

## Review of the Origins of Social Security

German social insurance originated as the first comprehensive body of legislation in the world intended for the security of the workers. It was inaugurated by the Imperial Decree of 17.11.1881, and founded on the Law on the Health Insurance of the Workers (1883), the Law on Industrial Injuries Insurance (1884), and the Law on Disablement and Old Age Pensions Insurance (1889). These three laws were codified in a uniform body of legislation in 1911, the still valid Imperial Insurance Code. In 1911, the Law on the Insurance of Non-Manual Workers was also enacted.

After the First World War there followed the Law on the Miners' Insurance Special Scheme (Knappschaftsgesetz) (1923, Revised 1926), which codified the widely disbursed provisions of various Land Laws governing this, the oldest sector of German Social Security, and the Law on Labour Placing and Unemployment Insurance (1927). Benefits under Pensions Insurance were considerably improved in the years between 1922 and 1928.

Following reductions consequent on the Emergency Regulations issued during the years 1930 to 1932, a number of subsequent amending laws and regulations led to not inconsiderable changes in the structure of the German social insurance system, in particular the so-called Reconstruction Law (Aufbaugesetz) and its implementing regulations (from 1934 onwards). In addition, there came various regulations consequent on the second world war, some of which are still in force. In 1938 the Self-employed Artisans Pension Law was enacted. Again following on restrictions imposed by the Occupation Powers in the years 1945 to 1947, the Social Insurance Adjustment Law was enacted in 1949, launching a whole series of Benefits Improvement Laws. During the same period the organisation and jurisdiction of social insurance was consolidated, and in part revised. Following on a protracted period of preparation and intensive public discussion, the reform of *Pensions Insurance* reached its apex in 1957 in the three Laws on the Reform of Pensions Insurance. Since that time pensions have been adjusted to economic developments in 12 successive years. The Reformed Law on Non-Contributors and Foreign Pensions (1960) (Fremdrenten und Auslandsrenten-Neuregelungsgesetz) has integrated expellees into the new pensions system.

In 1965 a large number of improvements governing the assessment of pensions were introduced. In 1967 the Finance Amending Law abolished the insurance ceiling for non-manual workers' pensions insurance. As a consequence of the economic recession of 1966/67, and of the measures taken to combat it, the financial bases of pensions' insurance were consolidated, and in 1969 the Miners Insurance Special Scheme Pensions were codified in the Federal Miners Special Scheme (Bundesknappschaft). The Agricultural Old Age Benefits Scheme (1957, amended and considerably extended and improved in 1969), the Self-employed Artisans Insurance (1960), and the Federal and Land legislation for free professions (e.g. doctors), all provide evidence of the extension of social security in old age to self-employed persons.

In *Health Insurance* — apart from several amendments to the insurable ceiling — the first reforms affected the Health Insurance of Pensioners and the law as affecting Health Insurance doctors. The Law on the Improvement of the Financial Security of Workers in the Case of Sickness (1957, amended 1961) provided such workers with higher cash

benefits, plus a supplement from the employer. Since the beginning of 1970 manual workers are on an equal footing with non-manual workers in this respect; the employer is required to continue to pay wages for the first six weeks of sickness. At the same time a certain refund became payable to insured persons not reporting sick, whilst the price of prescribed medicines was increased. In 1967 the Health Insurance of Pensioners was extended, though at the same time a deduction of 2 % of the Pension to cover Health Insurance was enacted, but again abolished in 1970. Maternity Benefits were again increased in 1965/1967. The reform of Industrial Injuries Insurance was concluded in 1963. In line with the changes in the labour market, *Unemployment Insurance* has again been frequently amended. In the period following the second world war the original very high contribution rate of 6,5 % of insurable earnings has gradually been reduced to 1,3 %. In 1956 a comprehensive Amending Law brought the relevant legislation to a certain conclusion. In 1959 the first steps were taken to promote all-the-year-round employment in the building industry. In 1966 and 1967 benefits were, above all, geared to economic developments. In 1969 the legislation not only changed the name of the existing institute to that of the „Federal Institute for Labour“, but also conferred new functions on it in the framework of employment policy. In the preceding years the Federal Institute had already been entrusted with the promotion of further training.

The most recent branch of social security in the Federal Republic of Germany is the legislation governing *Children's Allowances*, which began in 1954 with the award of Allowances to families with at least 3 children, was extended in 1961 to families with two children, and which reached its final phase in the Federal Children's Allowance Law of 1964. Since that time Children's Allowances have been financed by the Federal Budget — this led during the 1967 recession to the cancellation of allowances, first approved in 1965, designed to facilitate attendance in schools of further education, payable by the Federal Institute for Labour. Additional to the Children's Allowances Law came, in 1969, the introduction on the basis of Federal legislation of training grants.

At the end of the second world war the legislation of the Federal Republic of Germany found itself faced by the task of mitigating the consequences of the war and of spreading over the resultant burdens in a more equitable manner. This has been accomplished in the main by virtue of *War Pensions and Related Services* and the legislation on the Equalisation of Burdens. The care of the victims of the two world wars, that is to say the war invalids, the war widows and orphans, was already the subject of legislation in 1950. The relevant Federal Law of 1950 has been frequently amended, and provision for war victims considerably improved. Legislation was revised in 1960, 1964 and 1966. On the basis of the War Victims Report of the Federal Government, war pensions were not only increased by 16 % in 1970, but provision was made for them to be revised annually in line with rising wages and salaries. Provision for Expellees and Refugees, which began in 1949 with the Immediate Aid Law, was continued by the *Equalisation of Burdens* Law (1952) and has since been improved by 22 Amending Laws. Legislation on the Equalisation of Burdens, which, conceived in the spirit of social justice, endeavours to compensate for the loss of the home, and for other losses resultant on the war, is probably unique throughout the world. It was considerably expanded in its scope by the inclusion of former residents in Eastern Germany, who have benefited by the Equalisation of Burdens Law and by the improvements of its provisions. In the field of *Public Assistance* the most important legislative provisions went back to 1924. The Federal Social Aid Law of 1961 has transformed this legislation into an up-to-date form of individual aid, and has, for the first time, codified it in a comprehensive body of legislation. It has since been frequently amended, the last occasion being in 1969.

