CHAPTER 3: Social Security in Global Context

3.1 Historical Evolution and Development of Social Security Concept

The concept of social security or social welfare has existed in some form or another throughout much of history. Some 4,000 years ago, Babylonian ruler Hammurabi was among the first in government to voice concern for protecting the needy. Ancient Greek and Roman philosophers too, supported the concept of social security by helping those in needs, and there were provision for assistance in a number of religious traditions, including Judaism and Christianity.

Since the evolution of mankind, different communities had been protecting its members. Primitive tribes had rules and customs to assure the safety of all. Family was the only source to provide security. Human society is essentially composed of weak and strong both type of people and have definite roles to play in the promotion of social adjustment. Normally persons of superior qualities headed the family, the tribe and community. Family has been the oldest institution of group insurance. The earnings of all members of family pooled together in the family exchequer. From this common fund, maintenance of every individual member used to be undertaken according to the needs. But the resources of the family often proved inadequate especially during abnormal situation of economic contingencies and major disasters e.g. unemployment, sickness or death of the chief bread & butter winner of the family.

Before the advent of the modern Industrial Revolution in the 18th century in the west, industry used to be just a domestic enterprise. In the early phase of the Industrial Revolution, the profit motive of the investors and share holders was dominant and, as such, the worker developed as a commodity to be hired and fired in the interest of more and more profits for capitalist investors. The dominant profit motive thriving under the non-intervention of the state and seeking to revolutionize production with its competitive aims and methods exploited and debased on increasing number of workers who were drawn to it as wage-earners. The theory of, 'exploitation of man by man is the bitter fruit of profit motive' dominated those days.
Under laissez faire economy the workers suffered owing to the long hours of work, having to work in most unhealthy surroundings, exposure to accidents and low wages, which did not provide even bare subsistence. With the deepening of the Industrial Revolution, institutions like joint family system, family guilds, charitable societies and organization became inadequate.

Science and invention have given ordinary people ease and comfort which even rich people of earlier civilizations did not dream. But this progress had a price. The job now is to adapt our common life to the changes that came with our progress. As far as we can look back, men and women had lost one way of earning their living and had to find others. Groups of workers, like the hand weavers, had seen their work being taken away by machines. But it is only recently that we have realized that there could be a widespread situation. Even in good times in which large numbers of people who needed to work and wanted to work had no chance to do so.

In many European countries social security was restricted towards old age and unemployment pension schemes. Modern social security measures like compensation for accidents during work time, medical care, health insurance, compensation for disability etc. were introduced much later.

The objective of social security is to protect the industrial workers to ensure that they have an acceptable standard of living. Social security may entail smoothing consumption and reducing risk or spreading income over the life cycle. Often there is a redistribution of income among groups with differing needs.

The aim of all social security measures is three-fold: Compensation, Restoration and Prevention. Compensation goes to income security and is based upon the idea that during spells of risks, the individual and his family should not be subjected to a double calamity involving both destitution and loss of health, limb, life or work.

Restoration implies cure of the sick and the invalid, re-employment and rehabilitation, and is in some ways, an extension of the earlier concepts of the functions of social security.

Prevention is designed to avoid the loss of productive capacity due to sickness, unemployment or invalidity and to render the available resources which are used up
by avoidable disease and idleness and thus increase the material, intellectual and moral well-being of the community.

The development of services for prevention and rehabilitation should receive the highest priority in social security policy. Till now social security has tended to concentrate on providing access to what are mainly curative health services and on providing cash in defined contingencies. Prevention needs to permeate virtually all departments of government, the actions of employers and employees, the activities of voluntary bodies and most important of all, the actions of individuals and families.

In the European Middle Ages (476 to 1453) Christian monasteries served the needy. Their hospitals provided a broad range of services for the ill, homeless, aged, orphans, and even travelers. They were, of course, far removed from the acute care institutions of modern America. Under the laws of the day, the medieval church was responsible for public welfare and could collect taxes to support its activities.

Medieval life was characterized by feudalism, and under this system most people were assured of at least minimal assistance for life. In the cities, those in need received some assistance from social, craft, and merchant guilds. Social stability, limited mobility, and a sense of obligation to the poor and needy of the community were essential to the social welfare activities of the Middle Ages. But eventually a series of upheavals resulted in a breakdown of this basic social welfare system. These included the bubonic plague (1348 to 1349), which killed nearly one-third of the English population, and several other natural disasters. With the decline of the Church of England, which had been largely responsible for social welfare, a new system was needed.

In response the English government in the mid-fourteenth century began placing restrictions on the unemployed, as well as taking some responsibility for organizing voluntary assistance. These early English laws regarding the needy included: restrictions on begging and later laws against it (with death as one possible consequence to repeat offenders), and taxes and assessments to help provide for the needy. Such laws were drawn together under the Elizabethan Poor Law of 1601. It was this law that became the basis for early social welfare laws in America.
Problems of the Old World arrived in the New World in spite of an abundance of land and opportunity. The needs of the aged, the sick, and others were at first taken care of by the individual colonies, but as towns grew so did needs, and the colonists turned to the English Poor Law for guidance. One application of aid was to place a needy person in a private home for a fee. In general, communities took care of their own but showed resistance to assisting a growing number of strangers or newcomers. Some colonies, such as early seventeenth-century Boston, passed laws allowing for forced removal of unemployed strangers, and the Plymouth Colony passed a residency statute regarding public assistance. Registering, bonding, fines, and whippings were other methods New England colonies used to deal with nonresidents they feared would become dependent on or destructive to the community.

