CHAPTER – V

SOCIAL SECURITY FOR THE AGED IN UNITED KINGDOM AND UNITED STATES OF AMERICA: A COMPARATIVE ANALYSIS
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5.1 Introduction

Billions of people in developing countries face severe poverty and deprivation without any form of social security. In addition to persistent day-to-day deprivation, they are also vulnerable to crises arising from natural calamities, civil war and fluctuations in the economy. The extended family and kinship ties that traditionally provided support are increasingly breaking down due to economic and social changes, including rapid urban migration. Faced with large number of needy persons and with electoral compulsion, many governments announce promotional or populist measures. These measures may indicate a symbolic commitment to the problems of poor, and it may be better to have some populist measures rather than no programs for the poor. However, such schemes tend to lead to corruption, political patronage and waste, and often end up not reaching the intended beneficiaries. Thus, instead of populist measures based on a particular leader or political party's whim and fancy, what is needed is a social policy to deal with the question of poverty.¹ Developing countries in their efforts to establish social security systems encounter obstacles such as the scale of poverty lack of administrative capacity, debt burden and structural adjustment policies imposed by international financial agencies. Conventional programs that are based on the needs of urbanized wage-earning workers cannot be easily adopted to meet the needs of the large poor rural populations in developing countries.

Similarly, conventional programs are often not suited for meeting the needs of large numbers of people who are working in the informal sector.

Thus, it is important to take a broader view of social security in situations of poverty and deprivation with an underdeveloped economy. Social security should be seen as “the prevention, by social means, of very low standards of living irrespective of whether these are the result of chronic deprivation or temporary adversity”.  

From a broader perspective on social security, the role of public action becomes essential. It would demand the design of a greater variety of schemes including widows' pensions and food-for-work programs as well as improvements in sanitation, water supply and education. An effective and equitable social security system cannot be established in a context in which government is undemocratic and corrupt, and avenues of public protest and participation in the policymaking process are nonexistent. India will gain by a comparative study of social security measures for the aged in advanced countries. Following Analysis deals with social security measures in U.K. and U.S.A. in general, and measures for the aged in particular.

5.2 Social Security in United Kingdom

United Kingdom (UK) is said to be the house of social security measures. Through the ‘Beveridge Plan’, a comprehensive social security scheme was introduced. Social security provisions have been in existence for over centuries in England. The earliest social services were provided by religious orders, augmented in

\[\text{Ibid, pp.43-47.}\]
medieval times by the manor houses, merchants and crafts guilds. In 1547 an Act was passed relating to able-bodied vagabonds, and in 1601 the Poor Law Act was passed during the period of Queen Elizabeth, which provides social security for the needy. To cope with the rising number of poor, and the need for social security, a Royal Commission was appointed, which led to the passing of the Workmen’s Compensation Act for industrial workers in 1897. With the advent of the twentieth century the threat of unemployment increased, as such, the Unemployed Workmen Scheme was passed in 1905. And again in 1911 a major step was taken, which resulted in the creation of Health ministry, and adoption of National Insurance Act 1911. This Act provided for the payment of sickness, disablement and maternity cash benefits. This scheme was compulsory and based on the contributions of employers, employees and the state, with certain exceptions. But all these measures were not adequate and comprehensive. According to Robson, the arrangements have grown up piecemeal, with no attempt to introduce completeness, consistency or symmetry. Most of the schemes reveal the sudden spurt in intense interest in one particular category of persons. This unsatisfactory state of affairs in social security schemes in England continued till the appointment of an inter-departmental Committee of Social

1 Noble’s house and land a house and the land surrounding it, owned by a medieval noble, where old and the destitute are taken care. ENCA RTA World English Dictionary, Chennai: Macmillan India Ltd, 1999.
5 Able – bodied vagabonds were to be branded with the letter ‘V’ and were to be the property of any master who required their services.
6 Which required the parishes, the smallest unit of local government to provide security for the sick, the needy, and the homeless out of rates (local taxation).
7 Royal Commission in 1832 under the Chairmanship of Prof. N.W. Senior.
Insurance and Allied Services in June 1941 with Sir William Beveridge as its chairman.9

This Committee covered a wide range of subjects and traced the development of social security measures in UK right from the days of the poor Law. The Committee in its Report on 20th November 1942 has pointed out their piecemeal growth.10 The publication of the Report evoked great interest throughout the world and was considered as a landmark in the field of social security.

