, and Navigation. The treaty countries are Italy, Ireland, Japan, Israel, Greece, the Federal Republic of Germany, the Netherlands, and Nicaragua. The Netherlands treaty was determined, by virtue of its restrictive language, to apply only to survivors benefits.

Social insurance or pension system exception.—Between 1958, when determinations were first made under the social insurance or pension system exception, and January 1968, formal determinations had been made for 68 countries. Twenty-two countries had been found to meet the exception

TABLE 1.—Number of monthly benefits in current-payment status payable to beneficiaries living abroad, by type of benefit and country or continent, at end of February 1968

Beneficiary's place of residence ¹	Total	Retired workers ²	Disabled workers ³	Wives and husbands ⁴ of—		Children ⁵ of—		Widowed mothers ⁶	Widows and widowers ⁷	Parents ⁸
				Retired workers	Disabled workers	Retired and deceased workers	Disabled workers			
Total.....	194,753	99,386	3,715	26,979	952	27,323	2,266	5,797	27,525	810
Africa.....	1,102	490	9	182	3	261	5	33	116	3
Cape Verde Islands.....	668	275	1	134	1	154	2	16	84	1
South Africa.....	147	92	1	19	1	13	2	4	15	0
Other.....	287	123	7	29	1	94	1	13	17	2
Asia.....	11,998	6,245	124	2,028	37	1,449	88	342	1,663	22
Cyprus.....	415	216	9	81	2	56	5	4	41	1
Hong Kong.....	2,470	947	7	674	3	215	5	51	564	4
India.....	131	75	0	21	0	18	0	2	14	1
Israel.....	1,892	1,205	45	295	6	83	10	16	230	2
Japan.....	4,580	2,729	25	617	8	415	14	152	615	5
Jordan.....	395	121	11	67	5	131	18	12	26	4
Lebanon.....	790	352	7	86	3	238	13	40	51	0
Macao.....	205	104	2	51	1	15	2	1	28	1
Ryukyu Islands.....	562	277	3	87	3	115	4	34	36	3
Turkey.....	219	94	3	18	3	58	9	9	24	1
Other.....	339	125	12	31	3	105	8	21	34	0
Canada.....	28,064	14,746	542	3,525	141	3,843	480	784	3,947	56
Central America and West Indies.....	3,699	2,268	82	335	9	491	25	110	358	21
Bahamas.....	249	140	4	31	1	33	3	5	31	1
Barbados.....	385	253	9	46	1	11	0	3	60	2
Bermuda.....	134	81	2	21	1	8	2	1	18	0
British Leeward and Windward Islands.....	521	309	11	70	0	65	0	9	52	5
Costa Rica.....	188	100	4	21	2	38	5	10	7	1
Dominican Republic.....	241	133	13	21	0	40	0	8	26	0
El Salvador.....	106	62	3	3	0	24	0	6	7	1
Honduras.....	109	38	5	8	3	30	5	8	10	2
Jamaica.....	969	754	16	61	1	49	3	7	74	4
Nicaragua.....	213	110	6	13	0	54	0	15	14	1
Panama.....	167	38	2	7	0	70	5	27	16	2
Trinidad and Tobago.....	195	123	2	14	0	27	1	4	23	1
Other.....	222	127	5	19	0	42	1	7	20	1
Europe.....	113,567	65,240	2,222	16,120	428	7,855	709	1,879	18,884	230
Austria.....	1,666	1,200	33	140	2	70	10	22	187	2
Belgium.....	698	424	6	86	0	40	4	13	125	0
Bulgaria.....	202	74	1	33	1	2	0	1	90	0
Denmark.....	1,051	738	18	99	3	37	7	12	137	0
Finland.....	765	533	14	68	3	20	4	4	119	0
France.....	2,488	1,703	54	216	8	178	18	61	245	5
Germany (U.S. zone).....	11,918	8,058	283	964	45	831	76	329	1,298	14
Greece.....	15,218	8,277	232	2,284	57	1,785	92	271	2,168	52
Ireland.....	4,422	3,070	130	331	18	331	32	82	402	26
Italy.....	36,464	18,982	756	6,738	141	1,831	203	402	7,345	66
Malta.....	533	281	30	56	10	54	20	14	68	0
Netherlands.....	874	489	9	105	1	110	1	35	124	0
Norway.....	4,493	2,914	82	629	14	189	18	45	594	8
Poland.....	2,023	798	37	316	2	34	2	4	817	13
Portugal.....	4,638	2,405	113	894	26	404	51	56	686	3
Rumania.....	160	62	0	28	0	3	0	0	66	1
Spain.....	5,430	3,234	96	785	23	389	42	81	770	10
Sweden.....	4,372	3,218	55	416	8	105	14	22	531	3
Switzerland.....	1,889	1,354	32	166	4	99	3	20	208	3
United Kingdom.....	9,299	5,450	156	799	44	1,096	90	359	1,289	17
Yugoslavia.....	4,775	1,858	79	928	17	222	19	43	1,604	5
Other.....	189	118	7	19	1	25	3	3	11	2
Mexico.....	15,232	4,246	335	1,532	143	6,398	427	1,277	707	167
Oceania.....	1,019	422	29	69	10	284	31	80	93	1
Australia.....	795	340	27	51	7	211	23	55	80	1
New Zealand.....	177	68	2	14	3	51	8	19	12	0
Other.....	47	14	0	4	0	22	0	6	1	0
Philippines.....	18,002	4,776	335	2,980	165	6,241	469	1,202	1,533	301
South America.....	1,770	850	36	192	16	363	30	80	194	9
Argentina.....	378	199	8	50	2	32	3	11	71	2
Brazil.....	398	192	12	49	7	70	15	13	38	2
Chile.....	187	81	3	18	1	54	0	14	16	0
Colombia.....	176	81	7	13	3	47	9	6	8	2
Ecuador.....	129	62	3	12	0	37	0	7	7	1
Peru.....	165	73	1	17	0	47	0	12	14	1
Venezuela.....	232	105	2	19	3	63	3	4	23	0
Other.....	105	57	0	14	0	13	0	3	17	1
U.S. Possessions ⁸	300	103	1	16	0	138	2	10	30	0
Canal Zone.....	289	102	1	16	0	129	2	9	30	0
Other.....	11	1	0	0	0	9	0	1	0	0

