

This exception in respect of employment-injury compensation, which is usually the oldest branch of social security, had to be made because in many countries the legislation concerning employment injuries defines the liability of the employer but leaves him free to choose whether to bear it himself or to take out a private insurance policy to cover it. The same may also be true for some of the other branches of social security (e.g. sickness and maternity); but for the sake of international comparability and in view of the practical problems of collecting the data it has been found advisable to make an exception in respect of employment-injury compensation only.

Under these criteria the national social security system of a country is thus taken as consisting of compulsory social insurance, certain voluntary social insurance schemes, family allowance schemes, special schemes for public employees, public health services, public assistance, and benefits granted to war victims.

This delimitation of the concept of social security may lead to the exclusion of certain schemes which are considered an integral part of the social security system in many countries. On the other hand, some of the schemes included may not in certain countries be considered as forming part of the social security system. For example, some other international comparisons of social security statistics have adopted somewhat different concepts of social security. Thus, the social security statistics compiled by the European Economic Community¹ which in principle are based on the above criteria for the ILO inquiries, do exclude public health services, public assistance (except unemployment assistance) and benefits for war victims. On the other hand, the scope of the periodic statistics on social security expenditure for the five Nordic countries² is defined in terms of types of schemes to be included. Thus these statistics differ from the ILO inquiries in so far as they do not include pension schemes for public employees, whereas they do include safety and accident prevention services, employment and placement services, public works for unemployed and placement services, public works for unemployed and estimated tax rebates for children, which are all considered outside the scope of the ILO inquiries.

In so far as national concepts of social security are concerned, it might be pointed out, for instance, that two types of schemes which in many countries are included in the concept of social security fall outside the scope of the present inquiry, namely voluntary or optional insurance not covered by criteria (2) and (3) above, and legal or contractual obligations under which the employer is required to pay benefits directly in respect of contingencies other than employment injury. The Ninth International Conference of Labour Statisticians stressed the importance of the so-called "non-statutory schemes" existing in many countries, e.g. industry schemes established by agreements between employers and workers, individual employers' schemes and other types of voluntary or benevolent schemes. Consequently, the ILO undertook a pilot study on this subject on the basis of the data available to the Office for some selected countries.³ The study indicated that in some countries a considerable part of the resources allocated to the social

¹ Office statistique des Communautés européennes: *Statistiques de sécurité sociale, 1955-1960*, Statistiques sociales, 1962, No. 4 (Luxembourg, 1962).

² *Social Security in the Nordic Countries, Expenditure on and Scope of Certain Social Security Measures 1964 (1964/65)*, Statistical Reports of the Nordic Countries, No. 13 (Stockholm, 1968).

³ "The Cost of Non-Statutory Social Security Schemes", in *International Labour Review*, Vol. LXXVIII, No. 4, Oct. 1958, pp. 388-403.

SCOPE OF THE INQUIRY

The concept of social security varies greatly from country to country, and in order to delimit the scope of the inquiry it was necessary to find a way of defining social security which would allow the greatest possible measure of comparability and at the same time take into account the practical problems of obtaining the data required. In the course of the previous inquiries no attempt was made to formulate an *a priori* definition of social security for the purpose of the compilation of the data to be included in the inquiries, as it was considered almost impossible to compile statistics which would fall exactly within the scope of such a theoretical definition. It was found more practicable to formulate certain criteria which had to be satisfied by the scheme or service in question before it could be considered as forming part of the "national social security system"; these criteria, which for the sake of comparability have been adopted also for the present inquiry, are as follows:

- (1) the objective of the system must be to grant curative or preventive medical care, or to maintain income in case of involuntary loss of earnings or of an important part of earnings, or to grant supplementary incomes to persons having family responsibilities;
- (2) the system must have been set up by legislation which attributes specified individual rights to, or which imposes specified obligations on, a public, semi-public or autonomous body;
- (3) the system should be administered by a public, semi-public or autonomous body.

However, any scheme of employment-injury compensation should be included in the inquiry, even if it does not meet the criterion in (3) above, because the compensation of employment injuries is imposed directly on the employer.

