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ASSISTANCE PROGRAMS FOR FAMILIES IN FOREIGN COUNTRIES

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RUSSELL B. LONG, *Chairman*



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(II)

CONTENTS

	Page
Introduction.....	1
United States.....	3
Canada.....	4
Denmark.....	4
Finland.....	5
France.....	5
Great Britain.....	6
Ireland.....	7
Japan.....	7
Sweden.....	8
Uruguay.....	8

(Clerk's Note: In connection with its consideration of H.R. 1, the Administration's welfare expansion—social security revision bill, the Committee requested that the staff compile summaries of welfare systems in foreign countries. Unfortunately, there is little current reference material with respect to foreign assistance programs obtainable in this country. However, from sources that are available a general review of welfare systems of several countries, including the United States, is presented in this pamphlet.

Much of the credit for the research involved in this work goes to Joseph Humphreys of the Education and Public Welfare Division of the Congressional Research Service of the Library of Congress.)

FOREIGN PUBLIC ASSISTANCE PROGRAMS FOR FAMILIES

Introduction

Virtually all major nations have a variety of government programs directly aimed at the prevention and/or alleviation of economic dependency among individuals and families. These programs are frequently classified into two overall categories: social insurance programs and public assistance programs.

Social insurance programs are sometimes defined as those aimed at helping the population generally (or that segment of the population which is "insured") to meet the economic consequences of certain specific situations such as retirement, disability, unemployment, or the rearing of children. (The "social insurance" designation is sometimes limited to programs requiring eligible individuals to contribute to the program's financing through earmarked payroll taxes, with programs providing benefits financed entirely from general revenues but without a means test being categorized as "public service" programs. For the purposes of this print both types of programs are designated as social insurance.)

Public assistance programs, by contrast, are designed not for the population generally (or an "insured" segment of the population) but only for those who are in fact needy as measured by some sort of means test.

The term "welfare" is, at times, used in a narrow sense to refer only to public assistance programs based on demonstrated need, but the scope of a nation's welfare policy cannot really be measured without looking at both social insurance and public assistance programs since the size and comprehensiveness of social insurance is a major determinant of the extent to which public assistance programs may be needed. For example, in Uruguay a nondisabled man who is unemployed can begin receiving benefits under the retirement insurance (social security) program as early as age 40. In the United States, an individual in similar circumstances could not qualify for social security benefits until he reached the age of 62 and might, consequently, become a recipient of public assistance under a State general assistance program or, perhaps, under the unemployed fathers segment of the Aid to Families with Dependent Children (AFDC) program.

In the case of government welfare policy for families with children, the social insurance program having the most direct and significant impact is the children's (or family) allowance program. Most nations—not including the United States—have some form of children's allowance program. Typically, a children's allowance is paid to families with children in an amount which varies according to the number (and sometimes the ages) of the children but without regard to the family income.

The following sections of this print give brief descriptions of certain aspects of family welfare programs in various foreign nations. In every instance, information is given with reference to the basic children's allowance program (if any). Information concerning the public assistance programs for families is also provided to the extent it was available.

Although the methods and experience of other countries in providing public assistance for needy families would seem likely to be a valuable source of information (attainable at less cost and possibly with a greater degree of validity than the information which may be expected from some of the income maintenance experiments now being conducted by various Federal agencies), there has apparently been no attempt made by the Department of Health, Education, and Welfare or other Administration agencies to study and report on these foreign public assistance programs in any systematic way. (By contrast, a continually revised study of foreign social insurance programs is published periodically by the Social Security Administration.)

In the absence of any such definitive study of foreign public assistance programs, this print relies on various publications such as annual reports of national welfare departments, pamphlets, United Nations documents, and miscellaneous reports. As a result, the descriptions given are far more detailed for some countries than for others. Also, the information presented may be out of date—by as much as several years in some cases. Where monetary amounts are shown, they have been converted into U.S. dollars in accord with current exchange rates.