The Times remarked, “the new social security system essentially the culmination of half a century of piecemeal social reform now carried to a logical conclusion.”11 It Provides “Social Security from cradle to grave”.12 The Beveridge Plan is a massive reconstruction and unification of the social insurance services, the purpose of which is to bring every man and woman in the country into a comprehensive scheme which would provide them, when unemployed, ill, aged, or widowed, with incomes at a rate adequate for maintenance, and which would provide special grants at the crises of marriage, maternity and burial”.13 Commenting upon the report of the Beveridge, G.D.H. Cole observed, “it is a land mark, because it embodied for the first time in an official publication the principle that the state, in cooperation with the individual citizens, should make itself responsible for comprehensive service of social security, designed to combat, in Lord Berveridge’s

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9 Inter-departmental committee of Social Insurance and Allied Services was set up in June 1941 with Sir William Beveridge as its Chairman.
12 Ibid.
phrase the Five Giants in the path of social progress viz., want, Disease, Ignorance, Squalor and Idleness”.\textsuperscript{14}

\textbf{5.2.1 Social Security programmes for the Aged}

Ageing has been a major focus for social policy in the UK for at least three decades and, as the implications of population ageing have become clearer, this issue has moved up the policy agenda. There is a rich tradition of social gerontological research in the UK.

Great Britain had quite a number of voluntary schemes for the relief of the old. More than three hundred and sixty years ago Great Britain had made special provisions for the maintenance of the old and ill under an Act known as the Poor Relief Act 1601 which was passed in the beginning of the seventeenth century. After Germany,\textsuperscript{15} Britain was one of the early comers in the field of social Security.

The first non-contributory old age pension scheme was introduced in 1908. After about two decades, England passed the first contributory pension scheme in 1926 for protecting the old, the orphans and the widows. Again in 1936 a scheme provided “a small pension for persons over the age of 70 who satisfied a residence qualification and whose means of support were below the statutory limit”. The scheme was mainly meant for local administration. All persons with less than annual income of £420 came under the scheme in 1936. These pensions were “contributory and provided retirement benefits for men beginning at the age of 65 and for women at 60, with an allowance to men for dependant wives who were over 60 years of age. By


\textsuperscript{15} Germany under Bismark was the first to give a lead in the field of compulsory old age Insurance in 1889.
1940 Great Britain introduced another scheme of assistance by a board by according supplementary pensions to old persons in proved need”. In November 1942, Sri William Beveridge gave his immortal plan for Security.

Regarding the age of retirement Sir Beveridge was against a rigid structure. He supported the view that a person who could work for a longer period should be allowed to do so.\textsuperscript{16} He first says that, “making retirement from work a condition of pension is a logical consequence of adequate pension”.\textsuperscript{17} Secondly, he adds that, “giving to each individual an incentive to continue to work so long as he can, in place of retiring, is a necessary attempt to lighten the burden that will otherwise fall on the British Community, through the large and growing proportion of people at the higher ages. Finally, Sir Beveridge opines that the age to which men can go on working with satisfaction to themselves and advantage to the community varies with every individual and from one occupation to another. The proposal to make the age of retirement flexible meets human as well as economic realities. Adequate pensions with a flexible age of retirement will increase happiness and wealth in many ways. Early retirement of men in pension is not wanted or useful as a cure for unemployment. On the contrary, there should be as few idle mouths as possible, at any age after childhood is past. In 1946, all the old age pension schemes were consolidated under one coordinated Ministry known as National Insurance Ministry. Retirement pensions\textsuperscript{18} are paid to men at the age of 65 and to women at the age of 60.

\textsuperscript{17} \textit{Ibid}, p.59.
\textsuperscript{18} The persons are treated as retired so long as the job is not inconsistent with retirement. But all men over 70 and women over 65 are treated as having retired.
To claim retirement benefit a person must have normally paid 150 contributions and have an average of 50 contributions paid or credited over a specified period. There is also a provision for Gradual-Pension Scheme under which higher rate of benefit is paid for those earnings higher income and wish to make greater provision for old age.

