UNITY AND DIVERSITY OF SOCIAL PAYMENT SCHEMES

Summary in English

INTRODUCTION

Social insurance, 'state pension' (financial aid by way of public service), social assistance and poor relief (public assistance) are only different types of social payment schemes. Although they are different, their aim in many respects is the same. In order to compare them it is necessary first to draw up the 'iron curtain' which is often separating one from the other. Only then it is possible to give more thorough consideration to the various objectives and methods.

The idea of this study is to describe the characteristic differences between the various forms of social payment schemes and to ascertain their significance for the well-being of the individual, which is their common objective.

In the conception of 'social payment scheme' the adjective implies two characteristics, viz.:
1. that the scheme has been made for the benefit of economically weak groups or persons;
2. that it is rooted in the principle of social justice.

'Social payment scheme' should be taken to mean a body of state regulations providing for the granting of cash benefits to persons in order to help them meet their basic human needs. This grant, however, should never be considered to be the highest ideal, independence gained through work always being the ultimate aim.

I. TYPES OF SOCIAL PAYMENT SCHEMES

In spite of the great variety of existing social payment schemes, many attempts have been made at classification. The most successful attempt seems to be the 'International Survey of Social Security,' published by the International Labour Office in 1950.

SUMMARY IN ENGLISH

This publication makes a distinction between:
a. 'Social Insurance' ('compulsory' or 'voluntary')
b. 'Public Service'
c. 'Social Assistance'

Together with poor relief, which is considered outside the sphere of social security, the aforementioned types may be classified as the main forms of social payment schemes. This classification, which is used in the present book, is based on three characteristics, whether or not found in those schemes: contribution, title to a specific payment and the fact that the payment is subject to a certain reduction on account of income received. In schematic form it looks like this:

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Title to a specific payment</th>
<th>Reduction on account of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>social insurance</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>public service</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>social assistance</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>poor relief</td>
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II. BRIEF OUTLINE OF THE DEVELOPMENT OF THE FOUR MAIN TYPES

I. POOR RELIEF IN THE 19TH CENTURY AND THE OBJECTIONS RAISED AGAINST IT

In Western Europe in the 19th century the poor relief, taken in hand by the Church and by voluntary organisations, was carried out side by side with the poor relief granted by the State (as a rule the local authorities). The former were considered to act out of charity, the latter for the sake of public order; the former had an essential, primary function in this respect, the latter a secondary (subsidiary) function. In the second half of the 19th century, how-
ever, this led to a deadlock, mainly through the rise of industrial capitalism, causing pauperism on a large scale as a result of low wages, bad social conditions in factories and homes, periodically recurring crises and social dislocation. Apart from protests raised against the distress, there were also objections against the poor relief of those days: against the presumption that the poor were to blame for being poor, against the inadequate and often hard practices and against the insufficiency of the allowances.

The reaction was twofold:
1. a renovation of poor relief;
2. the conception of collective provisions in order to prevent poverty.

2. RENOVATION OF POOR RELIEF

Launched by voluntary charitable organisations in a few towns, in the Netherlands the idea of renovation gradually stirred people’s minds everywhere. Inter alia it was aimed at detecting and combating the causes of poverty, at giving poor relief an uplifting character and at a sound co-operation between the denominational and the voluntary organisations on the one hand and the municipal institutions on the other hand.

The Poor Law 1912 was the result of these efforts.

3. COLLECTIVE PROVISIONS FOR SOCIAL SECURITY

In the industrial period the mutual, voluntary insurance proved unable to cope with calamities as disease, accidents and unemployment. The commercial insurance had even less significance in this respect, nor had the funds that were established by some employers. With the aid of State subsidies only the voluntary sick fund and unemployment insurance schemes became of importance in several countries. For the rest the State had to take action in a more direct way in order to minimize the distress, viz. through provisions in the nature of compulsory social insurance, public service and social assistance.

In the Netherlands the most wide-spread type is that of compulsory social insurance. Its development started with the entry into force of the Industrial Accidents Insurance Act 1901. Social assistance could only with difficulty be emancipated out of poor relief. The history of this emancipation goes back as far as 1914, when with the aid of State subsidy a national fund was established out of which unemployed people received assistance outside poor relief. The public service type is in the Netherlands only found in a few schemes which are meant to be corrections of certain social insurance acts.

III. THE THREE CHARACTERISTIC POINTS OF DIFFERENCE AND THEIR SIGNIFICANCE FOR THE WELL-BEING OF THE INDIVIDUAL

1. PURPORT OF THIS CHAPTER.

In this chapter the three points of difference between the main types of social security, referred to at the end of chapter I, are considered as regards their nature and their significance for the well-being of the individual.

2. THE CONTRIBUTION.

A. What is a social insurance contribution?

The contribution paid under social insurance acts represents the price which the insured person as it were pays for his title to a benefit. Whereas the amount of the contribution at first—on the analogy of the private insurance—to a large extent depended on the actuarial value of the individual risk and the individual benefit of each person insured, nowadays it is more and more determined by social justice and efficiency.