¹ Based on monthly benefit-check address. Data for places with 100 or more beneficiaries shown separately.

² Aged 62 and over.

³ Under age 65.

⁴ Includes wife beneficiaries under age 65 with entitled children in their care, and divorced wives.

⁵ Includes disabled persons aged 18 and over whose disability began before age 18 and entitled full-time students aged 18-21.

⁶ Includes surviving divorced mothers with entitled children in their care.

⁷ Aged 60 and over for widows and surviving divorced wives, and aged 62 and over for widowers.

⁸ Excludes American Samoa, Guam, Puerto Rico, and the Virgin Islands.

(that is, to provide benefits outside the country to qualified United States citizens) and 46 others had been found not to meet it. The countries for which no formal determinations had been made included those that met the treaty exception, those for which sufficient information was not available to make a determination, and those whose citizens are technically citizens of another country (territories that are not self-governing).

The changes made by the Social Security Amendments of 1967 in applying the 10-year-residence and 40-quarters-of-coverage requirements have necessitated new formal determinations for many countries that had previously been found not to meet the social insurance or pension system exception. Formal determinations were also necessary for countries that had no previous determinations. The main purpose of the new determinations has been to differentiate between those countries that do not have a social insurance or pension system of general application in effect and those that do have such a system but do not pay qualified United States citizens regardless of their place of residence. A complete list of all the countries for which determinations have been made appears at the end of the article.

PROGRAM EXPERIENCE AND PAYMENTS ABROAD

At the end of 1940, the year that monthly benefits first became payable, there were about 100 beneficiaries living abroad who were receiving a total of about \$1,000 in monthly benefits. At the end of February 1968 there were 194,453 beneficiaries abroad receiving a total of about \$15 million in monthly benefits (tables 1 and 2).