As a basis for understanding the welfare systems of foreign countries, the welfare system of the United States is summarized first in this pamphlet. This will provide the reader with a basis for comparing foreign systems with our own.

UNITED STATES

Children's Allowance Program

The United States does not have a children's allowance program.

Assistance For Families Provided on the Basis of Need

The primary program providing assistance to families on the basis of need in the United States is Aid to Families with Dependent Children (AFDC). This program is established under a Federal statute which sets certain basic requirements and provides for Federal funding of a portion (50 to 83 percent) of the costs involved. The administration of the program, however, and the establishment of many of the conditions of eligibility including the level of assistance is left to the individual States. For a family of four with no other income, the basic AFDC payment ranges from \$60 to \$335 per month. (Because certain types and amounts of other income are not taken into account in determining need, families with incomes above these levels could still be eligible for some AFDC payment. In many States families with monthly earnings above \$400 would get assistance and in one State the family's assistance payment would not be eliminated until its earnings reached \$630.)

Eligibility for AFDC is limited to families with children in which at least one parent is dead, disabled, or absent from the home. At their option, States may also cover families in which the father is present but unemployed; such families are now covered in 23 States and the District of Columbia. In addition, a few States have major assistance programs not receiving any Federal funding for low-income families in which the father is present and fully employed. Other States provide some assistance for such families on a more limited basis.

The United States also has two Federally funded programs providing assistance in the form of food to low-income families and individuals. One of these, the commodity distribution program, provides food directly; the other, the food stamp program, provides coupons which the family may use to purchase food in regular food markets. Under the food stamp program, the family must spend a part of its income to purchase these coupons. The purchase price varies with the amount of income the family has. For a family of four with no other income, the difference between the purchase price and the value of the coupons is \$108. For a family of four with income of \$200 per month, the difference between the purchase price and the value of the coupons is \$55. The commodity distribution and food stamp programs are open both to public assistance recipients and to other persons of low income. In general, both types of food programs may not operate simultaneously in the same locality, and a household participating in one of the two food programs may not participate in the other.

CANADA

Children's Allowance Program

In Canada an allowance is payable at a rate of \$6 per month for each child under age 10, \$8 per month for each child aged 10 to 15, and \$10 per month for each child aged 16 or 17 and in school. These allowances are financed entirely from general revenues and are payable without regard to family income.

Assistance For Families Provided on the Basis of Need

Need-related assistance in Canada is provided under a system somewhat comparable to that of the United States. The Federal Government provides matching funds at a rate of 50 percent for assistance furnished by the Provinces to needy families to enable them to obtain their basic requirements such as food, clothing, shelter, and household supplies. Matching is also available for some special needs and for certain types of health care. Federal requirements prohibit durational residency requirements, but otherwise leave the Provinces free to establish the precise conditions of eligibility and the level of assistance to be furnished.

In 1970, the Canadian Government proposed that the system of universal children's allowances for children under age 16 be replaced with a system of larger allowances payable only to families with lower incomes. Under the proposal, families with incomes of \$4,500 per year or less would get family allowances at a rate of \$16 per month per child. For families with higher incomes the allowances would be reduced according to a schedule which would eliminate the allowances altogether for families with annual incomes in excess of \$10,000. This proposal has apparently not yet become effective.

DENMARK

Children's Allowance Program

In Denmark allowances are payable to all families with children at a rate of about \$11 per month per child. Payments are financed from general revenues and are payable without regard to need. The amount of the allowances, however, may be increased by 50 percent in special difficult circumstances.

Assistance For Families Provided on the Basis of Need

In general, local communities are required to provide assistance to those individuals and families who are unable to obtain enough to live on through their own work or from other sources. The extent of assistance and the type of assistance, in cash or in kind, is determined locally on a case-by-case basis. As of 1953, persons getting such assistance were disenfranchised for both local and national elections, but this restriction has now been repealed. There is also a special provision covering those families in which the father does not fulfill his support obligations. Under this provision—as in effect in 1953—the family receives a maintenance advance equal to three-fifths of what the decent upkeep of the children would cost in a good home in the locality. This amount is generally equal to the support required of the absent parent and, if it is not recovered from him, it is considered as assistance provided to him.

