International Labour Review, Vol. 126, No. 1, January-February 1987

The evolution of social security during the recession

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How has social security evolved since the first oil shock of 1973-74? A provisional answer to this question emerges from a survey carried out for the ILO by the French Centre national d'études supérieures de sécurité sociale (CNESSS) [1] in a large sample of countries throughout the world to determine how the economic situation has affected social security and how well its institutions have coped with the series of economic, financial, demographic and other crises that have shaken numerous countries independently of their stage of development.

A series of crises

If one is to believe the media and politicians, the economic and social upheavals of the past ten to 15 years can all be put down to the recession; but when we take a step back and look at them in perspective, the main indicators reveal that the picture is not in fact one of universal catastrophe. First of all, the gross domestic product (GDP) of many countries which had begun to expand their economies and all those with petroleum resources continued, for a time at least, to grow at much the same rate as before, or even faster. Secondly, the crisis of the years 1974-84 in no way resembles that of the Great Depression; while in most of the industrialised countries production did decline for a year or two, that drop seems slight compared with the collapses in GDP during the dark years from 1929 to 1933; furthermore, over a long period (ten years) growth was maintained, which was not the case in the 1930s. This very appreciable difference can be explained in part by the fundamentally new phenomenon of social security and its expansion throughout the world over the past 30 or so years; effective demand, which was depressed in the pre-war years, is now maintained partly because of the benefits paid to the unemployed, the sick, family dependants and pensioners.

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Yet no one would deny that we are going through a crisis. The slowdown in economic growth has been accompanied by a series of other crises of varying intensity according to the region, which have hit people hard and seriously affected the functioning of social security; *rapid inflation* set in (between 1974 and 1984 prices doubled in Canada and the United States and trebled in Côte-d'Ivoire, France, the Niger and the United Kingdom), sometimes reaching alarming proportions (prices increased 20-fold in Mexico and Turkey, 100-fold in Argentina and 200-fold in Brazil), whereas the Depression of the 1930s resulted in sharp deflation. This new combination of slackened growth and rising prices has called in question the coverage and level of benefits.

High and persistent unemployment, which has put a strain on social security budgets, and a significant reduction in the number of industrial jobs in the developed countries are the obvious signs of a deep structural crisis in the advanced economies as they wrestle with the challenges posed by computerisation, robotisation and international competition. The *growing and sometimes massive indebtedness* of public services has prompted national and international financial bodies to turn their attention to social security institutions. Finally, the industrialised countries are faced with a *demographic crisis* (drop in birth rates, ageing of the population) while the developing countries continue to struggle with the problem of a birth rate which, although it has slackened somewhat, is still high.

Social policy adjustments

How have governments reacted to the difficulties confronting social security schemes? First of all, countries spared by the crisis and those which have recently introduced a system of social insurance have quite often gone ahead and extended or improved their benefits; quite a few countries have expanded their social security schemes, although this trend has slackened off since the start of the 1980s.

In the most socially advanced countries social security policy has, to varying degrees and at varying speeds, gone through three distinct phases: following the first oil shock governments, counting on a rapid recovery, continued for a number of years to pursue a policy of social growth, hoping thus to use demand as a lever for boosting the economy; in the second phase they decided to impose stringent controls or to rationalise social expenditures in order to improve the financial situation; finally, after the second oil shock of 1979 and as the crisis continued, they launched on a thorough-going austerity policy. To be sure, this pattern of social growth, stringent control and austerity has not everywhere been uniform owing to the different political orientations of governments; but even where socialist tendencies were dominant or Socialist parties were in office governments soon found themselves forced to follow suit and to pass from social expansion to stringent control (France, Portugal, Spain), or abruptly from expansion to austerity (Greece).

Similarly, even some oil-rich countries (Algeria, Gabon, Mexico, Norway) found themselves obliged at some point between 1974 and 1984 to adopt a policy of more or less stringent control, which was exacerbated in 1985-86 by the drop in oil prices.

The least developed countries are of course a case apart, having been hardest hit by the crisis and having never known anything other than belt-tightening austerity.

Among the countries that have adopted restrictive policies, the scale of the curbs on social expenditures has nevertheless varied from one to another; those in which conservative tendencies are strongest have been the most successful in restraining the upward spiral of costs and putting their financial house in order.

Two series of statistics illustrate the slow-down in social security benefits and their erosion in some cases. In its latest study of the cost of social security,[2] the ILO has estimated the share of social security benefits in the GDP of various countries: between 1978 and 1980 only 13 countries recorded an increase in the "social" share of GDP as against 32 between 1970 and 1971. Using OECD statistics and data obtained from the CNESSS survey, we have been able to calculate the changes in what we call the "social growth differential", which is to say the gap between the increase in social security benefits and that of GDP (in real terms); when the differential is positive this means that benefits have been growing faster than GDP; when it is negative the opposite has been happening. As tables 1 and 2 show, all the countries which opted very early on for a policy of tight control on public expenditure recorded a zero or negative social growth differential.

