DEPARTMENT OF SOCIAL SECURITY

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DELIVERING SOCIAL SECURITY:
A CROSS-NATIONAL STUDY

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A report of research carried out by the
Department of Government at Brunel University
on behalf of the Department of Social Security

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v
This report examines the delivery and governance of statutory cash benefits in Denmark, France, Germany, the Netherlands and the USA.

The delivery process is traced in each country in four illustrative situations which cover benefits for those of pension age, for people who are incapacitated, unemployed or lone parents. Details are given of how and where claims are initiated, the nature and treatment of any evidence required and the means by which it is verified, the personnel involved in making decisions on claims, how payments are made and reviewed, and the routes to exit from benefit.

Delivery is located within a structure for determining and operationalising benefit policy, budgeting for benefit expenditure and administrative costs, and auditing and monitoring performance. The assignment of these powers, tasks and resources constitutes the structure of `governance' of benefits. The institutions involved in policy, operations, delivery and monitoring, and their relationship to each other, are described for each of the countries in this study.

A synoptic report brings together the material from all the countries. It analyses the delivery processes under a number of headings including: points of entry into the system, satisfaction of evidentiary demands of initial claims for benefits, decisions on claims, methods of payment, review of eligibility and entitlement, and monitoring of delivery performance. The discussion is illustrated by findings from the countries.

The performance of each country's delivery system is affected by the objectives, controls and incentives established by the governance structure of the system. The discussion of governance in this study focuses on decentralisation and devolution. The extent to which various functions are devolved in different systems is compared, taking the British system of executive agencies as a point of reference. The two main types of institution involved in social security administration in the countries covered in this study are sub-national governments and social partner institutions. A distinction is drawn between decentralisation within an organisation and devolution to independent bodies, which are created and sustained by a membership or constituency to act in accordance with their preferences and choices. Devolution raises issues about accountability. Control by central government may come into conflict with the preferences of the local electorate or other constituencies.
One of the main issues in the governance of social security is to align the exercise of powers to affect programme expenditure with financial responsibility. We present a framework for analysing the assignment of financial responsibility in terms of the shares of marginal costs and total costs met by the administering institution. Different benefits in different countries can be found at almost all possible locations in terms of this framework, but some locations are problematic. In particular, there are problems with devolving responsibility for marginal costs if the administering institution meets only a small proportion of total costs. This suggests that devolution will be most successful where the administering institution has some independent financial capacity, but it also means that central government has to tolerate some loss of control, arising from the institution’s accountability to contributors or local taxpayers.
We are very grateful for the help given by our country counterparts in Denmark, France, Germany, the Netherlands and the USA. Although they are not responsible for what is written in this report, the country accounts in the second part of this volume rely extensively on the dialogue we had with them and on the comprehensive written information they sent us. Our thanks, therefore, to:

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and carefully replied to our further quests for information with which we troubled them after our return. We are most grateful to them all.

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OBJECTIVES OF THE RESEARCH AND OUTLINE OF THE REPORT

We were commissioned in March 1995, by the Department of Social Security on behalf of the Benefits Agency (BA), to undertake a comparison of benefit delivery systems in five selected countries and to report on the study a year later.

The BA’s immediate concerns were to discover what might be learned from a cross-national investigation of structure and process. In particular, the Agency was interested in other countries’ use of information technology; in means of preventing benefit abuse; in the development of ‘one-stop’ services; in ways of ensuring that benefits were paid to those for whom they were intended; and in active ways of encouraging self-sufficiency.

More broadly, there was a recognition that the research could fill a marked gap in the available information about other countries’ cash benefit systems. Comparative research in this field has made advances in analysing the development and nature of the benefits provided and their comparative and relative values (recent examples are Baldwin, 1990; Bolderson and Mabbett, 1995; Mitchell, 1991; Eardley et al., 1996a, 1996b; Esping-Andersen, 1990) but there has been little work on the governance of benefits or on the organisations which deliver them. The study was therefore also guided by a more general quest to understand which features of different institutional arrangements significantly affect the processes of delivery.

In the delivery process, decisions are made about who is eligible and entitled to particular benefits. Rules, which have varying degrees of legal force, and internal instructions are intended to guide how these determinations are made. The determinations may have to be supported by evidentiary requirements which can range from ‘hard’ data about a person to ‘soft’ information about his or her behaviour. Verification of the evidence may or may not be mandatory and methods may be used which are highly individualised and personal (such as home visits) or systematised and impersonal (such as data matching or exchange by electronic methods). The
personnel involved in these processes may be professionals or officials -
expert, specialist or generalist - and their work is likely to be checked or
controlled by different political, administrative and legal bodies.

The delivery process is located within a structure for determining and
operationalising benefit policy, budgeting for benefit expenditure and
administrative costs, and auditing and monitoring performance. These tasks
may be assigned to a variety of institutions. Finance for benefits may be
raised from hypothecated contributions or local taxes, or allocated from
general government revenue by a variety of formulae. The assignment of
powers, tasks and resources constitutes the structure of “governance” of the
benefit system.

Format of the report
The research examines and compares the governance and delivery of benefits
in five countries: Denmark, France, Germany, the Netherlands and the
USA. Part I, Chapters 1-4, forms the synoptic report and

• describes the approach to the research and the methods of inquiry
  (Chapter 1)

• identifies and explains similarities and differences in delivery processes in
  the five countries (Chapter 2)

• analyses the effect of different patterns of decentralisation and devolution
  on accountability (Chapter 3)

• discusses the different financial structures which are found in devolved
  social security systems (Chapter 4).

Detailed country reports are given in Part II, Chapters 5-9. A glossary of
abbreviations, acronyms and translations is provided.

The approach to the research
The five countries were selected because they had markedly different
arrangements for the provision of cash benefits. To illustrate briefly:

© Denmark was seen as important since nearly all its benefits, including its
age pension, were administered by local authorities.

Germany featured numerous self-administered, independent or quasi-
independent organisations in an institutionally fragmented but
functionally integrated system.

• An interesting aspect of the French system was that it had a relatively new
  social assistance benefit, which, uniquely in continental Europe, was a
  central government scheme. However, delivery was by local and quasi-
independent agencies.

© The Netherlands were undergoing changes which appeared to have
implications for the future role of the social partners, for selective
privatisation and for market operations.
The USA was of interest *inter alia* because of the coexistence of national programmes with State and lower-level initiatives which were likely to raise issues around the setting of national guidelines and management of regional variation in administration.

None of the countries had the unitary, centralist system of social security familiar in the UK.

Delivery was of particular interest to the BA in relation to benefits for job-seekers, lone parents and people who were in work on a low income. Countries used different combinations of benefit to meet these situations. Benefits for the long-term unemployed, for example, may include most, some or hardly any of the following: extended unemployment insurance, a follow-up means-tested unemployment benefit, an unemployment benefit which was part of the residual assistance scheme, or the residual assistance scheme itself or some form of it. The benefits paid to lone parents may include benefits also paid to other parents (categorical child/educational benefits, which may be either universal or means-tested), benefits specifically designed for the category of lone parenthood (usually means-tested, but not always), and/or non-categorical assistance benefits of last resort.

Because different countries’ systems used different benefits and combinations of benefits to deal with situations like unemployment or lone parenthood, it may be misleading to compare specific benefits across countries. In this study we have aimed to ensure that each benefit is placed in context by examining delivery processes relating to situations rather than benefits. In each country report we have described the paths through the system which may be taken by people in four illustrative situations. The situations were specified in a very general way so that they could be standardised across the countries, even when the relevant benefits or combination of benefits were widely different in the countries. The four illustrative situations or ‘exemplars’ were:

1. an insufficient age pension
2. incapacity
3. unemployment
4. lone parenthood.

There were several reasons for not focusing solely on unemployment and lone parenthood. First, issues around long-term dependency on benefit arise in the case of incapacity as well as unemployment and lone parenthood. The description of the delivery process was divided into entry, review and, where appropriate, exit stages in order to highlight the ways in which the institutions involved aimed to facilitate movement off benefit. Second, the boundaries between the categories of lone parenthood and unemployment, and between unemployment, disability and old age (given the possibility of early retirement), were not always self-evident. For example, different countries used different strategies to deal with the rise in long-term...
unemployment among older workers from declining industrial sectors. We were interested in problems of coordination between institutions which arose when category membership was not clear.

Other coordination problems can arise when there is a possibility of multiple benefits having to be claimed. The case of insufficient age pension was important in this context. In some countries supplementary assistance was delivered along with the main pension, while in others different components of support were separately provided by different agencies, presenting issues of policy coordination, transfer of information and ensuring access for those entitled.

Finally, the four exemplars allowed us to see a wide range of delivery processes in action, from highly automated provision to lengthy interviewing and in-depth personal enquiries. By tracing through four major situations leading to receipt of benefits, we were able to get an overview of most of the benefit system.

The research focused on the administration of cash benefits, but there were some omissions. Among the main institutions left out of the picture were those concerned with industrial injuries. Moreover, allowances provided by the tax system were excluded, as were benefits specifically tied to housing or health care. The focus was on cash benefits not tied to particular expenditures; the only exception to this was Food Stamps. The Food Stamp system was included because it occupies a role in the US welfare system which in other countries was taken by cash benefits.

Distinct cash benefits for those in work and earning low wages (such as Family Credit in the UK) did not exist in any of the countries in this study except for the Earned Income Tax Credit (EITC) in the USA. The EITC was not included in the study because it was administered by the tax authorities. Other insights into the benefit position of low-wage earners were, however, obtained in the course of examining measures to promote exit from benefit. Some benefits provided earnings disregards (although the primary purpose of the benefit was to provide for those not working), while others allowed for benefits to be claimed while participating in job creation schemes. Another approach, adopted on an ad hoc basis in some cases, was to allow benefits to be converted into subsidies to employers.

The process of delivery refers to the interactions between users and provider institutions; between the institutions themselves; and between levels and functions within the institutions.

In practice, the approach to the research as described above had the following consequences:

The illustrative cases were deliberately not further detailed, in contrast to the practice in the use of the ‘profile’ method (see, for example, Bolderson and Mabbett, 1991; Bradshaw et al, 1993) where characteristics of
recipients were pre-determined in order to ascertain the level of benefits to which people specified by age, work history, family composition, etc., were entitled in different countries. As this study sought to identify all possible routes through delivery for each situation, such profile specifications would have prejudged the routes to be charted. Some knowledge of benefit rules was needed in order to understand what evidence was required, and what processes and calculations had to be undertaken, but a detailed examination of the entitlement conditions applying to the different illustrative cases was avoided.

To help highlight tasks and stages in the process early on in the research, charts were drawn up showing pathways for comparable situations in the UK.

The interactions making up the processes were broken down into component parts, such as access to information, points of contact, nature of contact, nature of evidence required, number of institutions involved, types of links established between them, etc.

Combining the UK process-pathways identified in the UK charts and the list of interaction components, a checklist was drawn up which covered the questions to be asked of the delivery processes in the five countries (see Appendix A).

Methodology The comparative method requires the comparison of like with like (Bradshaw and Piachaud, 1980). The checklist empiricised the abstract notion of ‘interaction’ which was the standardised, dependent variable, but it was only used as a framework within which to explore each country’s unique arrangements. The explanatory power of the replies to the checklist would be limited without reference to relevant independent variables. However, as is well known, one of the problems of conducting comparative research is that the range of variables and/or their relevance and importance in a country are not easily ascertainable.

An obvious variable is benefit structure, and as explained above in the section on the choice of benefits, we attached importance to understanding the overall structure in each country. An appreciation of structure also guards against any temptation to make direct comparisons or to ‘borrow’ aspects of delivery from one country for another. A clear example of how it affects delivery processes can be found in relation to ‘last resort’ social assistance. Use of last resort benefits may be minor if the coverage of insurance or categorical benefits is very high. Inadequacy of cover in insurance systems may be dealt with by supplementing insurance benefits with income-tested benefits payable only to the category eligible for insurance, and these supplements may be administered by the same organisations that are providing the main benefits. This will leave the ‘last resort’ assistance system with only a small number of claimants, allowing the provider to scrutinise claims intensely, by interviewing, visiting, repeated checking or reviews of the case. Moreover, the clientele, while small in numbers, may present
particularly complex and multiple problems which require the delivery of individually tailored combinations of services. Methods of delivery used under these circumstances are not easily transferable to countries with benefit structures that put greater weight on residual assistance schemes.

Other variables, apart from benefit structure, may be less easy to capture. An individual country’s fiscal, constitutional, legal and political systems are likely to exert pressures on the way in which delivery is organised and carried out. Documentary work was therefore undertaken to provide the background to the countries' forms of governance; reports were commissioned from country counterparts; and the UK researchers themselves made on-site visits in the countries.

**Documentary work**

In the first three months of the research (March, April and May 1995) secondary sources were used to give some picture of the constitutional, legal and political frameworks, historical background and (broad) institutional structures of the cash benefits systems of each of the countries in the study. The country reports do not report on the findings of this work in a high level of comparative detail; for example, the tables of benefit expenditure and numbers of beneficiaries are intended to give a sense of the relative weight given in each country to different parts of its benefit system. They are not intended to provide a basis for comparison between the countries.

**Dialogue with country counterparts**

At the same time contacts were made with lead researchers and/or government officials in the five countries in order to commission country reports from them (see Appendix B). In Denmark and Germany the researchers were situated in major academic and internationally recognised research institutes; in France, the Netherlands and the USA they were employed in government/quasi-independent organisations which form crucial parts of the institutional network of cash benefit provision.

The country counterparts were asked to give the UK researchers an overview of the institutions involved and details of the institutions’ legal frameworks, internal structures, accountability mechanisms, personnel and expenditures. We sought information on the assignment of responsibilities for policy, operations, delivery and monitoring (see Appendix C). Various versions of this analysis appear as tables in the country reports. For some countries it was necessary to define the terms more precisely and break down functions in more detail to capture the roles of the different institutions. For all the countries there were difficulties in defining what was meant by the term ‘operations’. The interface between policy and delivery turned out to be complex, and was understood in different ways by different interlocutors.

The UK researchers meanwhile assembled initial accounts of the benefits available in each of the countries that related to the exemplars. These accounts were checked by the counterparts, and the dialogue with the researchers in the five countries continued throughout the research. One
important function of the counterparts was to advise on whom the UK researchers should visit and to facilitate the contacts.

The visits

The five countries were visited in the period between mid July and October 1995. In each of the countries the offices delivering the main benefits involved in the exemplary situations were visited. Where there were likely to be local variations in delivery procedures - for instance, between local authorities or individual States or Lander - at least two locations were visited.

In the European countries the visits were made to offices in or around the main cities. Locations and institutions which were thought to be atypical or catered for a small specialist group were avoided. Where there were multiple providers, such as the Industrial Associations in the Netherlands, the office run by the main administrative organisation which served the majority of Associations was visited. In Germany the central location for the visits was Frankfurt, which took in a pension institute and an employment office. The social assistance offices visited were in Frankfurt and in surrounding Lander and provided examples of different ways of organising social assistance in Germany. In the USA, because of the great variation between States in the provision and delivery of Aid to Families with Dependent Children (AFDC), it was decided to visit one high-income State which provided relatively high AFDC benefits and one low-income State with low benefits (see the Annex to Chapter 9).

Further visits were paid in each country to organisations which could provide an overview of delivery and highlight current issues and concerns, such as the Association of Pensions Institutes in Germany, the Social Security Supervisory Council in the Netherlands, and the responsible departments at Federal and regional levels in the USA. The organisations visited in each of the countries are listed in Appendix D.

In the course of the visits, discussions were frequently held with several individuals, either in a general meeting or in a number of different departments of an organisation. Expert individuals, including senior civil servants and advisers in Denmark, Germany, the Netherlands and the USA, were also consulted. People applying for or receiving benefits were not interviewed. Their direct experience of the delivery processes was not the subject matter of this study and would have required a different research design.

It was inevitable that the nature of the information depended to some extent on the role, grade, etc, of the person interviewed and on their particular interests. The UK researchers noted the issues raised by the country counterparts and interlocutors, and in this report discuss the pressures which are currently leading to consideration of reform in different countries. However, this is not a normative study in which judgements are passed on the desirability or efficiency of different delivery systems or processes.
The material from the country counterparts, the dialogues with them, the socio-political documentary work and the results of the discussions held during the visits to the countries informed the country accounts contained in Part II. The reports are organised under the headings of overview, institutions, delivery processes (for each of the four illustrative cases) and commentary. The findings contained in these reports constitute the material for the comparative analysis which follows.

**Timing**

The information reported in this study was gathered in the course of 1995. In several of the countries visited reforms were under consideration. Where appropriate, we have reported on the problems and pressures giving rise to reform initiatives, and have described proposals in outline. There were also some examples of measures which had been agreed by policy makers and passed into law but which were not yet implemented sufficiently to enable us to comment on their effects, and we have noted these. Where developments since 1995 are commented on, our observations are preliminary and speculative.

**References**


The countries in our study bring very different traditions to the administration of their cash benefit systems. Overlaid on these national differences are differences in the ways the various parts of each country’s system operate, in particular, according to whether the benefits are contributory or means-tested. This chapter endeavours to give some insight into how these traditions manifest themselves in different delivery practices. It also examines how each country has responded to factors common to all; in particular, to the potential of new technology, pressure for cost-containment, and prevention of errors and fraud, among others.

We analysed the benefit delivery process by examining how it worked for each of our illustrative cases or exemplars, gathering information on:

1. Points of entry into the system; how people got information; how they made their initial claims
2. How the evidentiary demands of initial claims for benefits were satisfied
3. Who decided on the claim
4. How the award was put into payment
5. How eligibility and entitlement were reviewed
6. How delivery performance was measured and monitored, and how administrative costs were controlled.

The country reports give detailed findings, most of which were obtained by tracing through the processes followed by each of our four exemplars (based around old age, disability, unemployment and lone parenthood). The following discussion summarises the patterns in the findings, and highlights some points of interest.

**Points of entry**

The countries covered in this study all featured institutional divisions between different benefits according to the basis of entitlement (insurance, means-tested, etc) and/or the contingency covered (disability, unemployment, etc). Some were overlaid with further divisions based on occupational or industrial groupings.

Many of these divisions reflect the historical evolution of the benefit system, and might appear to have little connection to the efficient provision of a service to people claiming benefit. Some are sustained by a certain administrative and managerial logic: for example, where insurance benefits are grouped together, as for old age pensions and disability benefits in the
USA, staff can become very familiar with the contribution structure and conditions. They also have access to information technology (IT) systems which give information on contributions, and in some cases the additional information needed for an award of benefit is quite limited. Systems with an industrial or occupational basis may have close workplace connections which facilitate access, as well as being able to develop services in accordance with the particular needs of their client group.

However, it is also apparent that these divisions in the system can present problems of claimant access. The service the system provides may be deficient if the claimant does not know which office to go to, or needs to go to more than one office to receive his or her full entitlement. In insurance systems this is most likely to happen where the claimant is entitled to only a small insurance benefit, falling below the assistance level. The extent of this problem obviously depends on the parameters of the insurance system - in particular, the rules linking contributions and benefits. Where even a scant contribution yields a minimum benefit, the crossover with assistance will be limited.

One strategy for reducing problems of coordinating insurance and assistance is to have dedicated benefits for those with some, but insufficient, insurance. In France top-up benefits for elderly people are administered by the insurance institution. Top-ups are also paid by the insurance body to unemployed and disabled people in the Netherlands. These benefits have a dual basis for entitlement, comprising an insurance record and a means test. In the USA the insurance agency, the Social Security Administration (SSA), also administers a means-tested benefit which is confined to the contingencies covered by insurance (Supplemental Security Income, available only to the elderly and disabled). The SSA also serves as the front office for the administration of Food Stamps for those among its claimants who can readily be determined to be eligible.