5.2.2 Benefits for Older People

Apart from the above, the older people in England are receiving the following benefits. The main benefits for older people are-

(i) State pension; (ii) Pension credit; (iii) Housing benefit; (iv) Council tax benefit and Council tax discounts/reductions; (v) Winter fuel payment; (vi) Attendance allowance or Disability living allowance; (vii) Career’s allowance.

(i) The state pension

This is a weekly pension normally paid on reaching pension age-currently 60 for women and 65 for men. The basic rate of pension for a single pensioner is £84.25 each week, and for a couple £134.75.

(ii) Pension credit

It is a new social security benefit administered by the Pension Service. It aims to provide a minimum level of income to all those aged 60 and over and give extra cash to people aged 65 and over who have modest incomes and have made savings for their retirement. Pension credit has no upper capital limit and any savings below £6000 are ignored (£10,000 who are in a care home).

The new pension credit has two parts:

(a) The guarantee credit and

(b) The savings credit
(a) **The Guarantee Credit**: The guarantee credit is a basic amount set by the government each year: £114.05 if single, and £174.05 for a couple.

(b) **The Savings Credit**: The citizens who are aged 65 or over (or one of a couple where one of them is aged 65 or over) they are entitled to a savings credit. This can be paid with or without a guarantee credit. It will be paid if the senior citizens have modest savings or extra pensions for their retirement. The savings credit will be calculated by taking into account certain income above a threshold (sometimes called a starting point). For this year the threshold will be: £84.25 in case of single and £134.75 for a couple.

(iii) **Housing benefit**

This is another important benefit paid by the local council to help people who live in rented accommodation meet the costs of their rent. It is means-tested.

(iv) **Council tax benefit and council tax discounts/reductions**

There are 3 different ways:

(a) Discounts; (b) Disability reduction; (c) Council tax benefit.

The senior citizens get help through all three schemes at the same time, if they satisfy the conditions tax. A senior citizen liable for the council tax bill, he may be able to claim:

**Discount:**

The discount scheme looks at the number of adults in his home. If he lives alone he will get 25% discount. If he lives with other people some of them may be disregarded e.g. people who are severely mentally impaired, certain types of carers, students. He can get a discount of up to 50%.
Disability reduction:

The senior citizen may be able to get a reduction if a child or adult living in their home is disabled, and he has a room that is needed by or mainly used by him, or he need a second bathroom or kitchen; or space is made to enable use of a wheelchair in the home. Then he will qualify for a reduction his council tax bill is reduced to the amount payable for a home in the band below himself. If his home is in the lowest band one-sixth reduces his bill.

(c) Council tax benefit

This is paid by the local council to help people on a low income with their council tax bill.

(v) Winter fuel payment

This is a one off payment made each year to help with the cost of winter fuel bills. Most people aged 60 years and over get a winter fuel payment. There is an extra amount if any partner is aged 80 or over. The payment is made between November and January. For the winter 2006/7 the usual amount is £200 per household if any partner are aged 60 or over and £300 per household where any partner is aged 80 or over. Some people living in care homes will receive 50% of the winter fuel payment.

(vi) Attendance Allowance or Disability Living Allowance

The senior citizen suffering from illness or disability he may also be able to claim this benefit.

(vii) Carer's allowance

If the senior citizen looks after someone he may be able to claim this benefit.19

In addition to the above, in December 2005, the Civil Partnership Act came into force.

This means that couples of the same sex who register their partnership will be treated for benefit purposes as if they were married. Same-sex couples who do not register will also be treated as couples for all means tested benefits, such as income support, pension credit, income-based jobseekers allowance and housing and council tax benefit.