B. Significance of the contribution for the well-being of the individual.

Positive elements.
1. The levying of contribution accentuates the fact that the benefits are to be paid somehow, thus making people realize that costs are involved. This, however, seems to a lesser extent to apply to the younger generation and to unskilled workers.
2. The paying of contribution implies that people have given a
quid pro quo for being entitled to a benefit; this may strengthen people in their sense of human dignity and self-respect. However, the automatic way in which the contribution is mostly paid under the present regulations tends to weaken this effect.

3. For the same reason it is also very doubtful whether, as some people think, the sense of personal responsibility for one’s living is actually furthered by the levying of contributions.

4. It is of real importance, however, that the obligation to pay contribution creates a large degree of certainty that the claims of the persons concerned cannot at will be interfered with by the State at some time in the future.

Negative elements:
The levying of contribution is in so far unfair, as it releases the community from its moral obligation to provide for those members of the community who are unable (or no longer able) to work for their living.

3. THE TITLE TO A SPECIFIC PAYMENT.
A. What is the scope of the title?
I. Legal force.
   The legal force mainly depends on the reply to the following four questions:
   a. Is the body which under the scheme has been appointed for its implementation under an obligation to implement it?
   b. How stringent is the wording in which the law or regulation concerned has been framed in order to express the relation between the person concerned and the payment?
   c. Does the law or regulation indicate in an objective way to what amount, for how long and under which conditions a payment shall be granted?
   d. Is it possible for the person concerned to appeal to a more or less independent institution if he does not receive the payment applied for?
   Ad a. The body in question is under an obligation to implement the scheme, if the executive body has been appointed by statute or

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if the executive body is subordinate to the competence of the Minister who has enacted the scheme by decree. In other cases the executive body is free from a formal point of view to implement the scheme or not.

Ad b. The existing laws and regulations are framed in various wordings. ‘Strong’ are the following formulations: ‘right to a payment’, ‘claim to a payment’, the use of the indicative mood (e.g. ‘pays out’, or ‘is granted’). Weaker is the form ‘is eligible’, weaker still ‘may be granted’ or ‘may only be granted’.

Ad c. The main criterion for the force of a title is whether the payment has been provided for in an objective or a subjective form. All the schemes in the nature of social insurance and of public service provide for the payment in an objective form. The same applies to the schemes in the nature of social assistance, although sometimes in a weakened form. As regards poor relief, however, the payment is in principle provided for in a subjective form, although many municipalities have laid down internal directions with regard to the payments to be paid out.

Ad d. The appeal has been provided for in many different ways. Under the social insurance acts the Courts of Appeal and in the last resort the Central Court of Appeal have been designated for this purpose. The acts in the nature of public service do not contain any right of appeal. The social assistance schemes make provision for various administrative forms of appeal. In most cases, however, this has been done very summarily.

Under the Poor Law the Crown has the right to take action; the person concerned may apply himself to the Crown. In addition, some municipalities have established a local advisory committee with which complaints may be lodged.

Only in exceptional cases the normal civil judge will give a decision.

Conclusion: The titles under the social insurance and public service schemes are the strongest, those under the Poor Law the weakest, especially as the payment has not been specified in the law.
II. Social assistance often more flexible than social insurance.
In the various schemes this is inter alia expressed by:
a. a less minute way of designating the persons eligible for a benefit;
b. the inclusion of local committees in charge of advising the administration on matters left to its discretion;
c. the benefit is more or less in accordance with the local level of rents;
d. the possibility of supplementary payments according to individual needs;
e. the possibility to deviate from a regulation in individual cases;
f. if required by circumstances, the Minister can quickly modify regulations embodied in his own decrees without going through many formalities.

III. Rehabilitation and inclusion in the employment field: social independence versus entitlement to a payment.
Living on the community can never be satisfactory in the end; the recipient of a social payment should be aided as soon as possible to earn his own living. This idea was also expressed by a Government committee in 1943: 'The community, organized in the State, is responsible for the social security and the freedom from want of all its members, on the condition that these members do all they reasonably can to procure themselves this social security and freedom from want'.

B. Significance of the title to a specific payment for the well-being of the individual.
Positive elements:
1. Income security in case the calamity provided for in the scheme befalls the person concerned.
2. Equality of rights throughout the country.
3. The right of recourse to the family may be dropped.
4. A raising of the social status.
Negative elements:
The objection is often raised that titles to a benefit tend to undermine people's sense of responsibility. It is true that a deficient sense of responsibility for the community at large has been observed, especially in the use of the sickness and unemployment schemes, although this applies only to a small part of the persons concerned. It is difficult to say to what extent this has been caused by the influence of titles under the social security schemes. Most likely it may partly be ascribed to insufficient adaptation of society to changed conditions. Numerous remedies have been devised against this social evil; the best remedies appear to be the improvement of human relations, both in industry and in the application of the social security provisions, and incitements to work.

4. The reduction of the payment on account of income received.
A. What does the reduction imply?
In most cases the reduction is effected by deducting the income in whole or in part from the payment. In some cases, however, the total of income plus payment has been subjected to a maximum. In former days, under the Poor Law, all earnings both of the applicant and of the members of his family were fully deducted. Gradually many mitigations were introduced into this strict rule, thus promoting the social uplifting. In the social assistance regulations it has been laid down into detail which income is in whole or in part to be deducted from the benefit.

