

# **CHAPTER 2: SOCIAL SECURITY FROM AN INTERNATIONAL PERSPECTIVE.**

## **2.1 INTRODUCTION**

This chapter will focus on social security from an international perspective in order to provide a broader perspective within which the South African situation may be viewed. Attention will first be given to the definition of social security in the broader context.

A discussion will follow on specific developmental milestones with regard to the development of social security internationally but with specific reference to the USA, Latin America and the Caribbean, Asia and some high income countries. At the same time there will be a focus on the important role played by various international organizations with regard to social security. In order to capture a clear understanding of the evolution of social security one also has to closely look at policy trends in developed and developing countries. Consequently, a brief comparison of social security between developed and developing countries specifically in the Sub-Saharan region follows. The chapter concludes with some cross-cutting challenges for social assistance and its coverage expansion.

## **2.2. DEFINING SOCIAL SECURITY**

Determining the ambit of social security is extremely important but international literature does not reveal a clear and consistent definition of the concept (Oliver, Smit & Kalula, 2003: 23).

Oliver, *et al.* (2003: 25) suggest that one should refrain from defining the concept social security too narrowly and it must be distinguished from the wider concept of social protection. These writers claim that social insurance and social assistance are embedded in the concept of social security. According to Oliver, *et al.* (2003:28) the social security definition is flexible, reflecting a country-specific content and is subject to constant change and development over time. They state that structural and cultural factors among others determine the specific contents of social security in a country at any given time.

Haarman (2000:24) also agrees that the use of the term social security varies considerably and might refer to different programmes and schemes depending on the country, the context and the ideological background of the researcher. Historically, according to Haarman (2000:24) the term social security was coined by the United States with the first Social Security Act of 1935. Therefore, social security in the United States refers to benefits provided by the first Act and covered insurance-funded retirement, invalidity and survivor's benefits. Interesting enough is the fact that the term does not refer to social assistance or unemployment benefits, schemes which in other countries such as Britain, Sweden or South Africa are naturally included.

Midgley (1996) cited in Haarman (2000:24) states that while some only regard provision of monetary benefits by the state as social security, others consider regulated services by both public and non-governmental organizations as part and parcel of the system. The writer further states that a distinction can be drawn on the basis of social security funding approaches and eligibility. The distinctions are as follows: social insurance which is an occupation-based approach and funded by both workers and employers, social assistance on the other hand involves benefits from revenue for people eligible according to a means-test. An employer's mandate is where employers are responsible for benefits to employees who encounter specific contingencies and lastly, there are social allowance schemes which are benefits from general revenues to all who encounter specific contingencies, but without applying a means-test.

The obvious broadness of the definitions and the complexity of the various social security systems make it difficult to find a satisfactory definition (Haarman, 2000:24). Therefore, the definition by the International Labour Organization, hereafter ILO will prevail. The ILO defines social security as: "The protection which society provides for its members through a series of public measures, to offset the absence or substantial reduction of income from work resulting from various contingencies (i.e. sickness, maternity, employment injury, unemployment, invalidity, old age or death of the breadwinner) to provide people with health care and to provide benefits for families with children." Haarman (2000:25) further explains that the ILO's definition is based on a contingency approach in that social security has the task to provide protection against life-cycle contingencies which caused reduction or loss of income. According to

Goudswood and Caminade (2009:3) social security protection systems aim to reduce levels of income inequality among individuals and families. They maintain that one reason why many nations have comprehensive systems of social protection is to safeguard their citizens against the risk of economic insecurity which might be as a result of unemployment, divorce, disability, retirement or the death of a spouse. Based on the various definitions and conceptualization of the term social security it is evident that there is no definite definition. What is, however, clear despite variations in defining social security at an international arena, each country does have one or other form of providing social security to its people. A brief glimpse will now follow on some important developmental milestones internationally.

### **2.3. HISTORICAL MILESTONES INTERNATIONALLY**

According to Strydom (2006:1) the Industrial Revolution in the United Kingdom and the European mainland did not only play a major role in the government's involvement in the social well-being of certain members of the community, but impacted hugely upon African societies as well primarily through colonisation by European countries.

Strydom (2006:2) further states that other events such as the Great Depression during the 1930's as well as the First and Second World Wars of the 20<sup>th</sup> century also contributed immensely to the development of social security systems. The Great Depression in particular played an important role in the development of social security systems in the United States of America while the First and Second World Wars caused devastation in Europe. The effects of the war impoverished these countries in a huge way since employment was not certain, economies were down and had called for major restitution after the wars. This has certainly influenced the evolution of social assistance. Perhaps the most obvious economic factor that should have played a major role in the design of social security was the economic situation of the elderly both before and after the Great Depression (Miron & Weil, 1997:14). These writers claim that the life expectancy of people before the Great Depression was low together with the high labour force and high mortality rate implied that only few people could actually experience a retirement.

Strydom (2006:2) further states that when the social security benefits began they slightly cushioned the crushing effects of the Depression although the benefits were set at levels that were never enough to guarantee a standard of living above the poverty line. According to Riedel (2007:1) since the Second World War and the following two decades the world underwent profound transformations and social security systems are still facing multiple challenges.