One difficulty with this solution is that an organisation which specialises in insurance administration may lack the capacity to administer means-tested benefits accurately. This depends somewhat on the design of the means test, which is discussed below in the section on evidentiary requirements. A further issue is that staff may rely on the claimant making a request for the top-up; that is, there may be no 'trigger' to set a claim in motion.

Another way in which claimants can be helped to claim their full entitlement is to provide calling offices or access points which provide advice and guidance around the different parts of the system. In France this service is provided by local authorities. It can be provided in conjunction with social assistance, so that the office provides help with claims while covering unmet needs itself. A social assistance office may have strong incentives to assist claimants in making other claims, in order to minimise the burden on its own resources. Where a local authority runs social assistance, take-up of
nationally financed benefits may be encouraged in order to bring money into the local community.

In France the local social assistance offices not only provide advice, but also help people with the first stages of making their claim. The importance of this function partly reflects the way that the French insurance system places quite extensive demands on claimants to provide verifying information. The local office may receive a fee from the benefit-paying institution for preparing a claim, although the insurance *caisse* in question will still have to check and process the claim. This might be seen as creating a healthy rivalry for customers between the local authority and the *caisse* (which may prefer to prepare the claim itself, and not pay the fee). On the other hand, local authority staff have less training, and are only able to verify some of the information on a claim (basically, the identity and address data held by local authorities). The local office may introduce delays into the processing of claims which the *caisse* would be able to avoid. However, it can also be argued that by taking claims without adjudicating on them, local office staff can provide a friendlier service than the adjudicating technicians, who may consider that social distance is necessary to properly discharge their administrative functions.

In Germany help can be given in completing the claim form for an age pension in the town hall of the commune, where the claimant’s identity can be verified, and from where the claim is forwarded to the pensions institute, the *Landesversicherungsanstalt* (LVA). In addition, trusted ‘elders’ are selected by the elected representatives of the LVA to act as volunteer advisers to pensioners in a variety of local venues. As there is generally only one LVA in each *Land*, the LVAs also have local advice centres.

Different countries have different traditions on the provision of advice by public servants. The Danish public administration law charges public officials to act in the best interests of the claimant, without seeing this as creating a tension with administering the law accurately or performing efficiently.

Danish municipalities, like French local authorities, provide a first port of call for enquiries about most benefits. They also adjudicate on and put into payment old age pensions, disability benefits and social assistance. Thus the system is not fragmented by benefits at the claimant contact end, except for unemployment insurance. There are separate case development and adjudication processes for each benefit, but case records are held on a common IT system.

In the USA local social assistance offices (public welfare offices) do not fulfil a benefit advice function for the population at large. However, some offices operate under court-imposed requirements to assess people who present themselves to the office for all the benefits they might be entitled to, not just those they apply for. Furthermore, the explicitly ‘last resort’ character of
social assistance means that claim-takers enquire about whether the claimant has pursued other channels for obtaining support, including both SSA-provided benefits and any private insurance which may be available.

In the USA welfare rights organisations are active in many areas, although much of their work involves challenging the social security and welfare administration in the courts to achieve better claimant service. Their claim preparation role is limited by the widespread use of interviews to take claims. Interviewing keeps claim preparation under the control of the administering office.

Interviewing is also a marked feature in the Netherlands, where it is undertaken for unemployment and disability benefits administered by the Industrial Associations, the Bedrijf en Dienstnijogen (BV’s), and for social assistance administered by the municipalities. In Germany all claimants for social assistance are interviewed, and interviews are conducted when a person registers for work as a preliminary to making a claim for unemployment benefit.

In West Virginia, USA, the State’s hard-pressed welfare administration is considering allowing claims to be taken by volunteer staff doing ‘outreach’ work. The public welfare office would still have to check claims, and this raises an issue of how much the current system relies on the interview as a form of evidence-taking or ‘testimony’ in legal terms. The office could find, for example, that it has to re-interview before being able to reject claims at the checking stage.

The SSA in the USA places much emphasis on ‘providing a world class service’, which suggests that it has aimed to avoid creating a market for advice and other front-end services. Telephone access to the benefits administered by the SSA (particularly old age insurance) is also being promoted through the provision of a toll-free number, with voice-activated ‘scripts’ to automate responses to enquiries. The SSA also undertakes publicity and outreach to ensure that benefits are taken up. While claimants are interviewed, either in person or over the telephone, the interview has a limited role in providing evidence for the claim (particularly for old age insurance, where a lot of verifying information is available on the SSA’s own systems). The interview could instead be seen as an aspect of customer service. The SSA emphasises its willingness to accept a claim in virtually any condition, which can be contrasted with the insistence of many French administrative bodies that claimants assemble the necessary documents and pieces of evidence themselves. Despite this ‘customer service’ philosophy in the USA, the recent disability review raised the possibility that other agencies may be able to assist in getting initial claims into better shape, thereby cutting the SSA’s administrative costs.

Despite the administration of different benefits out of different offices in all the countries, most claimants have to deal with only one office under most
circumstances. The main exception to this is unemployment benefit claims, where it is often necessary to go to a benefit office and to an employment exchange. Germany is the only country where employment services and benefit provision are integrated as a matter of policy, institutionally unified, and co-located. (In the USA they may be co-located as a matter of convenience.) The claimant nevertheless has first to register in person with the employment placement department and then make a claim at the benefits department of the employment office.

The widespread use of postal claiming and postal `continuation' limits the effect of these dual-office structures on claimants. In the USA telephone signing for unemployment insurance (UI) is being introduced in some States. In France and Denmark benefit claims can be initiated by post, and continuation forms are posted back to the benefit office, while claimants are only occasionally called into the employment office after their initial registration.

The provision of a single port of call for benefits may be seen as less important than the integration of benefit provision with other services. In Denmark the unified administration of several benefits via the municipalities is seen as making an important contribution to claimant service and access. However, the main advantages of the delivery structure are thought to lie in the integration of benefit provision with service provision. For example, elderly people receive the national pension, special payments to help with one-off costs, home-help provision, access to sheltered accommodation and other services from the municipality. In cases of family break-up, help with housing and childcare is available alongside cash assistance.

In Germany there is also some integration of benefit provision and service provision for recipients of social assistance (Sozialhilfe). However, this applies to a much smaller client group than in Denmark.

France has its own version of one-stop, the portal/unique. This refers not to integrated access to a range of state benefits, but to the provision of a unified information system for pensions. The pensions administration has developed a system to look up entitlements under the various basic systems that coexist with the Regime General, and its aim is to extend this to the main providers of complementary pensions.

Evidence The first step in developing the basis for a claim is to obtain evidence of identity. There are obvious differences between countries in the proof of identity which people can be expected to have - for example, in the USA drivers’ licences (which have photographs on them) are routinely used, whereas on the Continent it is more usual to provide a passport, health insurance card or social security card.
The personal numbers used for social security purposes vary in their effectiveness as means of identification. In Denmark it is often sufficient for a person to provide his or her CPR (personal identity) number, without presenting a card to verify that the number belongs to the person. This is possible because:

The issue of CPR numbers is tightly controlled. Where people are not able to verify their identity (and their right to live in Denmark) to the issuing authority, a temporary number is issued, which is easily detected by the administering bodies, and which cannot be used as the basis for a claim.

The municipalities hold a wide range of cross-verifying information against the CPR number, and the unemployment insurance administration holds some information. This means that they are able to ensure that other details given by the claimant (name, address, etc) are consistent with the record.

Nonetheless it is possible for a claim to be made on another person’s number, possibly collusively (for example to claim unemployment insurance on the basis of a friend or relative's CPR number). This might happen if the insured person was no longer able to use their number and record - for instance, if they had emigrated. One effect of this possibility in Denmark is that non-Danes are more likely to be asked to provide additional evidence of identity.

The problem of ‘conversion’ of another person's insurance record is one reason why the American SSA has introduced a programme to issue annual Personal Earnings and Benefit Estimate Statements (PEBES) to all contributors by the year 2000 (they are currently sent to everyone five years prior to full pension age). The PEBES show when a claim is being made against the Social Security Number (SSN), but only for SSA-administered benefits. In Germany the pensions institutes (the LVAs and the Bundesversicherungsanstalt fur Angestellte – BfA) send a print-out of contribution history to contributors aged over 45 every six years to enable them to check its accuracy.

The two factors noted above, of (a) tight control of issue and (b) availability of cross-verifying information, vary considerably by system. In the Netherlands the combined tax and social security number (the Sofi number) always has to be produced when claiming benefit; as in Denmark, its issue is tightly controlled to prevent duplicate issues and issue to illegal immigrants. In the USA the issue of SSNs has not always been rigorously controlled, but in recent years procedures have been tightened up. This has been facilitated by the introduction of enumeration at birth.

The amount of cross-verifying information held depends on which institution is receiving the claim. For example, SSA offices can make a ‘Numident’ enquiry which yields all the information held by the SSA against
a particular SSN. This information is also available to other benefit offices, but only in the form of downloaded information (printouts and tapes) rather than on-line, which means it cannot be used for verifying identity at the time of taking a claim.

The processes used to obtain evidence obviously depend partly on the evidentiary requirements of the benefit. While these vary considerably in their details, we can distinguish three main areas in which information may be required in order to establish entitlement:

- residence
- contributions or employment history
- income and assets.

One point of interest was that the information sought in order to means-test benefits differed considerably, both between benefits in a country and between countries. This is discussed below in the section on income verification.

Information is also needed to establish eligibility (membership of the appropriate category, experience of the relevant contingency). This is obviously simplest for age-related benefits. For unemployment and disability benefits, procedures are established by the administering institutions to enable eligibility to be proved. As is explained below, these procedures sometimes varied according to the basis of entitlement; for instance, the process of establishing unemployment differed according to whether insurance or assistance was in payment. Proof of lone parenthood tends to rest on the claimant, although official channels for the payment of child maintenance can also serve the function of verifying evidence about the identity and address of the absent parent.

Evidence can be institutionally generated, either through internal mechanisms such as records of contributions, or by obtaining information from other public bodies (such as the tax administration). Alternatively, or additionally, the claimant may be required to generate the evidence. This may mean presenting official documents to the administering office, or it may mean ‘passing’ an interview or a visit. As the examples in Table 2.1 indicate, some forms of evidence are much less burdensome for the claimant to generate than others. Both unemployment and disability determinations can be structured in ways which put more or less responsibility on the claimant. For example, in Denmark and the Netherlands case workers assemble the evidence for a disability claim, making decisions about what medical tests and other supporting material should be obtained. In the USA a disability claim will be developed from whatever condition it is submitted in, but, as noted above, encouragement is increasingly given to claimants to seek help from ‘third parties’ in the preparation of their claim, and consideration is being given to ways of promoting their involvement. The
French system places quite a large burden on claimants to generate evidence, but help can be got from the local authority (see above on points of entry).

Table 2.1 Examples of evidence used in determining claims

<table>
<thead>
<tr>
<th>Institutionally generated evidence</th>
<th>Initial claim</th>
<th>Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions record</td>
<td>Data from employers - new hires, wage returns, payroll</td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td>tax returns</td>
<td></td>
</tr>
<tr>
<td>Others in household</td>
<td>Income tax data</td>
<td></td>
</tr>
<tr>
<td>Tax code</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor vehicle ownership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vital statistics (births and deaths)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Claimant-generated evidence</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security card</td>
<td>Regular signing</td>
</tr>
<tr>
<td>Notice of dismissal</td>
<td>Attendance at interviews, training courses, etc</td>
</tr>
<tr>
<td>Recent payslips</td>
<td>Continuing disability reviews</td>
</tr>
<tr>
<td><strong>Declaration of income</strong></td>
<td></td>
</tr>
</tbody>
</table>

The table gives some examples of the information which might be available to the institution when taking or reviewing a claim. For information to be used in initial claim determination, it would normally need to be on-line, so some of the data in the ‘initial claim’ box may in practice only be used at the review stage. Records of contributions are generated by the provider institutions and computerised in all the countries, although the record is not usually entirely up to date, with the result that the claimant is asked to provide complementary data such as recent payslips. Such requests also serve as an accuracy check and help to ensure that the institutional record really does belong to the claimant (supplementary evidence of identity, in effect).

The five countries in our study differ both in the amount of information on the population held by public institutions and in the way it is shared between institutions. Both Denmark and the Netherlands have municipal address registration systems, which provide the institutions (only some of the institutions, currently, in the Netherlands) with access with information to verify addresses, along with some information on who else is living at the same address. In Denmark the address register is combined with the register of births, deaths and marriages. (In the Netherlands registration of address is not per se compulsory, but the municipal registration card is required when a person takes up employment.) In Denmark tax coding notices (derived from the previous year’s tax return) are also available on-line to workers in the municipality, which administers most benefits. Some municipalities are working on integrating monthly PAYE data into their benefit payment systems.

The particular contribution of IT to the evidentiary structure is to add to the amount of information which an institution can access and the speed with which it does so. Both technical limitations and data protection legislation
play a part in explaining the constraints on this process. Denmark represents one extreme, where data can be matched readily using a single personal identifier (the CPR number). Data protection legislation guards against the accessing of information for its own sake: the user must justify the need to access the data. While municipal data systems hold a great deal of information, municipal employees have tailor-made controls on their access to data in the system. For example, a case worker on social assistance can look up some screens of tax data but not others.

In Germany the use of IT for instant data-matching is constrained by data protection provisions, which do not allow organisations to have direct access to information held by others, and by the institutional fragmentation of benefit administration. Internally, the organisations providing insurance benefits are computerised for recording contributions, calculating payments and analysing data for management purposes. Information about people in employment is held by the sickness insurance funds, who collect contributions for all the institutions, and this is exchanged with the Federal Employment Institute (the Bundesanstalt für Arbeit - BA) and the LVAs/BfA at regular intervals. The providers of social assistance are not included in these exchanges.

In the USA one effect of data protection legislation is that only authorised personnel can have access to some data - usually, personnel connected with law enforcement. This contributes to the use of data-matches at the review rather than the initial claim stage, and to the assignment of the fraud detection function to a law enforcement office separate from the benefit paying office.

Another, related situation is where the data provider (for instance the tax administration) insists on controlling the data-matching process. The benefits institution submits a listing of benefits in payment and receives back a list of 'hits' or suspicious matches. Again, this restricts the use of evidence generated by other institutions to the review stage, rather than the initial claim stage. One implication is that initial payment errors and fraud detection rates are both higher than they would be if data were available at the initial claim stage. Another implication is that not all 'hits' can be acted upon. The claim may have ceased by the time the information becomes available, and the overpayment may be too small to be worth recovering. These issues were mentioned by officials involved in benefits payment control in the USA.

Denmark was the only country among the five visited where data from a range of sources were available on-line at the initial claim stage. This did not eliminate the need for review - it remained necessary for the case worker to re-examine the record periodically to check whether inconsistent information had come to light. Some municipalities have 'alert' systems to
The relatively unified administration of benefits in Denmark, with all benefits except unemployment insurance being delivered by the municipalities, has no doubt contributed to the establishment of an integrated data system. Not only does information exchange between institutions raise additional technical and data-protection issues, but also the different institutions in the benefit delivery system may have different incentives around the exchange of information. The high evidentiary requirements of social assistance make assistance offices ‘hungry’ for information, while insurance bodies may take the view that they can administer their benefits autonomously, since they have fewer evidentiary requirements and are able to generate more of the required evidence themselves. This asymmetry appears to have contributed to a lack of information-sharing in the Netherlands. However, data exchange between the different institutions is now being developed. Different agencies also ‘guard’ their data in the USA, and the Federal Government is restricted in the extent to which it can promote data exchanging and matching for State-run benefits (AFDC, Food Stamps and UI). The Federal remit enables Washington to intervene to facilitate coordination between States and the processing of interstate claims, but other data-matching and automation initiatives require State cooperation. The Federal Government has promoted some measures through ‘enhanced match’ funding for IT-related administration costs, but budget cuts have terminated this for the time being.

### Income verification

The evidentiary requirements of benefit administration obviously increase sharply when entitlement to a benefit depends on income, compared with benefit entitlements based on insurance contributions, work history or residence. The administering institution will be able to generate a lower proportion of verifying evidence itself, and will have to rely on claimant-generated evidence, and/or evidence from other institutions.

However, it is important to recognise that means-tested benefits are by no means uniform in their evidentiary demands. There is considerable variation between benefits and between countries in the amount of information about income and assets which the delivery institution needs to collect to administer the benefit accurately, and in the extent to which the system relies on information provided by the claimant. While many factors enter into this variation, there is a weakly discernible pattern. Where an income-tested benefit is also categorical (that is, based on establishing eligibility through old age, disability, unemployment, etc), means tests tend to be less rigorous than where the benefit is non-categorical. There is an institutional dimension to this pattern, as, in some cases, the categorical means-tested benefit is administered by the same institution which administers a categorical insurance benefit, leaving only a subset of means-tested benefits for administration by the social assistance office. For example, the BA in
Germany administers both ALG (unemployment insurance) and ALH (unemployment assistance).

In other cases the benefit rules may require less intensive means-testing of categorical assistance than non-categorical assistance. For example, it is often assumed that a person who is classified as disabled is less likely to have other income than an able-bodied person, and therefore requires less frequent reviews. The law may also provide for more generous earnings disregards for those categorised as disabled compared with non-categorical assistance. Where elderly people receive means-tested benefits, savings and other asset disregards are often higher than for the general assistance benefit.

One of the difficulties of means-testing is that accurate administration requires proof of a negative - that the household has no income or assets beyond those which have been declared, that there are no more people living in the household than have been declared, and so forth. Since these facts can never be conclusively established, the administration of benefits is operationalised by establishing a set of positive evidentiary requirements. In the administration of Food Stamps and AFDC in the USA, quality control guidelines specify the evidentiary checks which can be undertaken. For example, social security numbers can be checked with the SSA, vehicle ownership can be checked with the State Department of Vehicle Registration, children in the household can be checked by writing to schools, and so forth. Since these checks are costly, many are not undertaken routinely, with the result that quality control reveals errors. Furthermore, evidence can come to light as a result of data-matching exercises conducted by the office charged with controlling fraud. There is always the prospect that further evidence exists which would disallow the claim, and the suspicion that overpayments are being made is inherent in the operationalisation of the benefit. If, on the other hand, additional demands were to be placed on claimants, they may be unable to meet those demands for bona fide reasons, thereby generating significant underpayments.

By contrast, some income-tested benefits are based on limited evidentiary requirements, some of which can be satisfied by the institution itself. One example is the Danish old age pension. The availability of institutionally generated evidence is facilitated by the system of personal identity numbers with linked administrative data sets, which enables some bits of evidence to be assembled at low cost to both the claimant and the administering organisation (Redfern, 1994). In the case of the old age pension, part of the pension is income-tested against individual income, and part against the income of claimant and spouse. The definition of income corresponds to taxable income, and tax data are used to administer the income test. It can be argued that the design of the Danish pension generates only weak targeting, since its rules do not preclude people who have (for example) abundant assets receiving the pension, and circumstances are only reviewed annually. However, the pension as designed can be administered at low cost
with low errors. By contrast, the design of AFDC is such that only the most needy can receive benefit, but the benefit is very difficult to administer accurately, with the result that there is concern that AFDC might also go to people with a high income. The relationship between the way that policymakers have pursued targeting and the delivery issues that arise is shown in Table 2.2.