In the five-year period following the first oil shock Canada, the Federal Republic of Germany, the Netherlands, Norway, Switzerland, the United Kingdom and the United States applied brakes to social growth; another group of countries (Italy, Japan, Sweden) slowed it down but not enough to make it slower than the growth in GDP, while a third group (Austria, Belgium, France, Greece, New Zealand) actually speeded it up.

For the period 1974-84 data obtained from the CNESSS survey show that the Federal Republic of Germany and Sweden, but also Brazil, Cameroon and Gabon, had a negative differential at the end of the period, that Argentina, Czechoslovakia and Hungary had partially halted social growth but that Algeria, France and Greece had accelerated it.

What sort of mechanisms have been introduced to act as brakes? What laws or regulations have been adopted and, more specifically, how have benefits evolved in real terms, i.e. in terms of purchasing power?

Table 1. Social growth differential,[1] 1960-81 (in % points)

Country	1960-75	1975-81
Countries which have restrained social growth		
Germany, Fed. Rep.	+3.2	–0.6
Netherlands	+6.0	–0.4
Canada	+4.2	–0.2
United States	+4.6	0.0
Norway	+5.8	+0.5
United Kingdom	+3.3	+0.8
Switzerland	+4.2	+1.0
Countries which have partially restrained social growth		
Italy	+3.1	+1.9
Japan	+4.2	+3.7
Sweden	+3.9	+3.7
Countries which have accelerated social growth		
Austria	+1.5	+1.7
New Zealand	+1.5	+3.1
France	+2.3	+3.4
Greece	+1.8	+5.4
Belgium	+4.8	+5.7

[1] Difference between the rate of growth of social expenditures, including education, and the rate of growth of GDP (in real terms).
Sources: OECD: *Social expenditure 1960-1990. Problems of growth and control* (Paris, 1985); CNESSS survey for the ILO.

Table 2. Social growth differential,[1] 1974-84 (in % points)

Country	1974-80	1980-84
Countries which have restrained social growth		
Cameroon	+10.0	–1.2
Gabon	+23.0	–0.8
Germany, Fed. Rep.	–1.2	–0.4
Sweden	+7.7	–0.4
Brazil	+8.0	–0.2
Countries which have partially restrained social growth		
Argentina	+1.6	+0.2
Hungary	+2.6	+1.2
Czechoslovakia	+2.0	+1.4
Countries which have accelerated social growth		
Algeria	–1.6	+1.6
France	+3.4	+3.8
Greece	+6.4	+10.0

[1] See note to table 1.
Source: CNESSS survey for the ILO.

Freezing of benefits or changes in indexing methods

Where there is no obligation to adjust benefits annually, the public authorities, particularly in developing countries, have tended to freeze them for lengthy periods. Where annual adjustments were provided for, governments such as those of Belgium, France, the Federal Republic of Germany, Italy, Spain, Sweden and the United States have quite simply changed the regulations.

A number of methods have been used, varying from country to country and from year to year:

- the dates on which increases fall due have been deferred (Federal Republic of Germany in 1977 and 1983; Belgium and United States in 1983; France in 1986);
- the authorities have fixed the increase in benefits at a rate lower than that of inflation (numerous developing countries, Canada, Netherlands, Norway, Portugal, Sweden for family benefits), or a system of partial price indexing has been introduced (Belgium, Denmark, Netherlands);
- the adjustment mechanisms have been modified (Austria, France, Federal Republic of Germany, United Kingdom, United States);
- finally, adjustments geared to income levels have been increasingly resorted to in order to preserve the purchasing power of benefits for low-income families, with adjustments being increasingly smaller, and inferior to the increase in prices, for well-to-do families; applied to family benefits and sometimes to pensions, this economy measure has been widely adopted in the countries of southern Europe as well as in some of Eastern Europe.

Family benefits: Reductions and increases

Not all countries have reduced family benefits. If we look at individual types of benefits we find that in some countries family allowances and, even more so, pensions have been preserved from monetary erosion.

Considerable differences are found in countries that have a family allowances scheme. We can distinguish two major groups (tables 3 and 4).

1. *Countries in which the purchasing power of family allowances has been severely eroded.* These are mainly the French-speaking countries of Africa. After inheriting this form of social protection from the colonial era, they decided, for reasons related to the economic and financial crisis but also for political or ideological reasons, to freeze this type of benefit: between 1974 and 1984 the purchasing power of family allowances dropped by 30 per cent in Algeria, by 40 per cent or more in Cameroon, Côte-d'Ivoire, Gabon and Morocco, and by 55 per cent in the Niger. Also, in countries as different as Argentina, Canada and Japan the drop in purchasing power ranged from 70 to 27 per cent.