In addition, broader social and economic changes in the Western world were transforming the traditional view of social security. Classical economists of the eighteenth century supported the concept of an unregulated economy and saw social welfare programs as interfering with a natural economic process. It was a period of cooperation between the public and private sectors, influenced by the humanitarian tenets of the Great Awakening (an evangelistic religious movement that occurred around 1740) and the Enlightenment (a philosophical movement that generally took place in Europe from 1700 to about 1789, the beginning of French Revolution). But the tradition of local assistance was widely disrupted following the American Revolution. Immigrants came in huge numbers. Industrialization was also started the spread of wage labor, and the growth of urban areas resulted in increased burdens on local governments.

In England, the Poor Law of 1601 was revised to reflect these new views. The law that had upheld the belief that the needy should be assisted came to an end after nearly 250 years. The new view was that social security was a moral, not a social, problem. Such factors of the work environment as low wages, depressed industries, limited opportunity, and seasonal and technological unemployment were dismissed as barriers to individual achievement. Communities became reluctant to assist the needy and larger county and state run institutions were formed to take care of the problem. In 1824 the New York legislature passed the County Poor House Act and thus marked a
shift from the towns to the counties as social-service providers. During the same period mental hospitals, prisons, and orphanages also were being established.

Another shift in American attitudes toward social welfare came during the Civil War. The needy benefited from the general understanding that in war, circumstances were beyond the control of the individual. Significantly, the first national public-health group was formed and mainly operated by women. The United States Sanitary Commission organized local voluntary organizations to provide health education programs for soldiers. For the first time, the federal government was seen as the coordinator of social welfare needs that were universal in nature.

Further, Mothers' Pensions was introduced. Mothers' (or widows') pensions were early twentieth-century programs to assist single or widowed women with children. These programs marked yet another turning point in the debate between the deserving and the undeserving claimant person. The programs set some precedents for America's social welfare policy-to-come by keeping children with their mothers and keeping mothers at home rather than in the workplace.

In March 1933 Franklin Delano Roosevelt assumed the presidency and, with it, the daunting task of bringing the nation out of the Great Depression. Within his first hundred days in office he oversaw the passage of much of his New Deal program. But it was not until 1935 that the Social Security Act was passed. In its original form, this law established unemployment relief, old-age assistance and social insurance for American workers and designated that monthly benefits begin in 1940. The system was designed to return at least as much in benefits as an individual worker had paid to the government. However, a 1939 amendment to the act weakened this commitment by instituting a formula in which benefits received would be based on average earnings during a confined period. The Act also extended benefits to survivors and dependents, as well as the retired. In essence, Social Security was made to benefit a large cross-section of the population at the expense of its original intent.

In 1972 Congress added an automatic cost-of-living index to Social Security, so that benefits would rise accordingly. However, due to an error in the indexing plan, benefits began to rise faster than earnings. Despite 1977 legislation designed to correct the error, the Social Security fund continued to experience problems, largely
due to high inflation and unemployment. Further legislation was introduced in 1983 to ensure OASDI's long-term health by, requiring a rise in the retirement age from 65 to 67, to take place between the years 2003 and 2027.

With the majority of American workers still under 45 years of age and years away from retirement, public sentiment during the early 1990s was toward changing Social Security policy to deal with the staggering financial burden.

Changes suggested included: increasing retirement age to 72 years of age to delay payments; elimination of income limits on retirees in order to increase tax revenue; and the termination of surplus Social Security funds held in Treasury bills that are costly to redeem. Other changes suggested included separating out low-income old-age benefits from benefits related to contributions to the Social Security system. The federal Social Security retirement fund solvency was guaranteed until 2010 by 1983 congressional amendments, but the program's future beyond that date was considered uncertain.

With unemployment rates dropping in 1999 to the lowest levels since the 1970s (approximately 4 percent), America's attention shifted from welfare programs to retirement benefits. The Social Security Solvency Act of 1998, a contentious piece of legislation, never made it through in its proposed form. Beginning in October 1999, the SSA began providing annual updates to the nation's employed, age 25 and older, timed to arrive three months before an annual birthday. The statements, at a cost of $75 million annually, show current personal balances in each individual's account and project estimated retirement benefits. For those born after 1970, there will be a gradual increase in age requirement before full retirement benefits may be withdrawn: from 65 to 67. This measure was expected to affect 96 percent of the employed population in 2000.

The three, Social Security perspectives i.e. economic, budgetary, and programmatic, of the policy issues that arise as the United States confronts the aging of its population are likewise:

First, Social Security can be viewed through the lens of the economy. Beneficiaries make decisions about when to retire and how much to work before retirement partly...
on the basis of the amount of taxes they pay and the amount of benefits they expect to receive. Social Security also influences people’s decisions about how much to save, which plays a role in determining the size not only of their retirement income but also of the nation’s capital stock as a whole. Consequently, Social Security has important implications for aggregate economic performance for the flow of income that the economy will be able to generate and for the total stock of wealth and overall economic resources that will be available in the future. As a result, Social Security can significantly affect the nation’s standard of living as well as the distribution of income within and among generations.

Second, from a budgetary standpoint, Social Security is the single largest program of the federal government. This fiscal year, outlays for Social Security are expected to top $500 billion and account for 23 percent of total federal spending (excluding interest). Looking farther ahead, the Congressional Budget Office (CBO) projects that Social Security outlays will grow from 4.2 percent of gross domestic product (GDP) in 2005 to 6.5 percent in 2050. Although that growth is significant, it pales in comparison with the projected growth of the government’s two big health programs, Medicare and Medicaid.

Last, Social Security can be analyzed from the perspective of the program itself. The most recent programmatic focus has been on the ‘sustainability’ of the system’s finances. However, several other aspects of the program are also important. Throughout its long history, Social Security has had multiple goals related to redistributing income, others to offsetting lost earnings. In 2005, only about two-thirds of Social Security’s beneficiaries were retired workers. The rest were disabled workers, survivors of deceased workers, and workers’ spouses and minor children. Policymakers will need to decide whether the program’s goals are still appropriate, and if so, how changes to Social Security would aid or hinder the achievement of those goals and affect various types of beneficiaries and taxpayers.