Only two studies of the citizenship of OASDI beneficiaries living abroad have been completed recently, one in 1960 and the other in 1964. The 1964 survey indicated that 39 percent of all beneficiaries living abroad were United States citizens (compared with 34 percent in 1960) and 47 percent of all benefits paid abroad went to this group (compared with 40 percent in 1960). The survey also showed that 52 percent of all beneficiaries living abroad based their rights to benefits on the entitlement of a United States citizen (compared with 44 percent in 1960) and 57 percent of all benefits paid abroad were received by them (compared with 49 percent in 1960). It is clear

from these figures that United States citizens and their dependents or survivors have been recipients of a significant share of benefits paid abroad and that their benefits have been higher on the average than those of noncitizens and their dependents or survivors.

The increase in the number and amount of benefits paid abroad under the OASDHI program between 1940 and 1968 might seem phenomenal unless compared to the growth of the entire OASDHI cash benefit program. As indicated in table 3, the total number of monthly beneficiaries grew from about 220,000 at the end of 1940 to nearly 24 million at the close of 1967. During the same period, the monthly amount of benefits in current-payment status grew from about \$4 million to over \$2 billion.

The number and amount of benefits in current-payment status abroad has not yet reached the magnitude of 1 percent of the total program. As shown in table 3, the amount of benefit payments abroad has remained at about 0.75 percent of the amount for the total program between the end of 1964 and the end of 1967, and the number of beneficiaries abroad has remained at about 0.8 percent of all beneficiaries during the same period.

Before 1954 the average benefit paid abroad was significantly larger than the average benefit for the program as a whole, but in 1952, the amount of the average benefit paid abroad began to decline in relation to the average amount for all benefits and since 1961 has become significantly smaller.

This decline in the average benefit paid abroad might be attributable to an increase in the proportion of auxiliary beneficiaries (dependents and survivors) receiving benefits abroad. The available evidence, however, seems to indicate that a more likely cause is simply the fact that new beneficiaries abroad are qualifying for smaller benefits than beneficiaries in the United States.

Since 1961, beneficiaries abroad have consisted of a slightly higher percentage of auxiliary beneficiaries—about 2–3 percent higher—than the total beneficiary population. However, the auxiliary beneficiaries' share of benefits paid abroad has consistently been less than or the same as the share paid to all auxiliaries. Since 1953, the average primary benefit being paid abroad—that paid to insured workers—has been declining in relation to the average of all primary benefits and has

TABLE 3.—Number and amount of benefits in current-payment status, and average monthly benefits: Total program and program abroad, ¹ 1940-67

Year ²	Countries with 100 or more beneficiaries	Beneficiaries			Benefits			Average benefit	
		All (in thousands)	Abroad (in thousands)	Abroad as percent of all	Total (in thousands)	Abroad (in thousands)	Abroad as percent of total	All beneficiaries	Paid abroad
1940.....	(3)	222.5	0.1	0.04	\$4,070	\$1	0.02	\$18.29	\$10.00
1941.....	(3)	433.8	.2	.04	7,815	3	.03	18.01	14.70
1942.....	(3)	598.3	.2	.03	10,782	3	.02	18.01	14.56
1943.....	(3)	747.8	.2	.02	13,510	4	.02	18.06	20.00
1944.....	(3)	954.8	(3)	(3)	17,344	(3)	(3)	18.16	(3)
1945.....	(3)	1,228.1	(3)	(3)	23,801	(3)	(3)	18.47	(3)
1946.....	(3)	1,642.3	(3)	(3)	31,081	(3)	(3)	18.92	(3)
1947.....	(3)	1,978.2	5.8	.29	38,277	119	.31	19.35	20.51
1948.....	(3)	2,314.6	8.8	.38	45,872	182	.39	19.82	20.68
1949.....	(3)	2,742.8	11.0	.40	56,074	239	.42	20.44	21.65
1950.....	(3)	3,477.2	13.8	.39	126,856	551	.43	36.48	39.92
1951.....	(3)	4,379.0	18.7	.42	154,791	723	.46	35.35	38.66
1952.....	(3)	5,025.5	25.1	.49	205,179	1,082	.52	40.83	43.10
1953.....	21	5,981.4	34.6	.57	253,792	1,506	.59	42.43	43.45
1954.....	21	6,886.5	42.4	.61	339,342	2,109	.62	49.28	49.76
1955.....	31	7,960.6	49.6	.62	411,613	2,568	.62	51.71	51.73
1956.....	31	9,128.1	56.2	.61	482,593	3,001	.62	52.87	53.41
1957.....	34	11,129.0	67.5	.60	605,455	3,700	.61	54.40	54.83
1958 ⁴	36	12,430.2	80.2	.64	697,529	4,520	.64	56.12	56.36
1959.....	38	13,703.9	89.2	.65	845,144	5,518	.65	61.67	61.83
1960.....	39	14,844.6	100.5	.67	936,321	6,346	.67	63.07	63.15
1961.....	39	16,494.8	110.3	.66	1,071,693	7,161	.66	64.97	64.93
1962.....	42	18,053.4	126.7	.70	1,181,725	8,226	.69	65.46	64.92
1963.....	46	19,035.5	142.9	.75	1,259,912	9,181	.72	66.19	64.25
1964.....	51	19,799.5	158.9	.80	1,325,445	10,181	.76	66.94	64.07
1965.....	54	20,866.8	171.0	.81	1,516,802	11,819	.77	72.69	69.12
1966.....	55	22,767.3	180.9	.79	1,638,548	12,447	.75	71.97	68.02
1967 ⁵	57	23,986.1	194.5	.81	2,001,732	15,246	.76	83.45	78.38