B. Significance of the reduction for the well-being of the individual.
1. Nearly everyone agrees in principle that in social assistance and poor relief the earnings of the applicant should be taken into account, on the understanding that this should not be done too rigorously.
2. Some people start from the assumption that the State should only give support in order to ensure the minimum subsistence income and for this reason they consider it right that income derived from other sources than work should also be deducted.
3. Finally it has been adduced as an argument in support of deduction that it stimulates people to set to work.
Negative elements:
1. The regulation to deduct people's income from the benefit they
receive has a damping influence on people's thrift, thus penalizing their sense of responsibility.

2. The investigation made into people's incomes often leads to an indiscreet interference with their private affairs.

3. It causes another fall in the income of the persons concerned.

4. It is often unfair to grown-up children, thus unfavourably influencing family relations.

5. It makes the head of the family dependent on his grown-up children in so far as they still live at home.

6. It impairs social security.

7. It may induce people to be dishonest in stating the amount of their incomes.

IV. CONCLUSIONS WITH REGARD TO SOCIAL INSURANCE.

Although social insurance is an attractive form of providing for social payments, a few modifications in the existing schemes are to be recommended:

A. For the sake of the principle 'Bear each other's burdens' the State should always bear a certain part of the cost involved.

B. The payment should always be sufficient to provide for a living, both as regards the amount and as regards the duration of the payment. The amount should as far as possible be sufficient to enable the person concerned to continue to live in the same style as before the calamity befell him.

C. The possibility of restoring people's capacity for work and their inclusion in the employment field should be promoted to a greater extent:
   a. the person insured should be under an obligation to co-operate to this effect;
   b. the necessary medical provisions should be made available financially;
   c. more opportunities for vocational rehabilitation (training, vocational guidance, placement) should be created;
   d. the possibility to set to work should be made more attractive from a financial point of view.

D. Special attention should be paid to all attempts to strengthen people's sense of responsibility with regard to the way in which the benefits are spent.

V. CONCLUSIONS WITH REGARD TO THE PUBLIC SERVICE.

This form of making provision for social payments generally has a less favourable effect on the well-being of the individual than social insurance. Yet it is imaginable that in the future the public service will have a new chance with regard to schemes comprising the entire population, e.g. for children's allowance.

VI. CONCLUSIONS WITH REGARD TO SOCIAL ASSISTANCE.

The social assistance type is in various respects even less attractive than the public service. Yet it is in certain cases unavoidable or even desirable:

1. if the calamity (e.g. war) has already taken place and the aim of the community is only to provide a reasonable existence for the victims;

2. if the calamity (e.g. disablement) set in at an age when the persons concerned were not yet able to earn their living;

3. if for technical reasons it is impossible to cover certain groups of persons by a certain form of social insurance (e.g. the self-employed);

4. if a scheme in the form of social insurance is considered desirable, but if its preparation is expected to take such a long time that social assistance is needed to bridge this period of preparation;

5. if the benefits under the social insurance scheme are too low and if one does not want the persons concerned to come under the poor relief;

6. if one wants to curtail the cost of the scheme and, therefore, pays out part of the benefit irrespective of the income, but subjects the other part to a reduction on account of income.

The existing social assistance schemes are open to criticism with regard to the following points:
A. Several schemes do not have a statutory basis.
B. Grown-up children forming part of the family are in most cases not regarded as financially independent persons, on account of which they are not eligible for a payment themselves, and on the other hand, if the head of the family is in receipt of a benefit, they have to supplement the benefit out of their own earnings.

VII. CONCLUSIONS WITH REGARD TO POOR RELIEF

1. OBJECTIONS AGAINST POOR RELIEF.

In addition to other objections that may be raised, the principal objection against poor relief is that people are not in any way entitled to a specific payment. On that account, in spite of some improvements in practice, the aversion to poor relief is likely to grow even more.

2. POOR RELIEF ONLY FOR THE SOCIALLY MALADJUSTED?

Nowadays this question is in principle answered in the affirmative by many people. However, in actual fact the situation in the Netherlands is still far removed from this ideal; numerous people who are by no means socially maladjusted are still necessitated to apply for poor relief. However, new social security schemes are in course of preparation.

3. THE POOR RELIEF SYSTEM HAS BECOME OBSOLETE.

A detailed consideration of this subject leads to the conclusion that the category of the socially maladjusted should also be entitled to a specific payment to support them. Neither the supposition of their being 'unworthy' of a benefit, nor the idea of a punishment for something they are to blame for, nor the argument that social case work requires the free disposal of the benefits to be paid, appear to assign a good reason for refusing a title to the said category in principle. At most it will in particular cases, by way of pedagogic measure of a temporary nature, be possible to withhold the benefit in whole or in part.

The foregoing also leads us to the conclusion that a clearcut distinction should be made between financial aid and social work, which have been too closely interwoven up till now. Each of them has its own scope, methods and range of aided persons.

Poor relief, as a form of providing social payments, is out-dated and will have to be replaced by a general social assistance scheme.