Table 3. Changes in monthly family allowances in countries where their purchasing power has declined sharply

Region, country and currency	1970	1974	1980	1984	1985	Change in purchasing power of allowances between 1974 and 1984 (in %)
Africa						
Cameroon (CFA francs)	500	500	1 000	1 500	1 800	–46.0
Côte d'Ivoire (CFA francs)	800	800	1 500	1 500	1 500	–40.0
Gabon (CFA francs)	1 200	1 500	2 000	3 000	...	–43.0
Morocco (dirhams)	24	24	36	36	36	–40.6
Niger (CFA francs)	700	700	1 000	1 000	1 000	–54.6
Tunisia [1] (dinars)						
1st child maximum	2.60	2.60	...	4.30	4.30	–25.0
3rd child maximum	2.60	2.60	...	3.40	3.40	–41.0
The Americas						
Canada (dollars)						
National	...	20	21.80	30	31.30	–32.0
Quebec, 1st child	...	12	13.80	17.90	18.80	–32.0
Quebec, 3rd child	...	28	40.30	69.50	72.60	+12.6
Asia						
Japan (yen)						
3rd child [2]	.	4 000	5 000	5 000	5 000	–27.3
Poor families	.	4 000	6 500	7 000	...	+1.7
Europe						
Italy (lire)	...	8 060 [3]	...	19 760	...	–20.0
Spain (pesetas)	...	250	250	250	...	–78.0

[1] In 1975 family allowances, which had previously been uniform whatever the order of birth up to the fourth child, became degressive; in 1984 they amounted to less than 10 per cent of the minimum wage as against 48 per cent in 1975 and 73 per cent in 1961. [2] In 1986 a family allowance was established for the second child (2,500 yen) but the entitlement to allowances was limited, with the maximum age dropping from 18 to 7 years. [3] 1976.

Source: CNESSS survey for the ILO.

2. *Countries in which the purchasing power of family allowances has increased only in respect of certain children.* For the most part these are countries that have been faced with two crises: the recession and a falling birth rate. Anxious both to increase the birth rate and to preserve the standard of living of the poorest families but obliged at the same time to keep a close watch over public expenditure, governments have adopted a selective policy based on graduated adjustments:

– graduated according to income level: Chile, the Federal Republic of Germany, Italy and Yugoslavia opted for this approach;

Table 4. Changes in monthly family allowances by order of birth of child, 1974-84

Region, country and currency	1974	1980	1984	Change in purchasing power of allowances between 1974 and 1984 (in %)
Europe				
Czechoslovakia (koruny)				
1st child	90	140	180	+63.0
3rd child	450	500	540	-2.0
France (francs)				
2nd child	131.50	251.40	484.40	+34.5
3rd child	351.20	710.60	1 089.90	+13.7
Hungary (forints)				
1st child	300	490	670	+22.0
3rd child	320	660	730	+24.6
Portugal (escudos)				
1st child	240	300	660	-56.0
3rd child	240	350	780	-48.0
Sweden[1] (kronor)				
1st child	1 500	2 800	3 800	-2.4
3rd child	...	...	4 950	
United Kingdom[2] (pounds sterling)				
1st child	0	4.75	6.85	
3rd child	1.50	4.75	6.85	+38.0

[1] Per year. [2] Per week.
Source: CNESSS survey for the ILO.

– graduated according to the order of birth, which is a formula used particularly in Europe, with the accent being placed sometimes on the first child (Czechoslovakia), the second (France) or the third (Hungary, to a slight extent, and the Federal Republic of Germany, where a combination of adjustment methods by order of birth and income has resulted in a real increase of 52 to 139 per cent). This dual demographic and social concern is found also in the policies applied in Belgium, Denmark, France, Greece and the United Kingdom. These countries have introduced or adjusted either family allowances or supplementary family benefits on the basis of a means test: families are entitled to these benefits only if their income is below a certain level.

Table 5. Changes in minimum old-age pension per month (as % of minimum wage), 1970-84

Country and currency	1970		1974		1980		1984	
	Amount	%	Amount	%	Amount	%	Amount	%
Increased								
Algeria (dinars)	0	...	220	...	530	53.0	807[1]	73.0
France[2] (francs)	2 900	42.5	5 200	46.0	15 500	57.6	28 050	60.7
Greece (drachmas)	1 155	52.5	2 100	55.8	7 140	69.0	23 650	80.0
Hungary (forints)	610	26.0[3]	727	25.0[3]	1 560	35.0[3]	2 070	38.0[3]
Japan[2] (yen)	96 000	11.0[3]	240 000	13.0[3]	501 600	17.0[3]	...	...
Sweden (kronor)	5 400[4]	...	8 748	42.3	21 896[5]	...	29 232	54.0
Stable								
Argentina (pesos)	0.01	50.0	0.1	56.0	40.9	...	7 540	50.0
Brazil (cruzados)	...	90.0	...	90.0	...	90.0	...	90.0
Cameroon (CFA francs)	...	...	...	...	8 600	50.5	14 600	50.3
Gabon (CFA francs)	7 200	80.0	14 000	80.0	24 000	80.0	32 000	80.0
Niger (CFA francs)	3 200	...	5 000	60.0	10 400	55.0	11 400	60.3
Reduced								
Czechoslovakia (koruny)	400	20.6	400	18.0	430	16.3	470	16.5
Portugal (escudos)	260	...	1 650	50.0	4 500	50.0	5 500	35.0
Tunisia (dinars)	...	...	17.3	77.0	35	84.0	61	73.0

[1] In 1985. [2] Per year. [3] Percentage of average wage. [4] 1969. [5] 1981.
Source: CNESSS survey for the ILO.