Table 22 Relationship between rules, implementation and outcome

<table>
<thead>
<tr>
<th>Rules</th>
<th>Implementation</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeting against a subset of income</td>
<td>Institutionally generated evidence</td>
<td>Accurate administration, legal receipt of benefit by some 'non-needy' people</td>
</tr>
<tr>
<td>Targeting against all income</td>
<td>Claimant-generated evidence</td>
<td>Inaccurate administration, illegal receipt by non-needy</td>
</tr>
</tbody>
</table>

While there are different approaches to means-testing according to the basis for eligibility, there are also different approaches to eligibility according to the basis for entitlement. These different approaches affect the procedures adopted and the evidence required to establish eligibility. The most pronounced differences affected benefits where eligibility is based on unemployment. Where the unemployed person is entitled to an insurance benefit, the procedures for establishing unemployment are often quite distinct (in terms of the institutions dealing with the claim) and different to those operated for an unemployed person claiming social assistance. One also finds different criteria and institutional procedures for establishing disability according to the basis of entitlement.

For unemployment insurance claims, the initial claim requires evidence about the reasons why the person is no longer in employment, as all the countries in the study operate penalties against voluntary leaving. The amount of evidence of job-seeking and availability required at the initial stage is more variable. Continuation of the claim requires evidence that the person continues to be unemployed; this is discussed in the section on review below.

In the USA and the Netherlands the benefit-paying institution refers back to the employer with a request for confirmation of the reason for leaving. In the USA employers have a financial interest in ensuring that voluntary quits are not classified as dismissals, as the outcome will affect the unemployment insurance premium they pay (the premium is ‘merit-rated’). Where the parties disagree about the reason for leaving, the UI office conducts a hearing. In the Netherlands employment law requires the employer to have a dismissal permit. In France the employer generates documentation about the separation pursuant to the law on employment. In Denmark claimants are expected to have a notice of dismissal from their employer, and in
Germany claimants have to produce written evidence from the employer giving the reason for termination.

To establish that they are seeking work, claimants are usually required to register at an employment office. (There are some exceptions to this in the USA.) As noted above, this office is often not co-located with the benefit office. Furthermore, the employment office may have an entirely separate structure of governance. For example, in Denmark the employment exchanges (AFs) are under tripartite supervision and spend a placement, training and job creation budget which is separate from the financing of benefits and benefit administration. In the USA, the Netherlands and Denmark the employment service provides information to the benefit-paying institution, but does not adjudicate on whether a person is actively seeking and available for work. France is moving to this model: adjudication is to be transferred from the employment exchanges (ANPEs) to the benefit offices (ASSEDICs) in 1996.

Procedures are quite different for people applying for social assistance who are unemployed. In the Netherlands, Germany and Denmark social assistance is basically non-categorical, which means that the initial determination focuses on entitlement. The case worker obtains extensive information on such items as income, household composition, possessions, debts, previous work and educational background, maintenance received and divorce settlements. Eligibility is only implicitly considered by the case worker, who has to form a view about the basis for continuing payment and any measures which might help to bring the claim to an end. This may entail preparing a claim for non-contributory disability benefits, for example. Where employment is a possible route off benefit, the case worker can require the claimant to participate in work or training. In Denmark and the USA such provisions are now very widely applied, to lone parents as well as to other people without work. In the Netherlands and Germany lone parenthood provides a basis for continuing payment of social assistance without further conditions, but only until the child is five or three respectively.

In Denmark each municipality develops its own procedures for implementing ‘activation’ (work or training) initiatives. The applicant may be referred immediately for participation in a programme, and payment of benefit taken over by the programme office. Alternatively, referral may take place at a review date, with benefit payment remaining with the initial case worker, who is advised by the activation office whether participation requirements have been fulfilled.

It might be argued that, in this administrative process, case workers do not make an eligibility determination as such, but instead impose behavioural requirements on the claimant as conditions of entitlement. The administration of Revenu Minimum d’Insertion in France has similar features.
A determination of entitlement is made, and the claimant then has a limited time in which to make a contract of `insertion'. While this contract may concern job search and participation in training, it may also cover more traditional social work, such as budgeting and personal hygiene. A different agency is responsible for the contract of insertion to that which handles the entitlement aspects of the claim.

In the USA eligibility for AFDC depends on establishing a `deprivation factor' which can be unemployment or absence of a parent. Unemployment is established in a 'backward-looking' way: the claimant must have sufficient previous labour force attachment. Only a small proportion of claimants qualify on this basis. Eligibility as a lone parent is hedged around with further conditions. If the child is over a certain age (usually three) the lone parent must participate in employment and training measures under the JOBS programme. These conditions come into play after the initial determination is made (see the section on review below).

Deciding on the claim

There are only a few examples in the five countries of delivery being undertaken by a central department of state staffed by civil servants. Indeed, some of the social insurance delivery and supervisory bodies in continental Europe are not strictly public bodies, although they operate under public law. In the Netherlands these organisations are referred to as representing the 'mid-field' between public and private institutions. A related concept in Germany is the tertium. It refers to provisions which combine public, or collective and private, or market, characteristics. In France the delivery organisations of the Regime General are constituted under private law (the law on mutual societies).

However, viewed in terms of personnel, these institutions seem more closely related to the civil service than to the private sector. In Germany this is explicitly so: staff of the social insurance institutions are Beamten and have the distinctive terms and conditions of work of this segment of the workforce. They go through a lengthy, law-oriented training prior to employment. Techniciens of the French Regime General also undergo a lengthy specialist training.

A useful indicator of the status of the institution and its employees is its position in relation to administrative law. In the continental countries there are codified administrative laws which all personnel involved in cash benefit delivery are subject to, regardless of the precise status of their employing institution. These laws set out the duties of officials towards claimants, their employing institutions and other arms of the state. In the USA the Constitution provides the legal basis for judicial scrutiny; the requirement to observe `due process' is applied across all the delivery institutions.

In the USA the staff of the SSA undergo 13 weeks - seven for Old Age, Survivors and Disability Insurance (OASDI) and six for SSI - of off-the-job
specialist training before they can adjudicate on claims, and they must accrue two years of work experience before they are cleared to adjudicate on all cases. Claim representatives' undertake claim preparation, interviews and adjudication, although there are also 'service representatives' who deal with general enquiries and issues which arise once the claim is in payment. By contrast, the public welfare offices rely on on-the-job training. In many States their staff are low-paid relative to employees of the Federal Government (including the SSA). A similar segmentation can be found in other countries. In Germany more of the staff in the pension institutes are highly qualified than in the social assistance offices. In France employees of the municipalities involved with benefits have less training in benefit administration than the techniciens of the insurance system, although they may be trained social workers.

In Denmark the municipal employees who put pensions into payment are clerical staff with no special title. They are trained on the job and on courses offered by the IT service organisation, Kommunedata. Staff of the unemployment insurance offices also have no special title or training. They may even be union officials or union members out of work in their trade. On the other hand, there is an emphasis on using qualified social workers to administer social assistance, although this is not a legal requirement.

In the Netherlands professionally trained social workers prepare assistance claims and advise on how they should be determined, but adjudication is by staff who have had a two-year training in public law.

A feature of social assistance adjudication in France is the operation of committees and commissions. For example, contracts of insertion have to be ratified by a local committee, while a department-level commission formally adjudicates on entitlement to RMI. Historically, commissions involved in social assistance have addressed the problem of coordinating the responsibilities of different tiers of government, with the prefet representing central government and officials of the RG present in an advisory capacity.

In the Netherlands committees of members of the BVs (referred to as ‘little committees’) also operate in the determination of difficult cases in the Dutch employee insurance scheme. However, this practice may cease as a result of recent reforms aimed at the separation of policy and implementation.

Shunting refers to processes whereby people are moved from one benefit to another for administrative reasons to do with the financial incentives of the benefit providers (rather than on the basis of any clear change in their needs or circumstances). Shunting may lead to delay or even denial of benefits: for example, two decision-makers may deny a benefit on inconsistent grounds - the unemployment office may rule a person unfit for work, while the disability determination may conclude that he or she is employable. However, shunting may sometimes be in the interests of beneficiaries. For
example, in the Netherlands it was convenient both for the groups who
make up the BVs and for the government to re-categorise unemployed
people as disabled.

In other examples the adjudicating office moves people onto a benefit which is
cheaper to administer, or a benefit for which the office meets a lower
proportion of programme costs. In the USA there is scope for State Public
Welfare Offices to shunt from AFDC (part-financed by the State) to Food
Stamps (financed by the Federal Government). Food Stamp allocations are
too low to live on, but they are subject to only a gradual taper, and have no
unemployment or `deprivation' requirements. The most effective `shunt' is
to get people into low-paid work, where they may be able to get by with
earnings augmented by Food Stamps. Sanctioning is accompanied by minor
shunting: some sanctions which can be exercised against AFDC recipients do
not apply to Food Stamps (for instance, sanctions for non-cooperation with
Child Support Enforcement agencies).

Shunting is most visible when it takes place between institutions. In
Germany the vertical division between benefits for different contingencies,
administered by different institutions, leads to shunting between short-term
and long-term sickness/disability benefits, and between invalidity pensions
and unemployment benefit. The institutions have a legal duty to sort out
their liabilities, but this can be a difficult and lengthy process.

In the four continental countries in our study the vast majority of benefit
payments are done by direct crediting to bank accounts. Payments are made
monthly, although social assistance offices often have discretion to make
smaller, more frequent payments in cash from the local office. Direct
payments of rent and other bills can also sometimes be made, but these
powers are reserved for exceptional circumstances. Systems for making
payments to agreed third parties also exist. Some social insurance offices have
facilities for making expedited payments from small office accounts, which
can later be recovered against the benefit payment `proper'.

In the USA direct crediting of SSA-administered benefits is becoming more
widespread, aided by a public campaign. However, many people still receive
their pensions in the form of a Treasury cheque. The Treasury is in charge
of control of payments made by Treasury cheque: it conducts investigations
of stolen cheques, for example. Treasury cheques are the main form of
payment for welfare benefits, apart from Food Stamp coupons. However,
several States are experimenting with electronic benefit transfer (EBT) cards
for these benefits. Food Stamps complicate the issue because the payment
card must have mechanisms to ensure that the Food Stamp share is spent at
a food store. Some States have obtained special `waivers' to deliver Food
Stamp entitlements in cash, which has expedited the introduction of EBT.
One reason why the Federal Government and State agencies have promoted the development of EBT is to improve the efficiency of sanctions for non-participation in JOBS programmes. Under current arrangements States can take some months to respond to non-attendance by stopping cheques. The EBT systems being developed allow payment to be stopped more quickly.

Connections between review, compliance and payment in other countries’ social assistance systems centre on the monthly payment date. In Denmark, Germany and the Netherlands the case is, in effect, reviewed before another month's social assistance is cleared for payment. Sanctions usually take the form of delay or benefit reduction rather than termination; postponement of payment is one of the main devices social workers have for obtaining compliance with conditions, and it is routinely used to this end. In some cases payment may be delayed or reduced because verification (particularly of utilities bills) has not been received.

Unemployment insurance systems routinely require recipients to submit ‘continuation’ forms before payment can be made. In the four continental countries these are submitted monthly by post; in the USA continuation is usually fortnightly. The forms ask for information affecting entitlement (any earnings or changes in other income) so that the monthly payment can be adjusted accordingly. The continuation process is not usually used to investigate eligibility (whether a person is ‘active and available’).

Examples of payment controls to prevent internal fraud include the need to obtain a (computerised) countersignature before large sums of back pay can be cleared for payment. In Public Welfare Offices in the USA and in social assistance offices in Germany, claim-takers do not usually do their own data entry onto the computerised payment system. While this may just be a way of achieving faster data entry, it could also be seen as a control against internal fraud.

Review As noted in the previous section, payment authorisation systems can be structured to provide for review at each payment date. However, the usefulness of payment date reviews is limited by the administrative burden of their frequency, their relatively untargeted nature and the limitations of the additional information which will be available. Even in the case of social assistance, which is subject to payment date reviews in some countries, not all cases will be investigated thoroughly. In general, unemployment insurance entitlement is also reviewed in conjunction with the authorisation of continued payments, but eligibility investigations are not tied to the payment process. Reviews for other benefits are still less frequent.

Reviews can be divided into two main types. Reviews can involve re-opening and re-examining the case, sometimes undertaking a more thorough investigation than was done at the initial determination - as in quality control (QC) reviews. Such reviews can be conducted using
institutionally generated evidence, such as the results of data-matching or a notice from another institution, or as the result of tip-offs, or as part of a sampling or targeting process. Alternatively, reviews can be built into the routine administration of a benefit. This approach is found in cases where entitlement is known to vary, without such variations raising questions about eligibility (such as where benefit rules allow some working while claiming). These review procedures can be seen as ways of inviting benefit recipients to notify changes of circumstances in a routine way.

The lowest review frequencies are found for old age and disability pensions and benefits. Where there is an earnings rule, or where benefits are income-tested, reviews of entitlement to these benefits are usually conducted annually and take the form of sending out an income declaration for the benefit recipient to complete. This is the procedure adopted for the Danish old age pension and early retirement benefits, and for the US old age pension (earnings test to age 70). In France means-tested supplements for old age pensioners are reviewed a year after the initial award and three-yearly thereafter.

Reviews of eligibility for disability benefits vary widely in their frequency. Several disability systems have 'tailor-made' review dates, set at the time of the initial determination on the basis of the nature of the disability and the prospect of medical improvement.

Fraud

While all the systems under discussion operate 'front-end' controls to prevent fraud (discussed above in the section on evidence), much fraud detection occurs as part of the review process. Reviews may indicate a failure of front-end controls (for instance, when data-matching reveals the social security number to be invalid or to belong to someone else), or they may detect an unreported change of circumstances (such as cohabitation by a lone parent) or misrepresentation on a continuation form (such as working while claiming).

The level of concern expressed about fraud varied greatly between the countries. There has recently been an emphasis on fraud prevention and detection in the Netherlands. Contribution evasion by employers is now seen as an important issue, reflecting expansion of the informal economy. In France it has long been recognised that fragmented labour markets, contract work, small shops, etc, contribute to evasion of taxes and insurance contributions by employers, as well as to the unreported take-up of work by people registered as unemployed. Contribution evasion may also be exacerbated by complex administrative demands which lead to high compliance costs (Tanzi and Shome, 1993). In the USA the separate collection of a variety of income and payroll taxes from employers was examined in Vice-President Gore's National Performance Review, but has not yet been reformed.
The other main area of concern over fraud in the Netherlands revolves, somewhat surprisingly, around the old age pension. Pensions are lower for two people if they live together than if they live apart, and it is believed that pensioners give separate addresses for this reason. A programme has been initiated in which claims by pensioners who state that they live on their own are scrutinised, and pensioners are often visited in their homes by the staff of the office delivering the pension.

In Germany a social insurance card was introduced five years ago specifically to prevent fraudulent claims from people who were drawing unemployment benefit and working. The card has to be lodged either with the employer, when a person is recruited, or with the employment service if unemployment benefit is claimed. Fraud was not presented as a problem in relation to German social assistance, Szh. One reason may be that a highly localised service can protect itself from misrepresentation through regular contacts with claimants and local networks. However, this is not a systematic method in which due process can be observed.

In Denmark concern over working while claiming is moderated by the widespread use of administrative links to the tax system. This does not detect people working in the informal economy and not paying tax, but this is seen primarily as a tax compliance problem rather than a benefit fraud problem. While there is concern that many unemployed people are not actively seeking or available for work, this is seen less as a problem of claimant fraud than as reflecting poor administration by the unemployment insurance offices.

The countries' different degrees of preoccupation with fraud, and the different measures taken to prevent or detect it, suggest that there are particular policies and circumstances which contribute to the suspicion that claimants are misrepresenting circumstances. Most notably, policies which disadvantage people who are living together relative to those living apart, as do the benefit rules for pensions in the Netherlands, are seen to invite misrepresentation.

In the USA there are distinct (though related) processes concerned with detecting fraud and with identifying error, which may be ‘agency error’ or ‘claimant error’. Federal quality control processes concentrate on error rates. While QC may throw up suspicious cases and ‘profiles’ of problem areas for fraud investigation, detection of fraud is a separate activity. Different States have different definitions of fraud and different legal codes relating to fraud, which means that the proportion of ‘claimant error’ which might be classified as fraudulent varies from State to State.

The extent to which data-matching is emphasised as a technique for identifying cases for further fraud investigation also varies between countries. In the USA the Offices of the Inspector General (or the equivalent payments
Promotin re-entry into employment

Measures taken in the different countries to promote re-entry into employment appear to be strongly influenced by the benefit in payment (whether insurance or assistance) and by the institutional relationships which accompany each type of benefit. The relationship between the office paying UI and the employment service (ES) is often different to the relationship between the social assistance (SA) office and the ES. The relationship between ESs and UI or SA offices may affect the linkages between the benefit system and education, training or job-creation initiatives for the unemployed, as the following examples indicate.

In the USA the main government training programme, the Job Training Partnership Act (JTPA), is administered by the ES in most States. To increase the use of the JTPA by UI recipients, offices have developed systems for 'profiling' the recipients at greatest risk of remaining unemployed until their benefit expires. Those profiled are directed towards more intensive use of JTPA services. However, since UI is only payable for a limited duration, the most 'at risk' groups do not receive UI. They may instead receive AFDC and/or Food Stamps, but these are delivered by a separate administration from separate offices. The targets for programmes operated under the JTPA include achieving participation by benefit recipients, but the institutional links between welfare offices and JTPA administration are weak. Work and training programmes which are tied to benefit receipt are operated under a separate programme (JOBS) by the benefit-paying institution. Employment for the purposes of workfare ('working off benefit) is offered by government bodies and not-for-profit organisations, not by mainstream private employers. JOBS participants face a constrained set of choices, comprising the schemes that the welfare office has managed to set up. One reason why JOBS administration is separate from the ES and JTPA is to give the welfare office sufficient administrative control that it is able to implement sanctions against those who fail to participate.

There are also pronounced differences between the procedures operated for the insured unemployed and those on social assistance in Denmark. UI recipients must register with the employment exchange (AF) where they have certain rights to placement assistance and training offers. As the duration of unemployment lengthens, more limitations are imposed as to the grounds for turning down an offer. AF has resisted pressure to institute more frequent reviews of UI recipients as one of its main aims is to provide a competitive service to employers and it sees involvement in benefit administration as an obstacle to this process.

Applicants for social assistance are likely to receive an offer of a job or training place very soon after their claim commences (see the section on evidence above). The offer is likely to come via the municipality's...
Monitoring delivery performance and controlling administrative costs

The country reports give details of administrative cost data where they are available. Only in the USA is a fairly complete picture of the costs of collecting contributions and delivering benefits obtainable. The availability of administrative cost data reflects the institutional structure of delivery and the incentives of organisations to assign costs and monitor them closely. For example, detailed information on the cost of administering AFDC and FS is available because the Federal Government provides matching funding for State expenditure on administration. The figures are audited to ensure that only costs related to benefit delivery are included. Similarly, an \textit{ex post} calculation of the cost of administering SSI is done, because this is met out of Federal general revenues, not the Social Security Trust Funds.

Denmark represents the opposite end of the spectrum, where costs of administering benefits delivered by the municipalities are not broken out from other municipal social service administrative expenditure. Even if municipalities were to provide separate benefit administration cost figures, there is no reason to think that they would be particularly reliable, since no

In Germany, as in Denmark, there is concern over the lack of job offers for the recipients of unemployment assistance (ALH), although the arrangements in Germany are very different from those in Denmark. Despite the institutional unification in Germany of unemployment insurance, unemployment assistance and employment services, ALH recipients have been under-represented in the job creation programmes. New regulations will stipulate that they are to be “allocated job creation and productive labour promotion measures to an extent corresponding to their share of unemployment” (inforMISEP, 1995b). Their willingness to work will be tested by an offer of a job.

