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Social insurance is issue worldwide

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Social security financing is a challenge to nations around the globe. The United States isn't alone. However, the problem is raising opportunities in countries with relatively stable economies: opportunities in both individual and group markets for sales of investment products to build retirement savings for workers.

Following are excerpts from news reports giving snapshots of social security discussions in several nations.

Argentina: Employers will pay 3% less in social security taxes beginning January 1. The cut is part of an employer tax reduction intended to spur job growth.

Australia: Parliament was continuing a social security funding battle in August, when legislators struggled over what some called "harsh cuts" in social security benefits. The government's proposal would provide funding for other budget items. Actions to lower social security spending include making migrants wait longer for social security and reducing benefits for part-time workers.

Belgium: The nation's civil servant unions threatened to strike if the government proceeds with its pension system reforms. Observers call the current system "generous." One reform element, recently approved, makes the retirement age for women the same as that for men. The age will be raised from 60 to 65 over a 13-year period.

Brazil: The social security system is expected to post its first deficit in five years — one totaling 0.8% of the gross domestic product (GDP). Behind the increases are a 42% increase in minimum salary and benefits granted last year and another 12% rise in salary and 15% in pensions this year. Brazil's government is pressuring the Brazilian Congress for social security reforms. Improvements could increase the country's appeal as a market for private pension plans and life insurance, especially because its inflation rate has remained in the single digits since 1994.

China: The government is developing a social security system that will demand more responsibility from its citizens and also from employers of groups. This means Chinese workers will seek investment options offering higher returns. Life insurance is among them.

England: Divisiveness grows in the Labour Party over the nation's pension needs. Some Labourites unhappy with the current system want to restore the link between state pensions and average earnings. Now, pensions rise with the rate of inflation, which grows more slowly than wage increases. To tie pension hikes to the rate of wage growth would cost the nation £3.5 billion for its current 10 million pensioners.

France: This nation is moving away from a government-dominated pension system to one allowing private pension funds. The funds could invest in equities and bonds and could be offered by companies, professional organizations, and other groups. Observers expect a bill to pass this year and to take effect as early as January 1997.

Germany: The government is pushing through austerity measures to ensure the country's eligibility for entry into the single European currency. Among the savings would be DM 20 billion cut from social security spending, reductions coming at least in part from raising the pensionable age of women to match the age for men.

Hungary: Social security costs are contributing to a general government deficit of 4% of the GDP, and the situation seems to be worsening: The expected gap for all of 1996 was reached by mid-year. Plans were announced in mid-August to reform the system beginning in 1997. By reducing employers' contributions and increasing those from individuals, the government hopes more entrepreneurs will contribute. One official noted that the entrepreneur sector pays only 4% of the total contributions but uses 16-17% of social security services rendered.

Mexico: The government expects 1997 social security revisions to cost about 1% of its GDP as it changes from a pay-as-you-go plan to individual savings accounts. When reforms go into effect next year, workers will have the option of private pension funds for the first time. Mexican officials expect the new system to raise up to Mex $4 million in 1997, and said it could accumulate an amount equal to 40% of the country's GDP over 20-25 years.

Poland: The head of the nation's labor department plans to draft legislation by March of 1997 to launch reform of the nation's endangered social security system. Of the four bills expected, two would focus on the critical topics of creating new privately managed pension funds and providing an endowment for them with shares of firms becoming privatized. Poland faces a pension crisis as the population of retirees grows from the current 9 million to 11 million by the year 2010.

Portugal: Pensions are expected to rise at a rate slightly higher than that of the nation's inflation (2.25% to 2.50%) next year. The poorest retirees would receive a greater-than-average increase, bringing their pension level to U.S. $129 per month. Budget proposals for 1997 would push the total cost of the nation's pensions up 6.3%, to about U.S. $7.05 billion. This increase reflects the larger number of new pensioners than deaths in Portugal.