A part from the above benefits the care and welfare of the older people in specific areas is as follows:

(i) **Work and employment**

Older people, particularly older men, have been regarded by employers and policy makers as a sort of reserve army of labour—encouraged to stay in employment at times of labour shortage (as in the late 1940s and early 1950s) and quickly jettisoned when demand contracts (as in the mid-1970s). Mindful of the decline in the numbers of young people entering employment and the cost of pensions, the government is currently running campaigns to try to persuade employers to recruit or retrain older workers and has introduced policies such as the New Deal 50+ with the same intention.\(^20\)

(ii) **Income, poverty and wealth in old age**

The Blair government, first elected in 1997 on a reformist agenda, has implemented a further change to the pensions system by enhancing the ‘partnership’ between the state and private sector, so that public expenditure by the state on pensions will shift towards the private sector, from 60 per cent at present to 40 per cent by 2050. Improvements in the position of the poorest pensioners were seen as a

priority and will be achieved through provision of the (means-tested) Minimum Income Guarantee (MIG) – in reality, Income Support for older people. Indeed, the policy towards improving the position of current pensioners is focused upon a means-tested route.\textsuperscript{21}

In outline, the new pension's structure is as follows. The basic pension will remain but shrink in real terms, with the SERP being replaced from April 2002 by a new State Second Pension (SSP or S2P) in order to boost the pensions of the lowest paid – those earning less than £9,000 per annum. Those earning above £9,000 per year and who are not members of an occupational pension scheme, have been encouraged to take out a funded Stakeholder Pension available from April 2001. This is a low-cost, flexible savings device provided by the private sector, which upon retirement is used to buy an annuity.\textsuperscript{22}

(iii) Health and health care

Older people receive a large proportion of health expenditure (as well as social security spending). In 1999/2000 around £28 million was spent on hospital and community health services, and nearly two-fifths of this was spent on those aged 65 and over. Expenditure on that age group (£1,371 per head) was four times the level of spending on people aged between 16 and 44. (Spending per head on children aged 0–4 was £1,085.)\textsuperscript{23}

\textsuperscript{21} \textit{Ibid.}
\textsuperscript{22} \textit{Ibid}, p. 23.
\textsuperscript{23} \textit{Ibid.}
(iv) The Need for Nursing and the Organization of Care giving

If older people need care it is most often provided by themselves or by close relatives. If the need is substantial and/or there are no available relatives then they may be cared for in hospitals, nursing homes or residential homes, depending on the level of need.

In April 2004 an estimated 410,000 older people lived in care homes in the UK. There are about 15,700 private, voluntary and Local Authority (Authority) care homes in the UK, providing care at an estimated annual value of more than £8 billion per annum.24 According to the Health Survey for England 2000 (The Health Survey), most care home residents are over 85 years old.25 Female care home residents tended to be older than male residents, at an average age of 85.6 years for women compared to 83.2 years for men. Women are also more likely than men to be severely disabled, although a high proportion of both sexes have health problems; 75 per cent of all care home residents are severely disabled.26

By providing security, company, warmth, regular food and assistance with daily tasks as necessary, a caring and well-run home provides a vital service, both for older people themselves and for their relatives. Such a home offers frail and vulnerable older people a safe and supportive place to live, allowing them to continue their life without being dependent on relatives or friends for their care. Older people

24 Care homes for older people in the UK a market study, May, 2005.
26 Health Survey for England 2000: Care homes and their residents.
going into care will also have differing levels of personal care needs. Another key policy issue with regard to health and social care is its financing. The rules on paying for long-term care in UK are complicated. There are three sources of state funding for institutional care: Income support, NHS and local authority funding. Income Support and local authority funding are means-tested, which means that people with income or capital above certain levels have to pay for their care in full, unless the NHS provides it. In April 1993 new arrangements came into force for people going into care homes: a local authority assessment must be performed if they wish to apply for state funding. People who have capital of less than £16,000 and an income level less than income support level for a person living in the community will be entitled to income support and a residential allowance is also payable. Local authorities have agreed a baseline of care home fees for which they will take responsibility, and each authority has set its own baseline for different levels of care for which it will accept financial responsibility. Variations between different local authority baseline fees are substantial. It was hoped that the controversial issue of funding long-term care would be settled by the report of the Royal Commission set up to investigate this issue in 1998. Its landmark report proposed that all nursing and personal care should be provided free and funded from taxation. However, the government took a different view and, from April 2002, agreed to publicly fund nursing care only (such care is defined as being provided by, or under the supervision

27 Part I, section 3(34) of the Care Standards Act 2000 defines personal care in the context of care homes as: including assistance with bodily functions where such assistance is required. This may include for instance, assistance with bathing, dressing and eating for people who are unable to do this without help.