In the Netherlands recent reforms attempt to establish cooperation between employment offices, municipal social services departments (GSDs) and the Industrial Associations (BVs). So far it is the links between the employment offices and the GSDs which have been developed as part of the reforms, in the shape of joint job centres and support services for the unemployed who are receiving assistance. The long-term unemployed and the young are being targeted through these joint schemes, which also act as a form of “one-stop” access. Recipients of unemployment insurance (paid by the BVs) have been less affected by these measures. It has been suggested that the BVs and the employment offices are not keen to cooperate: they are institutionally separate and have divergent interests (inforMISEP, 1995).
national budgeting or monitoring process is tied to them. Since the municipalities meet the costs out of their own general funds, it is up to each individual municipality whether it regards administrative costs as an ‘issue’ or not. Furthermore, municipalities often combine benefit delivery with other service delivery functions in the same office (and even in the same person) making separate accounting difficult as well as unnecessary. A similar situation prevails with regard to the cost of administering social assistance in the Netherlands.

The way in which performance is monitored is also affected by the institutional structure. Again, the USA generates the most complete information. A great deal of data is generated by the US Federal Government in the course of its monitoring of AFDC and unemployment insurance. Both quality assurance (QA) and quality control (QC) are undertaken; the former referring to the monitoring of administrative procedures to assess the efficiency of the delivery process, the latter to the review of cases to determine error rates. The information is published, although the comparability of the performance of different States is subject to a great deal of contention.

In the other countries in the study, the absence of requirements to report to Parliament and/or the absence of institutional splits between the delivery organisation being monitored and the organisation doing the monitoring mean that information generated internally for management purposes is often not made public.

There is some debate in France about the appropriate measures of and benchmarks for the administrative costs of the Regime General, with the government arguing that administrative costs could be brought under greater control, and the Boards of the RG claiming that their costs compare favourably with similar private sector organisations.

In the Netherlands the supervisory structure for unemployment and disability insurance has recently been strengthened. Information on the administration costs of the BVs is collected by the supervisory board (Ctsv) in a form which enables the performance of different BVs to be compared.

In Germany each part of the social insurance system undertakes its own monitoring. Furthermore, there is relatively little emphasis on indicators of management efficiency, such as the time taken to process claims. Instead, the monitoring concentrates on the accuracy of decisions - QC instead of QA, in American terms. In the pensions offices two or three staff are assigned to check cases which are selected on a basis not disclosed to staff. They report errors to the office director. In addition, an office of the Land government undertakes spot checks every two years.
The way that information on the performance of delivery institutions is collected and the incentives in the system to respond to the results of monitoring depend on the structure of governance of the system. Financial incentives to respond to performance measures are rather limited in the countries under study. Even where in theory they exist (as in the USA), in practice they may not be implemented (it has proved very difficult to collect sanctions from States with high AFDC error rates).

There are a number of examples of ‘competitive benchmarking’, where delivery offices are compared with each other. In a large bureaucratic organisation, such as the Social Security Administration in the USA, such benchmarks may be used as a management tool to identify underperforming offices. In situations where the offices are under independent management, the importance of performance relative to benchmarks depends on whether there is any way in which pressure can be put on an office to bring its performance into line. Competition between offices (the threat of replacement by an alternative deliverer) might be one form of pressure, but examples of this are rare (in the Netherlands there are some attempts to bring competitive pressure to bear on the administrative offices of the BVs). Many offices are protected from competition by territorial or industrial demarcations. Furthermore, the government may be prevented from promoting competition by major political and constitutional barriers (for instance, where the delivery structure is enmeshed in state or local government). The next chapter examines these issues further.

With only a few exceptions, control of administrative costs was not regarded as a major issue by those involved in the running of the benefit delivery systems of the countries in this study. One of the main reasons for this was that the financial accountability of the delivery institutions often included some element of programme costs as well as administrative costs, and the programme element was of a far greater order of magnitude. The next two chapters describe some of these structures of financial accountability, along with the closely related issue of the assignment of powers and responsibilities around the formulation and implementation of policy and conduct of delivery operations.
References


Introduction

Delivery processes are located within structures for determining and operationalising benefit policy, budgeting for benefit expenditure and administrative costs, and auditing and monitoring performance. This chapter describes and analyses these structures. Many of the variations in delivery processes described in the previous chapter are related to the different structures of governance found in the different countries. The powers and incentives implicit in the governance structure affect the scope in the system to control costs and improve performance.

This chapter adopts a comparative approach to the analysis of governance in which Britain is used as a starting point and `comparator`. In Britain the institutional structure of the social security system has been reformed, with the creation of independent agencies to undertake most administrative functions, leaving the role of policy advice with a much smaller core Department. There is a substantial theoretical and analytical literature on public administration which gives some insight into these reforms. The second section of this chapter reviews this literature in order to establish the main areas in which other countries' experience may be of relevance to Britain. Subsequent sections use the research findings in Chapters 5-9 to discuss other countries' structures of governance.

The research findings from this study relate to five countries which were chosen for fieldwork because their governance structures are markedly different to Britain's. In the discussion which follows we utilise a distinction suggested by Pollitt (1995) between `devolution', which denotes a `vertical shift in power and authority across an organisational boundary', and `decentralisation', which takes place within an organisation. We argue below that the agency structure in Britain is best seen as a form of operational decentralisation, whereas many of the arrangements in the five countries in this study are devolved, with autonomous institutions involved in operating the social security system. (Pollitt himself sees the creation of agencies as devolution; the difference of view concerns what level of autonomy from central government is seen as constituting an `organisational boundary'.)

There are two main types of institution involved in social security administration in the five countries: sub-national governments (local, regional or state governments) and `social partner' institutions, usually constituted under a tripartite (employers, unions, government) or bipartite management board. Broadly speaking, social partner institutions are more likely to be involved in administering contributory, insurance-type social security arrangements, while sub-national governments are more involved in assistance arrangements.
In the third section of this chapter, examples of devolved systems from other countries are discussed and different patterns of devolution identified. The discussion looks at, first, the location of policy-making power and the relationship between those formulating policy and those engaged in implementation, and, second, the ways in which those making decisions are held accountable. It is argued that one of the key differences between decentralisation and devolution lies in the multiple channels of accountability found in devolved systems. We discuss the reasons why the various different types of institution are accountable to groups or interests other than central government, and draw out the implications for central government.

The agency structure in Britain

In Britain a distinction between policy and operational tasks is often used to explain the relationship between the executive agencies and the Department. Separating administrative functions from the task of providing policy advice and other services to Ministers has enabled management techniques from the private sector to be introduced into agencies. One key feature of these techniques is an emphasis on results rather than procedures. It is argued that efficiency can be enhanced if those at the top of an organisation set goals and targets and then empower those lower down to search out the most effective ways of meeting those targets.

There are various ways of conceptualising the advantages of this approach. According to principal-agent theory, those in charge of setting targets (the principals) can only acquire complete information about the processes involved in reaching the targets at high cost. It is more efficient for them to utilise the specialised skills and knowledge of those doing the work (the agents) than to attempt to acquire complete information and proceed directly. One difficulty is that agents can be expected to use their knowledge in their own self-interest, rather than in furthering the interests of the principal. To overcome this problem, it is necessary to align the incentives of the agent with the targets of the principal, for example by developing performance-related pay structures. Incentives are aligned by ensuring that performance that conforms to the targets of the organisation is accompanied by personal rewards for the agents. This approach can, at least in theory, be carried through from the lowest level of the organisation to the top, so that the agency, in the person of the Chief Executive, serves the objectives of the Minister (advised by the core Department) as principal.

While this approach may help to promote managerial innovation in agencies, it has problems and limitations. Most obviously, there are conflicts between targets, for example between speed and accuracy. The principal may attempt to calibrate the incentive structure so that the agent trades off conflicting targets in accordance with the preferences of the principal. However, there is a contradiction in this process, because calibrating incentives requires high levels of information, whereas the underlying rationale of the principal-agent structure is that the agent has more
This problem of ‘asymmetric information’ also affects the operation of another theoretical approach to decentralisation based on public choice theory. It is argued that it is desirable to separate the group of people or institution giving policy advice from those undertaking implementation, to avoid bureaucratic capture of the policy process. According to this theory, the Permanent Secretary of an old-style department will give policy advice which protects and enlarges his or her ‘empire’ of local offices and staff. This prediction is derived from a model in which the Permanent Secretary aims for budget-maximisation, an assumption that has been challenged both theoretically and empirically (Dunleavy, 1991; Dowding, 1995). If the model is accepted, it implies that advice on implementation issues and constraints coming from the head of the implementing institution should be ignored as being basically self-interested. The policy-maker (the Minister) then has to solve the problem of how to acquire accurate information about implementation. The solution favoured by public choice theorists is to place contracts for implementation in a competitive marketplace. Among the difficulties with this is one that flows from information asymmetry: the contract binds the policy-maker to the initial policy, and does not allow the policy-maker to act on feedback from implementation and revise the policy except in a highly structured and restricted way.

To gain the benefits of decentralised management (whether in a principal-agent framework or by formulating competitive tenders for implementation contracts), the implementing institution should ideally be set goals or targets, and allowed some autonomy in formulating ways of reaching the targets. The targets should have meaningful relationship to the objectives of the social security system, while at the same time being related to measurable indicators. Some analysts have suggested that a distinction should be drawn between ‘outcomes’ and ‘outputs’ in formulating targets. Outcomes are ‘consequences for the community of the activities of government’, while outputs are goods and services produced by departments (Pallot, 1991, p.172). The administration of transfer payments is an output, and economic welfare is an outcome. ‘Government would determine the outcomes it wished to achieve and use policy advice ... to select the appropriate outputs’ (ibid).

The difficulties in applying this framework to social security arc fairly obvious. The ‘production function’ linking outputs to outcomes is highly complex. Outputs which are easily described and measured, such as the number of benefit payments, have ambiguous effects on desired outcomes. Policy work in social security involves adjusting and calibrating benefit entitlements in the hope of improving conformity with the desired outcomes of the system. This is an ongoing process; successive revisions
occur both because of unexpected responses to previous initiatives and because external events (changes in labour market conditions, etc) intervene.

There is also an important issue about the nature of social security policy which is obscured by analyses which focus on goals and targets, whether defined as outputs or outcomes. Social security policy may involve adjustments to the parameters of the system (the benefit level, the duration for which benefit is paid, contribution conditions, disregards and tapers in means tests, etc), but policy innovations may also involve developments in administration: changes in how disability is determined, reformulation of the `actively seeking work' test for unemployment, and so on. It would be very convenient if the formulation of policy was confined to the parameters of the system, so that innovations in administration could be left to decentralised management. However, this is untenable. Such a definition would close off from policy-makers important routes to achieving their objectives. It would also imply a loss of accountability for issues in administration which are of legitimate public concern.

Issues of accountability around the process of social security administration are of considerable importance, as is discussed further below. The parameters of the system are relatively visible and open to public scrutiny and debate (albeit marred somewhat by the complexity of systems). Administration is more difficult to scrutinise. If the aim is to promote managerial autonomy, and remove the agency from ongoing political intervention, then it is important to devise ways of monitoring administration which encompass legitimate public concerns. The difficulty is that the distinction between results and procedures which is fundamental to establishing managerial autonomy may not be reflected in public concerns and debates. People may have views about the appropriate procedures to be followed, as well as about the outcomes to be attained.

A framework which highlights this problem is presented by Hood (1991), who contrasts different sets of core values in public management. In particular, he distinguishes between values emphasising efficiency in the use of resources to achieve defined ends, and values about procedures, such as honesty, fairness and mutuality. Hood argues that it is difficult to satisfy all the different types of values simultaneously, and that the new public management pursues efficiency to the detriment of other values. The principal-agent structure illustrates the potential conflict between values very clearly. It emphasises the scope for improving efficiency by giving agencies more autonomy over methods and procedures. If the public is concerned about procedural values, the implementation of a principal-agent structure is liable to lead to the perception of a `democratic deficit' in the form of insufficient accountability of agencies for the way they take decisions.

The implication is that the extent of decentralisation to autonomous agencies is constrained by the political contentiousness of the decisions they take. In
the case of social security, this is a severe limitation. However, there is an alternative approach. Decisions over which there may be popular concern and contention might be able to be decentralised if there are means for holding the decision-makers directly accountable. Examples of such processes include direct election of those in charge of the agency, judicial review of the procedures followed, or opportunities for appeals on the substance of the decision reached. These various mechanisms are unattractive to 'managerialists'. 'Managerialism' emphasises the importance of discretionary power to achieve results ('freedom to manage') and the portability of best practice across widely different activities (in particular, from the private to the public sector) (Hood, 1991, p. 6). Elections, appeals and reviews curtail discretion and differentiate the provision of public services from private business. We can also see in this context the affinity between managerialism and central government control. Alternative accountability mechanisms may be unattractive to central government, as they imply that the agent is no longer accountable solely to central government as principal, and the prospect of conflict between different accountabilities arises.

In Britain competing accountabilities have been avoided, but at the cost of limited decentralisation, at least in the area of social security. Responsibility for politically contentious decisions is retained with the principal, and the goals given to the agents are rather narrowly defined; for example, to achieve fast and accurate delivery of benefits in accordance with rules specified by the principal.

Financing As is argued further in Chapter 4, we can expect a stable institutional structure to exhibit some alignment between the powers exercised by an institution and its financial responsibilities. Decentralised budgeting - the shifting of financial responsibility to lower levels in the institutional structure - is one of the features of the agency structure. In place of line-item control, managers are increasingly given 'one-line' budgets which they are expected to manage in order to achieve their targets. In Britain, administrative budgets are decentralised to the agencies (and, increasingly, to offices within the agencies), but programme budgets are not. The alignment of power and responsibility dictates that the exercise of any power which affects programme spending is the domain of 'policy', leaving only power to make decisions which do not affect programme spending to be decentralised to the delivery organisation. This presents difficulties, as many innovations may affect both programme and administrative spending.

From this brief account, we can summarise some of the issues presented by the British experience of decentralisation to social security agencies. Decentralisation is meant to promote efficiency and innovation. To the extent that reforms to the governance structure in Britain have had this effect, they have been confined to the management of the administration
The reforms undertaken in Britain would appear to have been conducive to promoting management innovations in response to a changing environment - for example, in responding to changing cost structures and IT developments. However, the reforms to the governance structure have not contributed to policy innovations, such as finding ways to respond to concerns about long durations on benefit, or responding to different patterns in the labour market transitions of working-age benefit recipients.

Different commentators attach very different levels of importance to these problems. If 'government failure' is thought to be a problem of limited information, if policy is thought to be marred by unintended consequences, if implementation is characterised by insurmountable complexity - then the restricted model of decentralisation adopted in Britain has not addressed these problems. In the trade-off between obtaining information by decentralisation and maintaining central control, the position taken has been highly slanted towards central control. If, however, government failure is seen in terms of bureaucracies which are unresponsive to policy-makers' preferences and sheltered from the sharp wind of competition, then implementation problems are downgraded in significance and may even be thought to be manufactured by the bureaucracy. On this view, the preferred model of decentralisation is managerialist and the retention of all politically important decision-making powers at the centre is intentional.

There are several examples from the countries in our study of devolved arrangements which appear to be based on a policy/delivery split similar to that existing in Britain. In Denmark municipalities administer the old age pension, but all the rules for the main benefit are determined nationally (there is local discretion in special needs payments). In the USA Food Stamps are subject to national rules but are delivered by State public welfare offices (and by the Social Security Administration in a few cases). Two other examples, which are highlighted in the discussion in this chapter because of the contention surrounding them, are social assistance in the Netherlands and unemployment insurance in Denmark. In Dutch social assistance, policy is determined centrally and the local authority acts as the delivery agent for central government. Administration costs are met locally and programme costs centrally, although this is under reform, as explained in Chapter 4. The bodies which deliver Danish unemployment insurance (UI) also have no responsibility for formulating or managing the programme budget, while administration costs are met by subscriptions from insured persons.

A common element in all these cases is national uniformity in what we have called the parameters of the system: benefit levels, structure of the means test, and so on. There is also uniformity in many aspects of administration, even though the administering offices have considerable autonomy in determining how they receive claims and make payments, who they employ...
and how they organise their work. One process whereby common standards of administration are established is by auditing. Depending on how they are specified, audit rules can constitute important constraints on administrative processes, for example in the standards of evidence which they set. In the USA, for example, Federal auditing encompasses Quality Assurance (scrutiny of procedures) as well as Quality Control \( (\textit{ex post} \text{ checking on the accuracy of determinations}) \).

In recent years the development of IT systems has also become an important means of achieving common standards of administration, particularly when the IT system carries not only the electronic equivalent of the clerical forms but also the information necessary to verify a claim. The role of IT in facilitating the attainment of common standards of administration is most pronounced in Denmark, where information exchanges between branches of government are very highly developed. In the US a lot of effort has gone into establishing data sets to provide verifying evidence for benefit administration, but the obstacles to making matched information available in a timely fashion have proved to be very great.

While IT systems facilitate common standards of administration by devolved units, it can also be argued that they render devolution nugatory in its impact, in that, in an entirely automated system, it is not necessary to develop agency relationships in order to utilise the specialised skills and knowledge of the agents. To the extent that Danish old age pension administration is fully automated, it could just as well be administered by a central government institution. This suggests that the benefits of local administration in this case rest on the `one-stop' provision of pensions, special needs payments and social services, as discussed in Chapter 2.

The more general point is that the imposition of standard procedures, whether via audit requirements or through the use of IT protocols, nullifies the possible benefits of devolution to an agent. Of course, the reason why stringent audit requirements or computerised controls are imposed is that the incentives of the agent are not aligned with those of the principal. The local authority (or UI office, etc) has no financial incentive to control claims (apart from financial penalties which might be imposed by auditors). Programme costs are met centrally in all the cases under discussion. This means that the principal cannot afford to lose control over any decisions which might affect the level of benefit awards, as the incentives of the agent do not lead to the restraint of programme expenditure. Most obviously, where administration costs are met locally and programme costs centrally, the agent has an incentive to `economise' on administration costs at the expense of programme costs.

This suggests that, where central programme financing is in place, the principal-agent relationship will tend to evolve into a bureaucratic relationship, albeit one where the management hierarchy might be replaced.
by an audit hierarchy. One interesting problem is how organisational boundaries are negotiated in these situations. Following the distinction between ‘decentralisation’ and ‘devolution’ outlined in the Introduction, we can note that the cases under discussion here are examples of devolution. Administration is conducted by an autonomous body: an institution created and sustained by its own membership or constituency to act in accordance with their preferences and choices.

It is possible to analyse the impact of institutional autonomy as a problem of accountability. In an intra-organisational agency relationship (decentralisation) the agency is accountable only to the principal. Autonomous agencies are also accountable to external constituencies; for example, local authorities are accountable to their local electorates. Potentially, this could help to improve aspects of agency performance which are difficult to audit or monitor. For example, local popular pressure on the municipality to provide a good service to its pensioners may help to promote good-quality delivery in Denmark. Since local elections will dwell on a range of issues, this might prove to be a rather weak mechanism of accountability, but it is strengthened by the ‘bundling’ of benefit delivery with other services to elderly people, which are delivered from the same municipal office.

This might seem to be an example of the possibility noted by Toft (1996) that the principal may utilise external accountability to control aspects of agency performance which are difficult to monitor. For example, local voters may monitor a local government agency more effectively than central government. The difficulty is that local voters’ policy preferences may not coincide with those of central government (Toft, 1996, p. 250). This is the fundamental dilemma in devolving functions to an autonomous body. Another Danish example illustrates this problem. The UI offices operate as agents of the state in paying out government money in benefits. However, office staff are also accountable to their members, who meet the costs of administration and therefore, in effect, employ them. Most of the administering offices are closely linked to a trade union, and members exert an influence on administration via their elected union representatives. Elected officials monitor the performance of the UI office, for example setting targets for waiting times. In some cases the elected officials run the office; for example, the Treasurer of the union may also head the UI office.