Protection of pensions against the worst effects of the crisis

Selective protection of this sort is provided in some countries for the elderly. After fixing a minimum old-age pension, most countries (exceptions are Argentina, Gabon, Niger, Portugal) have increased the amount considerably despite the crisis: between 1974 and 1984 such increases, in terms of purchasing power, amounted to between 20 and 30 per cent in Austria, Japan and Norway, 50 per cent in Algeria and Hungary, 61 per cent in Tunisia, 99 per cent in France and even 134 per cent in Greece (see table 5 for the size of the minimum old-age pension as a percentage of the minimum or average wage, and also table 6).

Another form of selectivity is the adoption of a graduated adjustment system similar to that applied for family allowances. Such a system has been adopted in the countries of southern Europe (Greece, Italy, Spain) where the lowest pensions have been increased by a factor often corresponding to the increase in prices, with the indexing then being degressive for the higher pensions or nil above a certain level. This method of adjustment is also a common practice in countries of Eastern Europe such as Hungary and

Table 6. Change in purchasing power of family allowances and pensions (in %), 1974-84

Country	Family allowances	Minimum pension	Average pension
1. Decrease for both			
Côte d'Ivoire	–40.0	.	–44.0
Gabon	–43.0	–44.0	...
Morocco	–40.5	.	–35.0
Niger	–54.6	–27.0	–4.2
Portugal	–48.0 to –56.0	–47.0	–22.0
2. Decrease for family allowances, increase for pensions			
Canada	–32.0 to +12.0	+6.0 to +51.0	+121.0
Denmark	less for well-off families	...	+113.0
Japan	–27.0	+23.0	+32.0
Tunisia	–25.0 to –41.0	+61.0	...
3. Faster increase for pensions			
Czechoslovakia (2nd child)	+2.6	–4.3	+12.5
France (3rd child)	+13.7	+99.0	+19.7
Hungary	+22.0 to +24.6	+55.0	+29.2
4. Faster increase for family allowances			
In respect of first child			
Czechoslovakia	+63.0	–4.3	+12.5
In respect of second child			
France	+34.5	+99.0	+19.7
In respect of third child			
United Kingdom	+38.0	.	+10.0

Source: CNESSS survey for the ILO.

Yugoslavia. All in all, in many countries pensions have been better protected against monetary erosion than other social security benefits (table 6). Compared with families with dependent children and above all with the unemployed, whose benefits were increased when the recession began but later, in the early 1980s, frequently reviewed and reduced, the elderly have suffered less from the economic upheavals and policies of stringent control. In the industrialised countries, of course, they are protected by long- and well-established old-age insurance schemes. At the end of the period under examination, however, government restrictive policies had also begun to affect pensions: the rate of increase had been reduced and, in France and the Federal Republic of Germany, contributions for sickness insurance had been introduced that cut into the income of pensioners.

Lowering the retirement age

But the main way in which older workers, at least in the industrialised regions, have been affected by the crisis is through earlier retirement. In an effort to check the steep rise in unemployment governments have devised an increasing number of mechanisms to stop people working on reaching the age of 60 or even 55. These limitations, which some regard as an encroachment on the right to work, often mean a reduction of 20-30 per cent in pensioners' income. Three types of policies have been adopted.

Policies to increase the range of invalidity benefits. Even where the relevant legislation has not been amended, both the conditions required to qualify for an invalidity pension and the standards applied by the bodies responsible for determining the degree of invalidity have frequently been relaxed, resulting in a considerable increase in the number of invalidity pensions (Austria, Greece, Italy, United States). Sometimes new forms of invalidity have been more widely accepted: the criterion of incapacity to earn a living replaces or is added to that of physical incapacity. This has been the case, for example, in the Federal Republic of Germany where the number of people receiving invalidity benefits rose from 15,000 in 1974 to 357,899 in 1984. The same method has been used in Denmark where, however, legislation was successively enacted providing for incapacity to earn a living (in 1977), voluntary early retirement owing to such incapacity (in 1979) and, finally, compulsory early retirement on that ground (in 1984).

Policies to promote early retirement schemes. In order to avoid the need for a complete review of old-age insurance schemes and the statutory retirement age while trying to keep unemployment down, most of the industrialised countries have launched on a policy of indirectly lowering the retirement age for "older" workers.

At the start of the recession, which many thought would not last long, the principal method was borrowed from unemployment insurance: in some countries, especially Western Europe, an "income guarantee" was granted to older workers laid off or dismissed for economic reasons; half-way through the period under review, this "guarantee" was extended to all older workers who desired it as well as to those who, as was frequently the case, were forced to resign; at the end of the period the "guarantee" was converted into a statutory "early retirement pension" calculated according to the rules of old-age insurance and financed by it instead of by unemployment insurance. The result has been a *de facto* diminution of the income guarantee.