28 Gerhard Naegele and Alan Walker, supra note 19, p. 23.
of, a registered nurse). This restricted response to the Royal Commission has left many thousands of older people with the responsibility for funding the bulk of their own care and, for many of them, having to sell their houses to meet the cost.

(v) Social networks and social support

It is clear in UK family solidarity and reciprocity remains vibrant, and the clearest demonstration of this is in the provision of unpaid care to older people. The main policy focus in this field has been on the caring roles of kin in maintaining older people in the community. Decades of campaigning for the rights of carers resulted in the passing of the Carers (Recognition and Assessment) Act in 1996, which gave carers the right to an independent assessment of their needs. This has been followed by a series of measures aimed at ensuring that the health and social care providers pay proper attention to carers.29

Retirement pension is one of the important social security measures in the U.K. A civil servant may retire with superannuation benefits any time after 60 years of age but there is no fixed age of retirement. An individual is permitted to continue to hold his job till he is found fit and effective. The pension rates are reviewed and revised every year if the price level rises beyond a specified level.30

5.2.3 Present Position

The structure of the present social security programmes follows on the recommendations of the Beveridge Report with certain modifications. There is only one unified social insurance, Industrial Injuries Insurance and Family Allowance, which provide cradle to grave social security in UK.

29 Ibid.
5.2.4 Coverage and Scope

Under the National Insurance Act, insurance has been made compulsory for every person (except for married women who are provided under their husband’s insurance) between leaving school age and pensionable age. Such persons have been classified into three classes:
Class I-employed persons i.e., those who worked for an employer;
Class II- self employed persons i.e., gainfully employed but not for an employer; and
Class III- unemployed persons who are not in gainful employment.

Thus it is clear that the scope of the Act is wide and coverage is universal.

5.3 Social Security in United States of America

The foundation of social security schemes was laid down in the New Deal Policy, which was adopted by the late President Roosevelt after the Great Depression of 1929 in USA. Before that the general feeling was unsympathetic to provision of social insurance in U.S.A. Thus, Roy B Helfgott said, “the United States continued to cling to laissez-faire percepts until the Great Depression of the 1930s, then it started adopting social security measures”. 31

In those days it was considered that it was the duty of the individual to make sufficient provision for the family and himself when on account of misfortune or bad days his income dwindled or ceased altogether. “In a society rooted in the concept of the ‘rugged individualist’, the answer was that he was supposed to save for his rainy day”. 32 Allen has stated “the shortage of such plans (social insurance plans) before 1929 did not reflect a callous or negligent attitude on the part of the Americans. It

reflected a positive philosophy that personal prosperity was matter of personal responsibility that it was up to the individual to work, save and succeed, and that the inventiveness of America, its validity and its strength lay in the self reliance of America".33 The Great Depression of 1930s, however, finally made the nation responsive to the needs of the ailing people. It brought a change in the sentiments as well as in the physical conditions because the consequent misery was so widespread, acute and prolonged that it was considered beyond the reach of an individual to make sufficient provision from his own resources. The calamities were not of his making but of nature, and socio, economic, conditions over which he had no control.34

Ultimately, President appointed a committee, and it led to the passing of the Social Security Act of 1935.35

The Social Security Act of 1935 contained three major sections;

Old age Insurance (OAI), which was to be entirely federal system;

Old Age Assistance (OAA), which was to be state administered with partial federal financing; and

(3) Unemployment Insurance (UI), which was to be run by the State.

First important amendment to the Act was made in 1944 “the object was to establish a unified national social insurance system, comprehensive in its scope and universal in its coverage.”36 And to cover certain classes of persons excluded so far such as farm workers and domestic servants, employees of non-profit institution, independent farmers, professional and small businessmen. All these changes were

35 President Roosevelt appointed a committee on Economic Security, in 1934.
made to have a unified national system of social insurance with one set of contribution, one set of records and one set of offices.\textsuperscript{37} Other important legislations are: (i) Public Health Service Act (1944), (ii) the Employment Act (1946), (iii) the Social Security Act (1946), and the National Health Insurance and Public Health Act 1947.