This accountability provides a direct mechanism whereby member preferences about service levels can be reflected in both office performance and administrative costs. However, there is a tension between this accountability and the requirement of the staff to implement the law correctly, particularly where members hold different views on their rights to those laid down in the law. The offices have come under criticism in recent years for failing to test whether people are actively seeking and available for
work with any vigour. It is argued that the offices are too close to claimants, and make no effort to control claims. This complaint has led to intensification of the audit process.

It may seem obvious that accountability to members via a union and accountability to central government will generate conflicting pressures on office staff and management, but this does not prove that all forms of external accountability will be incompatible with the accountability of the agent to the principal. The relationship between central government and local authorities may be more harmonious. However, the underlying problem of conflict between central and local preferences remains.

One important area where the implications of conflict between central and local preferences become apparent is in the development of yardsticks and benchmarks. Where central government uses a number of agencies (e.g. all the local authorities in the country) to implement centrally determined policies, it can obtain some information about the relative efficiency of each agent. It may be able to create competitive relationships which force those agencies with poor relative performance to improve or be replaced. However, it is possible for failure relative to a benchmark to arise from local practices which are in accordance with local preferences and choices. For example, comparisons of unemployment insurance (UI) administration between US States are rejected by States on the grounds that 'legitimate' variation arises from programme differences.

This implies that central government has a choice between putting its faith in yardsticks which it devises and relying on local mechanisms of accountability. Danish pension administration does the latter: local voters monitor the municipality on their own account. The development of yardsticks and benchmarks can be used to strengthen central control, but at a cost. Measures of differences have to be controlled for variation in local conditions if they are to be meaningful. This requires information. The informational demands of monitoring conflict with the idea that devolution improves efficiency because local agencies have better information than central government. If central government has enough information to evaluate the agent’s effectiveness fully, it is but a short step to the conclusion that it has enough information to implement the policy itself and there are no benefits to be derived from allowing the agent any autonomy.

The Social Security Administration (SSA) in the USA appears in many ways to be comparable to a British agency, in that it is entirely the creation of central government and has no membership or constituency of its own. In 1995 it was constituted as an 'independent agency'. The significance of this reform appears to have been to shift the primary line of accountability for the SSA by removing it from the umbrella of a department of the Executive (the Department of Health and Human Services), and thereby from accountability to the President. By contrast with the creation of executive
agencies in the UK, no `core department' was left behind to negotiate performance agreements with the SSA. The SSA develops its own `mission statements' and `goals' about customer service issues such as timeliness of service, clarity of explanations of decisions, etc. The principal in the relationship would now appear to be Congress. The SSA makes an Annual Report to Congress where it reports on its attainment (or not) of delivery targets which it has formulated, as well as on its fulfilment of statutory requirements and on the performance of the programmes in achieving their objectives (alleviation of poverty, replacement of income for people no longer working). There are no predefined sanctions for non-attainment, and some shortfalls appear to be invoked by the SSA as bargaining counters in bids for more resources.

Superficially, there is an element of devolution in the SSA's delivery structure, with State agencies undertaking the task of disability determination. However, the way in which the SSA determines performance measures and sets budgets for the Disability Determination Services (DDSs) is more managerial than contractual. Budgets specify major line items of expenditure, and important decisions such as IT investments are scrutinised centrally. There are no sanctions for failure to meet performance targets; they are used as a managerial tool. In the recent review of the disability determination process, the separateness of the DDSs was seen as something of a problem, and measures to improve their coordination with SSA and merge some staff functions into a `coordinator' post have been proposed.

The relationship between the SSA in Baltimore, the regional offices and the field offices has become slightly more decentralised in recent years, with the regional tier being the main `loser' from this process. Some of the finer detail of budgetary control of field offices by the regions has been relinquished, although personnel remains a regional function. Detailed budgetary control has been replaced by monitoring of performance indicators. Indeed, the primary significance of the goals and targets which the SSA reports on to Congress (see above) may well be in providing benchmarks for assessing the performance of field offices against national standards.

Devolution of powers affecting programme expenditure

The previous section looked at various cases of devolution to agencies in which the parameters of the system are determined nationally. It was suggested that there are some obstacles to allowing much local variation in administration where programme costs are met centrally. Departures from national uniformity raise issues of financial control, and also present problems of accountability. In this section we look at cases in which at least some of the parameters of the system are determined by the delivering institution, and/or where significant variation in administration is possible. Such assignments of power have to be supported by appropriate financial arrangements, but detailed discussion of these is left to Chapter 4. In this
chapter we concentrate on how such arrangements are constituted, and look at the accountability implications.

Although it might be expected that control over administrative processes is more likely to be devolved than power to determine the parameters of the system, this proves not to be the case. The most striking reversal of this pattern can be found in the governance structure for AFDC in the USA. This structure can be summarised briefly as follows. Some of the main parameters of the system, notably the benefit level and the `need standard' (which is referred to in means-testing), are determined by the States. The Federal government has exercised considerable leverage over administration. In the early days of the programme the Federal government concentrated on applying pressure to achieve uniform standards of administration within each State (a detailed account of this process in operation in Massachusetts is given by Derthick, 1970). Subsequently the Federal government has come to exercise considerable power in monitoring administration using Quality Assurance (QA) and Quality Control (QC) techniques to review office procedures and check the accuracy of determinations.

Of course it may be that this pattern has no explanation in rational theories of organisational design, given the distinctive political reasons why the Federal-State relationship developed in this way. In particular, it could be argued that the Federal government has concentrated on administration because it lost the battle in Congress over where the power should lie in determining the parameters of the system. However, the Federal government’s policies do indicate that administrative processes are important in themselves, and not merely instrumental. This view has been reinforced in the US by the Courts, which have also scrutinised administrative processes and, in some cases, imposed administrative requirements on public welfare offices by Court order.

The institutional structure for AFDC is one of the arrangements in this study which can be said to be `out of equilibrium', in that it is under a high level of political scrutiny and is the subject of proposals for radical reform. A feature of these proposals is the way that advocacy of welfare reform is linked to the promotion of `States’ Rights’. The reform proposals address concerns about long-term dependency on welfare and the level of welfare spending by changing the governance structure for AFDC as well as the rules for receiving the benefit. The basic structure of the various proposals is that the Federal contribution to AFDC is converted into a block grant, and that Federal law governing the award of benefit is amended to allow more variation by States. Whereas QA and QC under matching arrangements are concerned with ensuring that the award of benefit in any particular case is correct, Federal scrutiny over the use of the block grant would be based on overall patterns of expenditure, not case-by-case decisions. For example, one proposal is that States would have to achieve targets for employment of welfare recipients or face the loss of part of the Federal grant.
The linking of welfare reform and States' rights is particularly intended to give States more flexibility in how they link benefit to back-to-work initiatives than at present. Under current arrangements, schemes which involve the establishment of work and training requirements backed by sanctions have to be approved by the Federal Department of Health and Human Services under the 'waiver' conditions laid down in the Social Security Act, although waivers have been granted readily by the Clinton administration, partly to fend off pressure for more fundamental welfare reforms.

If a rational organisational explanation of these measures is appropriate (which is questionable), it could run as follows. The information demands of any scheme to link benefit receipt to the promotion of work and training are very high. For example, central governments are traditionally cautious about spending programmes which claim to be justified by benefit savings, because of their concern about deadweight losses (where programmes support people who would not be on benefit in any case). Arguably, local governments are in a better position than centralised systems to assess and control deadweight losses. Examples from other countries suggest that powers to adjust (augment, reduce or even deny) benefit in order to promote or penalise behaviour (e.g. supplementation for attending training courses, penalties for refusing work) can be most effectively exercised at the local level. In Denmark powers to require participation in work or training ('activation') are provided under national law, but each municipality formulates its own procedures for implementing activation conditions. It is notable that municipalities have pursued 'activation' measures much more vigorously than the institutions involved in administering unemployment insurance, for which benefits are centrally financed.

It appears that work and training initiatives are implemented most strongly where there are local financial incentives: in particular, where benefit savings arising from employment promotion or training can be retained by the local administration. However, it is also clear that if a local administration has to manage benefit claims within a finite budget, it may find creative and welfare-enhancing ways to do this, but it may also be forced to have recourse to devices for cutting claims which detract from the welfare of those the system is meant to help.

Other decision-making powers which would seem to have high information requirements and are often devolved include powers to award individual supplements to basic amounts of benefit, e.g. to meet special needs or fixed expenses (rent, utility bills, etc), and opportunities to offer the claimant services in kind rather than cash. In Denmark the level of basic benefit is set nationally, but individual municipalities develop their own policies on meeting fixed expenses. There are close links between cash assistance administration and social services. In Germany the broad outline of policy, in the form of an obligation to provide social assistance, is set out in Federal
legislation, but the *Lander* set the benefit levels and, as part of their administrative legislation, assign tasks between levels of local government. Again, there are often close links between social services and social assistance administration.

The linking of cash benefits with social services provision appears to be an important source of administrative flexibility in these countries. It can be argued that this flexibility generates local variation which arguably detracts from the establishment of nationally uniform rights to benefit just as much as variation in benefit levels. Furthermore, its effects may be more covert, making it harder to call decision-makers to account. However, local power over these aspects of benefit decision-making is not necessarily accompanied by a high tolerance of the exercise of administrative discretion. On the contrary, local power may be accompanied by a variety of mechanisms for holding the decision-maker accountable. The main mechanisms are judicial and quasi-judicial processes (appeal, judicial review, scrutiny by an ombudsman) and electoral processes. In judicial processes the law and/or facts applying to a particular case can be reviewed and the compliance of the decision-maker with substantive and/or administrative law examined. In electoral processes, policies formulated by local authorities can be scrutinised and those responsible for developing policies required to justify their decisions and respond to the preferences and demands of the electorate.

It is difficult to assess how *effective* these processes are. For example, the number of appeals is not a good indicator of the extent to which decision-making is well grounded in law - indeed, it may be an inverse indicator. In Germany, where considerable importance is attached to the idea of a law-based state (*Rechtsstaat*), it may be significant that there is a codified administrative law, setting out the standards which a public official is expected to maintain in the course of his or her work. The attainment of these standards is linked to the completion of appropriate training, so administrative law is reinforced by professional identification. There is also an administrative code in Denmark, but there is a less legalistic emphasis in Danish views of accountability, with relatively more importance attached to popular accountability through elections.

As is explained further in Chapter 4, the social assistance systems in Denmark and Germany, and AFDC in the USA, all rely on local finance for at least part of the programme cost. The problems of maintaining claimants’ rights where the administration has to manage claims within limited sub-national financial resources may explain why the institutional arrangements discussed here are all concerned with social assistance, rather than with insurance-based or universal benefits.

*Devolution to social partner institutions*

In the previous sections we have shown that central government may use sub-national government as an agent to deliver benefits which are fully centrally financed, and that there are also cases where the agency structure is
replaced by a more complex relationship in which the sub-national government meets a share of programme costs itself and also exercises policy functions. A similar set of possibilities arises with social partner institutions. Examples of such institutions delivering benefits which are fully centrally financed include family benefits in Germany (delivered by offices of the Employment Institute, although this is under reform) and RMI (social assistance) in France (delivered by the Caisse for family allowances). More widespread are examples where the social partner institution pays tax-financed supplements to the contributory benefits it administers; in these cases it acts as agent in providing benefits to people who are already its customers.

It might be thought that it would be straightforward to maintain a clear line between the benefits provided by the institution on an agency basis (with central government as principal) and those that the institution itself provides on a contributory basis. This would also suggest that the institution could have financial and policy-making autonomy in running its `own` benefits, while central government would determine policy and provide finance for the supplementary benefits. The institution could be to all intents and purposes a private insurer, developing policies in accordance with the preferences of its customers in the area of contributory benefits, and administering supplementary benefits under contract. In such a structure the competitive pressures of the marketplace determine the policies on offer for contributory benefits; if the market is efficient, the policies will be actuarially fair, with contributions set in line with the expected value of benefits to be paid.

In the countries in this study the lines between the agency functions of the delivery institution and its management of its own insurance policies are not clearly drawn. Furthermore, the structure and content of the insurance policies offered by the institutions involved are not determined by the competitive pressures of the marketplace. The institutions operate in regulated environments in which there is no competitive pressure: contributors have no choice of policies. This means that policies do not have to be actuarially fair, and this in its turn creates space within which policy-making power can be exercised.

The government has some quite specific interests in the policies on offer, because the need for (tax-financed) supplementation will depend on the contributory benefits - the contribution conditions, the replacement ratio offered, ease of transfer between schemes, availability of dependents’ and survivors’ allowances, and so on. One of the advantages for the government of giving statutory backing to contributory schemes is that by doing so it can maximise their adequacy and coverage and minimise demands on tax-financed benefits. This statutory backing is accompanied by an ongoing policy role for government. Government is likely to aim to use its leverage to ensure adequacy (relative to social assistance) and attain high levels of
coverage. There are externalities in adequacy and coverage (divergence between private and social costs and benefits) arising from the interdependence between insurance and assistance. If people have inadequate insurance, they will require tax-financed assistance. If a scheme is not mandatory, more people will exclude themselves. Furthermore, freed of the government’s policy influence the institution may pay less attention to attracting the custom of those for whom there is tax-financed provision. It may even structure its policies to maximise the use of the available tax-financed benefits.

The nature of the relationship between social partner institutions and the government in the administration of contributory benefits can make it difficult to identify exactly how policy-making powers are assigned. In particular, it is common for the social partner institution to have the function of initiating and developing policies, while the government is in theory restricted to approving or rejecting what is put before it. For example, in France the government exercises *tutelle* over the management boards of the *Regime General* (RG). While *tutelle* encompasses extensive powers, they are powers to reject and intervene, rather than to initiate new policies.

In Germany the powers of the social partner institutions vary according to the branch of insurance. The Sickness Insurance Funds (KKs) set their own contribution rates, but for other branches of insurance they are set by the Federal government. Alber. (1994) has argued that policy is developed by ‘policy networks’ which encompass members of the Government, managers of social insurance bodies, technical experts, and committees of Parliament. It might be argued that this mode of policy-making is cumbersome and attenuated, and even that it is undemocratic in detracting from parliamentary sovereignty exercised through ministerial control of policy. However, there are also benefits in operating through autonomous institutions which counterbalance the loss of power experienced by central government. The government does not have to devise rules and regulations appropriate for every occupational and industrial activity; those engaged in each sector can do so themselves. Costs of policing and enforcing the arrangements fall on the parties rather than the government. These advantages are analogous to those arising from the adoption of voluntary codes of conduct in commercial activities, but with the added dimension that agreements have to be reached between opposing interests.

Social partner institutions are accountable to central government through mechanisms like *tutelle*, but they are also accountable to their members or constituents. Often employers and contributing workers (insured persons) are represented on management or supervisory boards, and sometimes they are joined by pensioner representatives. These representatives may be elected or appointed. In France the method of choosing representatives for the boards of the *Regime General* has changed with changes in the tide of opinion about the appropriate balance between central government control and
constituency accountability. A reform in 1967 replaced elections with appointments, but elections were reinstated in 1980 as part of Mitterrand’s decentralisation initiative. Under reform proposals currently in the throes of implementation, appointments would be reinstated. Reforms underway in the Netherlands are also in the direction of greater central government control. The Industrial Associations (BVs) are no longer permitted to set their own budgets, and a new organisation (Tica) has taken over this function. Members of the board of Tica are drawn from the boards of the BVs; in addition some members are appointed by the central employer and union confederations. The Chair is appointed by the government. In addition, the functions of the Social Security Supervisory Board (Ctsv) have been strengthened, and its board is now comprised of independent members appointed by the government, not social partner representatives.

There are several reasons why there are tensions between accountability to constituents and accountability to central government. Increasingly, it seems that governments have not been able to rely on the balance of opposition between workers and employers to get the outcomes they want. The basic problem is that the interests of the unemployed are not represented in social partner structures. While employers may resist increases in the burden of social insurance contributions because of the impact on their profitability and competitiveness, governments arguably have even greater incentives to curtail contributions because of the impact of poor profitability and competitiveness on employment. Unions for their part may be concerned about job losses, but arguably may attach less importance to job creation for those not currently employed, as they are not generally union members.

Alongside this fundamental problem, some social partner institutions are accused of poor cost control by the government. The problem of ‘empire building’ identified by public choice theorists may arise in social partner bureaucracies as well as in government bureaucracies. Following public choice theory, the solution might be thought to lie in exposing these institutions to competitive pressures. This approach is under consideration in Germany, where competition between the KKs is being introduced. However, this reform has had to be accompanied by the establishment of methods of compensating KKs which take on bad risks, as otherwise insurance coverage may fall.

The possibility of privatisation is also at issue in the Netherlands, where the government has taken steps to enhance its regulatory and supervisory powers over the BVs, as noted above. Implicitly, the government classifies the expenditure of the BVs as public expenditure, while the cost of contributions to the BVs is included in the ‘collective burden’ (the government has set itself the task of reducing the collective burden as a percentage of GDP). The BVs dispute this classification (implicitly). Their view is that they could re-establish their power over their own resources by reconstituting themselves as private insurance bodies. If this happens, the
government will have achieved its aim of cutting the collective burden, but at a cost. It will lose its leverage over contributions and the benefit structure, with the possibility that coverage will fall. It could find that it bears more of the cost of sickness and disability provision in other parts of the social security system.

Conclusion
Principal-agent theory suggests that the benefits of decentralisation are to do with utilising the information available to those at the ‘coal face’ of benefit administration, while reducing the information-processing demands of a hierarchically organised system. In Britain reforms have been undertaken which can be interpreted as attempting to utilise the specialised knowledge of agents to improve processes, while maintaining centralised political control over results. It has been argued that this ‘managerialist’ approach to the potential gains from decentralisation is very restrictive, for two main reasons. There are few administrative innovations which can be seen as purely instrumental in achieving goals, and therefore do not raise issues of accountability, and, second, the managerialist view confines the gains of decentralisation to economising on administration costs, which is a minor item compared with control of programme costs.

A number of arrangements have been discussed in this chapter which entail a loss of control for central government. One consequence is that it is not possible to make any assessment of the performance of the different types of devolved structure discussed in this paper without making judgements about the value or utility of the influence exerted by central government vis-à-vis other institutions. Most of the arrangements under discussion are not operated at the whim and will of central government. Many of the institutions are headed by elected officers. In some cases their place in the body politic is constitutionally protected, and it is not open to central government to question their efficacy.

For central government the benefits of devolving power may include escape from dealing with contentious issues of detail such as the determination of special needs payments, or grappling with measures affected by variations in local conditions, such as the establishment of arrangements for offering employment and training to benefit recipients. The costs or problems include a loss of national uniformity. National uniformity may not always be seen as a priority, but if local (or industrial or occupational) differences are to be tolerated, there must be appropriate mechanisms of local accountability.

An obvious problem with local variation is that local governments may exercise inadequate restraint over programme costs if these are fully financed by central government. Some devolution of financial responsibility would appear to be necessary. The next chapter looks at ways of devolving financial responsibility. It is shown that there are major conceptual and practical problems with devolving fixed budgets for management by the delivery
institution. Instead, various forms of co-financing appear to have more potential, but these require that the administering institution has some independent financial capacity to risk on benefit payments.