¹ "Report of the Committee of Social Security Experts", loc. cit.

protection of the population is provided by these schemes and that therefore it would be desirable to complete the data on statutory schemes with those on non-statutory schemes. It also showed, however, that in most countries adequate statistics are not compiled regularly and information on them is usually obtained only occasionally through special inquiries. Very rarely are consolidated statements on all non-statutory schemes available. The data available are generally scattered over several different publications and are usually rather incomplete. The ILO Committee of Social Security Experts stressed the importance of further studies being undertaken in this field. The Office has on the occasion of previous inquiries tried to compile data on non-statutory schemes, but the results so far have been rather negative. It therefore seems that this subject does not lend itself to periodic compilations. The Office, however, continues to study the subject and, in view of the very important development of such schemes over the last decade, it hopes to be able to publish more up-to-date data on the cost of non-statutory schemes. It should be noted in this connection that it can sometimes be difficult to draw the line between statutory and non-statutory schemes. In the Netherlands, for example, there are a great number of complementary pension funds which have been created voluntarily for the different branches of industry. Affiliation to such funds may be made compulsory by virtue of an Act of 17 March 1949, in which case the scheme concerned may be considered as a statutory scheme and comes within the scope of the inquiry. Other schemes which are not covered by the above Act are considered as non-statutory schemes and fall outside the scope of the inquiry, although there may be no basic difference between the two types of scheme.

Another type of protection which is of some importance in many countries, and which is included in the social security statistics in the Nordic countries, for example, is the granting of income-tax rebates in respect of dependants. This form of protection may be considered as an indirect family allowance, but it was not considered advisable for the purposes of an international inquiry of this kind to include it. First, the legislation governing taxation in the different countries provides for various sorts of exemptions which can be considered as an indirect form of social benefit, e.g. tax exemption on social security contributions and benefits, exemptions from customs duty on medicines, etc. Secondly, any figures purporting to show the amounts of such exemptions would in most cases have to be based on estimates, whereas the figures given in this volume are based as a rule on accounting data; in some cases it would not even be possible to make estimates.

Another example is the special allowance scheme in Switzerland to compensate for loss of earnings during military service, which is considered as forming part of the social security system of that country. In most other countries this contingency is covered by wages paid to military personnel or by special schemes which do not form part of the social security system. In Belgium the social security system includes also a special branch dealing with paid annual leave for wage earners. It was not found possible to include schemes of this kind within the scope of the inquiry as it would distort comparability with other countries.

Among the other types of schemes and services which in some countries are considered as forming part of the social security system, mention may be made of accident prevention and public works for the unemployed. In several countries the accident-prevention services are operated by employment-injury insurance institutions,

and where this is the case it is difficult to present separately the expenditure on specific preventive measures. In other countries the accident-prevention services are operated by separate institutions (usually a public service) and the costs of the services are more easily identifiable. It has not been possible to obtain statistics for all countries which consistently either exclude or include the cost of prevention services; consequently, accident-prevention expenditure has been included whenever it is borne by the institutions responsible for employment-injury insurance and excluded when it is borne by other bodies or institutions. In some countries, such as Czechoslovakia, the data on sickness insurance contain a relatively minor item relating to organisation of recreation. However, this kind of benefit has been considered outside the scope of the inquiry and the data relating to such benefits have been excluded from the tables.

As for public works for unemployed persons, it is recognised that they are an important means of combating unemployment, but they take rather different forms in the different countries and in many cases are included in schemes with objectives which are not directly those of social security (e.g. regional development and other special development projects). It is therefore difficult to draw the line between the expenditure on unemployment relief proper and expenditure directed towards other objectives, and in order not to distort the comparisons it was found advisable to exclude expenditure of this kind from the scope of the inquiry. The same applies to employment and placement services, which are among the more important and perhaps indispensable measures for ensuring the functioning of an unemployment insurance scheme and which are also included in the social security statistics in some countries (e.g. the Nordic countries).