5.3.1 The Specific Programmes for the aged in America

(i) Old Age, Survivors and Disability Insurance (OASDI)

The Act of 1935 established an old age pension system administered by the Federal Government. It covers: all employees with employer-employees relation; and most categories of self-employed including self-employed farmers, contractors, Professionals, architects, engineers etc., but excludes physicians, lawyers, dentists not employed by others.\textsuperscript{38}

Financing: - The social security system is financed by a payroll tax, with employees and employer-paying equal amounts. When self-employed were brought under coverage they were required to pay one and one-half times the employee rate of taxation. Thus it is clear that “OASDI is designed to be a self supporting program, with its tax and interest income sufficient to pay benefits indefinitely in to the future and to cover the relatively small administrative cost.\textsuperscript{39} Benefits: - Ten years of covered work makes one fully insured for benefits. In 1970, 66 million people were permanently insured under Old Age Insurance.\textsuperscript{40} About 93 percent of the people now

\begin{thebibliography}{99}
\bibitem{37} Ibid.
\bibitem{38} P.K. Sinha, \textit{supra} note 4, p.191.
\bibitem{40} Roy, B. Helfgott, \textit{supra} note 20, p. 387.
\end{thebibliography}
becoming sixty-five are eligible for monthly cash benefits. The actual amount of benefit to which an individual is entitled depends on his average earnings covered by social security.

Retired workers with dependants receive additional benefits. Amendments to the Social Security Act since 1935, have permitted workers to retire before they reach sixty-five. Workers could opt to retire as early as sixty-two, but their benefits were actuarially reduced to take account of the longer period over which they will receive their monthly payments. Female retired workers, however, are not subject to the actuarial discount, since sixty-two is considered to be normal retirement age for women. By the 1972 amendments, men were granted the same right to retire at sixty-two without loss of benefits. Extra cash benefits are provided to those who continue working and delay receipts of social security beyond the age of sixty-five. Aged widows (or dependent widowers), younger widows who are caring for children, children under eighteen, and dependent parents of deceased workers may qualify for benefits since the addition of survivor benefits to those of old age in 1938. For widows caring for children under eighteen years of age and the children to be eligible for such benefits, the workers need not have been fully the benefits are 10 percent of the primary insurance amount for widows or widowers at age sixty two, 75 percent for dependent parents over sixty two and 75 percent for children. Besides the family

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42 P.K. Sinha, supra note 4, p.192.
of an insured individual who dies is also entitled to a lump sum death benefit designed to cover costs of burial.43

In addition to federal social security, many workers also receive private pensions from their employers. Most private pension plans are entirely employer financed, and in recent years benefit levels have gone up sharply.44

(ii) Federal Medical and Hospitalization Insurance

There is no general nation wide social insurance programme providing medical care and benefits for industrial workers. The majority of individuals have some protection against the costs of hospital services and surgical care through voluntary health insurance, which is individually purchased or provided by employers, or unions through private employee-benefit plan. By the amendments to the Social Security Act, Health Insurance was added to the exiting old-age survivors. In 1972 the benefits included: (1) up to ninety days of in-patient hospital care for each illness, with $68 deductible, and after sixty days the beneficiary pays a co-insurance payment of $17 a day; (2) up to one hundred days of post-hospital care in an extended care family-for example, a nursing house with $8.50 per day deductible after the first twenty days; and (3) up to one hundred home health “visits” by nurses, physical therapists, home health aids, or other health workers.45 Almost every person sixty-five and over working or not, has hospital insurance protection under Medicare are also protected

43 Roy, B. Helfgott, supra note 20, p. 388.
44 P.K. Sinha, supra note 4, p.193.
under the voluntary medical insurance.\textsuperscript{46} The hospital insurance part of Medicare is financed by special contributions from employees and their employers.\textsuperscript{47}