It is argued that the notion of social security is too limited in face of the social and economic needs of developing countries and there is a need for more extensive notion of social protection to be use. Independently of the terminology used, the definition of social security or social protection in developing countries must address three fundamental issues.
In the words of Burgess and Stern (1991) these are: (i) (what) is included within the objectives of the social security programme, (ii) (to whom) should social security policies be targeted and (iii) (who) should provide for social security in developing countries. (Burgess and Stern, 1991)

3.1.1 What: objectives of social security in developing countries

Most social protection policies in developing countries will almost certainly be concerned with reducing vulnerability and unacceptable levels of deprivation. The extent of poverty and destitution in most developing countries would, however, make typical post-shock social security benefits of the type implemented in industrialized countries too costly to put into practice in poor economies. The role of social security policies in developing countries must, consequently, be extended not only to that of a 'safety-net', but, more importantly, to ‘prevention’ against increases in deprivation and the ‘promotion’ of better chances of individual development (Guhan, 1994). In this sense, social protection policies would not only address negative outcomes of development but would also promote more equal opportunities amongst all population groups, thereby reducing the likelihood of negative outcomes. The focus of social security policies in developing countries should thus be on the reduction and mitigation of structural forms of vulnerability and on the implementation of ways of coping with all types of risk and be integrated within the overall development strategy of the country rather than implemented as individual programmes (Kabeer, 2002).

Social security policies in developing countries should aim thus at the protection and promotion of both human and physical capital. Policies that protect human capital include better access to clinics and hospitals, better nutrition, better health support, health insurance policies, improved access to schools, universal primary education and so forth. Physical capital can be protected by policies aimed at employment creation, promotion of rural development, research and incentives to encourage labour-intensive investments, better access to housing and land, improved infrastructures, reduction of remoteness of some population groups, measures to eliminate biases against women and other vulnerable groups as producers and
consumers (minimum wages, measures against discrimination), improved access to capital through financial sector reforms of micro-credit schemes, implementation of employment support schemes, provision of secure ownership of key assets, crop insurance measures, etc.

In order to guarantee their success, these policies must be combined with sound macroeconomic management policies. While social protection policies would aim at reducing the impact of shocks and strengthening the economic and social capacity of vulnerable groups to respond to shocks.

Macro economic policies would be concerned with preventing the occurrence of shocks by, for instance, keeping inflation low, stabilizing interests’ rates and reducing price fluctuations. The combination of micro and macroeconomic preventive policies would guarantee that disadvantaged groups do not slip further on the distributional scale due to their inability to respond to shocks. The implementation of these policies need thus not to destabilize the economy, financially or otherwise, and may contribute towards the establishment of more efficient and equitable market economies.

1.1.2 Whom: beneficiaries of social security programmes in developing countries

The second point relates to the issue of who will benefit from social security programmes. The definition of social security provided by the ILO assumes the beneficiaries of social security policies to be the workers who for several reasons (sickness, pregnancy, invalidity, old age) face a 'stoppage or substantial reduction of earnings'. These workers have contributed during their working lives towards the social security funds with a percentage of their earnings, which would entitle them to maintain their standard of living in the event of the life contingencies listed above.

In developing countries, where the majority of the population is self-employed and the informal sector (where earnings cannot be accurately accounted for) is large, the focus of social protection policies cannot be on workers only. Furthermore, workers in developing countries that can be accurately put into one of the categories listed in the ILO’s definition of social security will not necessarily be those worse-off since they would have been employed in the formal sector where incomes are more regular.
Social security policies implemented in developing countries should be targeted towards the ‘needy’, i.e. the vulnerable groups of the population, which will not have necessarily worked or contributed towards the social security funds. Addressing the needy rather than the workers will guarantee more efficiency within the programmes since financial resources will not be wasted on large scale universal systems. This will have the added advantage of creating better chances for the programmes being politically feasible and not opposed by the more powerful lobby groups.

3.1.3 Who: provision of social security in developing countries

The final point relates to the role of the state and other institutions in the provision of social security in developing countries. The financial constraints faced by most developing countries imply that social security provision should have both civil and public dimensions. Informal arrangements of social protection have indeed played a vital role in developing countries. However, on the one hand, families and communities can be affected by the same risks and thus they are not the ideal suppliers of insurance and socio-economic protection (Burgess and Stern, 1991). On the other hand, traditional forms of family and communal arrangements are disappearing as a consequence of socio-economic modernization and increasing urbanization, while no other form of social organization is replacing the old one (World Bank, 1994). Alternatives ought thus to be found to protect the most vulnerable groups who no longer can depend on extended families or communal links for survival. Publicly provided social protection policies are a natural solution. One strong reason for the involvement of the state in the provision of social protection is the element of uncertainty, which arises from the public good aspect of social security policies. In the presence of a public good, state intervention becomes necessary because it can provide the appropriate incentives and exert the necessary pressure for the provision of the public good. In addition, the state has the obligation of protecting and promoting social, economic and political rights. Financial limitation may make this task quite difficult. However, the state does not have to rely solely on income transfers and traditional forms of social security. As argued above, policies that promote livelihoods and reinforce informal systems of social protection are equally fundamental in the establishment of efficient forms of social protection in developing countries.
The question is then how much is the state willing to intervene in order to provide social protection to vulnerable members of society. Most countries have in place some form of distributional systems governed by an array of fiscal policies. However, social insecurity does not arise exclusively from uncertainty regarding wages and other sources of income. Social and economic insecurity are determined also by the opportunities and choices each individual faces and their ability to voice their needs and demands. In other words, social security policies ought not to be only based on the redistribution of incomes, wealth and assets, but also on the guarantee of equal choices and the redistribution of social and political rights by, for instance, implementing universal primary and secondary schooling and universal access to primary health care and social security benefits, promoting equal access to job opportunities by all groups in the population (women and men, individuals of different cultural backgrounds, etc) and encouraging the establishment of equal rights of access to economic, social, political and legal institutions by vulnerable groups, thus enabling them to voice their need and concerns.