FINLAND

Children's Allowance Program

In Finland, every family with children receives an allowance at a rate of approximately \$4 per month for the first child, \$5 per month for the second, and \$6 for each child in excess of two. These allowances are paid without regard to need and are financed partly from general revenues and partly from a payroll tax imposed upon employers at a rate of 3.5% of payroll.

Other Family Benefits

The basic children's allowance is supplemented by a series of special allowances payable under specific conditions. There is a special allowance for orphans living with one parent and a special allowance for children who live in a family in which the father or mother is on pension. There is also a special allowance payable for illegitimate children if it has not been possible to get support from the father and if the family's income is below a specified level. This allowance is funded by the national government but is payable at the discretion of the locality.

There is also a modest annual allowance for families with 4 or more children (2 or more if the principal provider is dead or disabled). This allowance provides for the fourth child and each additional child a yearly grant of about \$16. This grant is provided in kind, usually in the form of beds, bed clothes, or items necessary for home repairs.

Finland also has an unemployment assistance program for persons who are not covered under the unemployment insurance program. To obtain benefits an individual must be registered for work and in need of economic support and there must be no jobs available.

In addition to the national allowance programs, local governments ("communes") are required to provide (from funds raised by local taxation) "maintenance and care according to need for anyone who is unable to obtain it by his own work, property, or other resource or from another person." In principle, any such aid constitutes a loan which must be repaid by the recipient or by the person who is responsible for his support. In practice, an attempt is made to recover only about 5 percent of the aid provided. In cases of gross neglect of support responsibility, however, individuals are placed in work-houses and required to work off the aid furnished to their families.

FRANCE

Children's Allowance Program

In France, allowances are payable, without regard to need, to families having at least 2 children. In 1967, the allowances were approximately \$14 per month for the second child, and \$21 per month for each additional child with additional amounts payable for children over age 10.

French family allowances are financed by a payroll tax on employers (11.5% of payroll up to \$264 per month), but eligibility extends to the families of social insurance beneficiaries and of persons for whom work is not possible in addition to the families of gainfully employed persons.

Assistance For Families Provided on the Basis of Need

Unemployed persons who have been regularly employed (at least 150 days in the past year) but do not qualify for unemployment insurance may be paid unemployment assistance if the family income is below specified limits. The amount of this assistance is approximately \$1.20 per day with an additional \$.50 daily for a dependent wife.

Another source of assistance for low-income families is payable in the form of supplemental allowances. These are paid out of the family allowance funds but are designed to meet certain specific needs of families of limited means. For example, these funds may be used to assist such families with housing, education, or vacations. There is also a special allowance payable to low-income families with one or more children if there is only one wage earner in the family.

In addition to the basic and supplemental family allowances and to unemployment assistance, France also has general public assistance programs which are viewed as residual programs and are operated at the local level.

GREAT BRITAIN

Children's Allowance Program

In Great Britain, allowances are payable to each family with 2 or more children. The amount of these allowances is about \$2.35 per week for the second child and about \$2.60 per week for every child in excess of two. The allowances are financed from general revenues. They are paid without regard to need, but they constitute taxable income to the family. Payment is made by issuing the family a book of allowance orders which must be cashed weekly at the post office.

Assistance For Families Provided on the Basis of Need

Great Britain has two programs which provide assistance to families on the basis of need: supplementary allowances payable for families headed by persons who are not employed full-time and family income supplements for low-income families headed by a person who is fully employed.

The supplementary allowance program provides assistance to anyone age 16 or over (including persons without children) who is not employed full-time and who is needy in accord with specified standards. For a married couple, the level of need is set at approximately \$20 per week plus an allowance for rent and additional amounts for children. There are also provisions for meeting special needs. Assistance may not be provided, however, in an amount which would raise the family's income above the level it would normally enjoy if the head of the family were employed.