In addition to the OASDI, there are other public programmes paying retirement benefits to the aged. Under the Civil Service Retirement Act 1962, the benefit amounts have been linked to cost of living and are adjusted automatically from time to time.\textsuperscript{48}

The old persons or couples, who are not entitled to any benefits under the various schemes and are in need of assistance, are helped through the Old Age assistance programme under the Social Security Act of 1935. Under which cash income is provided to the needy aged, as determined on the basis of minimum standards established by each of the states.\textsuperscript{49}

(iii) Supplemental Security Income

On Jan. 1, 1974, the Supplemental Security Income (SSI) program established by the amendments under the Social Security Act 1972 replaced the former federal grants to states for aid to the needy aged, blind, and disabled in the 50 states and the District of Columbia.

The program provides both for federal payments, based on uniform national standards and eligibility requirements, and for state supplementary payments varying from state to state. The Social Security Administration administers the federal payments financed from general funds of the Treasury and the state supplements as well, if the state elects to have its supplementary program federally administered.

\textsuperscript{47} P.K. Sinha, \textit{supra} note 4, p. 195.
\textsuperscript{48} H.S. Bhatia, \textit{supra} note 30, p. 196.
\textsuperscript{49} Ibid.
States may supplement the federal payment for all recipients and must supplement it for persons otherwise adversely affected by the transition from the former public assistance programs. In May 1999, the number of persons receiving federally administered payments was 6,596,748, and the payments totaled $2.6 billion. The maximum monthly federal SSI payment for individuals with no other countable income, living in their own household, was $500 in 1999. For couples it was $751.  

(iv) Administration

The administration is carried on by Social Security Administration and the U.S. Treasury. The Administration maintains records of wages and earnings of each covered persons, calculate benefits and examines all claim for payments. The U.S. Treasury through the Bureau of Internal Revenue collects social security taxes, audits tax returns and remits benefits to individual claimants. Social Security is paid for by a tax on certain earnings (for 1999, on earnings up to $72,600) for Old Age, Survivors, and Disability Insurance and on all earnings (no upper limit) for Hospital Insurance with the Medicare Program; the taxable earnings base for OASDI has been adjusted annually to reflect increases in average wages. The employed worker and his or her employer share Social Security taxes equally. Employers remit amounts withheld from employee wages for Social Security and income taxes to the Internal Revenue Service; employer Social Security taxes are also payable at the same time. (Self-employed workers pay Social Security taxes when filing their regular income tax forms.) The Social Security taxes (along with revenues arising from partial taxation of

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the Social Security benefits of certain high-income people) are transferred to the Social Security Trust Funds the Federal Old-Age and Survivors Insurance (OASI) Trust Fund, the Federal Disability Insurance (DI) Trust Fund, and the Federal Hospital Insurance (HI) Trust Fund; they can be used only to pay benefits, the cost of rehabilitation services, and administrative expenses. Money not immediately needed for these purposes is by law invested in obligations of the federal government, which must pay interest on the money borrowed and must repay the principal when the obligations are redeemed or mature. The Law prescribes that all individuals covered by the Act pay certain taxes throughout their working life. The taxes are levied on worker’s earning. The burden of the tax falls on the covered employee and his employer at the same rate (for each). The taxes are deducted from wages at the time of payment. Amounts are paid periodically to the Bureau of Internal Revenue by the employer. Self-Employment Tax - A tax is also imposed on self-employed individuals covered for old age and survivors insurance at a rate equal to 1-1/2 times the tax on employees. The basis of social security tax on the self-employed persons is the amount of his self-employment income, which in turn is based on his net earnings from self-employment.

(v) Scope of the Act:

The Social security Act of USA covers the following:- Federal Old Age Survivors and Permanent Disability Insurance, Federal Unemployment Insurance, Temporary Disability and Maternity Insurance and Federal Medical and Hospitalization Insurance.

51 Ibid.
5.4 Social Security in India and UK – A Comparison

(i) In UK there is a comprehensive, nation-wide and unified scheme of social insurance, which seeks to sap the very vitality of society. The system is so comprehensive and embracing that even people coming to, or absent from Britain enjoy the benefits. In India there is no such scheme. Social security benefits are available only to those workers working in organized sector and public sector. For the entitlement of benefits no distinction is made on the basis of class, status or sex in UK, but in India benefits differ with class and status.