¹ The term "abroad" means outside the United States and its possessions.

² As of December unless otherwise noted.

³ Not available.

⁴ Data for November 1958.

⁵ Data for February 1968.

been smaller than the average of all primary benefits since 1966.

Primary beneficiaries on the average have constituted about 57 percent of all beneficiaries abroad since 1953, the same as for the program as a whole. During the same period primary beneficiaries abroad have been receiving an average of about 70 percent of the benefit amounts being paid abroad, slightly more than the average of about 67.5 percent for the program as a whole.

Geographic Distribution

Since 1953, the first year for which a country-by-country breakdown is available, the number of countries abroad that account for 100 or more beneficiaries has increased from 21 to 57 (see tables 1 and 3). The same 15 countries, however, have accounted for 85 to 90 percent of all beneficiaries and amounts paid abroad during this period (see tables 4 and 5). The proportion of United States citizens or persons whose entitlement is based on the entitlement of a United States citizen and the proportion of the amount of benefits paid in those 15 countries to these

beneficiaries are only slightly below—by 1 or 2 percentage points—the figures previously cited for all beneficiaries living abroad.

Throughout the period from the end of 1953 to the end of 1967, Italy, Canada, and Greece have ranked first, second, and third, respectively, each year in the total amount of OASDI benefits paid. With respect to the number of OASDI beneficiaries, Italy and Canada ranked first and second throughout that period, and Greece ranked third from 1955 to 1965 but dropped to fourth in 1966 and fifth in 1967.

The pattern in Italy and Greece is evidently a product of the high level of immigration from these countries into the United States in the past and of the propensity of immigrants from these countries both to support families that remain behind and to return to their homelands late in life. This pattern was well established by the time the Social Security Amendments of 1956 went into effect. It could not have been the result of meeting the treaty exception since their treaties with the United States had become effective (Italy, 1949; Greece, 1954) well before the existence of a treaty assumed importance. Nor would the treaties have been necessary since it

TABLE 4.—Number and amount of benefits in current-payment status in 15 selected countries, 1953-67¹

Year ²	Number of beneficiaries		Amount of benefits	
	Total	As percent of total beneficiaries abroad ³	Total (in thousands)	As percent of total benefits abroad ³
1953.....	31,725	91.6	\$1,370	91.0
1954.....	39,076	92.2	1,922	91.1
1955.....	45,297	91.2	2,328	90.6
1956.....	51,086	90.9	2,711	90.3
1957.....	61,028	90.5	3,325	89.9
1958 ⁴	71,797	89.5	4,026	89.1
1959.....	79,473	89.1	4,892	88.7
1960.....	88,605	88.2	5,574	87.8
1961.....	97,193	88.1	6,288	87.8
1962.....	111,714	88.2	7,225	87.8
1963.....	125,078	87.5	8,053	87.7
1964.....	139,610	87.9	8,887	87.3
1965.....	149,266	87.3	10,245	86.7
1966.....	157,450	87.1	10,756	86.4
1967 ⁵	169,395	87.1	13,167	86.4

¹ Represents the 15 countries with the highest absolute numbers and amounts. For list of countries, see table 5.