The Declaration of Philadelphia which was adopted in 1944 by the International Conference recognised the ILO's obligation to further among nations of the world programmes which would achieve the extension of social security measures to provide a basic income to all in need (Riedel, 2007:1). The Convention of Social Security (Minimum Standards) of 1952 defines, according to Strydom (2006:1) nine branches of social security which includes medical care, sickness benefits, unemployment benefits, employment injury benefits, old-age benefits, family benefits, maternity benefits, invalid benefits and survivor's benefits.

According to Riedel (2007:1) the Declaration of Human Rights which was adopted in 1948 by the General Assembly of the United Nations states that every member of society has the right to social security while the International Covenant on Economic, Social and Cultural Rights which was adopted in 1966 also recognises the right of people to social security including social insurance.

#### **2.4. SOCIAL SECURITY IN DEVELOPED AND DEVELOPING COUNTRIES**

In order to capture a clear understanding of the evolution of social security one has to closely look at policy trends in developed and developing countries. Social security seems to be an important means to reduce or even eradicate poverty globally. Many countries are busy or have already expanded their safety nets in the heat of global economic meltdowns. It seems as if country-specific economic, political and social contexts are very important when comparisons between countries are done. According to Esser, Ferrarini, Nelson and Sjöberg (2009:93) it is difficult to establish the long-lasting consequences of recent expansions and policy reforms in developing countries but it remains important to scrutinize it and see how it influences the distribution of financial resources.

According to Casey and McKinnon (2009: 81) in the last decade particularly since the publication of the Millennium Development Goals by the international community social pensions have captured the interest of those concerned with the well-being of older people across the larger part of the world where formal, contributory-financed- and old-age benefit systems cover only a minority of the population. However, these writers maintain that information about what they are, how they work and about their efficiency is still limited.

Esser, *et al.* (2009:93) maintain that there are clear similarities between developed and developing countries with reference to social security protection. There are according to these writers mainly two types of provision, namely; social protection which can be cash or in-kind to vulnerable and poor households and social security for economic active citizens. In developed countries social protection provision is important for two reasons. Firstly, poverty alleviation in the short-term is done by helping people out of poverty and secondly, the long-term aim is to increase living standards of recipients.

Esser, *et al.* (2009:93) state that despite the fact that public social protection or provisioning covers only a small portion of the population, it is still important to examine it for the following reasons: Informal protection is fading away in the rural areas and results in massive urbanization, government-funded social protection provision shape the institutional landscape and the role of private providers, the government-funded social security programmes create dependency and lastly, geographical elements where social security provisioning may vary from country to country which might also influence one another.

A comparative study was done in Latin America and sub-Saharan Africa where indicators which measure the extent and quality of social protection through the Institutional Regime Approached were examined. There seems to be a tendency in developing countries that people rather prioritize other needs such as health, shelter and clothing than retirement benefits (Esser, *et al.* 2009:95). These writers state that there is a clear resemblance among developing and developed countries in the type of programmes introduced. They further state that research on longstanding welfare

democracies shows that publicly provided social protection is important for poverty alleviation.

The Institutional Regime perspective refers to the quality of social rights and the Regime concept refers to how people react to the provision of welfare. This Institutional Regime Approach does not only cover public social protection, but cuts across other spheres of provisioning as well (Esser, *et al.* 2009:93). This Institutional Regime Approach gives an opportunity to explain micro-level circumstances of the poor in terms of institutional performance. It is comparative in nature and reveals how similar institutions performs or function in different economic, demographic and cultural contexts. These comparisons between developed countries are important to understand social policy reform in low- and middle-income societies.

Ginneken (2009: 61) mentions that usually not more than 5% to 10% of the workforce is covered by social insurance schemes in the countries of sub-Saharan Africa. This writer has identified three (3) main issues and trends with regard to the extension of social security in Sub-Saharan Africa. Firstly, various governments are starting to define national social security protection and or social security plans with the aim to expand coverage to reach universal coverage. Secondly, there is the development of community-based health care and micro-insurance schemes for health care. Thirdly, one thinks of the growing number of countries which provide tax-financed (means-tested or universal) social pensions especially to older people.

However, most of the sub-Saharan Africa countries are less successful in extending pension insurance coverage for the following reasons: formal economy employment is not or hardly increasing, informal-economy workers generally consider health care coverage as a higher priority and informal-economy workers have limited capacity to make contributions to formal social insurance schemes (Ginneken, 2009:61).

According to Casey and McKinnon (2009:94) member governments of 14 Southern African Countries met during 2006 in Zambia under the auspices of the African Union (AU). Poverty matters were discussed as well as the greater use of cash-transfers and extension of coverage to vulnerable children, older people and people with disabilities. These writers further mention that social protection is also on the agenda of the

Southern African Development Community (SADC). Early in 2009 a meeting was constituted and great emphasis was put to the promotion of social transfers in national and regional agendas. In addition, the position of the elderly as a particularly vulnerable group was considered and a call was made for greater oversight in the implementation and impact of social protection in general and social transfer programmes in particular. The first Regional Social Security Forum for Africa was held in November 2008. The extension of social pension coverage as a basis for old-age security in low-income countries was a particular focus point of the meeting (Casey & McKinnon, 2009:95-96). However, social pension coverage extension would be particularly difficult to achieve when unemployment is high and economic growth remain low.