3.2 The Potential Benefits of Social Security in Developing Countries

Social security policies, as defined in the previous section, can have important private and social benefits in developing countries. Adequately targeted policies aimed at protecting individuals and households against socio-economic shocks may improve living standards and strengthen livelihoods. They may also increase the productive capacity of the poor and thus contribute towards the increase of their potential to secure employment, improve their productive capacities and increase incomes. This may, in turn, benefit economic development as a whole since aggregate demand may increase as a result of higher incomes, the human capital capacity of the country will be strengthened and the country may benefit from increased social stability as jobs and incomes become more secure.
3.2.1 Demand Benefits

The poor are typically self-employed or under-employed, poorly organized and, consequently, lack the means to protect their earnings against economic shocks. Lack of physical and financial assets means that poor households will have difficulties in adjusting to external shocks and, consequently, their demand will fall. Given that unemployment tends to affect the poor disproportionately and that they constitute the majority of the population in most developing countries, aggregate demand would be thus strongly affected. It shows that internal demand can change as a response to more equal distributions of income. Increases in the income of the poor will lead to a wealthier middle class, which are ‘the natural consumers of manufactured goods’, implies that an ‘extreme concentration of wealth in the hands of the very rich manifest itself in the demand for handmade and imported luxuries rather than for domestic manufactures, even when farm or export income grows’. Consequently, redistributive policies are likely to induce an increase in private consumption and, consequently, an enlargement of internal markets and higher prospects for economic growth.

3.2.2 Human capital and stability benefits

Social protection policies may also improve the access of adequate health care and education. This, in turn, will affect the ability to access more prosperous life opportunities and increase individuals’ capacity to access better jobs and higher income. It will also generate important social benefits in the form of higher productivity, thus promoting the whole economy by improving its human capital resources. In addition, wealthier, better educated and healthier populations may reduce social discontent, which, in turn, may reduce society’s propensity for crime, violence and other forms of socio-political instability caused by the persistence of poverty amongst certain population groups, job insecurity and other socio-economic risks. The promotion of social and politically stable environments is, in turn, a central element in the success of any economic growth and development process. Thus, social security or protection policies can generate positive externalities on the economic growth process of development economies, in the form of larger internal markets, accumulation of human capital and the creation of stable socio-political environments. This would suggest that social security policies can be an important endogenous
factor in the process of social and economic development and economic growth of developing countries. This endogenous mechanism will be illustrated in the next section for the case of India.

3.3 Social Security Schemes in Developed Countries

3.3.1 United States of America

It was only in 1950 that the social security programme was extended to cover farm and household employees and other persons. Four separate social security programmes provide financial security to American workers and their families. The Old Age and Survivors Insurance (OASI) Programme pays monthly each benefits after a worker retires or dies; the Disability Insurance (DI) programme pays monthly cash benefits after a worker becomes disabled; the Hospital Insurance (HI or Medicare Part A) programme pays for hospital care of the aged and the long-term disabled; and the Supplementary Medical Insurance (SMI or Medicare Part B) programme pays for part of the costs of physician's services, out-patient hospital services, and other related medical and health services, for voluntarily insured, aged and disabled individuals. Health insurance (Medicare) covers persons over 65 years and persons who have been disabled for at least 5 years. The cash benefit provisions of the programmes are designed to replace partially the income that is lost when a worker retires, becomes severely disabled, or dies. Unemployment insurance programmes are designed to provide cash benefits as a matter of right to unemployed workers who fulfill certain eligibility conditions. The workmen's compensation legislation is the first form of insurance designed to provide cash benefits as a matter of right to unemployed workers who fulfill certain eligibility conditions. The workmen's compensation legislation is the first form of insurance designed to provide cash benefits and medical care when a worker is injured in connection with his job and also monetary payments to his survivors if he is killed on the job. Unemployment compensation is administered by each state, with the Federal Government setting standards. The system is financed by a Federal tax on pay rolls and by the Federal Treasury.
3.3.1.1 Supplemental Security Income (SSI)

In the 1970s, SSA became responsible for a new program, Supplemental Security Income (SSI). In the original 1935 Social Security Act, programs were introduced for needy aged and blind individuals. In 1950, needy disabled individuals were added. These three programs were known as the "adult categories" and were administered by State and local governments with partial Federal funding. Over the years, the State programs became more complex and inconsistent, with as many as 1,350 administrative agencies involved and payments varying more than 300 percent from State to State.

In 1969, U.S. President Nixon identified a need to reform these and related welfare programs to "bring reason, order, and purpose into a tangle of overlapping programs." In 1971, Secretary of Health, Education and Welfare, Elliot Richardson, proposed that SSA assume responsibility for the "adult categories." In the Social Security Amendments of 1972, Congress federalized the "adult categories" by creating the SSI program and assigned responsibility of it to SSA.

SSA was chosen to administer the new program because of its reputation for successful administration of the existing social insurance programs. SSA's nationwide network of field offices and large-scale data processing and record-keeping operations also made it the logical choice to perform the major task of converting over 3 million people from State welfare programs to SSI.
The following table-3.1 shows State supplementation income and its growth.