In determining the amount of assistance under the supplementary allowance program, earnings from part-time employment are disregarded up to about \$5 weekly. Payments made to an able-bodied man of working age may be subject to a requirement that he register for employment, and for those so registered the allowance payments are made on a book of orders which must be cashed weekly at the employment exchange. (Families not registered for work get their weekly payment at the post office.) The administering agency has the authority to increase, reduce, or withhold benefits under "exceptional circumstances," and this authority is apparently used to penalize individuals who refuse work without cause.

The family income supplement is a new type of benefit which became effective during 1971. It is payable only to families which are headed by an individual who is employed full-time and which include at least one child. Payments are based on an income standard of approximately \$47 per week plus \$5 for each child in excess of one. (For a family with 2 adults and 2 children, this standard is about \$2,700 per year.) The family receives a payment equal to one-half of the amount by which its income falls short of the income standard. No family, regardless of size or income, however, may get more than about \$10 per week.

IRELAND

Children's Allowance Program

In Ireland, every family with one or more children receives an allowance at a rate of approximately \$1.30 per month for the first child, \$3.90 per month for the second; and \$5.20 per month for each child in excess of three. Double allowances are payable for children who are triplets or quadruplets. These allowances are financed entirely from general revenues and are payable without regard to family income.

Assistance For Families Provided on the Basis of Need

Ireland has a number of programs under which a needy family may qualify for assistance. There is a special assistance program which provides benefits for needy widows. Under this program a widow with no other income gets a weekly allowance of about \$8.30 plus \$1.60 each for the first and second child and \$1 for each additional child. (For a widow with 3 children this would be \$650 on an annual basis.) The widow's allowances are reduced if she has other sources of income; however, she may earn up to about \$102 per year without any reduction in the allowances and any amounts payable under the basic children's allowance program are not taken into account. A similar special assistance program provides for needy children with both parents deceased.

Assistance is also provided for the families of unemployed persons who are not entitled to benefits under the unemployment insurance program. The amount of assistance for a family of four with no other income would be about \$16 dollars per week. (This amount would be reduced if the family had other income except that, in determining the amount of unemployment assistance, any payments under the basic children's allowance program are disregarded.)

Ireland also has a program called "home assistance" for those who are unable, by their own industry or other lawful means, to provide the necessities of life for themselves and their dependents. Except in cases of permanent infirmity, grants under this program are made for only one month at a time.

JAPAN

Children's Allowance Program

Japan does not have a family allowance system of general applicability. There is, however, a limited system covering government employees.

Assistance For Families Provided on the Basis of Need

The Japanese constitution makes the government responsible to see that all people shall have a minimum standard of living and shall be

eligible for assistance if in need. In carrying out this requirement, Japan has developed a number of assistance programs for families with children. These programs are divided into two general categories: programs for "fatherless families" and programs for "marginal income families."

The assistance programs for fatherless families appear to be directed primarily toward serving families headed by a widow. These programs include aid for education, housing, and food and nursing. Widows and unmarried mothers are given priority in employment services and may qualify for low-interest loans to help in preparing for employment or obtaining an education. There is also a child-rearing allowance which is given to low-income widows in accord with the number of their children. This allowance is also available to unmarried mothers.

Assistance programs for "marginal income families" include rehabilitation funds which provide loans to enable the head of a family to get started in a new job, to undertake training, or to subsist during a period of illness. Low-income families also may obtain loans at modest interest rates through a system of public pawnshops. Still another assistance program makes it possible for the heads of marginal income families to obtain vocational skills and a steady income by working in government-operated sheltered workshops.

SWEDEN

Children's Allowance Program

In Sweden all residents with one or more children receive an allowance at a rate of about \$16 per month per child. The allowances are financed entirely from general revenues and are paid to families in quarterly installments. There is no needs test or other eligibility requirement. Special additional allowances are payable for certain categories of children such as orphans.