² As of December unless otherwise noted.

³ The term "abroad" means outside the United States and its possessions.

⁴ Data for November 1958.

⁵ Data for February 1968.

appears that both countries would have met the social insurance or pension system exception continuously after 1956.

Canada's situation can be explained by its proximity to the United States, the large number of its citizens who have earned 40 quarters of coverage under the social security program in the United States, the large number of United States citizens residing there, and the number of Canadians who have earned quarters of coverage through railroad service. Canada's Old-Age Security Pension System has never qualified under the social insurance or pension system exception, but the Canada Pension Plan first qualified in January 1966.

Mexico has shown the largest increase of any of the 15 countries in the amount and number of OASDI benefits paid there since 1953. It has also risen substantially in its relative position among the 15 countries during the same period. Many of the factors that explain the situation for Canada apply to Mexico. There has also been an increased tendency of United States citizens to spend their retirement years there. Mexico first met the social insurance or pension exception in March 1968.

The number of beneficiaries and amount of benefits paid in the other 11 countries in this group of 15 are linked, in some cases, to military service or other special factors.

The Philippines is a unique case in which a large number of persons acquired insured status

TABLE 5.—Number and amount of benefits in current-payment status in 15 selected countries,¹ December 1956 and February 1968

Country	December 1956		February 1968	
	Beneficiaries	Benefits (in thousands)	Beneficiaries	Benefits (in thousands)
Treaty exception countries				
Federal Republic of Germany.....	2,388	\$144.7	11,918	\$1,097.0
Greece.....	5,558	305.6	15,218	1,228.0
Ireland.....	1,542	90.5	4,422	388.7
Italy.....	14,659	815.8	36,464	2,999.3
Japan.....	1,755	95.0	4,580	364.0
Social insurance or pension system exception countries (December 1967)				
Canada (from January 1966).....	8,462	\$412.3	28,064	\$2,191.6
Philippines (from June 1960).....	4,170	139.7	18,002	935.0
Spain (from May 1966).....	1,243	77.6	5,430	479.2
United Kingdom.....	3,049	177.0	9,299	830.4
Yugoslavia.....	1,743	94.7	4,775	393.6
Countries meeting neither exception (December 1967)				
France.....	608	\$35.7	2,488	\$228.4
Mexico.....	1,723	93.0	15,232	846.0
Norway.....	1,411	82.7	4,493	408.2
Portugal.....	1,156	64.7	4,638	364.8
Sweden.....	1,619	101.8	4,372	412.0

¹ Represents the 15 countries comprising 85-90 percent of program operations abroad. The term "abroad" means outside the United States and its possessions.

without ever having been in the continental United States. During World War II, before the Philippines had become an independent nation, a group known as the Philippine Scouts served as a branch of the United States military forces. Its members, like other United States servicemen in World War II, received gratuitous social security credits for the service they performed. The Philippines has always ranked high among the group of 15 countries in both number and amount of benefits paid there but did not meet the social insurance or pension system exception until June 1960.

In Spain many benefits now being paid can be traced to the Basque shepherds employed by the sheep raising industry in the United States because of the scarcity of shepherds here. Many benefits now being paid in Portugal can be traced to Cape Verde Islanders who were employed in New England as fishermen. Figures for the Cape Verde Islands have not, however, been included in the totals for Portugal as a whole, and thus Portugal has never ranked high among the other 14 countries in total benefits paid there. The relative position of Spain to the other 14 countries,

on the other hand, has been raised rather markedly, but this may also be due to factors resulting from the stationing there of substantial numbers of United States servicemen. Spain first met the social insurance or pension system exception in May 1966, and Portugal first met it in May 1968.

The relative positions of the Federal Republic of Germany and the United Kingdom, which have always been high in both the number and amount of benefits paid there, also may be the result of the stationing there of large numbers of United States servicemen. This factor may explain why Japan and France have also been continuously among the top 15 countries. France first met the social insurance or pension system exception in June 1968, and the United Kingdom has met it continuously since the 1956 amendments. Germany and Japan are treaty-exception countries.