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The first Federal Parliament — the *Bundestag* — (1949–1953) transformed the conditions consequent on the war and its aftermath into a more normal state of affairs. The second Bundestag (1953–1957), by virtue of its fundamental reform of Pensions Insurance, made great progress in the direction of the goal of social security. During this period (1949–1957) Anton Storch was the Federal Minister of Labour. The third Bundestag (1957–1961) and the fourth Bundestag (1961–65) gradually enacted a whole body of legislation (Industrial Injuries Insurance, Children's Allowances, Social Aid); the Federal Minister of Labour was Theodor Blank (1957–1965). The 5th Bundestag (1965–1969, Federal Minister of Labour Hans Katzer), during whose last two years of office the two major parties formed a Coalition, managed in this short period to bring the twenty years of social development to a certain finality with the enactment of the following laws: Continued Payment of Wages to Manual Workers during Sickness, Consolidating Law on Pensions Insurance and Pensions Adjustments, the Labour Promotion Law, and the Vocational Training Promotion Law. The content of, and the course taken by, these laws was decisively influenced by Prof. Dr. Schellenberg, for many years chairman of the Social Policy Committee of the German Federal Parliament. During the last two decades, social security, whose foundations reach back into the last century, has been adapted to the changed social and economic conditions of the present day. The new Federal Minister of Labour, Walter Arendt, has already given the new (6th) Bundestag notice of new social aims.

Introduction of a new flexible age limit in Pensions Insurance, together with an enquiry into a gradual reduction of the present fixed pensionable ages — Assessment of Pensions on a points system — old age pensions for self-employed persons and other social groups — further development of Health Insurance, including adjustment of the insurable ceiling for non-manual workers — increase of Children's Allowances — Extension and Adjustment of Family Aid and Vocational Training Promotion — Preparation of a Social Legislation Code (*Sozialgesetzbuch*).

Legislation on social security has at all times been accompanied by intensive public and scientific discussion. At this point we can mention only the plans originated by the Federal Government, and of these only the most important reports submitted on its instructions, and by the Consultative Committees appointed by it.

When, in 1952, the proposal made by the Social Democratic Parliamentary Party to appoint a „Social Studies Committee“ had failed to gain acceptance, the Federal Minister of Labour appointed, in 1953, pursuant to a parliamentary resolution, an *Advisory Committee for the Reform of Social Services*, with several sub-committees. This Committee outlined the framework for the discussion of the legislation which commenced in 1956/57, including the social aid sector. The report prepared for this Committee by Prof. Dr. Bogs in 1954 exercised a palpable influence on the reform of Pensions Insurance, and on the annual adjustment of pensions to wages movements. At about the same time the Statistical Federal Office submitted the conclusions of the so-called L-Statistics, dealing with the payment of more than one pension to one and the same person. In the spring of 1955 Minister Storch published his „Basic Ideas on the Overall Reform on Social Services“. In 1955, at the request of Federal Chancellor Adenauer, four professors submitted the so-called Rothenfelser Memorandum, containing too far-reaching proposals for amendments. Decisions on the reform of Pensions Insurance were at that time reached within the Federal Government, as prepared by the first Social Cabinet; all subsequent governments have appointed relevant ad hoc committees. Since 1957 the annual adjustment of pension scales has been based on the report of a legally

appointed *Social Advisory Council* under the chairmanship, for many years, of Prof. Dr. Meinhold; the reports of this Committee contributed fundamentally to the periodical adjustment of pensions to increasing wage and salary rates. In the years subsequent to 1958, the so-called "Social Packet", including continued payment of wages to manual workers during (the first six weeks of) sickness, part payment of costs by insured persons themselves during sickness, payment of Children's Allowances from Federal Funds, occupied the continual attention of the government and the legislator, though only the Children's Allowances have been dealt with on this basis. In order to provide a new starting point for legislation on social security the Federal Government, under Chancellor Erhard, appointed five scientists in 1954 to prepare a Social Experts' Report, the purpose of which was to present current social legislation and its social and economic repercussions in a clear and unmistakable form. In the upshot this Committee, under the chairmanship of Prof. Dr. Bogs, confirmed in its report that current developments in this field were largely following the right course. Further developments in social insurance in the years 1966/67 were strongly influenced by the measures taken to overcome the economic recession of 1966/67 and its aftermath, and to relieve the Federal Budget of some of its financial burdens. In 1969 Federal Minister of Labour Katzer submitted the first *Social Budget* a — non-committal — forecast of the costs of public social services, as a counterpart to the Interim-term Finance Planning of the Federal Budget. Based on Chancellor Brandt's statement of governmental policy, Federal Minister of Labour Arendt appointed two Expert Commissions in 1970, one for the preparation of the Social Legislation Code, one for the further development of Health Insurance reform. These committees have already begun their labours. In addition to the usual annual report on pensions adjustments, there is to appear this year, for the first time, a comprehensive Social Report.