In many countries special schemes for public employees are considered to be outside the scope of social security and are treated in the same way as non-statutory schemes in the private sector. In the first place, however, the public employees' schemes are usually set up by legislation and thus conform with criteria (2) and (3) above, which is usually not the case with similar schemes in the private sector. Secondly, in some countries public employees are exempted from the general scheme on the grounds that they are covered by a special scheme. The same applies in some countries to certain occupational groups, such as miners and railwaymen; if so, the schemes are usually of such a nature that they would come within the scope of the inquiry. If special schemes of these kinds were excluded, the comparability of figures for different countries would suffer.

Finally, it is necessary to recognise the fact that the concept of social security for the purpose of national accounts is usually much more limited than that used for the purpose of ILO inquiries. For example, in the revised United Nations System of National Accounts (SNA), social security arrangements are included under "Producers of government services" and defined as follows:

The social security arrangements to be included are those which are imposed, controlled or financed by the government. Schemes imposed by the government will involve compulsory contributions by employees and/or employers and cover the whole community or particular sections of the community. These arrangements may, in addition, allow certain sections of the community to join the scheme voluntarily. Schemes formulated by the government solely in its role as an employer of personnel, for example, schemes which differ significantly from social security arrangements for the community or which are the subject of negotiation with government employees, are not to be included here. Such schemes are considered to be pension arrangements. Even if a scheme does not involve compulsory contributions imposed by the government, it should nevertheless be

included as a part of general government services if, by way of public regulation and supervision, or by virtue of the existence of a system of government grants, the scheme clearly forms part of the social policy of the government in respect of the community as a whole.¹

Thus, they do not include schemes in respect of public employees (military and civilian) which, in so far as pensions are concerned, are included under "Pension funds and other financial institutions".²

Similarly, such payments as family allowances and social assistance grants are classified under "Unrequited current transfers".³ On the other hand, all such benefits are reckoned to belong to social security proper, according to the definitions adopted for the ILO inquiries.

COLLECTION AND PRESENTATION OF DATA

On the basis of the replies submitted in response to the questionnaire, the Office has been able to compile relatively complete data for the following 68 countries⁴: Australia, Austria, Belgium, Brazil, Bulgaria, Burma, Cameroon, Canada, Ceylon, China (Taiwan), Colombia, Costa Rica, Cyprus, Czechoslovakia, Denmark, Ecuador, El Salvador, Finland, France, Federal Republic of Germany, Ghana, Greece, Guatemala, Guyana, Honduras, Hungary, Iceland, India, Iraq, Ireland, Israel, Italy, Jamaica, Japan, Luxembourg, Malaysia, Malta, Mauritania, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Poland, Portugal, Rumania, Rwanda, Singapore, Spain, Sweden, Switzerland, Syrian Arab Republic, Togo, Trinidad and Tobago, Tunisia, Turkey, Ukraine, USSR, United Kingdom, United States, Upper Volta, Uruguay, Venezuela, Yugoslavia and Zambia. There has been a constant increase in the number of countries participating in the ILO inquiries on the cost of social security. Thus in the preceding inquiry, the sixth, there were 61 countries with complete data, whereas in the first inquiry relating to the year 1949 complete data were presented for 24 countries. Some countries where complete data were not available could not be included in the international comparisons as the incompleteness of the data would seriously distort comparisons with other countries. On the other hand, the basic data thus submitted, although incomplete, are of great interest, and have as far as possible been included in table 9, which shows the relative distribution of benefit expenditure by type of benefit or contingency.

Owing to the great variety of schemes and services of which the social security systems are made up and the different concepts, definitions and methods used in the various countries, the collection of complete statistics is fraught with difficulty, and the relatively complete data which have been collected for the 68 countries mentioned above represent a considerable effort on the part of the competent services in the countries concerned.

It should be noted that in most countries the social security system as defined for the purpose of this inquiry often consists of several different schemes administered by various bodies which are sometimes highly decentralised, or by provincial and local bodies; the collection of complete data for all the social security schemes at the national level necessarily requires time, and the final

¹ United Nations: *A System of National Accounts, Studies in Methods, Series F, No. 2, Rev. 3* (New York, Sales No. E.69.XVII.3), p. 75, para. 5.27.