References


Introduction

This chapter examines the different ways in which financial responsibility for programme and administrative costs can be structured in devolved social security systems. Financial arrangements are central to analysing different patterns of devolution. In this chapter a framework is presented for analysing the wide variety of financial arrangements exhibited by different parts of the systems in the five countries covered in this study.

In the simplest administrative arrangements described in Chapter 3, central government meets all programme costs. It was argued that this presents problems in aligning the incentives of principal and agent, making it difficult for central government to utilise the information advantages of local administration in the running of the programme. In the more devolved structures which were discussed, various forms of co-financing are in operation which surmount this problem, albeit possibly at the cost of introducing other problems. In these financing arrangements the delivery institution has incentives to control claims because it bears at least part of the marginal programme cost of claims. It is shown below that the assignment of the burden of meeting marginal costs does not have to be reflected in the assignment of total costs, and that different financial structures can be distinguished according to the various ways that marginal and total costs are assigned.

The first section of this chapter introduces the key concepts in the assignment of financial responsibility in the benefit system, and shows how the analytical framework can be applied to the financing of social security in Britain. The discussion then turns to some of the examples in the countries studied where programme costs are met centrally but financial responsibility for administration costs is devolved. This discussion raises some issues about how the total administration budget is determined. We also examine the conditions which have to be fulfilled for a principal to be able to impose financial sanctions on an agent.

The discussion then turns to examples where responsibility for programme costs is devolved. One of the main issues in the analysis of devolution to sub-national governments is how to achieve sufficient equalisation of resources to ensure that eligibility conditions and levels of benefit entitlement do not diverge widely between different parts of the country. In the USA some benefits are uniform nationally and others are not. We discuss the different components of the US social security system, and draw out some implications about the effects of sub-national financial responsibility where the extent of equalisation and tax harmonisation is limited. Issues around the
financial responsibility borne by social partner organisations in Europe are also reviewed.

The concluding section discusses the implications of the different systems for central government. Basically, devolution can be structured to tighten financial control and improve financial discipline on administering institutions. However, if institutions are to manage their financial responsibilities they need concomitant powers over the factors that affect spending levels. If they are given these powers, this also implies that mechanisms are needed for holding administering institutions accountable for their decisions. The devolution of power and the associated need for accountability imply a loss of control for central government.

Analysing financial responsibilities: a framework claim is critical to understanding how financial responsibility is assigned. Where the delivering institution bears part of the marginal cost of a claim, the effect is that, for every award not made, the institution can provide some other service of greater political attractiveness, or shift the savings back to the electorate or constituency in the form of lower taxes or contributions. The importance of who bears marginal costs is emphasised by Bird, who argues (in an intergovernmental context) that ‘federal transfers to states should not be conditional on expenditures but should rather be determined in accordance with a formula invariant to actual state expenditures’ (1994, p. 300). Applied to cash benefits, this formulation would mean that the administering institution would receive a block grant in preference to reimbursement on a case-by-case basis.

While the burden of marginal costs is of central importance, the operation of the system will also be affected by the way that the burden of total costs is allocated. This is because of the issues which arise in managing the risks inherent in bearing the marginal cost of benefit payments. A claim arises as the conjunction of three factors: the circumstances of the claimant, the system parameters and the administrative process. One of the primary purposes of placing a share of marginal cost on the administering institution is to ensure that risk factors associated with the administrative process are controlled. However, it is simultaneously the objective of most systems that the burden of other risks should be pooled, as pooling improves the capacity of the system to bear risk. As noted above, system parameters can be allowed to vary (as in the USA), but many countries aim for some nationwide uniformity in system parameters, so it is not necessarily intended that the administering institution should bear the costs of risk factors related to system parameters. Most importantly, the circumstances of the claimant are beyond the control of the administering institution, and the burden of risk related to changes in circumstances (e.g. changes in economic conditions, such as the state of the labour market, or social conditions, such as the strength and endurance of family ties) should ideally be pooled to enhance security.
What this means is that an `ideal' system of devolved administration has some risks borne by the administering institution, while others are borne centrally (pooled). However, it is very difficult to distinguish empirically between marginal changes in claims due to risk factors which the administering institution should manage, and marginal changes which the centre should bear. Systems for allocating block grants to local authorities do sometimes attempt to make this distinction, for example by including risk factors such as unemployment and demographic structure in a formula for determining spending needs. However, the information demands of such systems are very high, and the information may itself be `contaminated' by the administrative practices of the local authority.

Given these difficulties, the viability of any system which places the marginal cost of claims on the administering institution will depend on the capacity of the institution to hear risks as well as its capacity to manage risks. Risk-bearing refers to the ability of the institution to find the additional resources needed to finance an increase in claims; risk-management refers to its ability to find legal ways of controlling claims. The ability of an institution to bear risk depends on its total financial resources and their flexibility. While this is a complex question, some of the relevant factors are indicated by the share of total costs met by the administering institution. Consider the example of an institution charged with administering a specific block grant (i.e. a grant specifically tied or `ring-fenced' for one category of expenditure), and which brings no other financial resources to the task. In theory, this institution bears 100 per cent of the marginal cost of claims but no part of the total cost of claims. Such an institution would have to rely entirely on risk-management, because its risk-bearing capacity is non-existent. (This model is not found in practice, and even its theoretical viability is arguable, as is discussed further below.)

Table 4.1 summarises the two dimensions of financing under discussion. The vertical axis locates the share of total programme and administrative costs met by central government and the other institution, while the horizontal axis maps their shares of marginal costs. The top left-hand corner (cell 1) represents centralisation, with central government meeting the bulk of costs and bearing the marginal cost of claims. The case of the specific block grant, discussed in the previous paragraph, would be located in cell 3.
The financing of social security in Britain is highly centralised, both ‘in total’ and at the margin. However, there are two question marks over the British structure. First, how does decentralised budgeting for administration costs affect the picture, and, second, what is the significance of financing benefits from National Insurance contributions compared with financing from the Consolidated Fund?

Under decentralised budgeting for administration costs in Britain, agencies (and subdivisions within agencies) are given budgets to manage which they must live within, although there is scope to alter budgets for certain defined reasons, such as variation in claims loads. In principle this means that administration costs are met centrally in total, but responsibility for decisions at the margin is decentralised. If there is overspending on one item of expenditure, savings must be found in other items. All manner of practicalities interfere with this model, including late revisions of overall budgets, constraints on the management of particular line items (notably personnel) and so on. However, in principle, risk (financial responsibility) is borne by the delivery institution.

As is discussed further below, there are a number of examples in the countries studied of devolved financing of administration costs. However, the overall dominance of programme costs in all the arrangements studied means that we have located all these systems at cell 1 unless programme budgets are also devolved. Nonetheless, there are important distinctions to be drawn between different arrangements for devolved financing of administration costs. Most notably, there is the issue of how the total administration budget is determined. Where central government sets the budget it faces a problem arising from the information asymmetry which is a central part of principal-agent theory: how does it obtain the information upon which to fix an appropriate budget? Some of the countries in this study avoid this problem because administration costs are met by the administering institution. In terms of Table 4.1, such arrangements lie diagonally out from cell 1, whereas the decentralisation of budgeting in Britain constitutes a horizontal move from cell 1.
In Britain there are two sources of revenue for the social security budget: National Insurance (NI) and the Consolidated Fund. In cases of devolution to social partner institutions, insurance contributions constitute the financial resources of these institutions. The higher the share of these institutions’ total expenditure which is met from contributions, the further down the vertical axis of Table 4.1 they are located. To the extent that they must manage their own financial resources to meet their commitments, they are located across the horizontal axis to the right. The National Insurance Fund does not manage its own resources; it does not bear marginal costs in that it has always been possible to make a Treasury subvention to meet overspends from the NI Fund when they have occurred. This means that NI is located on the left-hand side of Table 4.1.

Whether NI is located in cells 1, 4 or 7 depends on whether the NI Fund is institutionally separate from the rest of the social security system. If it was, this would mean, for example, that there would be institutional constraints on how the structure of the benefit system was arranged between contributory and non-contributory benefits. We would argue that, by comparison with the arrangements in the five countries studied, there are no such institutional constraints and that the NI Fund is not institutionally separate. The British benefit system is unified - in terms of Table 4.1 it is all in one place (cell 1). The systems of the five countries covered in this study are not unified: different parts are in different cells in Table 4.1, as the following discussion explains.

Structures of financing In Chapter 3 a number of examples were given where local authorities and social partner institutions delivered benefits for central government on an ‘agency’ basis. In many of these examples there is devolved financing of administration costs and central financing of benefits, rather along the lines that are developing in Britain as agencies acquire control over administration budgets. However, most of the examples from other countries differ from the British model in that the administration budget is not set centrally. Instead, the administering institution meets administration costs from its own financial resources. These resources may include central government grants, but unless a grant is specifically for social security administration (i.e. it is ring-fenced in some way) the administering institution has power to determine its total spending, as well as having financial responsibility at the margin. One of the effects of such arrangements is that local authorities may organise their administrative structures in ways which intermingle cash benefit provision with other functions.

Two of the agency arrangements discussed in the previous chapter present some issues in terms of location on the diagram. It might seem that Danish unemployment insurance is located in cell 1, as the administering institutions have no budgetary responsibility for programme costs. However, insured persons pay a premium for their benefits (in addition to their administration fee), and revenue from a payroll tax is hypothecated to unemployment and
related benefits. Thus there is some autonomous financing, although more than half of programme costs are met by central government. Furthermore, central government meets the marginal cost of benefits. While the financing arrangements are under reform to raise the share of expenditure covered by the payroll tax, central government will continue to meet the marginal cost of benefits. The scheme therefore belongs in cell 4.

Developments in social assistance financing in the Netherlands give an insight into the issues surrounding the use of administrative devices to control risk. Until recently the basic characteristics of Dutch social assistance put it in cell 1 of the diagram, with central government meeting programme costs and local authorities meeting administrative costs out of their general block grants. However, central government has become unhappy with bearing all the programme risk, taking the view that it has inadequate administrative control over awards. The government has responded by shifting some risk onto local authorities. It no longer meets payments for Special Expenses according to demand and its contribution for this part of assistance is now in the form of a specific block grant. Moreover, from 1999 central government will only meet 80 per cent (not 100 per cent) of the basic assistance payments, leaving the remaining 20 per cent to be financed by the local authorities. Central government expects the municipalities to control claims through better administration, but it remains to be seen whether this is possible. Local authorities may have insufficient flexibility in their decision-making on claims to keep within budget while complying with the law (i.e. insufficient capacity to manage risk).

Furthermore, their risk-bearing capacity is limited. Dutch local authorities are almost entirely dependent on central government grants (Hughes and Smith, 1991, p. 431), and many of these are tied to specific purposes. The problem of whether cell 3 is really viable emerges in the Dutch context. The most obvious problem is whether it is ever likely that the administering institution will be given enough risk-management capacity, given that central government is unlikely to make a grant without endeavouring to exert influence over how it is spent. A further problem is that operating in cell 3 involves inconsistent assumptions about information. The rationale for charging the local authority with managing the budget is that it has superior information. At the same time, central government requires information in order to set the budget constraint. This inconsistency can develop into a ‘game’ between the parties, in which the local authority tries to influence budget-setting through the way it uses the budget. For example, it will avoid underspending, and may even indulge in some tactical overspending in order to put pressure on central government for a budget increase.

Indeed, overspending which is not tactical may also arise. One hazard of imposing risks on institutions with limited capacity is that they may fail to manage their resources within the budget constraint and go bankrupt, or require bailing out. The lower the independent financial capacity of the
institution, the greater the risk that a bail-out will be needed. This is partly because the institution may find itself facing claims which it is unable to manage, and partly because the institution has little to lose by failing to manage. A bankrupt local authority loses its independence, but if it has no financial resources of its own it has little independence to lose. These issues are of considerable importance in the Netherlands, as Chapter 8 explains.

Sanctions The problems of operating in cell 3 raise a more general point about the difficulties of finding the optimal balance between dependence and independence in a principal-agent relationship. These difficulties can be illustrated by the problem of levying sanctions. Sanctions for maladministration are an important instrument for aligning the incentives of the agent with those of the principal, but it can be difficult to make sanctions operational. For a principal to be able to sanction an agent effectively requires a very particular balance in the relationship. If the agent has no independent financial capacity, the cost of the sanction will end up falling on the principal (or the agent will go bankrupt, and have to be taken into administration). If the agent is independent it may be able to refuse to pay, even if it appears to have signed up to a relationship which includes sanctions. This is the case in the USA, where sanctions can, legally, be levied by the Federal government, but there is no credible threat of removing the States from their role in benefit administration. As a result, sanctions are forgone or negotiated away. The absence of the exit option arises because the agent has an independent constitutional basis for existing, along with the means to defend its interests within central government legislative and administrative processes.

By contrast, Danish UI offices can be sanctioned in a way which would appear to have the potential to affect their behaviour significantly. The sanction of the auditors against maladministration is that the cost of any benefit found to be incorrectly awarded must be met from the funds of the office itself, which means that any maladministration will increase the administration charge which the office levies on its members. In this case the principal has enough power to levy the sanction, but, at the same time, the cost of the sanction does not end up back with the principal.

In the previous chapter several examples were discussed where sub-national governments exercised powers which affected eligibility and entitlement to social assistance. In exercising these powers, sub-national governments can affect programme expenditure, and they are therefore subject to financial arrangements which ensure that they meet at least part of the marginal cost of benefits. In the light of the above discussion about the difficulties of devolving fixed budgets, it is not surprising to find that marginal costs are devolved by imposing a co-financing requirement on the administering institution.

One model of co-financing found between levels of government is 'matching', where the two tiers of government share the cost of an award of benefit. A 50/50 matching arrangement would be located in cell 5 of Table
4.1, with total and marginal costs both split equally between the institutions. Both social assistance in Denmark and AFDC in the USA are, in principle, located at cell 5, but there are great differences between these two schemes due to differences in the capacity of the lower level of government to bear risk and the scope to take measures to manage risk. By comparing risk-bearing and risk-management capacities in the two countries, it is possible to explain how the same financing arrangement can be accompanied by uniformity of benefit in Denmark and wide divergences in benefit levels in the USA.

First, we consider the extent to which capacity is equalised across administrative units. Matching itself is not an equalisation method. There are 'enhanced match' provisions in the USA which assist the poorer States, but these provisions are inadequate to offset the opposing bias, whereby rich States can afford to attract more matching funding. One of the main reasons for the Federal government to favour a matching formula was to encourage more welfare spending by the States, and one of the main issues around the welfare reform proposals (which convert the Federal component into a block grant) is the likelihood that States’ welfare effort will be cut.

The motives for and effects of matching in the Danish system are quite different. They cannot be understood independently of the background of extensive equalisation of financial resources between municipalities. Matching in Denmark is a technique for placing some risks on municipalities while retaining 'pooled' coverage of other risks. The overall level of spending on social assistance is primarily determined by the parameters of the system, most of which are set nationally. While the municipalities have to find 50 per cent of the money, the way the system works in aggregate means that this money comes to them in the form of grants. There is an incentive for the municipality to control its social assistance spending, because the grant money can be used for other purposes (including lowering local taxes). However, control of spending relies primarily on administrative devices, and the flexibility of these is constrained by the national framework of law, appeals and audits.

In terms of the three factors generating a claim outlined above - the circumstances of the claimant, the system parameters and the administrative process - the Danish system ensures that changes in expenditure arising from changes in national system parameters (e.g. an increase in benefit levels) are met centrally. Changes arising from changes in the circumstances of claimants will be met centrally if the change is uniform nationally, and will also be met centrally if picked up in the equalisation formula for the municipality (e.g. a local change in unemployment will affect the spending needs assessment and hence the grant). Changes in expenditure arising from changes in the administrative process are basically met locally, although such changes will also affect central government expenditure to the extent that they affect the overall outturn for all municipalities.
In Germany the task of finding the money for social assistance is left to local authorities. Thus German social assistance would seem to be located out towards cell 9. Again, it is important to understand the local authorities’ capacity to bear risk and the measures available to them to manage risk in order to interpret the significance of the arrangements. The capacity of local authorities is enhanced by complex arrangements for equalisation of resources both between Länder and between local authorities within Länder, although there is no equalisation mechanism specifically tied to social assistance. Benefit levels do vary by Land, but for each local authority within the Land the benefit level is given, and cannot be altered in the light of local financial conditions. This means that social assistance in a particular local authority can be subject to severe financial pressure. This occurs, for example, when business taxes, a large share of which go to the local authorities, decline in an area. The only devices available to a local authority to manage risks are administrative. For example, the authority might act to tighten eligibility (in so far as this is possible within the framework of the law) or reduce access (i.e. in effect reduce take-up, by making benefits more difficult to claim).

In the German context, one element in the capacity to manage risk cozies through the influence of the Länder on policy-making at Federal level, rather than through the formulation of local social assistance policies. The structure of the federal system makes the Länder politically powerful at Federal level through their representation and veto powers in the Bundesrat. The local authorities also exercise substantial if indirect influence through their Associations. The Länder have a direct interest in the maintenance of wide eligibility for and adequate entitlement to benefits which are centrally financed and delivered by insurance institutions, for example unemployment assistance, ALH (Clasen, 1992). They also have a strong interest in shedding financial liability for contingencies which can be covered by insurance. A recent example of this interest in operation was the establishment of long-term care insurance, which shifted the burden of paying for nursing care from local authorities to the contributors of the health insurance funds, in the face of strong opposition from the funds’ Associations.

This example illustrates a general point about the effect of the interplay between different benefits on the overall pattern of risk. For example, a factor affecting the performance of the Danish social assistance system is that Denmark has a generous unemployment benefit system, in which the risks are borne by central government (as discussed above). If unemployment benefits were to be curtailed, social assistance claims might rise to an extent which exceeded the risk-bearing capacity of the municipalities. The governance of each part of the social security system is therefore interdependent with the governance of each other part.

State and Federal governments in the USA The structure of risk-bearing in the US social security system is particularly interesting, as its analysis provides an interpretation of some of the issues
affecting the American system. Apart from AFDC, which has already been discussed, the other cash benefit programmes in the USA which were covered by this study were Food Stamps; OASDI, which provides contributory benefits to the elderly and disabled; SSI, which provides assistance to the same categories, financed from general revenue; and UI, which is primarily financed by payroll taxes levied by the States.

There is considerable interdependence between AFDC and Food Stamps. Often they can be claimed jointly, but there is also scope for shifting between the two benefits. While Food Stamps have been caught up in the welfare debate (for example, many waiver programmes affect eligibility for Food Stamps as well as AFDC), the underlying ‘States’ Rights’ dynamic is fundamentally different because all Food Stamp programme costs are met by the Federal government. This means that States have an incentive to substitute Food Stamp dollars for AFDC dollars if possible. The main way in which this can be done is by getting AFDC benefit recipients into low-paid work. While this incentive to promote employment among benefit recipients may appear desirable, it can be noted that there are no incentives to control Food Stamp expenditure among those in employment, for example by acting to deter employment practices which maximise Food Stamp entitlements.

There is also interdependence between AFDC and SSI, in so far as there is a strong incentive for welfare recipients to establish disability so that they can claim SSI. Since the disability determination process is under the control of the SSA (State DDSs are under the control of the SSA, not the States), States have no capacity to exploit SSI to control their welfare costs. Instead, the pressure comes from individual claimants. SSI is located in cell 1; indeed, as the SSA is reimbursed for SSI administration costs as well as programme costs, it is one of the most centrally financed programmes in our study. OASDI, by contrast, is arguably located in cell 9 (this is discussed further below). It could then be said that SSA as an institution lies somewhere in between (cell 5?), but the sense of this depends on how the financing is structured. If the SSA received a fixed amount for SSI, and sometimes cross-subsidised from OASDI to SSI (or vice versa), then the programmes should be viewed in conjunction and would belong at cell 5 or even 6, depending on how Federal funding was adjusted to marginal costs. In practice, there is no cross-subsidy; the accounts for the two programmes are maintained separately, and it makes sense to locate the two programmes separately. As is discussed further below, the same conclusion does not always hold for the various tax-financed supplements administered by European social insurance institutions.