Ireland's relative position among the 15 countries has dropped considerably in both number and amount of benefits paid there. The reason appears to be that fewer Irish citizens and United States citizens of Irish descent are returning to Ireland in their later years. Ireland is a treaty-exception country.

As indicated in table 5, before 1968 five of the 15 countries met the treaty exception, five countries met the social insurance or pension system exception (though only two of these met it throughout the entire period following the Social Security Amendments of 1956), and five countries met neither exception. An examination of the growth patterns of these countries with respect to the monthly number and amount of OASDI benefit payments received there reveals no clear connection with meeting or not meeting one of the exceptions. Other factors such as the rate of immigration to the United States, the tendency of the immigrants to support families in their homelands and to return to them later, proximity and relations with the United States, and individual beneficiary characteristics appear to be equally or possibly more important.

TRENDS AND PROSPECTS UNDER 1967 AMENDMENTS

When the Social Security Amendments of 1967 were signed into law on January 2, 1968, it was

estimated that about 50,000 beneficiaries living abroad were entitled to benefits under the 40-quarters-of-coverage or 10-year-residence exceptions, the two exceptions changed by the amendments. It was further estimated, however, that only about 15,000 beneficiaries were in any jeopardy of having their benefits suspended (including a number of persons who had been avoiding suspension under the old 6-month rule by occasional short visits to the United States).

In implementing the 1967 amendments, the benefit rights of about 13,500 beneficiaries were preserved when it was found that 12 countries that had not qualified before now met the social insurance or pension system exception. Two of these countries had enacted appropriate legislation before the amendments, but 10 of them acted to meet the exception as a direct result of the new provisions. All of the 15 countries ranking highest in number and amount of benefits paid there now meet either the treaty exception or the social insurance or pension system exception.

Ten countries were found to have social insurance or pension systems of general application in effect that do not provide the necessary reciprocity. Altogether, 460 beneficiaries have had their benefits suspended as a result of these determinations or because of inadequate information about their country's system. Forty-nine countries were found not to have a social insurance or pension system as defined by the Social Security Act for purposes of the exception. The status of citizens of these countries therefore remains mostly unchanged.

Several other factors have emerged that may have an effect on future program operations abroad. It is now possible for citizens of the 12 countries newly determined to meet the social insurance or pension system exception to become entitled to cash benefits if the worker was fully insured with less than 40 quarters of coverage and although he had not resided in the United States for 10 years or more. Previously these persons were affected by the 6-month rule. In addition, it is likely that in the future some of the countries whose citizens have been suspended from the OASDI benefit rolls will either be found to meet the social insurance or pension system exception as new information about them becomes available, or they will take the necessary action to meet it.

FOREIGN BENEFITS PAYABLE IN UNITED STATES

The number and amount of foreign social security benefits payable in the United States is unknown. The available figures seem to indicate, however, that the number and amount of payments made in this country may be larger than previously thought and might increase as a result of the new emphasis on reciprocity by the United States. Sizable numbers of United States citizens work in foreign countries and are covered under those countries' social insurance systems, even though in many instances they are also covered under OASDHI because they work for an American employer or for the foreign subsidiary of a United States corporation.

Very few countries publish figures on payments made abroad by their social security systems, and recent efforts to obtain this information have yielded limited data. In January 1966, Canada paid 7,430 persons living in the United States a total of \$577,250 (Canadian) under its Old-Age Security Pension program. As the new wage-related Canada Pension Plan progresses, the number and amount of benefits should increase since this program has no restriction on benefit payments abroad. In December 1968, benefits from this program totaling \$2,825 were received by 161 persons in the United States.

At the end of 1965, the United Kingdom was paying an unspecified amount of social security benefits to 9,457 retirees and widows living in the United States. In 1965, France paid 1,011 beneficiaries in the United States a total of about \$306,300. In May 1967, Austria was paying 3,741 pensions amounting to about \$185,000 to persons living in the United States and Sweden was paying 44 persons about \$3,400. In June 1967, Panama was paying 53 pensions amounting to about \$4,800 to persons living in the United States. Poland paid about \$270,000 to nearly 600 annuitants in the United States in 1968, and both these figures are expected to increase.