² *ibid.*, p. 80.

³ *ibid.*, p. 128.

⁴ It should be noted that for some countries the data have been completed from various sources available in the Office.

entry into force of the General Old-Age Act on 1 January 1957 the non-contributory pension scheme financed directly by the State was abolished. The funds to finance this scheme had been drawn from the proceeds of a special "equalisation tax" payable by the employers and amounting to 4.5 per cent of wages without a ceiling. This tax was abolished on the entry into force of the General Old-Age Act, but the employers were obliged, under a special decree of 14 December 1956, to grant wage increases of 5.6 per cent subject to a ceiling. Consequently the changes or shifts in the charges were not in fact as great as would appear from the comparative tables.

The "Special taxes allocated to social security" column contains items such as special indirect or direct taxes or imposes the proceeds of which are wholly or partly used for social security purposes. However, it is sometimes difficult to distinguish between receipts of this type and direct payments made by the public authorities, as may be seen from the above example from the Netherlands and from an example from Switzerland to be found in the published results of the third inquiry.²

The contributions made by the public authorities in the capacity of employers, either to special schemes for public employees or to general social security schemes have in so far as possible been entered in the "Contributions from employers" column. On the other hand, contributions made other than in the capacity of employers by the State or other public authorities to the general social security schemes, or to special schemes which do not fall under this heading, have been entered in the "State participation" or "Participation of other public authorities" columns, irrespective of whether the nature of these contributions is regular (e.g. a certain percentage or proportion of the insured person's or employer's contributions or a flat amount per head) or irregular (e.g. to cover the whole or part of a deficit).

In the case of employment-injury compensation schemes operated through commercial insurance or based on the direct liability of the employer, the amounts entered in the "Contributions from employers" column include the premiums paid for such insurance and the direct compensation payments made by the employer in respect of employment injuries. In the former case the data are in many cases not complete in so far as they do not include receipts such as income from capital and other sources.

For countries with a federal type of government the "State participation" column includes the amounts spent by the federal or central government, whereas the receipts from the individual states or provincial governments are entered in the "Participation of other public authorities" column.

In order to avoid double counting of transfers between schemes coming within the scope of the inquiry it has been found necessary to include special columns on both the receipts and the expenditure sides where such transfers are entered; they can thus be deducted from the total receipts and expenditure for the purpose of international comparisons. In principle the totals of the two columns for transfers should be the same for each country, but owing to differences between the schemes as regards accounting procedure and financial years this has not always been the case. However, the differences between these totals are generally minor, and it has not been found worth while to request the countries concerned to make adjustments of the data submitted in order to make them balance.

¹ See *The Cost of Social Security, 1949-1951*, op. cit., p. 42.

² See *The Cost of Social Security, 1949-1954*, op. cit., p. 4.

Expenditure

On the expenditure side a distinction has been made between expenses in respect of medical care and those relating to cash benefits or income security. Expenses in respect of benefits in kind other than medical care have been considered to relate to income security and are entered in the "Cash benefits" column. For example, the expenditure in respect of old people's homes has been entered in the "Cash benefits" column even if the benefit is not provided in cash. When the medical care is granted in the form of reimbursement of all or part of the expenses incurred, such amounts are, of course, entered in the "Medical care" column and not in the "Cash benefits" column even if paid to the beneficiary in cash. Where the beneficiary has to bear part of the cost of medical care the amounts paid towards cost-sharing by the beneficiary, either directly to the person or service providing the care or to the social insurance institution reimbursing the cost, have been considered outside the scope of the inquiry and are consequently not included in the "Medical care" column or on the receipts side.