## **2.5 SOCIAL POLICY INDICATORS AND STRUCTURAL FACTORS**

Esser, *et al.* (2009:98) state that there are five important dimensions or elements in public social protection provisioning. This includes financing, eligibility, entitlement, administration and implementation. Comparative studies between developed and developing countries reflect that the finance structure in both these countries is a vital aspect. So far that in developed countries the concern might be around the costs of aging societies and the increased economic globalization while in developing countries the concern is more around benefit coverage and the extension of social assistance to the broader population. South Africa is a typical example of this when one calls to mind the various policy changes to expand social assistance coverage.

Identification, delivery and monitoring of benefits as well as the recipients form part of the administration of social protection. However, in developing countries the administration of social protection poses huge challenges like tax revenue, insufficient infrastructure and government institutions that function less autonomously than governments in developed countries. Eligibility refers to the qualifying criteria used when a person applies for a social grant and entitlement refers to the specific amount that a person qualifies for.

Apart from the above-mentioned important dimensions, Esser, *et al.* (2009:99) also mention important structural factors with regard to social security provisioning. These writers state that the development and proper functioning of any social assistance and

related policy are closely related to social, political and economic structures. There are therefore certain structural factors that can be viewed as basic preconditions for government social policy and these include demographic, economic and government structures, although in low- and middle-income countries government structures are insufficient.

These structural factors are most likely to influence social assistance and expansion efforts. HIV/AIDS also plays a particular role especially in developing countries and has a major impact on the provisioning of social assistance to vulnerable population groups. Democracy in the sub-Saharan countries is at an intermediate level and therefore relatively young and unstable - a fact which may also influence the administration of social assistance. On the economic side funding remains a huge challenge with regard to the provisioning of social protection in developing countries (Esser, *et al.* 2009:99).

According to Casey and McKinnon (2009:83) the political-economic dimensions of social security are often ignored. The writers state that a study was conducted in Lesotho, Namibia and South Africa with the focus on the politics behind non-contributory old-age pensions. An important distinction was made between what they called “demand-driven” and “supply-driven” innovations. The “demand-driven” innovation refers to population demand for increased social security while the “supply-driven” innovations refer to political ends that are met through the provisioning of social protection. They further maintain that the introduction of social security in Lesotho during 2004 was referred to as a “product of regional geopolitics and a concern for equity.” Social security reform in Bolivia in the middle 1990’s was not motivated by social policy considerations, but rather by the desire to privatize state-owned enterprises and pensions (Casey & McKinnon, 2009:83).

However, notwithstanding the motivations for the implementation of social security one thing is clear - once such policies are in place it brings its own dynamics which cannot be ignored. Attention will now be given to the role different international organizations have played in shaping social security.



## 2.6 INTERNATIONAL ORGANISATIONS

There are various international organisations which have started to collect statistics on social security and the ILO is one of them. For much of the 20<sup>th</sup> century according to Casey and McKinnon (2009:85) ideas about social security were largely defined and driven by the influences of the ILO. Although the ILO did not invent social security it has actively promoted it as a model. According to Tamburi (1969) Stang & Chang (1993) cited in Casey & McKinnon (2009:85) during the post-war period the ILO's standards and specifically the Minimum Standards of Social Security Convention 102 of 1952 were significant.

This Convention 102 provides comparative international benchmarks for further developments of social security. The European Commission (EC) has developed data-collection (The European System of Integrated Social Protection Statistics (ESSPRSOS)). The Organization for Economic Co-operative Development (OECD) together with the World Bank has also collected statistics on mandatory pension coverage within and outside OECD country members (Ginneken, 2009:59).

The establishment of the World Bank as an important international role-player is significant when it comes to social security matters. The World Bank according to Casey and McKinnon (2009:85) advocates social security reforms and how pension systems should be formed. It presented a three-pillar pension system model to substitute public pension programmes because of the many shortcomings of such pension schemes such as low coverage rates, inadequate benefits, weak administration and political risk in fund management. Casey and McKinnon (2009:85) also state that the World Bank acknowledges that pre-funded systems are unlikely to suit countries without sufficient financial markets or regulatory capacity. It therefore seems as if this World Bank model as well as the ILO model would be inappropriate for many low-income developing countries. Basically the three-pillar model allots a residual role to the state and a limited scope for solidarity (confined to the first pillar) and relies heavily on mandatory privately managed arrangements (second pillar) with special emphasis on individual savings accounts (Riedel, 2007:4). The writer further states that the three-pillar model as designed by the World Bank has become a new reference point and the World Bank

has played a leading role in social security reforms, in fact it has overshadowed the role played by the ILO. The World Bank rewrote its three-pillar model into a five-pillar model in 2005 where a zero-pillar serves as a poverty alleviation mechanism for people who are excluded from making contributions. One could argue that provision and room were made for social assistance. Likewise, the ILO developed a Global Social floor for minimum social protection for vulnerable groups including the elderly, disabled people and children (Casey & McKinnon, 2009:86).