BALANCE OF PAYMENTS

In the official United States Government balance of payments figures, OASDI cash benefit payments abroad are accounted for under "United States Government pensions and other transfers." This category also includes other pensions and

payments such as veterans' benefits, railroad retirement benefits, and civil service retirement system benefits. In table 6 the total cash outflow in this category is compared to the estimated total cash outflow resulting from OASDI cash benefit payments abroad each year since 1953. It appears that OASDI payments abroad have never accounted for more than about 40 percent of all payments in this category.

"United States Government pensions and other transfers" is only one element of the broader category "unilateral transfers, net." When military assistance is omitted from this broader category, as table 6 shows, the rate of United States Government pensions and other transfers has not yet reached 15 percent of net unilateral transfers annually. As table 6 also shows, the estimated annual rate of OASDI benefit payments abroad has not yet reached 5.5 percent of net unilateral transfers (excluding military assistance).

According to the balance of payments figures published by the Department of Commerce, the "balance of goods, services and unilateral transfers," which takes into account U.S. social security payments abroad, has shown a surplus for the United States every year beginning 1956, except 1958 and 1959. In this connection it should be noted that, while balance of payments figures are supposed to take account of both income and outflow of funds in various categories, no account has ever been taken of foreign social security payments made in the United States in determining the balance of unilateral transfers.

Now, partly as a result of the Social Security Amendments of 1967, reciprocity has been established with nearly every country under whose social insurance system sizable numbers of persons residing in the United States might be expected to qualify for benefits. The resulting increase, if any, of foreign benefit payments to persons living in the United States added to the previously unaccounted-for payments, as they become fully known, ought to be considered an offset to the negative balance of payments effect now attributed to OASDI payments abroad.

CONCLUSIONS

The experience of the United States in the payment of OASDI cash benefits abroad points

TABLE 6.—OASDI cash benefit payments abroad as percent of U.S. Government pensions and other transfers and of unilateral transfers, (net), 1953-67

(In millions)

Year	OASDI cash payments abroad			U.S. Government pensions and other transfers		Unilateral transfers, net ²	Balance or deficit(-) on goods, services, and unilateral transfers
	Amount ¹	As percent of Government pensions and transfers	As percent of unilateral transfers, net ²	Amount	As percent of unilateral transfers, net ²		
1953	\$15.5	11.0	0.6	\$141	5.7	\$2,481	-\$2,095
1954	21.7	16.8	1.0	129	5.7	2,280	-452
1955	28.0	19.9	1.1	141	5.6	2,498	-489
1956	38.4	24.7	1.4	135	5.6	2,423	1,544
1957	40.2	25.3	1.7	159	6.8	2,345	3,384
1958	49.3	27.1	2.1	182	7.7	2,361	-155
1959	60.2	27.9	2.5	216	8.8	2,448	-2,301
1960	71.2	33.3	3.0	214	9.1	2,361	1,609
1961	81.0	34.5	3.1	235	9.1	2,578	2,880
1962	92.3	37.7	3.4	245	9.1	2,697	2,288
1963	104.4	39.8	3.7	262	9.3	2,808	3,004
1964	116.2	41.6	4.1	279	10.0	2,784	5,625
1965	132.0	35.8	4.7	369	13.0	2,835	4,066
1966	145.6	39.7	5.0	367	12.5	2,925	2,155
1967	166.2	37.7	5.4	441	14.3	3,076	1,692

¹ Estimated as the average of the figure for the given year and the figure for the previous year as shown in table 3, multiplied by 12.

² Excludes military grants.

Source: Based on data from Office of Business Economics, Department of Commerce, *Survey of Current Business*, June 1968, table 1, pages 28-29.

up the relative insignificance of this part of the program in the context of overall program operations and balance of payments. It also seems to indicate that under present law program operations abroad will continue at about the same level.

It should not be overlooked, however, that these cash payments abroad directly affect the lives of nearly 200,000 individuals all over the world. The payments represent the fruit of contributions to the economy of the United States as well as to the OASDI program. To workers, their benefits are a lasting reminder of their own contributions and of the opportunities that were open to them while they were in the United States. To many dependents and survivors who have never been here, the benefits are a token of

the concern of the United States for their welfare as a result of their breadwinner's contribution. It may of course be properly asked what realistically constitutes a contribution to the economy, but it may also be asked why workers not permanently remaining in the United States should be required to make contributions to the United States social security system unless they can expect to gain some benefit or other protection.