Table: 3.1

SSI Program and its Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Beneficiaries (a)</th>
<th>Dollars (b)</th>
<th>Year</th>
<th>Beneficiaries (c)</th>
<th>Dollars (d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>53,236</td>
<td>$1,278,000</td>
<td>1974</td>
<td>3,996,064</td>
<td>$5,096,813,000</td>
</tr>
<tr>
<td>1938</td>
<td>213,670</td>
<td>$10,478,000</td>
<td>1975</td>
<td>4,314,275</td>
<td>$5,716,072,000</td>
</tr>
<tr>
<td>1939</td>
<td>174,839</td>
<td>$13,896,000</td>
<td>1980</td>
<td>4,142,017</td>
<td>$7,714,640,000</td>
</tr>
<tr>
<td>1940</td>
<td>222,488</td>
<td>$35,000,000</td>
<td>1985</td>
<td>4,138,021</td>
<td>$10,749,938,000</td>
</tr>
<tr>
<td>1950</td>
<td>3,477,243</td>
<td>$961,000,000</td>
<td>1990</td>
<td>4,817,127</td>
<td>$16,132,959,000</td>
</tr>
<tr>
<td>1960</td>
<td>14,844,589</td>
<td>$11,245,000</td>
<td>1991</td>
<td>5,118,470</td>
<td>$17,956,639,000</td>
</tr>
<tr>
<td>1970</td>
<td>26,228,629</td>
<td>$31,863,000</td>
<td>1992</td>
<td>5,566,189</td>
<td>$21,682,410,000</td>
</tr>
<tr>
<td>1980</td>
<td>35,584,955</td>
<td>$120,511,000</td>
<td>1993</td>
<td>5,984,330</td>
<td>$23,991,153,000</td>
</tr>
<tr>
<td>1990</td>
<td>39,832,125</td>
<td>$247,796,000</td>
<td>1994</td>
<td>6,295,786</td>
<td>$25,291,087,000</td>
</tr>
<tr>
<td>1995</td>
<td>43,387,259</td>
<td>$332,533,000</td>
<td>1995</td>
<td>6,514,134</td>
<td>$27,037,280,000</td>
</tr>
<tr>
<td>1996</td>
<td>43,736,836</td>
<td>$347,088,000</td>
<td>1996</td>
<td>6,613,718</td>
<td>$28,252,474,000</td>
</tr>
<tr>
<td>1997</td>
<td>43,971,086</td>
<td>$361,970,000</td>
<td>1997</td>
<td>6,494,985</td>
<td>$28,370,568,000</td>
</tr>
<tr>
<td>1998</td>
<td>44,245,731</td>
<td>$374,990,000</td>
<td>1998</td>
<td>6,566,069</td>
<td>$29,408,208,000</td>
</tr>
<tr>
<td>1999</td>
<td>44,595,624</td>
<td>$385,768,000</td>
<td>1999</td>
<td>6,556,634</td>
<td>$30,106,132,000</td>
</tr>
<tr>
<td>2000</td>
<td>45,414,794</td>
<td>$407,644,000</td>
<td>2000</td>
<td>6,601,686</td>
<td>$30,671,699,000</td>
</tr>
<tr>
<td>2001</td>
<td>45,877,506</td>
<td>$431,949,000</td>
<td>2001</td>
<td>6,688,489</td>
<td>$32,165,856,000</td>
</tr>
<tr>
<td>2002</td>
<td>46,444,317</td>
<td>$453,746,000</td>
<td>2002</td>
<td>6,787,857</td>
<td>$33,718,999,000</td>
</tr>
</tbody>
</table>

U.K. Research Machines plc. 2006

a. Recipients of one-time lump-sum payments.
b. Benefit payments only.
c. Recipients of Federally-administered payments only.
d. Includes both Federal payment and Federally-administered State supplementation payments.

3.3.1.2 SSI Program and Its Growth

From its modest beginnings, Social Security has grown to become an essential facet of modern life. The above table shows that one in seven Americans receives a Social Security benefit, and more than 90 percent of all workers are in jobs covered by Social Security. From 1940, more than 222,000 people received monthly Social Security benefits and more than 44 million people had benefited from this. Social Security has grown steadily. The SSI program has grown as well from its inception in 1974.
3.3.1.3 Social Security Administration (SSA)

The Social Security Board (SSB) was established in 1935 as one of the federal government's "independent agencies." This means that it was not part of a larger cabinet-level organization. In 1939 this status changed when the SSB became part of the new cabinet-level Federal Security Agency. Ultimately, the Social Security Board became the Social Security Administration and it had finally become an operating component of the Department of Health & Human Services.

There are Union-negotiated welfare plans in the system of social security which usually cover health insurance, supplementary benefits for retirees, laid-off employees, and a host of other benefits, financed by the employer. An estimated 40 million employees in the U.S.A. are beneficiaries of private pension and welfare plans. Their rights are protected under the Employee Retirement Income Security Act of 1974. However, it provides improved benefits for retirees above 65 years of age who continue to work.

Throughout the 1980s and 1990s, there was growing bipartisan support for removing SSA from under its departmental umbrella and establishing it as an independent agency. Finally, in 1994 the Social Security Independence and Program Improvements Act of 1994 (P.L. 103-296) was passed unanimously by Congress and, on August 14, 1994, President Bill Clinton signed the act into law.

3.3.2 Germany

The German social insurance system was established as the first comprehensive legislative system for the protection of workers. Wage earners come under compulsory insurance through Wage Earner's Sickness Insurance Act, 1983, the Accident Insurance Act, 1984, and the Invalidity and Old Age Protection Act, 1889. Employers and workers were required to provide against certain contingencies by paying contributions.

The Social security system in Germany is divided into a number of independent branches which together make up the social insurance programme. These branches of social insurance consist of (a) sickness insurance, (b) accident insurance, (c) old-age
pension insurance for wage earners and salaried employees and (d) unemployment insurance.

The statutory sickness insurance system provides benefits in the form of early detection of diseases, sickness benefits, hospital treatment, and care in curative or special establishments, home care, maternity benefits, death grants and benefits for dependants.