The United States Social Security Administration (USSA) together with the International Social Security Association (ISSA) gathered information from around 17 countries through Social Security Programme Throughout the World (SSPTW). There is however according to Ginneken (2009:60) despite all these efforts no single source of information / data that will satisfy the needs of researchers, analysts and policy-makers. The writer also states that it is estimated that between 70% and 80% of the global population has no access to cash benefits. In substantiation, Ginneken (2009:60) states that the government and civil society must muster political will, consensus, mobilization and the development of resources and capacities to extend social assistance coverage.

The mission of the International Social Security Association (ISSA) is to promote and develop social security globally. Casey and McKinnon (2009: 86) state that the ISSA has joined the debate on social pensions relatively late because its members consist mainly of public social insurance institutions. Although its primary concern is assisting its members to function effectively it has become aware of the issues of inadequate social security coverage and viewed tax-financed pensions as a possible vehicle to expand coverage.

According to Ginneken (2009:57) the ISSA undertook a study project on “Examining the existing knowledge on coverage extensions”. The study looked at how cash-benefits and health care coverage (financed on the basis of contributions or tax revenue or a combination of both) can be extended and maintained in low-, middle- and high-income countries. The study has reflected that the realisation of significant and sustainable improvements in social security coverage remains one of the biggest focus areas. Also during 2001 and 2004 the ISSA undertook a study called the “Initiative on strengthening

the security in social security” (Ginneken, 2009:57). Assessing the coverage gap was one of the main focal areas during the project, but more emphasize was on identifying the gaps or challenges than looking at possible solutions.

## **2.7 HISTORICAL MILESTONES OF SOCIAL SECURITY IN LATIN AMERICA AND THE CARIBBEAN**

Social security in Latin America started in some countries as early as the 1920's. According to Haarman (2000:39) the social security systems evolved gradually through pressure groups like civil servants, teachers and military groups who have put pressure on the government. However, the system was characterised as a system that lacks coordination, it created legal confusion, administrative complexity, high operational costs, significant inequalities and so forth. According to Ginneken (2009: 62) social security coverage is highly unequal in Latin America and the Caribbean. He further states that fewer than 30% of employed people are affiliated to a social insurance scheme in lower-income countries while in middle-income countries is it up to 50% of employed people and 60% in relatively high-income countries. It is therefore a challenge that remains unresolved to improve levels of affiliation to social security schemes.

However, Ginneken (2009:62) highlighted Uruguay and Ecuador as countries that have managed to secure a higher level of employed people affiliated to social security schemes. This successful achievement can be attributed to factors such as improving the flexibility of the retirement scheme and reforming two important insurance schemes, namely the health- and unemployment scheme. The social security scheme in Ecuador for rural workers has gradually increased health-care coverage over the past 40 years while many other countries use tax-revenues to finance greater access to social security schemes.

Gill, Parkard and Yermo (2005:1) state that two decades ago Chile's government changed the basis of public pensions from collective to individual and adopted a system that relied on mandatory individual savings accounts. These writers state that the World Bank Report in 1994 explained that the approach to ensuring income support for the elderly was unsustainable and a new approach called the multi-pillar model of old-age income security was adopted.

The social security system in Brazil was eventually occupation-related and the administration of the different schemes was headed by a chairperson who was appointed by the President. The system was reformed from 1964 onwards. Brazil was characterised by several recessions during the 1980's. During these periods reformers attempted to create a uniform system and to increase benefits to the poor (Haarman, 2000:41).

## **2.8 HISTORICAL MILESTONES OF SOCIAL SECURITY IN THE UNITED STATES OF AMERICA**

According to Matthews and Berman (2009:11) social security was initially intended to provide financial security for older Americans. It was meant to help compensate for limited job opportunities available for older people in the economy. It was intended to bridge the financial gaps created by the disappearance of the multi-generational family household - a break-up caused by the need for American workers to move around to find decent work.

The United States of America Social Security Act of 1935 introduced a universal retirement, survivor and invalid scheme (Haarman, 2000:29). This Act established much of the basic structure, but the amendments to the Social Security Act of 1939 shaped it further sometimes differently. The Social Security Act of 1935 made among others provision for Federal Subsidies to Old Aged Assistance (OAA). It was a programme of grants-in-aid which made provision for cash payments to aged-needy people (Miron & Weil, 1997:3). These writers further state that by the end of 1938, OAA was in operation in all 48 States, the District of Columbia, Alaska and Hawaii and the estimated expenditure at the time was \$380, 000, 000.

Old Aged Insurance (OAI) on the other hand created a system of contributory old-age insurance where retired workers received lifetime benefit payments that were based on the total value of contributions (Miron & Weil, 1997:4). It was funded according to a combined tax system where both the employer and the employee made contributions. These writers further state that these tax rates were initially set very low, but scheduled to escalate over time as the number of beneficiaries increased. The 1935 Social Security Act established an employer-employee tax rate of 2% on covered workers and

called an incremental increase of 1% every three years starting in 1940, but was again cancelled by the Security Act of 1939 (Miron & Weil, 1997:5). Obvious benefits under the OAI were conditional provided that there was complete withdrawal from the labour force although spouses and widows were not covered.