The current provisions of the Social Security Act regarding payment of benefits abroad are in accord with internationally devised standards. Short of removing all restrictions or adopting new ones that would no longer be in accord with these standards, it is difficult to foresee what other measures could significantly alter the current pattern of program operations abroad.

Status of countries (excluding non-self-governing territories) under section 202 (t) of the Social Security Act, as of January 1, 1969

A. Countries meeting the treaty exception (section 202(t) (3)):

Federal Republic of Germany (including West Berlin)	Israel	Netherlands (survivors benefits only)
Greece	Italy	Nicaragua
Ireland	Japan	

B. Countries meeting the social insurance or pension system exception (section 202(t) (2)):

Austria (except from January 1958 to June 1961)	Finland (beginning May 1968)	Philippines (beginning June 1960)
Barbados (beginning July 1968)	France (beginning June 1968)	Poland (beginning March 1957)
Bolivia	Ivory Coast	Portugal (beginning May 1968)
Brazil	Jamaica (beginning July 1968)	San Marino (beginning January 1965)
Canada (beginning January 1960)	Luxembourg	Spain (beginning May 1966)
Chile	Malta (beginning September 1964)	Sweden ¹ (beginning July 1966)
Congo (Kinshasa) (beginning July 1961)	Mexico (beginning March 1968)	Switzerland (beginning July 1968)
Costa Rica (beginning May 1962)	Monaco	Turkey
Cyprus (beginning October 1964)	Netherlands (beginning July 1968)	United Kingdom ²
Czechoslovakia (beginning July 1968)	(old-age and disability benefits)	Upper Volta (beginning October 1960)
Denmark ¹ (beginning April 1964)	Norway (beginning June 1968)	Yugoslavia
Ecuador	Panama	

See footnotes at end of list.

Status of countries (excluding non-self-governing territories) under section 202(t) of the Social Security Act, as of January 1, 1969—
Continued

C. Countries determined to have in effect a generally applicable social insurance or pension system that does not pay benefits to U.S. citizens outside the country without restriction (meets requirements of section 202(t)(2) (a) but not (b)):

Argentina	Libya	Peru
Belgium	Liechtenstein	Rumania
Hungary	New Zealand	Uruguay
Iceland		

D. Countries without generally applicable social insurance or pension systems in effect (do not meet requirements of section 202 (t) (2) (a)):

Afghanistan	Guyana	Saudi Arabia
Australia ²	Haiti ²	Senegal
Bhutan	Honduras	Sierra Leone
Burma	India	Singapore
Cambodia	Indonesia	Somali Republic
Cameroon	Iran ²	South Africa, Republic of
Ceylon	Jordan	Sudan
Chad	Korea (South)	Thailand
Dominican Republic ²	Laos	Togo
El Salvador	Lebanon	Trinidad-Tobago ²
Ethiopia	Malagasy Republic	Tunisia ²
Formosa (Taiwan)	Malawi ²	Uganda ²
Gabon	Malaysia ²	United Arab Republic
Gambia ²	Nepal	Venezuela ²
Ghana	Nigeria	Viet Nam (South)
Guatemala	Pakistan	Yemen

E. Countries not evaluated:

Albania ⁴	Guinea	Muscat and Oman
Algeria	Iraq	Niger
Andorra	Kenya	Paraguay
Botswana	Korea (North) ⁴	Rwanda
Bulgaria	Kuwait	Syria
Burundi	Lesotho	Tanzania
Central African Republic	Liberia	Tibet ⁴
China (People's Republic) ⁴	Maldiv Islands	Western Samoa
Colombia	Mali	U.S.S.R.
Congo (Brazzaville)	Mauritania	(including Estonia, Latvia, and Lithuania)
Cuba ⁴	Mauritius	Viet Nam (North) ⁴
Dahomey	Mongolia ⁴	Zambia
Germany (East) ⁴	Morocco	

¹ Determined during 1968.

² Includes citizens of colonies under the United Kingdom administration.

³ Latest determination during 1968.

⁴ Payment to persons residing in the country restricted under U.S. Treasury Circular 655.