Such statutory changes (from an income guarantee to an early retirement pension), socio-economic changes (from dismissal to resignation) and financial changes occurred in Belgium and France from 1972-73 on, in the United Kingdom in 1977, and about the same time in the Federal Republic of Germany and Austria.

Policies applying different criteria for lowering the retirement age. Another significant development has been the recognition of a selective right to early retirement according to different criteria such as sex, the employment situation, period of contribution and arduousness of the job.

(a) Sex. The Federal Republic of Germany adopted this approach as far back as 1972-73, permitting women who had contributed to social security for 120 months over the preceding 20 years to retire at the age of 60 instead of 65; in 1979 France also granted full pensions to women on reaching 60 who (a new criterion) had brought up three children and contributed for at least 37.5 years, including periods exempted from contributions on account of maternity or child care.

(b) The employment situation. This approach was adopted in Sweden in 1976: with a view to reducing long-term unemployment, the retirement age was lowered to 60 by law and, in practice, to 58 years and four months under a number of works agreements. The statutory retirement age for the unemployed was lowered from 67 to 60 in Denmark in 1979 and from 65 to 64 in Spain in 1981. The Federal Republic of Germany also adopted this approach by granting early retirement at the age of 60 where older workers had been unemployed for at least 12 months during the 18 months preceding their application for early retirement; wide use has been made of this possibility since the number of persons on early retirement pensions has more than doubled, rising from 124,000 in 1974 to 292,149 in 1984. Austria has also made use of this approach by allowing early retirement at 60 for men and at 55 for women, provided they have both contributed for 180 months and been unemployed or incapacitated for work by illness for at least a year; although this measure was not explicitly introduced because of a high level of unemployment it has been resorted to increasingly as unemployment has risen. In addition, a special unemployment insurance allowance is granted to unemployed persons who are recognised as unemployable following restructuring (at age 52 for women and 57 for men in certain sectors).

(c) Period of contribution. Austria introduced this criterion very early on but has applied it more flexibly since the recession: early retirement is possible at 60 for men and 55 for women if the applicant has contributed for 420 months and has paid contributions for 24 of the 36 months preceding the application; this 24-month period has now been reduced by half, since 12 months' unemployment or illness can be counted as contributory months. The Federal Republic of Germany also adopted this formula very early on (in 1972-73): as we have seen, women can retire at 60 if they have contributed for 120 months over the preceding 20 years as can disabled workers if they have contributed for 35 years; workers of both sexes can retire at 63 if they have contributed for 35 years. The various new possibilities for retiring before the statutory age had a decided impact from the very start of the economic slow-down in the Federal Republic, where applications for retirement by workers aged 60 to 64 multiplied quickly (61 per cent of all those entitled in 1976 as against 6 per cent in

1960). Other countries also use this sort of formula: since 1976 Belgium has been granting a full pension at 64 instead of 65 if the insured person has contributed for 45 years; in 1978-79 Greece decided to pay a full pension at 58 or a reduced pension at 56 to workers who had contributed for 35 years; since 1984 Cameroon has granted a retirement pension at 50 if the insured person has been a member of the scheme for 20 years.

(d) The arduousness of the job. This is the most frequently used criterion. France adopted it in 1975 (retirement at 60 instead of 65, with 41 years of contribution); Belgium (64 instead of 65) and Ireland (66 instead of 67) in 1977; and Luxembourg in 1980 (60 instead of 62, with 40 years of contribution). But it is Greece that has applied the criterion of arduousness most systematically, extending entitlement to early retirement on that ground to virtually every sector. The list of arduous jobs from which workers are entitled to retire early has been extended considerably over the years, especially between 1977 and 1979 and again in 1984-85.

The lowering of the statutory age for everyone is rarer: apart from the United States which, well before the recession, had provided for the possibility of drawing a reduced pension at 62 (a formula widely used since 1973), other countries like France, Greece and Sweden have amended their legislation to similar effect. Finally, Sweden in 1976 and Denmark in 1986 introduced a more innovative mechanism: partial retirement, in which workers do not leave their jobs abruptly but continue to work part time and draw a pension.

Conversely, a few countries, worried about the ageing of their population and the growing disproportion between contributors and pensioners, have amended their legislation so as to raise the retirement age while providing that the new provisions are to be implemented gradually over a number of years. Before adopting a law in November 1986 to abolish the statutory age of retirement on 1 January 1987, the United States had in fact been the first country to take steps to provide for the gradual raising of the age for retiring on a full pension from 65 to 67 by March 2003. A similar line was taken by Japan in 1985 (where the qualifying contribution period for a full pension will be raised gradually from 25 to 40 years between now and the year 2001) and by Spain (where the minimum contribution period has been increased from ten to 15 years). The different approach taken by these countries seems to have opened the way for others, which have recently come to realise how enormous the cost of retirement schemes will be by the year 2000 if fertility rates remain so low that the economically active population of an age to finance pensions is drastically reduced.