Miron and Weil (1997:7) further state that the 1939 Social Assistance Act made provision for extended benefits to spouses (50% of the benefits to the primary worker and 75% to widows and unmarried workers). Subsequent to these changes the programme name was changed to Old Age and Survivors Insurance (OASI). These writers also state that under this 1935 Act benefits were based upon total value of contributions which were made while under the 1939 Act benefits were based upon both the period of time over which these contributions were made and the average wage during that period. Some of the OAI only applied to specific groups of industries and made use of general tax revenues in addition to the employer-employee taxes.

According to Miron and Weil (1997:19) coverage extensions to those people who were not initially covered were important changes in the development of social security. These writers state that there was a general increase in the number of people covered throughout the development of social security. They claim an increase from 63.7% in 1940 to 77.8% in 1950. The 1950 Act further extended coverage to nearly all private employees including farm and domestic workers and those government employees who were not previously covered. The 1954 Act covered self-employed farmers, the 1956 Act all self-employed professionals while the 1983 Act covered Federal civilian employees.

According to Midgley, Tracy and Livermore (2000:188) amendments were made during 1977 into the USA Social Security Act to curb concerns about the social security system's viability. Subsequently, changes were made with regard to the benefit-computation rules and increased tax rates and taxable earnings base. During 1983 further amendments were made such as raising the normal retirement age; however, despite the comprehensive reform under the 1983 amendments the 1994-1996 Advisory Council on Social Security reported that the long-term financial conditions of social security had worsened.

## **2.9 HISTORICAL MILESTONES OF SOCIAL SECURITY IN ASIA AND THE PACIFIC**

According to Haarman (2000:34) the development of formal social security in East Asia is relatively recent. Historically the family and the community were primarily responsible for the well-being of its people and the state did cover some limited public relief. Social security during the first three decades was largely limited to the provision of health insurance, pensions and housing. In 1939 the social security benefits were extended to a retired worker's spouse and minor children and in 1956 to severely disabled children (Strydom, 2006:6).

According to studies conducted by ISSA government's responsibility for the provisioning of social security has increased in this region (Ginneken, 2009: 64). However, it seems as if poor compliance remains a key challenge for many Asia and Pacific countries. Leung (2006:188) states that social assistance programmes in different countries embrace a wide range of services in-kind and in-cash. He further states that the Asian financial crisis in 1997 underscored the need for more institutionalised social assistance policies and programmes for people facing the risk of unemployment and poverty.

China on the other hand has taken a broad-based approach which has resulted in rapidly expanding coverage. Ginneken (2009:64) also maintains that such enhancements in coverage resulted from unified planning for both urban and rural areas, on strong financial subsidies by the government and a committed effort to enhance social security protection. Leung (2006:188) states that the escalating demand and rising costs were behind a need to reform social assistance programmes in order to be more effective in rendering social assistance services.

Zhu (2009) cited in Ginneken (2009:65) mentions various specific characteristics of the approach taken by China. It includes the involvement of the social partners, university departments and research centres on social security, piloting, the implementation of good practices, a strong political will, the inclusion of social security extensions in the national socio-economic development plans, employment promotion for less privileged groups and other proactive policies.

Yin, Lin and Gates (2000:xii) state that China's social security system was established in the early 1950's as a nation-wide pay-as-you-go defined benefit system for the staff and workers of state-owned industrial enterprises and government agencies. Leung (2006:188) mentions that the Chinese government has tried for the past two decades to develop a more pluralistic, independent, effective and affordable social security system which will be compatible with the market economy and the social political structure.

According to Yin, *et al.* (2000:xii) the social security system has evolved from the war time and has experienced four stages; namely:

**The established period** (1949-1966) in which both workers and enterprises contributed to social security accounts. Leung (2006:189) mentions that the Chinese government provided a mixture of assistance including cash assistance, material and money donations, promotion of neighbourhood-based economic production groups and reduction in taxes immediately after 1949.

**The paralysed period** (1966-1976) in which social security was taken over by enterprises. According to Haarman (2000:35) in Hong Kong during this period especially during 1971 the social assistance scheme was based on a means-test covering poor households, health care, old-age and disability. In 1973 the Social Allowance was introduced without a means-test for the elderly over 70 years and severely disabled people.

**The early reform period** (1978-1992) in which some regions started to require of individuals to make contributions to social security accounts and some regions have even started the experiment of mixed systems which combined a social security account and an individual account. In Taiwan according to Haarman (2000:35) provision of social security until 1989 was for government and quasi-government employees only and the government had extended its role outside the public sector and is both regulator and provider. It is, however, a complex and fragmented and not a comprehensive system at all. Leung (2006:188) states that the Chinese government since the late 1990's has put greater emphasis on the development and institutionalization of a means-tested social assistance programme in an attempt to curb the rising unemployment and the inadequacy of the contributory social insurance programmes.

He also states that during the late 1980's there was an under-utilization with regard to the unemployment insurance schemes because of the restricted eligibility and narrow coverage.