Other Family Benefits

Sweden provides a variety of benefits and subsidies for families with children in such areas as free obstetric care, bonuses upon the birth of children, loans for establishing households, rent contributions, and child care services. Some of these benefits (rent contributions, for example) are available on an income-related basis. Public assistance as such, however, is apparently limited to relatively unusual instances of indigency. (In 1962 public assistance expenditures in Sweden totaled \$31 million as compared with \$335 million for family allowances and \$662 million for old-age and disability insurance benefits.)

The development of programs to aid families in Sweden is thought to rest heavily on a concern over a declining birth rate in the 1930's.

URUGUAY

Children's Allowance Programs

Unlike the children's allowance programs of many countries, those of Uruguay are not payable to all families, but only to those with lower incomes. The programs are financed by mandatory contributions by employers equal to about 5 percent of payroll. These contributions are paid into family allotment funds which are managed either by an employee union alone or by employer and employees together. The

funds are under the general supervision of a Central Council. Eligibility for allowances usually depends upon steady employment and membership in a union or company trust fund and is restricted to families with income below a specified level.

Uruguay operates a special family allowance program for government employees including those who work in a large variety of publicly owned industries such as electricity, transportation, mortgage banking, fishing, oil refining, etc. Under this program families get a monthly allowance of 6,000 pesos (equivalent to about \$24 in 1970 and about half that at present) plus 3,000 pesos (equivalent in 1970 to about \$12) for each child.

As an encouragement to family stability, Uruguay requires individuals to legally recognize their support responsibility for children born out of wedlock in order to claim a family allowance for them. Also, a one-time bonus is paid to individuals who marry.

(Clerk's Note: The welfare system in Uruguay has been described as the most fully developed in the Western Hemisphere and Uruguay has been called a "model welfare state." The impact of the welfare culture on the Uruguayan economy is described in a paper entitled "Family Allowances—The Uruguayan Experience" by Arthur F. Corwin of the History Department of the University of Connecticut. Mr. Corwin presents the following conclusions with respect to the Uruguayan experience with a welfare economy:)

"Today the welfare state in Uruguay is inefficient, underfunded and over extended. 'Deserving citizens' are forced to go hat in hand before the government, the major employer and the pacesetter for social services, to lobby for subsidies. In Uruguay today, 'they also serve who only stand and wait.' Pensioners and dependents are frequently frustrated by protracted delays, caused by a labyrinthine system of red tape and overlapping bureaucratic procedures for determining eligibility, a problem no welfare system has dispensed with. Given Uruguay's population of about 3 million it seems incredible that in 1968 there were nearly 240,000 government employees, 332,000 pensioners, 120,000 unemployed, and 70% of the children on family allotments. The figure for pensioners is partially explained by the fact that in the recent past it was possible to retire at full pay at the age of 50 if one were in the 'public service.' The result of all this seems to be that as inflation and devaluation take their course any increase in family benefits becomes like a desperate leap to catch up with the deteriorating purchasing power of the peso and previously deferred raises in salary."

* * * * *

"In 1943 when family allowances were inaugurated in Uruguay there was a rush to legitimize children through registration or subsequent marriage, yet 'the percentage of illegitimate births continues much as before.'"

* * * * *

“Since the first serious study of *Utopia in Uruguay* done in the 1930’s by Simon G. Hanson the combination of social democracy, unionism, and bureaucratic management of the economy have brought a progressive little nation to a progressive condition of social stagnation and virtual bankruptcy. Since 1950 the value of Uruguayan exports, mainly wool and meat products, have steadily declined (in part due to world market conditions), while import costs have steadily increased. Uruguay now faces further devaluations and a huge external debt. It is currently famous for ‘Tupamaros’ who have established a model of urban guerrilla warfare in Montevideo. Mounted police herd revolutionary youth off the main streets of the welfare capital, the government struggles to maintain wage and price controls and speaks endlessly of ‘a time for sacrifices.’ ”