Sickness benefits: Increased participation of insured persons

While radical proposals to alter pension schemes are rare, it is quite another matter in the health sector. Almost all the industrialised countries have had to come to terms with a very rapid increase in sickness benefits at a time of diminishing resources, while enterprises have been in danger of collapsing under the weight of employer contributions. The remedy most frequently used has been to increase the financial participation of the sick by different methods and at different dates, but in any event ever more rigorously since the second oil shock.

The countries which took such steps between 1974 and 1976 were still few in number: Belgium, Denmark, Luxembourg, Norway, Sweden and the United Kingdom. They were joined in 1977 and 1978 by Austria, France, the Federal Republic of Germany, Japan and Spain. The year 1980 marked a turning-point: among the countries studied ten adopted restrictive provisions and since then the list of countries opting for stringency has been growing each year, with records being reached in 1983 and 1984.

The mechanisms vary from country to country: the introduction of flat-rate charges payable by the insured person, the introduction or raising of pro rata charges and a revision of the lists of refundable medicines, combined however with riders and adjustments so as not to penalise certain categories of the young or the elderly and persons requiring lengthy or costly treatment.

There has been a very marked leaning towards the establishment of pro rata charges even in countries where free health services had been the rule: a flat rate is charged in the case of hospitalisation and insured persons are required to contribute financially to the costs of medicines. The following examples show that these policies have had a decided, but apparently only temporary, impact.

In the *Federal Republic of Germany*, in order to combat the steep rise in medical expenditures and the financial difficulties facing the sickness insurance funds (which were in the red in 1975), successive governments have stepped up the participation of sick persons by raising the flat-rate charges and above all by introducing pro rata charges. The turning-point was reached in 1977 with the Act respecting the stabilisation of compulsory sickness insurance costs,[3] the idea being to reduce the increase in expenditures to a rate similar to that of average incomes: the previous 20 per cent participation of insured persons in the costs of pharmaceuticals, subject to a ceiling of 2.5 Deutsche Mark (DM) per prescription, was changed to a flat-rate charge per item: fixed first of all at DM 1 this charge was later raised to DM 1.5 and then to DM 2 in 1984.

Attention should be drawn to two other innovations: the introduction of a pro rata charge for dentures and orthopaedic appliances, which jumped from 20 to 40 per cent in 1981, and a flat-rate hospitalisation charge of DM 5 per day for the first seven days, this period being increased to 14 days in 1983.

Since 1983 transportation of the sick and spa treatment have ceased to be free, since a charge of DM 5 was set for the first and another of DM 10 per day for the second.

In addition, the above-mentioned Act reduced the coverage of members of the insured person's family; and coverage is abolished altogether if their regular income exceeds DM 370 per month. It is also abolished for children if the second parent is not a member of the scheme and has an income above the ceiling for compulsory coverage.

In 1974 *Belgium* had introduced a flat-rate charge, which was increased from 50 Belgian francs (BF) per day to BF 75 in 1977 and then to BF 125 in 1984 (and even BF 150 to 250 for certain types of treatment).

Whereas in 1974 patient charges were only payable from the 91st day of hospitalisation onwards and later from the 41st day, in 1980 they were made payable from the first day, with the rate varying from BF 50 for widows, orphans, pensioners and invalids on low incomes to BF 125 for others.

In addition, in 1980 a flat-rate charge of BF 25 per day towards the costs of medicines became payable by hospital patients from the first day. In 1982 a pro rata charge of 20 per cent was introduced for widows and orphans and of 40 per cent for others as a contribution towards the costs of physiotherapy; patient participation has also been increased for ordinary medical care.

Luxembourg introduced health service charges of 20 per cent for the first visit to a doctor, 15 per cent for prescriptions and 20 per cent for dentures.

In *Norway* the flat-rate consultation charge was raised from 13 to 45 Norwegian kroner (NKr); in addition, towards the end of the period under examination a prescription charge of NKr 50 was imposed.

In the *United Kingdom*, renowned for having introduced free health care, the prescription charge has been considerably increased: from 12.5 pence in 1970 it rose to 20 pence in 1974 and then, over the next ten years, it was raised eightfold, while prices increased only 2.5-fold, to reach £1.60 in 1984.

In *Sweden* the flat-rate charges introduced in 1970 have risen at a faster rate than prices: the consultation charge, fixed at 7 Swedish kronor (SKr) in 1970, rose to SKr 12 in 1974, SKr 20 in 1980, SKr 40 in 1984 and SKr 50 in 1985; a similar pattern was observed in hospital charges, which rose from SKr 10 to 40 over ten years, reaching SKr 45 in 1985, as well as for prescriptions (SKr 15 to 50); the pro rata charge for dental treatment was raised from 50 to 60 per cent in 1982.

Similar developments have occurred, though not always at the same pace, in Andorra, Australia, Austria, France, Greece, Italy, Portugal and the United States.