**The new era of social reform** (1992-present). Leung (2006:189) states that during the early 1990s laid-off employees received a living allowance and social security benefits from their employers. The Shanghai government reformed its traditional social assistance programmes by extending the coverage, raised the level of benefits and secured financial commitment to the programmes in 1993 and other cities adopted this programme in 1994. Another important means-tested programme known as the Minimum Living Standard Guarantee System (MLSGS) was also introduced and provided assistance to people with urban household registration status (approximately 40% of the entire national population), but it merely covered basic food and clothing costs. Specific supplementary benefits have been introduced as well in rich cities such as Shanghai, Beijing and Guangzhou to complement the MLSGS. A food stamp programme was introduced in 1994 where low-income families and MLSGS recipients could get free grain, edible oil and sugar from designated food stores. Two systems were basically introduced, namely the "Blue Card" system which provided supplementary assistance to people who already received MLSGS. The other system, the "Green Card" system which provided to low-income families whose income was above the MLSGS. This MLSGS was further expanded for three reasons. Firstly, the problem of laid-off employees had become critical. Secondly, to celebrate the 50th anniversary of the People's Republic of China and thirdly, the programme only catered for 27% of the poverty-stricken population (Leung, 2006:191-195).

The Chinese system is highly decentralised and therefore relies solely on community administration structures. Although such an administration has its advantages such as relatively low administration costs and operational flexibility it brings about its own disadvantages. Disadvantages include aspects such as the fact that neighbourhood administrators are not formally trained in social assistance administration and therefore they may interpret policy documents and guidelines differently. A huge disadvantage is also how to ensure that financially that less-developed provinces have sufficient



resources to support the programmes. Despite its widened coverage people without urban household registration status, migrants and villagers are still excluded.

## **2.10 HISTORICAL MILESTONES OF SOCIAL SECURITY IN BRITAIN AND EUROPE**

According to Woodside and McClam (2011:29) until the 1500s the Catholic Church was mainly responsible for providing humane services and many institutions were founded for the poor, orphans, the elderly and people with disabilities. In agreement with this, Ginsberg and Miller-Cribbs (2005:17) state that religious groups in particular have always provided some form of social welfare.

Woodside and McClam (2011:29) state that the Elizabethan Poor Laws were passed as a response to the increasing numbers of the poor in Britain. According to Haarman (2000:28) the Elizabethan Poor Law of 1601 is often cited as the turning point for government involvement in social welfare matters although stigma was already attached to these poverty relief programmes. The Poor Law of 1601 provided a clear definition of the “poor” and articulated services that they were to receive as well as defined punishment to those who would receive if they returned to work. This piece of legislation is the foundation for the current social welfare system existing today in Great Britain (Woodside & McClam, 2011:31). These writers also state that the Poor Law acknowledged the government’s responsibility towards the poor and needy and that they not only deserve assistance but also that they have a legal right to it.

According to Leiby (1987) cited in Ginsberg and Miller-Cribbs (2005:18) the 1601 Poor Law made provision for the following:

- It defined the duty of the parish (which was the local government) to provide relief to the poor.
- It established overseers of the poor (these were among the earliest social workers) to relieve poverty.
- It gave the overseers the power to raise funds and to use it in their poverty relief.
- It affirmed that government relief was a last resort, after families and friends had assisted the poor.

- It defined helpless people whose problems included illness, the feebleness of old age, being orphaned and disability.
- It established workhouses and other solutions such as deporting to the colonies “sturdy beggars” who asked for help but who appeared capable of providing for themselves.

Jurkowski (2008: 82) writes that the German Chancellor, Otto Von Bismarck, established and designed Europe’s first social insurance programme in 1880, but it was only adopted in 1889. Bismarck wanted to reinforce the role played by the state in the administration and financing of the insurance bodies after the passing of the three social insurance laws in 1883 (sickness), 1884 (accident) and 1889 (old-age and invalidity), but was vigorously opposed by his social partners (Jurkowski, 2008:37). However, it was already from about 1877 on that Bismarck wanted to establish a comprehensive social insurance scheme (Mathias & Pollard, 1989:574).

In Denmark the first means-tested social pension scheme was introduced in 1891 whereby people over the age of 70 years were paid a regular pension. Such programmes were extended overtime to the disabled, widows and deserted dependents (Haarman, 2000:28). According to Ditch (1999:40) the Workman’s Compensation Act of 1897 gave a limited number of manual workers employed in dangerous occupations rights to lump-sum compensatory payments from their employers if they suffered work-related injuries.

However, according to Cane and Atiyah (2006:328) the compensation the first Workmen’s Compensation Act of 1897 was rarely paid to any victims of industrial injuries because of three defences which the courts had evolved to protect employers. These included common employment, denying liability for the negligence of a fellow worker, contributory negligence, denying liability where the worker was partly responsible for their own injury and *volenti non fit injuria* (assumption of risk) which denied liability for injuries occurring from an obvious and known risk (Cane & Atiyah, 2006:328). However, these writers do mention that in 1880 the Parliament passed the Employer’s Liability Act, which restricted the scope of the doctrine of common

employment, and in 1891 the House of Lords limited the availability of defence of *volenti*.