The case for locating OASDI at cell 9 is that contributions to OASDI go into Trust Funds from which benefits are paid (administration costs are also met from this source). Financing would therefore seem to be entirely autonomous. In principle, the Trustees can make plans and projections
which ensure that the finance is available to provide stable benefits over a long time horizon. However, under current parameters, benefits will exceed contributions by around 2013. The funds have been operating in surplus, and would not require loans or general revenue support for some years after 2013, due to the availability of interest income and reserves.

A number of commentators have argued that an optimum allocation of burdens between the generations requires a more rapid accumulation of reserves (a larger surplus) now. This turns out to raise some crucial questions about how autonomous from general government the Trust Funds really are. The accumulation strategy will only work if it brings about an increase in total savings. A major factor depressing total savings is the Federal budget deficit (which constitutes negative public sector saving). If the Federal budget deficit is measured and managed inclusive of the social security fund balance, then a larger social security surplus will merely ease pressure on other components of the Federal budget. The future financial viability of social security would seem to require current autonomy: the Federal budget should be managed exclusive of social security.

One of the main motives for the establishment of the SSA as a separate agency in 1995 was to take the Social Security Trust Funds `off-budget` so that they could not be used to make good the Federal deficit. However, this aim has not really been achieved. Trust Fund surpluses are routinely included in measures of the Federal budget deficit. The effective integration of OASDI into the current Federal budget has a counterpart in the future. At present the Trust Funds lend to the government; the counterpart would seem to be that when they run into deficit they will be able to borrow, adding to the government deficit. This would suggest that OASDI should be located at cell 7 (autonomous financing, risk borne by Federal government) rather than at cell 9 (risk borne by contributors and beneficiaries).

The last of the US programmes to consider is Unemployment Insurance (UI). The somewhat paradoxical American formulation of centralised control over administration and devolved setting of system parameters, already noted for AFDC, is also found in UI. Administration costs are met federally, but ordinary (as opposed to Extended and Emergency) benefits are financed from State Trust Funds. Unemployment risks for the main scheme are therefore not pooled, although States` financial capacities are enhanced by borrowing provisions. The system is therefore located at cell 9, although this outcome is modified by the availability of federally financed benefits to States experiencing high unemployment. The Extended Benefit Program is on a matching basis, i.e. part of the risk stays with the State. As is explained in Chapter 9, States` unwillingness to finance their share of Extended Benefits has resulted in the programme becoming virtually defunct.

Both the level of benefits provided and the coverage of UI (the proportion of the unemployed receiving benefits) have fallen over the last two decades.
There would seem to be grave problems with placing the risks of an unemployment insurance scheme onto devolved institutions. However, in some ways this conclusion has to be modified for the US context, where most States are larger than Denmark, and many are larger than the Netherlands. They might be expected to have sufficient risk-bearing capacity to support programmes which are run nationally in other countries.

There are at least three possible reasons why a US State is less able to bear these risks than a European nation. First, both capital and labour are more mobile between US States than between the countries of Europe, which enables many employers to be very flexible in their choice of location, and therefore very responsive to tax differences between States. Second, the form of financing adopted for UI - a payroll tax - is particularly vulnerable to these pressures for ‘tax competition’ (King, 1984, p.230). Third, States have limited capacity to undertake stabilisation measures to reduce unemployment, both because of macroeconomic ‘spillovers’, whereby fiscal expansion in one country boosts demand and employment in others, and because many have limited general borrowing powers (Eichengreen and von Hagen, 1995).

All of these issues are of course very relevant to the European countries as the internal market develops and monetary union is contemplated. (Dutch commentators already argue that unilateral fiscal expansion is ineffective because of spillovers: Goodhart, 1991, p.12.) European integration has heightened problems in the financial management of social partner institutions in Germany, France and the Netherlands, as the next section turns to examine.

Social partner institutions

The relationship between social partner institutions and central government can also be analysed in terms of the allocation of risk. It was argued in Chapter 3 that there are advantages for the government in placing some of the costs of formulating and implementing insurance policies on the social partners, instead of undertaking the entire process itself. However, the value of the social partners' involvement does depend on their assumption of some of the problems of risk-management in the schemes they administer. What this means in practice is that the social partners should assess and monitor the actuarial viability of their programmes and make (or recommend) appropriate adjustments to contributions and benefits to maintain viability, much as a private insurer would do. In practice, the extent to which social partner organisations take on risk-management is very variable. The involvement of government `muddies the waters' over financial responsibility, and in some cases the government has ended up bearing a very high proportion of the risk.

It was argued in Chapter 3 that the government becomes involved in the administration of insurance in order to extend coverage. This moves insurance schemes away from complete autonomy in cell 9. It is interesting to consider the government's involvement in terms of the risk it faces of
having to ‘bail out’ an insurance scheme. The government faces two different bail-out risks: an individual risk and an institutional risk. The individual risk is that a person will fail to obtain or maintain sufficient insurance, thereby requiring ‘individual bail-out’ in the form of social assistance. The institutional risk is that the entire insurance scheme goes bankrupt and the government cannot withstand the political consequences of failing to honour the commitments made to contributors.

These two different forms of risk suggest two different ways in which the government can manage its relationship with the social insurance scheme. It can focus on individual risks, identifying the reasons why people may fail to have coverage and counteracting their effect with appropriate subventions and supplementary benefits. Alternatively, it can monitor the financial viability of the institution as a whole and provide general subventions, loans to cover deficits, etc. In practice, many countries have systems which combine these two approaches.

There are a number of examples in the countries of government subsidies to social insurance systems to cover expenditures arising from government decisions to establish minimum entitlements (for example in French pension provision, or in the employee insurance scheme in the Netherlands) or to provide insurance cover when people are unable to contribute for specified reasons (e.g. child-rearing). In the Netherlands, France and Germany, central government makes payments to the social insurance institutions to meet these costs. However, payments are not necessarily on a case-by-case basis (by contrast with SSI in the USA), so government does not necessarily assume all the risk arising from these commitments. For example, in France the solidarity payment depends on revenue from the relevant tax (the CSG), while in Germany contributions form 80 per cent of the budgets of the pension institutes (and of the Employment Institute) and the Federal government pays a 20 per cent subsidy.

One reason for avoiding the case-by-case approach (individual bail-out) is that it may lead to the administering institution adjusting insurance entitlements to maximise the government subsidy, as discussed in Chapter 3. However, the difficulty of not using the case-by-case approach is that the government may end up subsidising insurance provision in an uncontrolled, untargeted way. The government can find itself facing an institutional bail-out risk which is greater than the sum of individual bail-out risks.

One particular problem with financing provision via social partner institutions arises from their reliance on payroll taxes. Historically, the scope for government to ‘socialise’ insurance by undertaking proportionately small supplementation of insurance contributions appeared to be an attractive way of improving welfare provision without having to introduce new taxes. However, the attractions of payroll-based financing have faded considerably through time. Payroll taxes add to labour costs and, unless wages are restrained
proportionately, contribute to unemployment. The persistence of high unemployment suggests that wage restraint is inadequate. The social partners may tend to settle for remuneration packages (wages plus contributions, which are valued for the expected future benefits) which are higher than the government wants, because they attach a lower weight to the preferences of those who lose out from high settlements - the unemployed - than does the government. Governments have attempted to counteract this problem by controlling payroll taxes (limiting increases in contributions). However, if contributions are restrained, then other sources of finance have to be found, and this affects the governance structure of the social insurance system.

In France the government has resisted pressure to raise the contribution rate, but this has left the *Regime General* with a large deficit to be financed. While the bulk of programme costs continue to be met from contributions (i.e. from the insurance bodies’ own resources), programme risk is effectively borne by central government. This locates the RG in cell 7. In the Netherlands also, any pensions deficit incurred by the `autonomous` Social Insurance Bank is covered by central government. The financial share of the general taxpayer remains small, but of critical importance at the margin.

Where schemes are located in cell 7 the administering institution meets a high share of programme expenditure without bearing the risks associated with programme growth. This means that if policy-making power is proportionate to financial shares, it will not be proportionate to risk. We see this in France, where extensive powers reside with the management boards of the RG, which have a representative structure based on the concept of parity (haritaire) or balance between the interests of contributors and beneficiaries. However, the management boards of the *Caisses* have not lived within the budget constraint implied by their representative structure; i.e. they have not ensured that benefits were covered by contributions.

**Conclusion**

The different countries in our study provide several examples of arrangements where the sub-national government has considerable power within the framework of a national law.

In the current environment, sub-national governments tend to be more constrained in meeting their share of the costs of the system than central government. In the USA competition between States is an important constraint on fiscal capacity. This has been most striking in the financing of unemployment insurance, where States have competed to attract jobs by cutting the payroll tax levied to finance UI. Provision of UI has been severely curtailed as a result.

The extent to which programmes can be cut back by sub-national governments depends on their powers to set the parameters of the system. A number of examples where key parameters are set nationally have been discussed. In these cases, attention shifts to administration as an area which...
allows for local risk-management. However, it is difficult to align the risks borne by local authorities with their capacity to manage them through administration. These issues are apparent in the Netherlands, where central government has taken the view that tighter administration by local authorities could significantly curtail the growth in social assistance claims. By converting part of its expenditure into a specific block grant it will generate an incentive to tighter administration. However, while some additional discretion has been given to local authorities, central government has not transferred significant policy-making power to local authorities, despite reducing the risk associated with its financial commitment.

For a central government which wishes to reduce the size of the public sector, there would seem to be a no-lose situation in imposing financial restraints on local authorities and then requiring them to make difficult decisions about how to control claims to keep within their budget. However, the dangers in this situation are also apparent. Local authorities may be unable to comply with whatever national law exists, leading to breakdown of the system, and/or intensification of the political battle between central and sub-national governments.

We would argue that failure to align financial responsibilities with risk-bearing and risk-management capacities leads to problems and distortions. For example, covert and unaccountable administrative practices may be used in response to the pressures created by such misalignment. More generally, it cannot be expected that the policy intentions of central government will be translated into action by delivery institutions which are subject to pressures arising from misalignment.

Turning to central government's relationships with social partner institutions, the problems are rather different. In some of the cases discussed, central government has found itself carrying financial responsibilities which it has inadequate control over. Privatisation would resolve these problems, but at a cost. Privatisation could jeopardise the provision of ‘solidarity’ and ‘insurance-alien’ elements within the contributory system. The risk related to these components (which, as explained above, may fall partly on the administering institution under current arrangements) will fall entirely on central government (or, if the social assistance system is left to bear the brunt, on local and/or central government).

However, the attraction of privatisation is that government may be able to manage risk more effectively in the assistance system than the insurance system. It may be able to rationalise the disposition of resources, prioritising between different groups of claimants and ‘targeting’ public expenditure to those it considers most needy or deserving. As we have noted elsewhere, social insurance arrangements appear to be an obstacle to targeting (Bolderson and Mabbett, 1996).
The analysis of devolved structures in the five countries in this study has highlighted three main issues of relevance to Britain. First, devolution without devolved programme budgets appears to be hazardous and problematic (as in the cases of social assistance in the Netherlands and UI in Denmark) unless benefits are very simple to administer (e.g. the old age pension in Denmark), in which case the gains from decentralisation or devolution are small. Second, devolution of programme budgets must be accompanied by adequate risk-bearing and risk-management capacity. Risk-bearing refers to the ability of the administering institution to cope with an increase in demand by increasing expenditure; risk-management to its ability to restrain demand by changing the parameters of the system or by changes in administration. If the policy is to maintain national uniformity in the parameters of the system, then the risk-management capacity of the administering institution is necessarily limited. This suggests that, where there is a national policy framework, the administering institution has to have the financial capacity to alter expenditure in the light of changing conditions, i.e. have risk-bearing capacity. The problem is to reconcile devolution of programme budgets with the achievement of adequate risk-bearing capacity.

Third, any powers to manage risks, whether they are powers to amend the parameters of the system or powers affecting administration, call for the administering institution to be held accountable. In chapter 3 we argued that it is not possible to achieve much devolution while maintaining central government control over all politically-contentious aspects of the operation of the benefit system. One consequence is that there must be other mechanisms to hold administering institutions accountable for their actions if significant devolution is to take place. Such mechanisms include both legal and electoral processes. Electoral accountability allows decisions which affect the overall operation of the system to be scrutinised by local residents (in the case of sub-national government) or contributors and beneficiaries (in the case of social partner institutions). Legal accountability complements electoral accountability by providing recourse for individuals who have adverse experience of the system.

From this discussion, we can see that there are three main issues in the decentralisation or devolution of social security administration. First, if programme budgets cannot be devolved, then the benefits from the creation of autonomous administering institutions are necessarily limited. Second, devolution of programme budgets requires risk-bearing and risk-management capacity. Third, the administering institution must be subject to structures of accountability which are commensurate with its powers.
References


Overview

Distinctive features of the Danish cash benefit system include the absence of insurance-based benefits and the dominance of taxation as a source of finance. Contributions from employers and employees play no role in financing the basic old age, disability and social assistance benefits, and account for only a small proportion of the finance for unemployment benefits. While a compulsory contributory old age pension scheme has been established, it is a relatively recent development and accounts for only a small proportion of benefit expenditure.

The administration of the cash benefit system is largely conducted by the municipalities, with the Ministry of Social Affairs in a supervisory role. In the case of child benefit the Customs and Tax Administration undertakes delivery. Offices of the Tax Administration are co-located with municipal offices. Of the benefits discussed in this study, the main exception to the picture of municipal administration is unemployment benefit, which is administered by offices closely linked to the trade unions.

Summary statistics on the cash benefits examined in this study are given in Table 5.1. The old age pension (folkepension) is the largest single item. While it is income-tested, most people over the pension age receive it. While the pension age is very high, at 67, the average retirement age is about 61.5 (Ministry of Finance, 1995, p.13). Early retirement is facilitated by several measures. Disability pensions in Danish are called fortidspension, which translates roughly as `anticipatory pension' or, more literally, `before-time pension'. The lowest rate of general invalidity pension (almindelig fortidspension) can be awarded on the basis of labour market conditions as well as medical conditions. In other words, this benefit may provide a route into retirement for a person with poor employment prospects. For those over 60 the general invalidity pension is payable at the same rate and on similar terms to the old age pension. Central government finances the almindelig fortidspension for those over 60; for those under 60 the cost is split 50/50 between central government and the municipality (Ministry of Social Affairs, 1995b, p.13).
Table 5.1 Denmark: Beneficiaries and expenditure by provider organisation and financing

<table>
<thead>
<tr>
<th>Benefits administered by municipalities</th>
<th>Benefits administered by A-kasser</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>100% state-funded</strong></td>
<td></td>
</tr>
<tr>
<td>Folkepension:</td>
<td></td>
</tr>
<tr>
<td>Exp: 44.5bn kr</td>
<td>Unemployment benefits:</td>
</tr>
<tr>
<td>739,300 recipients</td>
<td>Exp: 31.7bn kr</td>
</tr>
<tr>
<td></td>
<td>545,200 recipients</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shared financing under national rules</strong></td>
<td></td>
</tr>
<tr>
<td>Sickness benefits:</td>
<td></td>
</tr>
<tr>
<td>Exp: 4.5bn kr</td>
<td></td>
</tr>
<tr>
<td>184,800 recipients*</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shared financing with some local discretion</strong></td>
<td></td>
</tr>
<tr>
<td>Social assistance:</td>
<td></td>
</tr>
<tr>
<td>Exp: 8.0bn kr</td>
<td></td>
</tr>
<tr>
<td>272,300 recipients</td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Alm. fertidspension:</strong></td>
<td></td>
</tr>
<tr>
<td>Exp: 7bn kr</td>
<td>Efterlen:</td>
</tr>
<tr>
<td>120,000 recipients</td>
<td>Exp: 9.7bn kr</td>
</tr>
<tr>
<td></td>
<td>100,700 recipients</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Disability benefits</strong></td>
<td></td>
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<tr>
<td>(excl. Alm. fertidspension)</td>
<td></td>
</tr>
<tr>
<td>Exp: 13.4bn kr</td>
<td></td>
</tr>
<tr>
<td>146,000 recipients</td>
<td></td>
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<tr>
<td></td>
<td></td>
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<tr>
<td><strong>Training, rehabilitation,</strong></td>
<td></td>
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<tr>
<td><strong>wage subsidies</strong></td>
<td></td>
</tr>
<tr>
<td>Exp: 2.7bn kr</td>
<td></td>
</tr>
<tr>
<td>65,700 recipients</td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Child allowances:</strong></td>
<td></td>
</tr>
<tr>
<td>Exp: 8.6bn kr</td>
<td></td>
</tr>
<tr>
<td>Recipients:</td>
<td></td>
</tr>
<tr>
<td>Børnfamiliedyelse:</td>
<td></td>
</tr>
<tr>
<td>655,000</td>
<td></td>
</tr>
<tr>
<td>Børnetilskud:</td>
<td></td>
</tr>
<tr>
<td>110,000</td>
<td></td>
</tr>
<tr>
<td>*Administered by employers for the first two weeks (more in some cases).</td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures are for the number of recipients in the year 1992, not the number at any point in time. This particularly inflates the figures for numbers in receipt of sickness benefits and social assistance.

Sources: Danmarks Statistik (1994), Table 146; Danmarks Statistik (1995), p.39

Another route into early retirement is provided by membership of an unemployment insurance fund. A person over 60 with sufficient (currently 20) years of membership may qualify for the **efterlon** (literally, `after-wage`). Older workers who become unemployed and exhaust their benefit entitlement after the age of 50 can qualify for a transitional benefit (**overgangsydelse**) until they turn 60, when they move onto the **efterlon**. (**O**vergangsydelse is not shown in Table 5.1, as it was not introduced until 1992.)

Also shown in Table 5.1 are the numbers in receipt of the higher rates of disability pension, which rest on more stringent tests of disability, and numbers receiving unemployment benefit (**arbejdsløshedsdagpenge**). Denmark has had a persistently high unemployment rate of 9-10 per cent since the mid-1980s, and critical attention has begun to focus on the administration of unemployment benefits, especially in the most recent economic upturn, which has seen the emergence of a `paradoxical’ situation of high unemployment accompanied by a high level of job vacancies.
Finally, the table shows the universal child benefit \( \text{(børnehjemlydelse)} \) and supplements \( \text{(børnetilskud)} \), beneficiaries and expenditure for cash social assistance \( \text{(kontanthjælp)} \), and special needs payments \( \text{(personlige tilskud, personal supplements)} \). One item which is not shown is advance payments of maintenance by absent parents. Municipalities pay maintenance but then recover it from the absent partner. In 1992 they paid 1.2bn kr, and recovered 1.1bn kr.

Table 5.2 shows the institutional structure of the Danish system, divided into four columns which broadly correspond to four structures for delivery of benefits. A common feature of the first three columns is that the municipalities undertake delivery. However, the relationship between the municipalities and central government is quite different for each of the three sets of benefits. In the case of the \( \text{folkepension} \) (the first column), the benefit is governed by national policies, and entitlement is fully specified in law. Despite the municipal role in administration, procedures and processes are broadly similar throughout the country. Finance comes entirely from central (state) funds, although municipalities meet administrative costs.