The purpose of accident insurance scheme is not limited to providing social insurance cover for the victim of an accident and his dependants but also to prevent occupational accidents. Under the Occupational Safety Act of 1974, employers are required to appoint industrial medical officers and occupational safety specialists. Their duty is to assist the employers in their programmes of health care and prevention of accidents. There is also provision for payment of compensation by the Federal Government for a chosen list of occupational diseases. Occupational diseases are placed on the same footing as employment accidents. The purpose of the statutory pension's insurance system is to maintain, improve and restore the insured person's earning capacity and to provide pensions to insured persons and to his survivors. The National Employment Service is responsible for occupational placement, and vocational counseling. On October 1, 1974, a Rehabilitation Benefits Alignment Act came into force, the purpose of which is to promote rehabilitation of the handicapped by extending certain benefits to them.

3.3.2.1 Bismarck's Social Insurance Movement

The Social Security program that had eventually been adopted in late 1935 relied for its core principles on the concept of "social insurance." Social insurance was a respectable and serious intellectual tradition that began in Europe in the 19th century. It was an expression of European social welfare tradition. It was first adopted in Germany in 1889 at the urging of the famous Chancellor, Otto von Bismarck. Indeed, by the time America adopted social insurance in 1935, there were 34 nations already operating some form of social insurance programme, about 20 of these were contributory programs like Social Security. Philosophically, social insurance emphasized government-sponsored efforts to provide for the economic security of its citizens. The tradition of social insurance would come to be seen as the reasonable,
practical alternative to the radical calls to action represented by Townsend, Long, Sinclair and the others.

Although the definition of social insurance can vary considerably in its particulars, its basic features were: the insurance principle under which a group of persons are “insured” in some way against a defined risk, and a social element which usually means that the program is shaped in part by broader social objectives, rather than being shaped solely by the self-interest of the individual participants. Social insurance coverage can be provided for a number of different types of insured conditions, from disability and death to old-age or unemployment. It find obvious to think of death, disability or unemployment as conditions causing loss of income and which can be ameliorated by pooling of risk. It is at first a little odd to think of old-age or retirement in these same terms. But that is precisely how the early social insurance theorists conceived of retirement, as producing a loss of income due to cessation of work activity.

One of the first American books on social insurance was by a Columbia University economics professor named Henry Seager. Seager explained the principles of old-age security based on social insurance in his book, ‘Social Insurance: A Program of Social Reform’, published in 1910. As changing economic conditions were rendering the dependence of old people on their descendants for support increasingly precarious and on the other hand, new obstacles were arising to provide for old age through voluntary saving. The proper method of safeguarding old age is clearly through some plan of insurance. For every wage earner to attempt to save enough by himself to provide for his old age is needlessly costly. The intelligent course for him is to combine with other wage earners to accumulate a common fund out of which old-age annuities may be paid to those who live long enough to need it.

3.3.3 New Zealand

The New Zealand Act of 1938 was enacted “to provide for the payment of superannuation benefits and of other disabilities arising from age, sickness, widowhood, orphan hood, unemployment, or other exceptional conditions; to provide a system whereby medical and hospital treatment will be made available to persons requiring such treatment; and, further, to provide such other benefits as may be
necessary to maintain and promote the health and general welfare of the community.” Evidently, the New Zealand Act made a very wide claim of coverage of contingencies, which almost guaranteed the citizens all sorts of benefits from cradle to the grave, to be provided by the state. The concept of comprehensive social security introduced in New Zealand found good support in the I.L.O. Recommendations (1944) on income security and medical care and in the Social Security (Minimum Standards Convention, 1952. The Convention divides the field of social security into nine divisions: (1) medical care; (2) sickness benefit; (3) unemployment benefit; (4) old-age benefit; (5) employment injury benefit; (6) family benefit; (7) maternity benefit; (8) invalidity benefit and (9) survivors benefit.

In 1974 a universal ‘no fault’ accident insurance scheme was introduced in New Zealand. The Accident Compensation Act granted earnings-related compensation to employed persons for loss or reduction of earning capacity from any accident regardless of whether or not it is connected with employment. It also covers a sizable proportion of the population who never before had the benefit of accident coverage of any kind. Among these are non-employed persons, housewives, children and students as well as elder people. Visitors to New Zealand also have cover while on New Zealand soil. The Act includes compensation for occupational diseases, but excludes any disability arising from sickness unrelated to employment. The social security scheme has thus drawn a line of demarcation between accident and sickness. The Accident Compensation Commission, established by the Act, is entrusted with paying cash benefits as well as undertaking accident prevention and rehabilitation.

3.3.4 Great Britain

The Workmen’s Compensation Act of 1897 made earnings related compensation, subject to limits, payable to those incapacitated as a result of an injury sustained at particular types of work. Compensation was paid directly by employers. Right to compensation could be established through the courts. By 1906 such compensation was available in most spheres of employment. Two years later, in 1908, the Old Age Pension Act allowed for the provision of a means-tested pension, albeit a small one, to people aged over 70. This was followed in 1911 by the National Insurance Act which introduced compulsory insurance against unemployment for workers in specific industries and against the medical costs and earnings lost by low-paid workers during
periods of sickness. These benefits were available as of right in return for contribution; there was no means test. They were financed by contribution made by those covered, their employers, and an exchequer supplement. The 1934 Unemployment Act introduced a means-tested benefit for those unemployed but not covered by National insurance.

In 1942, a detailed investigation into the existing social security arrangements and suggestions for their reform were published. The main recommendation of the Beveridge Report was that the disorganised system for the provision of social insurance and assistance which existed before the war should be replaced by a unified system. Most of Beveridge's recommendations were incorporated in the 1946 National Insurance (Industrial Injuries) Act. In 1966, the Ministry of Social Security replaced the Ministry of Pensions which got merged in 1968 with the Ministry of Health to create the department of Health and Social Security. In 1971, the Joseph Plan focused attention on retirement pensions and in particular the role that ought to be played by the state at a time when occupational pension schemes were growing in their coverage. In 1971, a new means tested benefit, Family Income Supplement, was introduced. In 1975, the Social Security Pensions Act was passed. The Act requires a review of social security benefits each March in the light of inflation which has occurred and which is expected. The 1980 Social Security Act brought changes in the administration of Supplementary Benefit Scheme. Under the 1982 Social Security and Housing Benefits Act, the system of housing benefits was administratively rationalized from April 1983, and in the first eight weeks of sickness and injury, 'statutory sick pay' is paid in place of existing sickness or injury benefits.