According to Cane and Atiyah (2006:330) another major foundation of the modern social security system was Lloyd George's National Insurance Act of 1911. This Act dealt with aspects such as earnings loss arising from sickness unrelated to employment and with unemployment. It made provision for a national insurance system established by the government and administered by approved societies. Those responsible for the administration objective was to make sure that the people who receive assistance is entitled to it by law, the costs of the benefits was paid partly by the employer, partly by employee and partly by the tax payer. The insurance was compulsory and the contributions were flat-rated and the benefits payable were not earnings related (Cane & Atiyah, 2006:330).

The Great Depression which started in 1929 went a long way towards destroying the national unemployment insurance system because it was impossible to maintain two million unemployed out of the contributions the system generated (Cane & Atiyah, 2006:331). In addition, these writers state that the persistent inflation brought about by the Second World War so reduced the value of other national insurance and worker's compensation benefits that the government was forced to provide various supplements during the war.

The Royal Commission which was set up 1938 was abandoned at the outbreak of the war and called for reform. During the War the government set up a special commission chaired by an Oxford academic, Sir William Beveridge to look at how to create a better Britain after the war (Lang, 2003:350). Consequently, it led to the Beveridge Report. The Beveridge Report was published in 1942 and proposed a new streamlined national insurance system based on six fundamental principles (Cane & Atiyah, 2006:331). These principles, according to these writers included:

- Flat-rate subsistence benefits;
- Flat-rate contributions;
- The unifications of administrative responsibilities;
- Adequacy of benefits;

- Comprehensiveness and
- Classification.

Haarman (2000:29) states that the Beveridge Report marks another crucial development in universal and comprehensive coverage since it called for a comprehensive, compulsory, contributory and uniformed social security system.

Ditch (1999:61) maintained that the Labour Government elected into power in 1964 had clear commitments to respond to the growing poverty identified among pensioners and low income families and to reduce the growing dependency on means-tested assistance benefits. The post-war National Assistance Scheme was restructured into a new safety net provision named Supplementary Benefit. However, during the period between 1964 and 1970 there had been an overall increase in benefit expenditure which could largely be accounted for by an increased number of claimants notable pensioners and the unemployed.

According to Ditch (1999:65) child poverty was a particular problem during the 1960s. An influential pressure group, the Child Poverty Action Group (CPAG) was established during this time. The Family Allowance intended to support child care hadn't kept pace with other increases in wages and benefits, consequently child poverty had grown significantly in the 1950s and 1960s. Eventually the Child Benefit was introduced in the 1970s and replaced the Family Allowance.

Ditch (1999:66) further maintained that people with disabilities had not constituted a recognised group among the poor at the time of the post-war policy reforms, but during the 1970's new social security protection for them was introduced. It started with the Attendance Allowance in 1971 to cover the costs of personal care and by 1974 replaced by Non-Contributory Invalidity Pension to cover living costs and in 1976 by Mobility Allowance and Invalid Care Allowance, a flat-rated payment for those who provided care for disabled people. However, none of these new disability benefits were paid at a very high rate and in many cases they left disabled people and their people who looked after them still in poverty.

According to Holmlund, Sandmo and Steigum (2000:91) pensioners constitute about 40% of the working population and their share is expected to double in the 50 years

which will ultimately undermine the sustainability of pay-as-you-go financed social insurance benefits. Ihuri and Tachibanaki (2002:1) state that a large number of countries have problems with their social security systems - in particular public pension systems. Reasons cited by these writers include the following: many countries face an aging trend in age-population structures and the number of people contributing to the system is decreasing. Other factors include a decrease in the participation of men in the labour force, the slow increase of women's participation, early retirement and the weak performance in the macro-economy.

## **2.11 HISTORICAL MILESTONES OF SOCIAL SECURITY IN AUSTRALIA**

In the early part of Australian history voluntary charitable organisations emerged to accept responsibility for the care of the destitute (Carney, 2006:26). According to Dixon and Macarov (1989:20) the modern history of Australia goes back to 1770 with the arrival of Captain Cook who claimed the country for England. These writers further state that during 1787 England began to send out prisoners together with some military guards, officials and early settlers, founded a network of colonies and in 1901 these colonies were federated into the Commonwealth of Australia. The Commonwealth and state governments played a major role in Australia social policy. Apparently, one of the reasons why Australia did not follow a European-style of welfare system is that the labour movement placed full employment and reasonable wages ahead of welfare as political goals.

According to Carney (2006:22) Australia's social security arrangements may be the creature of pioneering endeavours between the late 19<sup>th</sup> century and the era of post-war reconstruction after World War II. Dixon and Macarov (1989:32) write that Australia started to introduce social assistance towards the end of the 19<sup>th</sup> century. These writers also state that the system was a single-tier formal welfare system where benefits were flat rated regardless of previous earnings and were payable without recipients making any contributions. In addition, these writers state that in 1899 the first age pension was introduced and in 1909 a national scheme was established. Invalid pensions were also introduced in 1909. Family allowances, widow's pensions, unemployment and benefits followed in the 1941-1945 period. During the 1970s the social security needs of single-

parent households were recognised with the introduction of a Supporting Parents Benefit first for women and later for men (Dixon & Macarov, 1989:37).