Governments have also resorted to another formula which consists in establishing a scale of refundable pharmaceutical products and increasing the charge for the less essential drugs; this has been done in Belgium, Denmark, France, the Federal Republic of Germany and Greece. In order to attenuate the effects of this stringent policy on low-income families and those caring for a chronic invalid, more and more exemptions from charges have had to be allowed, based on various criteria: age (Quebec, United Kingdom), type of illness (France) and the amount spent above a certain ceiling (Japan, Netherlands, Sweden).

In some cases daily allowances have also been reduced (Algeria, Hungary), their cost has been shifted to the enterprises (United Kingdom), and more or less everywhere steps have been taken to control hospital expenditures, especially in France, the Federal Republic of Germany, Quebec, the United Kingdom and the United States, including the fixing of a single total appropriation for each establishment at the start of the financial year or flat-rate reimbursements for the various types of treatment.

As to whether these measures proved effective, it seems that they have had a noticeable, if often only temporary, effect on costs and of late the increase in public health expenditures has slowed down somewhat.

The size of contributions: Large differences from country to country

Nevertheless none of these policies has succeeded entirely in solving the financial difficulties. Admittedly, the financial position of social security schemes varies greatly from one country to another. First of all, a large number of schemes, mainly in the developing countries, have recorded annual surpluses despite the recession, thanks sometimes to the temporary freezing of family allowances, but above all because the old-age insurance schemes have not yet reached maturity. While this healthy financial position enabled some schemes to accumulate reserves equivalent to between two and four years of benefits (e.g. Gabon, Niger), at the end of the period under review the continuance of the recession and the difficulties experienced in collecting contributions were making inroads into these reserves, cutting them down in Gabon from 3.2 years in 1980 to 2 years in 1984 and in Benin from 2 years to 1.2; a similar trend has been observed in Senegal and other countries (Canada, Federal Republic of Germany, Israel, Japan, Netherlands, Tunisia, United States) where sizeable reserves were built up – often in the supplementary schemes – but which recently have been eroded somewhat in real terms.

On the other hand, in most of the industrialised countries the national social security schemes have gone through very difficult times with repeated and growing deficits, sometimes of huge proportions, as in Italy, Portugal, Spain and, above all, in Greece where the 1985 deficit was equal to a whole year's benefits.

Just as the situation has differed greatly from one country to another, so the financing policies adopted have also varied. Four groups of countries can be distinguished. Where the schemes have been in the red, contributions have been raised despite the strict controls imposed on benefits; however small or large the increase, it is the insured persons who have been hardest hit (see table 7).

Table 7. Changes in contributions (as % of earnings)[1]

Country	1970	1974	1984	1974-84
1. Large increase				
Hungary	...	25.0	40.0	+15.0 points
Sweden	...	18.3	30.8	+12.5 points
France	35.4	...	47.0	+11.6 points[2]
without unemployment insurance	35.0	35.2	41.0 + 1[3]	+6.8 points
Turkey	20.0	22.0	32.7	+10.7 points
Argentina	35.8	36.3	45.3	+9.0 points
Austria	...	19.0[4]	27.1	+8.1 points
Gabon	12.0	15.6	22.6	+7.0 points
2. Significant increase				
Portugal	23.0	23.5	29.0	+5.5 points
United Kingdom	...	14.0	19.5	+5.5 points
Germany, Fed. Rep.	26.5	29.5	34.5	+5.0 points
Japan without occupational accidents	13.2	15.3	19.1	+3.8 points
Niger family allowances	14.0	14.0	17.0	+3.0 points
Netherlands	...	32.3	34.7	+2.4 points
United States without unemployment insurance	9.6	11.7	14.0	+2.3 points
Canada unemployment insurance	2.6	3.4	5.5	+2.1 points
3. Slight increase				
Greece	25.5	25.5	27.0	+1.5 points
Cameroon	8.5 to 12.0	15.5 to 19.0	15.8 to 19.0	+0.3 points
4. Stability or decrease				
Israel (total)	15.5	18.0	19.6	+1.6 points[5]
of which insurance	15.0	15.0	14.2	–0.8 point[6]
Algeria	29.4	29.4	29.0	–0.4 point
Côte d'Ivoire[7]	10.5 to 13.5	10.5 to 13.5	10.5 to 13.5	0.0
Czechoslovakia	20.0	20.0	20.0	0.0
Morocco	...	15.7	15.7	0.0
Rwanda	8.0	8.0	8.0	0.0
Tunisia	22.5	22.5	22.5	0.0

[1] Where appropriate subject to the contribution ceiling. [2] Compared with 1970. [3] One per cent solidarity contribution levied on incomes. [4] 1976. [5] –1.9 points compared with 1980 (21.7 per cent). [6] –2.7 points compared with 1979 (16.9 per cent). [7] In 1983 an additional levy of 1 per cent on wages was introduced to pay for a lump-sum allowance to some unemployed persons, and in 1985 the reform of the old-age pension scheme – with an appreciable raising of the ceiling – was accompanied by an increase in contributions (from 1.2 to 1.6 per cent for wage earners and from 1.8 to 2.4 per cent for employers).