(ii) In United Kingdom every individual is afforded protection from cradle to grave. When a child is born, his parents can claim a maternity grant and if he is born at home, a home confinement grant. If his parents already have a child, they are helped to meet the increasing expenses of the growing family. When a child grows, he becomes liable to pay contributions for himself (But those with very small incomes are exempted from making National Insurance Contributions). In return, the contributor becomes eligible for a number of benefits. And on reaching the age of retirement he gets the pension. Thus every individual is secured against all the economic and social contingencies of life. But in India very limited contingencies to a little extent and that too for a small fraction of population has been covered. There is no protection for agricultural laborers and those working in unorganized sector, which constitute the largest section of population. But in UK even self-employed persons are insured against these contingencies.

(iii) Not only this that very limited contingencies is covered but also the benefits provided against contingencies are also very meager in India. Sickness benefit is
provided up to a maximum of 91 days in normal case and up to 3 years in case of extended sickness benefits. No sickness benefit is given for waiting period. The rate of maternity benefits is also low. For old age there is no pension insurance, only provident fund scheme is for workers in factories and establishments. But in UK sickness benefit is given for one year if 26 contributions have been paid and up to the age of retirement if 156 contributions have been paid. The benefit is given even for the waiting period. Pension is given to every contributor. There is special provision for leave and allowances if more than one child is born in case of maternity benefits.

(iv) Besides there is flat rate of benefits, flat rate of contributions, adequacy of benefits, comprehensiveness, in respect of persons covered and their needs. The state actively participates towards the cost of the social security schemes. No scheme of social security in India is of this kind. There is different contribution rate depending on the wage-slab and the rate of benefits differs with the contribution.

(v) Most of the social security programmes in U.K., are administered by one Ministry. Exceptions are that unemployment benefit is paid for convenience at Employment Exchanges of the Ministry of Labour. In India various Autonomous Corporations have been established for the implementation and execution of the schemes. Medical benefits under Employees State Insurance (ESI) are the responsibility of the individual states as such the per capita availability of benefits differs from state to state subject to the economic stability of the individual states. Therefore the Indian social security system as compared to UK differs in respect of comprehensiveness and universality. Some of the scheme in India even today is based on employer's liability like Workmen's Compensation Act, 1923. "The legislation has inherited all the
defects of the old British Workmen’s Compensation Act, on which it was modeled”, and while this scheme has been completely abolished in UK “by the social security programmes in UK—which now provides a comprehensive coverage, against industrial disability—our legislation continues to function as if nothing has happened”.

5.5 Social Security in India and USA-A Comparison

There is no comprehensive social security in USA, which covers all the population and contingencies. There is only one federal scheme of social insurance i.e., of old-age and survivors benefits. Other schemes of social insurance are either the state responsibility or depend upon the private insurance of the individuals. Most of the social security schemes are financed by the employers and employees contribution. Benefits are related to average earnings and not to the length of contributions. Complementing the social insurance programmes are Public Assistance Programmes to provide financial assistance, medical care and other social services to needy aged, blind and totally disabled persons and to dependent children in broken families. There is abundance of Private Insurance Scheme, which is on account of the income guarantee, or high per capita income of the American, in India as there is no income guarantee to everyone and the per capita income is also low, therefore, the individual cannot afford for private insurance on mass scale. Social insurance benefits in USA are also available to the self-employed farm labourers etc., whereas in India there is no such scheme for any of the unorganized workers.

5.6 Conclusion

To sum up the social security scheme in countries like U.K and U.S.A. are unified and integrated and their implementation is also smooth and convenient. Their
administration is vested in one body and, as such the administrative expenses are less. Social Security benefits have been extended to the agricultural sector and also to the self-employed. Old age has been dealt with sophistication by introducing pension scheme. There is also the provision for rehabilitation of service and survivors' benefits in case of invalidity or death. The rate of benefits is in accordance with the ILO recommendations. There is no waiting period for the entitlement of benefits. In the light of the above there is an urgent need in India to streamline the functioning of the social security schemes for the aged.