According to Brett, Gillespie and Goot (1994:283) in 1972 the McMahon government commissioned Melbourne economist Ronald Henderson to investigate the extent of poverty in Australia and the factors that contributed to it. The Henderson Report which was published in 1975 demonstrated an alarmingly high incidence of poverty in Australia. Subsequently, new benefits including the supporting mother's benefit, a special pension for orphans and handicapped child's allowance were introduced in quick succession. Rates of unemployment and sickness benefits were raised in order to bring it in line with other social security payments. The means-test was abolished in 1973 for pensioners aged over 75 and in 1975 for those aged over 70. Funding was provided for community health programmes, women's refugees and child care and the Department of Urban and Regional Development was established (Brett *et al.*, 1994:285).

According to Dixon and Macarov (1989:26) the 1975 Henderson Poverty Inquiry states:

*The dominant factor which determines poverty is whether or not the head of the income unit is able to work. The survey showed that the great majority of the very poor were not in the workforce and a much larger proportion of those not in the workforce was poorer than those in the workforce. In terms of the very poor, aged single males and fatherless families were found to be the dominant group followed by aged single females. Homeless youth who lives on streets also constitute an important category of poverty.*

Brett *et al.* (1994:292) state that the supporting mothers' benefits in 1973 made income available to mothers and the Fraser government of 1978 extended the benefit to male sole parents. However, these writers state that by the 1980's a number of concerns emerged around the income support arrangements for widow's and sole parents. The concerns related to the growth in the number of sole parents, their high rate of dependency on the income support and their high levels of poverty. The low-level of maintenance provided by non-custodial parents, mainly fathers was also a concern (Brett *et al.*, 1994:292).

During the 1980s a family income allowance was introduced as a further protection against family poverty (Dixon & Macarov, 1989:37). These writers mention that although

the Australian's social assistance scheme had broadened its coverage it had at the same time narrowed eligibility through tighter means-testing and more poverty targeting of beneficiary categories.

In agreement, Brett *et al.* (1994:292) state that a number of changes were made from 1987 towards supporting parents' benefits such as eligibility for supporting parents' benefits would cease once the youngest child or only child reached 16 years.

## **2.12 CROSS-CUTTING CHALLENGES FOR SOCIAL ASSISTANCE AND ITS COVERAGE EXPANSION**

When it comes to social security and extending coverage thereof a key challenge remains as to how to secure coverage to informal-economic workers and their families. Migrants pose another great unresolved challenge since eligibility usually resides with periods of employment, contributions or residency. While migrants run the risks of losing social security benefits in their own country as a result of their absenteeism they might also not qualify for social security benefits in the country of host because of their nationality. In addition, expansion efforts in low- and middle-income countries would be very difficult because it is impossible to formulate one model that would fit all countries (Ginneken, 2009:67-69).

However, a huge concern - if not the greatest one – remains, and this has to do with the concern about the social security system's financial sustainability on a government. Closely related to financial sustainability is the important aspect of political stability in a country. It can also play a vital role in terms of the direction of further policy developments and coverage extensions.

Little is known about whether social security pensions are the most effective way of addressing poverty, whether it is affordable for governments to have and whether the required delivery structures including infrastructure are available. Casey and McKinnon (2009:88) state that limited attempts have been made to establish the administrative costs which are associated with delivery. These writers further state that experience from developed countries underlines how social assistance programmes involve far higher administrative costs than social insurance costs because of strict eligibility rules and means-tests.

Apart from high administrative costs, the costs involved in the establishment and maintenance of infrastructure are equally high or even higher. Many developing countries do not have the infrastructure that is needed to render a decent service to the poor. However, Casey and McKinnon (2009:92) argue that it would be unnecessary to build new structures, because it is expensive and governments might not have these funds and therefore, existing community service points for other basic services can be used.

### **2.13 CONCLUSION**

The Industrial Revolution, the Great Depression, the First and Second World Wars all played important roles in the development of social security internationally. The Declaration of Philadelphia which was adopted the International Conference, the Convention of Social Security (Minimum Standards) and the Declaration of Human Rights which was adopted, by the General Assembly of the United States, all contributed immensely to the development of social security. An important question Miron and Weil (1997:2) asked is whether social security has developed according to the original intent or has legislation and the environment (political, economic and social) in which the programme operates shaped it differently? They found that economic factors surprisingly played a relatively small role while political and precedents played a much greater role. Social security has grown enormously and much of it was incorporated into original legislation. They further found that most of the developments and changes in the programme's operation have resulted from unanticipated changes that were never thought of rather than from legislation.

Throughout history social security has expanded its coverage of people and increased its benefits levels. However, there is a need for a deeper understanding of the contributions that social pensions can make. Only then can it be justified as the right or wrong way forward. Taking into account the work already done by international organisations, countries - be they developed or under-developed countries - one can learn from another. Many social assistance programmes are still riddled with problems of inadequate funds and narrow coverage. The establishment and maintenance of a



proper well-functioning social assistance system remain a constant journey and one can hardly say that one will ever have arrived at the end of the road.