Accurate information on administrative expenditure is often difficult to obtain. For example, the administration of a social security scheme may be entrusted to a department which also administers other schemes not falling within the scope of social security as defined for the purpose of this inquiry, as for example when employment and placement services and unemployment insurance are administered by the same body. Separate accounts are rarely kept for the social security services as defined for the purpose of this inquiry; consequently, in many cases only estimates of expenditure can be given, while in some cases it is not even possible to make estimates. Thus, for example, in some countries (e.g. Czechoslovakia, Rumania, and Trinidad and Tobago) no figures for administration expenses are shown. Further, in the case of public health services or public assistance, for example, it is not always possible to distinguish between expenses relating to benefits and administrative expenses. Consequently, the inquiry cannot pretend in all cases to give a complete picture of the administrative expenditure, and caution should be exercised when interpreting the figures in order to avoid erroneous conclusions. Where some or all of the administrative expenditure is charged to the State and/or other public authorities, but where it is not possible to allocate the expenditure between the different schemes, the countries have been requested to add a special line in the tables covering such expenditure. Such data are given under the heading "Administrative expenditure not allocated among the schemes".

The figures for benefits relate to actual payments made or services granted to the beneficiaries during the period under review. Allocations to technical reserves or guarantee funds, where made, are not included in the expenditure but appear in the column "Difference between receipts and expenditure in financial year", which therefore does not reflect the financial results of the operation of the various schemes or services for the financial year in question. In this column therefore will be included rather important amounts when there is a high degree of funding under a pension scheme or if the scheme is in its initial stages or in respect of a provident fund.¹

INTERNATIONAL COMPARISONS

The 1959 session of the ILO Committee of Social Security Experts (Geneva, January-February 1959) recog-

¹ A provident fund scheme is a compulsory savings scheme under which the contributions (employer's and/or employee's) are entered (footnote continued overleaf)

nised the significance and usefulness of the international comparisons carried out by the Office and emphasised the importance of continuing the inquiries on the cost of social security. The 1964 meeting of the Actuarial Subcommittee of the ILO Committee of Social Security Experts¹ as well as the 1967 session of the Committee of Social Security Experts also stressed the importance of continuing the ILO inquiries.

The view was expressed in the Committee of Experts that the presentation of relative measures and indices was particularly important. It appears appropriate to make some general comments on the data presented in Part II of the present volume, which is devoted to comparative tables.

The figures quoted in this part are based on over-all totals for individual countries and, as is demonstrated in the supplement, the degree of social security protection differs greatly between the different countries; moreover, within a given country the protection afforded to the various sectors of the population may vary substantially. This is particularly the case in developing countries. Consequently, an over-all average figure will not always provide an adequate picture of the social security protection afforded to the population. The same may be said where a substantial part of the protection is given by means of the so-called "non-statutory schemes" or by schemes involving benefits of a statutory nature paid or furnished directly by the employer but not coming within the scope of the inquiry, e.g. payment of wages during sickness, medical care provided by the employer, maternity benefits paid directly by the employer, etc. Furthermore, differences between the social, economic and political developments and structures of the different countries make for differences in the nature and degree of social protection required; consequently, the relative importance attached to individual branches of social security often differs from country to country. For example, in one country the emphasis may be on sickness insurance and in another on pensions. As the development of the social security system in most countries has not reached its final stage and the cost elements for the various social security branches differ, the financial data presented in the present volume are not on their own sufficient for an evaluation of the efforts made in the different countries in the field of social security. In addition, the cost of protection against a given contingency varies with the incidence of the contingency: for instance, a country with a high level of unemployment and in which large sums are spent on unemployment protection, or a country which has been hit by severe epidemics and has thus incurred heavy expenditure on health services, cannot be considered more advanced in social security than other things being equal—another country in which the total cost of social security forms a smaller percentage of the national income, but solely because the level of unemployment has been lower or the health situation has been more favourable.

Recent studies have tried to establish that even in many industrialised countries, institutional factors (including "historical", "geographical" or "cultural" factors) account for differences in social security development far

more than economic factors.¹ Thus, it is evident that international comparisons of social security developments would be meaningful only when accompanied by detailed studies of the history, politics and sociology of the countries taken for comparison.

in an individual account for each employee, the amount of which is payable with accrued interest on occurrence of the contingency, e.g. old age, invalidity or death.

¹ See *Minutes of the 159th Session of the Governing Body (June-July 1964)* (Geneva, ILO), Appendix IX, p. 72: "Report of the Actuarial Subcommittee of the Committee of Social Security Experts".