Source: CNESSS survey for the ILO.

1. *Sharp increases of 7-15 contribution points* were introduced between 1974 and 1984 first of all in countries that, despite the recession (or because of it), wished to maintain or even improve the level of social protection (France, Gabon, Sweden, Turkey), or were trying to develop their social security systems (Burkina-Faso and Chad with the introduction of old-age insurance); subsequently sharp increases were made in countries confronted with a disproportionate ratio of pensioners to contributors (Austria, France).

2. *Appreciable increases of 2-6 contributions points* have been introduced both in industrialised countries (Canada, Federal Republic of Germany, Japan, Netherlands, United Kingdom, United States) and in less advanced countries or developing countries in Africa (Benin, Central African Republic, Congo, Mali, Mauritania, Niger, Portugal, Senegal).

3. *Small increases of 0.25 to less than 2 contribution points* have been introduced in countries such as Burundi, Cameroon and Greece. The modest size of these increases was due either to an improved financial situation, to a freezing of benefits or to an unwillingness to increase contributions and hence charges to enterprises and insured persons, as was the case in Greece from 1974 to 1984 despite enormous deficits.

4. *Maintaining or even reducing the level of contributions* is far from being uncommon. In Czechoslovakia, Israel and above all the African countries, the size of the contributions has hardly changed: out of 28 countries surveyed in Africa, 15 had not altered the contribution rate between 1974 and 1984. This stability is all the more remarkable in that it contrasts so sharply with what has happened in the industrialised countries.

Three other significant changes have occurred in relation to contributions: (1) a reduction in employers' contributions in many Western countries, either for all enterprises or for only some, aimed at encouraging them to take on more workers; (2) a very significant raising or even the abolition of the ceiling wage in Europe, North America, Asia and Africa: an increase in real terms of 70 to 100 per cent over ten years in Japan (sickness), Austria, Canada, the Congo and Greece (unemployment); a still sizeable increase of 20 to 39 per cent in France, Gabon, the Federal Republic of Germany, the Niger, the United States, etc.; and finally, its total abolition in Algeria, Belgium and France and its gradual abolition in Cameroon; and (3) an appeal to persons not directly covered, in the form of a solidarity contribution from public servants or pensioners (Belgium, France, Federal Republic of Germany) or taxpayers (Spain).

Concluding remarks

The recession that started in 1973-74 has had five main socio-political consequences for social security.

1. The deferral of social reforms, which has interrupted the continuous development which social security had experienced for half a century.

2. The appearance of neo-liberal tendencies in both Western and Eastern Europe, maintaining that the State should not attempt to do everything, that more room should be left for personal initiative, that private savings should be stimulated and sometimes, in Western Europe, that privatisation should be encouraged. We have to qualify this observation, however: politicians who, in Western Europe or North America, are known for their liberalism become, once they are in office, pragmatists applying Keynesian policies to a degree that Keynes himself could never have imagined; when it comes down to it, most of our liberals are social democrats once they start to govern.

3. The emergence in labour-management relations of a limited consensus which might be termed ambiguous, passive and temporary. More conscious of economic constraints and also affected by the decline in their membership, trade unions have tolerated or been forced to accept austerity policies. But this consensus remains fragile and is likely to collapse if the government or the employers start to undermine the rights of the insured or make a radical policy change; then demonstrations and disputes may take place, as has happened in Greece and Spain.

4. The decisive role played by social security as a shock absorber during the recession, even though in some instances it has also exerted an inflationary influence. Themselves victims of the crisis, the social security schemes are generally regarded as physicians, whose job it is to heal the social scourges of unemployment and reduced or lost income.

5. The maintenance of the basic foundations of social security despite the shocks it has received (halting or delaying of reforms, erosion of rights or benefits). Although these shocks have certainly caused cracks in the various structures known as sickness insurance, old-age insurance, etc., the main edifice remains fundamentally sound and its administrators unshaken.

Sombre but not black, the picture we have given here must be regarded only as a limited and provisional assessment. Social security may indeed only have gone through the first phase of a much wider, more complex and more international crisis; it is likely to encounter new demographic, financial and monetary obstacles. Countries like the Federal Republic of Germany and Sweden undoubtedly show that social and economic growth can go hand in hand but such examples remain as inconclusive as they are few. Greater international solidarity will undoubtedly be needed if social security is to be safeguarded and developed throughout the world.

Notes

[1] J.-P. Dumont: *L'impact de la crise économique sur les systèmes de protection sociale* (Geneva, ILO, 1986).

[2] ILO: *The cost of social security: Eleventh international inquiry, 1978-80* (Geneva, 1985).

[3] Krankenversicherungs-Kostendämpfungsgesetz, in *Bundesgesetzblatt* (Bonn), Teil I, No. 39, pp. 1069-1085.