Social security expenditure in the year ending March 1981 totalled 22.4 billion Pounds, around 10 percent of gross national product and 21 percent of total government expenditure. Social security expenditure splits conveniently into two categories, contributory benefits and non-contributory benefits. The principal contributory benefits are retirement pensions, unemployment benefit, invalidity benefit, widow's benefit and sickness benefit. Guardian's allowance, industrial disablement benefit and child benefit are some of the non-contributory benefits.
3.3.5 Japan

Japan was the first Asian Country to establish a comprehensive social insurance system. Health insurance for employees of large corporations was adopted in 1922, followed by national health insurance in 1938, seamen’s insurance in 1939, and employee’s pension programme in 1941. In 1959, with a view to establishing universal medical care and a pension for the whole nation, the national health insurance programme was amended and a national pension programme was introduced to include those not covered by existing health or pension programmes.

Japan has two major programmes for old-age, i.e. survivor and disability insurance. The employee’s pension programme, which is contributory, covers regular wage and salary workers. The national pension programme has a contributory as well as a non-contributory segment. The contributory part of the programme, in turn, has a compulsory and a voluntary part. Besides these, a number of pension programmes also exist for special groups such as civil servants, agricultural workers, seamen, and private school teachers.

The two main health insurance programmes are the compulsory employees’ health insurance plan for workers employed in manufacturing, mining and retail establishments with five or more employees and a national health insurance plan that covers residents not insured as a result of their employment. It is designed to cover the oldest, poorest and the sickest segments of Japanese society.

Japan has had unemployment insurance since 1947. The law was amended in 1975 so that coverage is compulsory for all industrial and commercial firms with more than five employees. Voluntary coverage is available for employees of smaller firms and agricultural workers. The government pays 25 percent of the benefit costs and the entire administrative cost. Employees pay 0.5 percent of earnings; employers pay 0.8 percent of payroll.

3.3.6 Sweden

It is one of the pioneering countries in the field of social insurance. It provided different social insurance benefits to its people under old-age, invalidity and survivors’ insurance, medical care and sickness insurance, industrial injury insurance scheme, unemployment insurance scheme and parents’ cash benefit. The chief
characteristics of the Swedish system are that employers are not required to contribute except for the Industrial Injury Insurance Schemes. The social security schemes in Sweden aim at benefiting the entire nation and not merely gainfully employed persons. Majority of the Swedish employees are covered by the state subsidized Voluntary Unemployment Insurance Scheme. Under the Unemployment Insurance Act of 1973, the unemployment insurance programme is administered by recognized unemployed funds supervised by the Employment Market Board.

Sweden introduced a new Act on employment injury from July 1, 1977. Under the new Act, the pension benefit from the employment injury scheme will cover part of the loss of income not compensated by the general pension scheme. The benefits are designed in principle to put the injured person in the same economic position as if he had not been injured. As regards coverage, every employee is required to be insured according to the Act. The definition of 'work injury' under the Act is very comprehensive and flexible. The Act is based upon the principal that injuries incurred at work constitute grounds for higher compensation for loss of income to other kinds of injuries.

As in the case with some other countries, the statutory social security schemes in India cater only for a small proportion of the population. Even all industrial workers are not covered as smaller establishments and those drawing salaries exceeding certain limits are excluded from the benefits of the various social security programmes. A vast majority of labour force in the unorganized and agricultural sector are beyond the benefits of organized social security schemes.

Social security schemes in many countries around the world have come under increasing pressure in recent years. Some of the pressures are financial, reflecting increasing maturity of the schemes and demographic developments. Others are structural, as schemes adapt to cope with the changing economic and political environment, including rapid inflation, high unemployment and evolving employment patterns. Budgetary pressures may lead to a reappraisal of what can be afforded out of the public purse. Priorities need to be established and resources channeled or targeted appropriately.
3.4 Social security in developing countries

The term 'Social Security' used here is based on ILO Convention No. 102 (1952) which covers the nine branches of Social Security: medical care and benefits addressed to sickness, maternity, invalidity and widowhood. The extent and coverage of formal social security in developing countries suffer from a number of shortcomings.

In the first instance their mere availability varies considerably across contingencies. Work injury benefits are available in most developing countries. Benefits for old age, disability to survivors are also prevalent in fair measure. Availability of schemes covering sickness or maternity is more restricted; even more so are family allowance schemes. Few developing countries provide unemployment benefits.

Secondly, most of the schemes cover only workers in government and quasi-government sectors and workers in organized employment in mining, manufacturing or plantations where the work force is stable, employment is regular and a clear employer-employee nexus exists.

Thirdly, the regional dispersion of formal social security is very uneven in the Third World. It is relatively well developed in the highly urbanized, middle-income countries of Latin America and the Caribbean (LAC) while outside the LAC region (with few exceptions) its availability is very restricted.

Fourthly, formal social security systems are malfunctional in several ways. Evasion of employer liabilities is widespread (e.g. for work injury and maternity). The regular and timely collection of contributions from the insured and their employers is not easy. Provident funds do not provide adequate retirement benefits. Administrative overheads are high. Disbursement is delayed and is subject to cumbersome procedures. Many schemes have also run into actuarial and fiscal imbalances.

3.4.1 Social security appropriate to developing countries

The negative conclusion that developing countries cannot rely on the formal model alone for social security provision implies in essence that social security in poor countries will have to be viewed as part of and fully integrated with anti-poverty policies with such policies themselves being broadly conceived in view of the complex, multi-dimensional nature of poverty and deprivation. In a content of
massive and persistent poverty the concept of social security has to extend considerably beyond the conventional social insurance model and encompass a large measure of social assistance. The conceptual problem is to situate an operationally useful notion for social security i.e., one that is neither excessively specific (as in the formal model) nor excessive general within a comprehensive anti-poverty approach. From the standpoint, a categorization of the instruments consider relevant for poverty alleviation may be useful. There are three broad categories. Firstly, promotional measures that aims to improve endowments, exchange entitlements, real incomes and social consumption. Secondly, preventive measures that seek more directly to avert deprivation in specific ways. Thirdly, protective (or safety-nets) measures that is yet more specific in their objective of guaranteeing relief from deprivation.

This is taxonomy with overlapping categories. Work programmes, for instance promote employment; they can also be seen as preventing unemployment. Health care promotes well being: it may also prevent sickness. The value of these categories does not, therefore, lie in their being clear cut or mutually exclusive. My purpose is rather to suggest a gradation of measures that proceed, like a set of concentric circles from wider to narrower domains of specificity, while recognizing that all three types of measures are called for. The outer circle of promotional measures would include the whole array of macro-economic, sectoral and institutional measures of major importance for poverty reduction, operating at the macro and meso levels. Though oriented towards the poor, they may not be confined to them or addressed specifically to the prevention of actual types of deprivation. The middle circle would consist of what have come to be known as asset redistribution, employment creation, and food security. The inner circle would contain specific measures from the relief from or protection against deprivation to the extent that the latter is not or cannot be averted through promotional and preventive approaches. This visualization helps clarify several questions.

The first, is that social security provision in developing countries requires a multiple approach.

The second, arises from the residual nature of safety nets; poverty must be alleviated as much as possible by the outer circles of promotional and preventive measures so that the burden on safety nets can be lessened.

Thirdly, safety nets must indeed act as the last resort as regards any entitlements.
Using this frame one can appropriately limit the following discussion to the set of preventive and protective measures most relevant for social security provision in developing countries. Broadly these include:

(a) measures to provide assets  
(b) measures to improve exchange entitlements  
(c) specifically protective, safety-nets measures.

As well as identifying the programmes involved. It is necessary to assess their effectiveness in terms of quantifiable indicators. The limitations of data being what they are, any such attempt will be crude but it can be useful in broadly differentiating between the sheep and the goats. In this spirit, I have used five broad indicators wherever, and to the extent, possible.

The first, is the coverage ratio that is simply the coverage in a specific programme of the contingency or need to which it is purportedly addressed. The coverage depends both on the budgetary outlay and the take-up by intended beneficiaries.

Secondly, the transfer efficiency, which is the proportion of likely not benefits to one unit of gross expenditure, after allowing for programme and administrative overheads, administrative leakages and any other offset. Thirdly, the targeting efficiency, which is the proportion of the transfer that reaches its target group after allowing for the share going to those outside the target group either explicitly (as in universal schemes) or because of leakages. This is equivalent to the concept of vertical targeting efficiency.

Fourth, is the benefit cost ratio, which is the product of transfer efficiency and targeting efficiency. It seeks to indicate how much the target group is likely to benefit in the final outcome from one unit of expenditure.

Fifth, is impact efficiency, which is the product of the coverage ratio and the benefit cost ratio. At the broadest indicator it gives an idea of the overall impact of any specific programme after taking into account outlay and take-up vertical and horizontal efficiencies, and overheads and leakages.

Two caveats are necessary in respect of the scope of this article. The more important schemes are discussed at some length in preference to comprehensive coverage. Several important aspects of social security have been omitted. Famine prevention and famine relief, because the subject has been definitively dealt by Dreze and Sen.
Another type of extraordinary deprivation is that caused by wars. A subject on which not much light has been cast. The meeting of basic needs, especially in healthcare and education, is vital to social security; the literature on this is extensive and easily accessible. Besides as far as the poor are concerned, the measures involved are largely promotional, while the focus of this article is one protection. Social security under conditions of structural adjustment has been the subject of much recent discussion: here again there is adequate and accessible literature. Further some structural adjustment only accentuates the need for social security and does not basically alter the type of protection required. Finally, there is traditional, informal and familial social security, on which again the literature is good though mostly anthropological.

The second caveat relates to the fact that for reasons of space much of the empirical material relied upon comes from India. India has a very large weight among developing countries both population (about 20%) and in rural poverty (about 30%). Secondly Indian programmes for social security provision have operated on a fairly long period, have encompassed a variety of interventions, and have attracted a considerable evaluative literature. As such, they can potentially provide models for other low income countries.

With this clarification of the scope and with these caveats in mind, we turn to the examinations of the most salient programmes for social security provision in developing countries.

One of the most striking features of social security is its rapid progress and improvement throughout the world. As a mechanism for meeting human needs, social security programmes have achieved near universal acceptance. Nations with widely differing political, economic and social settings have made these programmes available to their people. Even among the newest of the emerging countries and among those with the least economic development, it is a rate nation which does not have at least one social security programme in operation. Extension of coverage; higher levels of benefits; new benefits for less privileged sections; and innovative benefit provisions are the highlights of recent developments. However, the problem of limited coverage has become a matter of concern to social security policy-makers, who recognize that the exclusion of ordinary people from modern forms of social protection is undesirable. Further, there is absence of comprehensive social security policies which can co-ordinate different schemes and ensure that their various
objectives are complementary. Inspite of certain draw-backs, social security schemes can contribute towards social protection if they are adequately supported with resources, carefully designed to meet local needs, and integrated into a national policy committed to providing adequate social protection to the excluded majority.