The arrangements for disability pensions (second column) are more complex, and are also under reform. Originally, highly centralised arrangements for adjudication on disability pensions were established, but a process of reform is in train which is creating a devolved system. Devolution of adjudication is being accompanied by a shift in financing, with the state paying 50 per cent of the cost of benefits on a case-by-case basis, and the municipality meeting the other 50 per cent out of a block grant. To maintain some consistency in adjudication in the face of devolution, structures have been put in place using the appeals institutions to monitor adjudication practice.

In the case of social assistance (third column), benefits are paid pursuant to national legislation and are subject to policy oversight by the Ministry of Social Affairs. However, a significant amount of the primary legislation under which the municipalities operate social assistance is not framed ‘tightly’. (This also allows some of the primary legislation to be remarkably brief) For example, the Social Assistance Law \( \text{(Bistandsloven)} \) sets out some basic entitlements, but also contains a number of ‘permissive’ clauses, under which municipalities can make payments, but are not strictly required to do so. The activation law also has ‘empowering’ provisions as well as placing certain requirements on the municipalities.
### Table 5.2 Denmark: Overview of institutions and funding

<table>
<thead>
<tr>
<th>Policy</th>
<th>Folkepension</th>
<th>Fortids Pension (Disability pension)</th>
<th>Social assistance</th>
<th>Unemployment benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Government in Parliament (Folketing) (Setting of contribution and benefit rates, general conditions of eligibility)</td>
<td>Government, municipalities within framework law</td>
<td>Government, AMS</td>
<td>Ministry of Labour, UI Directorate</td>
</tr>
<tr>
<td>Guidance and clarification</td>
<td>Ministry of Social Affairs (MSA)</td>
<td>MSA</td>
<td>MSA</td>
<td>Ministry of Labour, UI Directorate</td>
</tr>
<tr>
<td>Design of forms, guides to law</td>
<td>MSA, Kommunedata</td>
<td>MSA, KL</td>
<td>Municipalities, KL Kommunedata</td>
<td>UI Directorate, AS, A-kasser</td>
</tr>
<tr>
<td>Delivery</td>
<td>Municipalities</td>
<td>Municipalities and Revidering og pensionsnævner (R&amp;P-noeøver) (under reform)</td>
<td>Municipalities</td>
<td>A-kasser</td>
</tr>
<tr>
<td>Reviews, fraud enquiries</td>
<td>Municipalities</td>
<td>Municipalities</td>
<td>Municipalities</td>
<td>A-kasser, UI Directorate</td>
</tr>
<tr>
<td>First level of appeals</td>
<td>Sociale ankencen (where Sociale ankencen (Labour market initial decision made issues - regional by municipality) AMRs)</td>
<td>Sociale ankencen</td>
<td>Sociale ankencen (Labour market issues - regional AMRs)</td>
<td>(Labour market issues - regional AMRs)</td>
</tr>
<tr>
<td>Supervision of adjudication practice, final appeals</td>
<td>Ankestyrese</td>
<td>Ankestyrese</td>
<td>Ankestyrese</td>
<td>UI Directorate, AMS</td>
</tr>
<tr>
<td>Audit</td>
<td>Kommunernes Revisionsafdeling or private accounting firms, subject to MSA guidelines</td>
<td></td>
<td></td>
<td>UI Directorate</td>
</tr>
<tr>
<td>Financing of admin. costs</td>
<td>Municipalities</td>
<td>Municipalities meet own costs; MSA meets higher-level costs</td>
<td>Municipalities meet own costs; MSA meets higher-level costs</td>
<td>Member subscriptions to A-kasser</td>
</tr>
<tr>
<td>Financing of benefits</td>
<td>100% state, except personlige tiløg municipalities (25%), state (75%)</td>
<td>Higher level was 100% state, moving to 50/50 for all</td>
<td>State pays 50% case by case, other 50% from block grant</td>
<td>1992: 18% members, 13% employers, 69% state (under reform; see text)</td>
</tr>
</tbody>
</table>
The fourth column outlines the structure for delivery of unemployment insurance. The Ministry of Labour (Arbejdsmristeriet) is responsible for the unemployment insurance system, along with early retirement pay (fterlon) and the transitional allowance (oveigangsydelse). It also oversees the public employment service, vocational training, training schemes for young people and other ‘activation’ initiatives. Under the Ministry can be found the Directorate for Unemployment Insurance (UI Directorate, Direktoratet for Arbejdloshedsforsikring). The UI Directorate supervises the 38 state-recognised unemployment insurance funds, the Arbejdskoshedskasser (A-kasser).

The discussion of these institutions is organised as follows. First, the exercise of policy-making powers by national government and the legal framework of the benefit system are described. The appeals structure, which constitutes an important mechanism for national uniformity, is reviewed. The discussion then turns to the municipalities and their associations, which have important benefit functions. Turning to the labour market, the national labour market institutions and their relationship with the A-kasser and the employment exchanges (AF) are reviewed. The section concludes with a description of the IT systems operated by benefit authorities in Denmark.

Danish social security is dominated by legislated measures. This is the counterpart of the dominance of tax-financing, already noted. The Danish Folketing (Parliament) is elected by proportional representation, and coalition governments have been frequent. Coalition management, combined with a consensual approach to social policy issues, has resulted in a distinctive style of social policy formation. While the Ministry of Social Affairs is the ‘lead’ ministry on most social policy matters, major reforms have often involved the creation of working groups or commissions which draw on advice from outside the government as well as bringing together the different ministries with an interest in the issues.

In addition, there is an annual cycle of parliamentary decision making on social policy generated by the process of getting the Budget through the Folketing. For example, the passage of the 1995 fnamslov (Budget law) was facilitated by an agreement reached in November 1994 between three of the coalition partners, which included amendments to the Law on Municipal Activation (concerning employment measures for recipients of social assistance), changes in the provisions for taking leave from employment, and amendment of the rules on receipt of social assistance. The parties also agreed to set up a working group to examine possible reforms to the fortidsension.

While decisions on the uprating of benefits, contribution rates (for unemployment insurance) and other financial issues are also part of the Budget process, they are currently subject to plans and agreements which avoid annual review. Since 1991 most cash benefits have been uprated in line
Most of the recent policy initiatives have been concerned with getting unemployed people into training or employment. The initiatives have covered recipients of both unemployment insurance and social assistance, although they have had more impact on the latter group, for reasons discussed below. The legal basis for the measures was established in the early 1990s with the passing of the Law on Municipal Activation and the Law on Active Labour Market Policy.

One consequence of the devolution of administration to the municipalities is that guidelines and directives on the implementation of the law are subject to public scrutiny and debate between the ministries and the implementing agencies. It may also be the case that the administrative structure limits the propensity of the government to generate secondary legislation, directives and instructions. Certainly primary legislation is frequently referred to directly in the administration of benefits. Relevant clauses are often mentioned, and sometimes reproduced, on the forms issued to applicants for benefits.

Regulations and directives take several forms. The ‘highest’ form of secondary legislative instrument is the bekendtgørelse. These are set out in sections, chapters and clauses in the same way as primary legislation, and are laid before the Folketing. These regulations often originate with the Minister of Social Affairs or Labour, but can also come from a board, such as Arbejdsmarkedsstyrelsen (AMS, described below). Ministries and boards also issue guidelines (vejlednings) which are not drafted in a statutory format, but instead discuss the application of clauses in the law and regulations, give examples of how calculations are to be made, and clarify how the different institutions involved are to coordinate their functions.

At a lower level of formality come documents issued by offices within the ministries and by directorates. These may address issues that have arisen from particular difficult cases and situations - for example, what to do when the municipality does not have a suitable job available for someone with a right to a job offer under the activation law. Some of the guidance (orientering) is framed in a ‘question and answer’ format. Guidance from ministries can also contain information about planned changes to the law, as well as referring to the law currently in force. These documents may take the form of letters (to all the municipalities, for instance) signed by civil servants or by the Minister.

In understanding the nature of the relationship between the ministries and the implementing institutions, it is important to note that the municipalities share financial responsibility for a number of the decisions they make. A good deal of the guidance given by the Ministries of Labour and Social Affairs concerns clarification of the financial arrangements governing
implementation of the law: the degree of cost-sharing by central
government, the budget to be charged and the audit requirements.

The appeals stricture

Technically under the Ministry of Social Affairs, but standing alongside it by
virtue of its independent quasi-judicial role is the Social Appeals Committee
(Den Social Ankestyrelse, DSA). The Committee is headed by a chair who is
a qualified judge. Alongside him or her are members appointed from the
Justice Department and the Social Affairs Ministry. There are also members
from the central union confederation and the employers’ federation.

Below the DSA are two regional structures. There are fourteen
Rehabilitation and Pension Boards (Revidering og pensjonsnævn - R&P-
nævn), which at one time adjudicated on all disability pension awards.
Adjudication is now being devolved to the municipalities. The work of the
appeal bodies is dominated by disability issues, but claimants also have rights
of appeal over social assistance awards and special needs payments. These
appeals go to the Sociale ankestyrelse (Social Appeals Boards), which are part
of the statsamt (literally, ‘state-county’) administration. The statsamt is the
central government’s regional administrative arm. Decisions can be appealed
further to the DSA, but only where an issue of general application or
question of principle is raised.

When the first-tier decision on a disability award is made by the
municipality, the R&P-nævn acts as the first level of appeal. In these cases
appeals can only be made to the second level (the DSA) where an issue of
general application or question of principle is raised. Decisions of the R&P-
nævn in its capacity as first-tier decision maker can be appealed to the DSA.
Table 5.3 shows the situation in 1994, when adjudication on the lowest level
of invalidity pension (almindelig fortids pension) had been devolved to the
municipalities. The process now in train involves devolution to the
municipalities of decisions on pensions for those with moderate and severe
levels of disability (mellemste and højeste fortids pension)

Table 5.3 Denmark: Disability determinations and appeals

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Almindelig</td>
</tr>
<tr>
<td>Municipalities</td>
<td>17,507 initial determinations</td>
</tr>
<tr>
<td>R&amp;P-nævn</td>
<td>3,818 appeals from municipalities</td>
</tr>
<tr>
<td>DSA</td>
<td>3,048 appeals from R&amp;P-nævn</td>
</tr>
</tbody>
</table>

Source: Supplied by Ministry of Social Affairs

The DSA is not only the highest level of appeal for most benefits, but its
secretariat has also recently taken on increased monitoring and supervisory
functions arising from the decentralisation of competence to adjudicate on
disability to the municipalities. The task of ensuring consistent adjudication,
and monitoring the adjudication patterns of the municipalities, has been
given to the quasi-judicial Ankestyrelse rather than to the core ministry itself.
The main requirement for devolving competence is that the municipality
should establish a social coordination committee, which can, for example,
work in cooperation with another municipality which already has
competence. Other formal requirements for competence are not laid down,
but the municipality is expected to outline how the administration is
envisaged as working after the transfer of competence. The function of the
committee is to develop and review guidelines; it will not handle individual
cases. The committee will make an annual report to the central social
coordination committee, which is under the DSA.

The municipalities A comprehensive municipal reform in 1970 established the current structure
of 275 municipalities, and also devolved more tasks to the municipalities.
However, the principle of local self-government has a much longer history
than this relatively recent reform might suggest. The role of the
municipalities in administering the social security system is backed by a belief
in their political accountability to their local electorates. The municipalities
retain a high degree of independence, despite interventions by central
government to curtail the exercise of their tax-raising powers. An important
element in municipal independence is that the municipalities operate their
own equalisation system, instead of relying exclusively on central
government grants to equalise between those areas with high needs relative
to their tax base and those with low relative needs (National Association of
Local Authorities, 1994, p.20). (Central government also undertakes some
equalisation.) This has enabled the municipalities to accomplish a wide range
of tasks without the ‘leverage’ which would be given to central government
if it controlled the equalisation process.

The National Association of Local Authorities (Kommunernes Landsf
reningsklub, KL) is a key organisation in the governance of the municipalities, for
example in the negotiation of equalisation arrangements. KL provides the municipalities with a wide range of operational material,
including for example the ‘yellow book’ on activation measures, which
reproduces laws, regulations and guidelines issued by the government and
provides an analysis highlighting the key points and diagrams of the main
procedures. KL also develops forms, sometimes in cooperation with private
companies, but private companies also provide forms independently, and
municipalities also make up their own forms. A similar situation of optional
use of a municipal association or private providers prevails in the audit area,
where municipalities can use the local government auditing organisation
(Kommunernes Revisionsafdeling) or private firms.

Another municipal association with a major role in social affairs is
Kommunedata, which provides computer services to the municipalities, with
the exception of Copenhagen and Aarhus. (Copenhagen and Aarhus operate
their own systems: they are the largest municipalities, and the
per capita
charging system operated by Kommunedata made it cheaper to opt out.) Kommunedata develops computer packages for the municipalities, and provides help lines and training courses. It also operates many of the data links which enable social security staff to draw on a wide range of on-line information: all the municipalities supply and draw information from the data-sharing systems operated in Denmark (see the sub-section below on IT systems).

National labour market institutions

The Ministry of Labour heads the policy process in the labour market area, but there is a high level of trade union and employer participation in the management of labour market policy through the National Labour Market Authority (Arbejdsmarkedstyrelsen, AMS) and its regional branches. The labour market councils (Arbejdsmarkedsrådene, AMR) are the regional counterparts to the AMS, and have representatives from the unions, employer organisations and government authorities, including the municipalities. (The municipalities are important players in labour market policy, both as major employers and as administrators of a range of job creation schemes and employment subsidy programmes.) The regional councils organise and supervise training, employment and education initiatives for the unemployed. Access to these programmes is required for the implementation of the various `activation' rights and duties to which recipients of unemployment benefit are subject. These are discussed further in the section on delivery in the case of unemployment.

The employment exchanges (Arbejdsmidlinger, AFs) are part of the state infrastructure, and are financed by the state budget. They undertake registration of the unemployed, and provide a range of placement services, including arrangement of the employment and training opportunities which are open to unemployed people under the Activation Law. AFs are subject to tripartite management through a regional supervisory structure, with 15 regional offices (Den Regionals Arbejdsmarkedsafdeling). The regional offices operate as secretariats to the AMRs (above).

The AMRs also have an appeals function. Unemployed people can appeal against decisions of the AF to the regional council. The type of decision that they would be appealing against would concern their exercise of their legal rights to a subsidised job in the private sector, or a public sector job, or the right to obtain financial support for training. For example, people may seek financial support for training but find that the AF rejects this in favour of a work placement.

One current issue in labour market policy is that the performance of AFs in providing job offers for the unemployed has been called into question. Recent changes to the guidelines issued by the Ministry of Social Affairs have made it possible for the municipality to take over registration and job placement for the uninsured unemployed. If it does so, it becomes responsible for registering its social assistance recipients on the unemployment registration system. This has happened at one of the
municipalities visited for this study, Farum, where the Mayor has made vocal criticisms of the performance of the AF, which he compares unfavourably to the municipality’s own ‘produktionset’ (an operation which encompasses job placement, as well as running various menial work-creation activities). However, at the other municipality visited, Hvidovre, the municipality’s own counsellors and other activation staff worked in cooperation with the AF. Social assistance recipients were required to register with the AF, and were expected to go into the local office regularly.

The A-kasser It is not compulsory to have unemployment insurance in Denmark, but most people do because the premia which have to be paid are small relative to the potential benefits. Insurance is administered by funds which, with one exception, are closely linked to trade unions.

The financing of UI is under reform. Under the current system insured members pay a ‘premium’ and an administration fee. The premium, a flat amount of about £400 a year, is paid directly into the UI account at the National Bank. The administration fee goes to the A-kasse. (In addition to their premium and administration fee, most people would pay a union subscription at the same time, as part of the same package.) The premium does not cover the cost of UI, so the state makes up the balance of required benefit financing, apart from the employers' contribution and a newly introduced employee contribution (Arbejdsminteriet, 1994, p.4).

The employees' contribution is, in effect, a payroll tax. The rate was 6 per cent in 1995 and will rise to 8 per cent in 1998, after which it will rise (or fall) with increases (or decreases) in UI costs. The payroll tax will be uniform, that is, unaffected by unemployment in any particular field or the performance of the member’s own A-kasse. (This contrasts with the administration fee, which does vary by A-kasse.) There is a widely held view that the payroll tax has been introduced to provide the government with a less visible method of raising finance for UI, although it is also argued that the tax is a way of highlighting the cost of UI.

The A-kasser are supervised by the Unemployment Insurance Directorate in the Ministry of Labour. Supervision is exercised via audits, which are conducted in a variety of ways. The Directorate has access to the computer records of the A-kasser and it can match these records to a wide range of other pieces of information, for instance municipal records on taxes and benefits received (such as sickness benefit). Through these data-matching exercises it can identify anomalous cases for further investigation. It can also select cases according to a particular criterion, for example, when a certain rule has been applied. It can also elect to review all the cases which were initiated over a defined time period in the A-kasse. The sanction of the auditors against maladministration is that the cost of any benefit found to be incorrectly awarded must be met from the funds of the A-kasse itself. Maladministration increases the administration charge which the A-kasser collect from their members.
The *A-kasser* subscribe to their own national advisory association, *Arbejdsløshedskassernes Samvirke (AS)*. This association runs training courses, provides advice, provides forms for use in the administrative process and represents members in negotiations with the UI Directorate and the Ministry of Labour.

Decisions on whether a person is actively seeking and available for work are made by *A-kasser*. Their decisions can be appealed to the UI Directorate. There is a strong belief in Denmark that *A-kasser* do not rigorously check whether people are ‘really’ unemployed. The law sets requirements for contact between the AF and the claimant. If people fail to come in when asked, fail to go to job interviews that might be arranged for them, or decline jobs that may be offered to them, then sanctions can come into play. However, these are not imposed by the AF. Instead the AF notifies the *A-kasse* that the person's availability for work or their job search has been called into question. The *A-kasse* must then follow this up and make a determination about whether the person is genuinely unemployed. As of this year, the notice from the AF to the *A-kasse* also goes to the UI Directorate, so the Directorate can check whether the *A-kasse* has followed up on the notice from the AF. The Directorate can also review the decision of the *A-kasse*.

The UI Directorate is much more involved in monitoring and controlling the decisions made by the *A-kasser* than is the case for the benefits where delivery is by the municipalities. This may reflect the relative lack of independent ‘legitimacy’ of the *A-kasser*, and also their lack of financial responsibility for their adjudications.

**IT systems**

A diagram of the IT systems used in social security administration in Denmark is shown in Figure 5.1. A key feature is the scope for data-matching across the different systems operated by the municipalities, the *A-kasser*, the AFs and the *Folkeregister* (the address registration system). The key to this data-matching capacity is the unique personal identity number (CPR number) assigned to each case.

The maintenance of the municipal register of residents is a central part of the administrative process. Residents are required to notify any changes of address to the appropriate Registration Office, which maintains the *Folkeregister*. Registration offices also issue CPR numbers. These are issued at birth for Danish-born residents. CPR numbers are routinely quoted in every contact with public authorities, and in a number of business settings as well, including opening a bank account.

The computer systems used by the delivery organisations have a variety of tailor-made ‘front ends’, but are sufficiently compatible to enable electronic data transfer between the systems. The core of each municipality’s system is the ‘case and archive register’ which is subject to daily data exchanges.
Three processing centres run by h a uliuolm,i

Address registration
Assign (PR numbers)
Record births, deaths, marriages, partnerships

On-line laws and forms
Email, E-gas
Municipal affairs Services

On-line links
Data-matching capacity

1 Housing data will only appear if housing assistance (benefit) has been paid.
2 Tax data comprise previous years' returns plus estimates for current year. Some municipalities are now putting monthly PAYE data on-line.
3 E.g. home helps or child care provided by municipality.
4 Assigned at birth for Danish-born; on application to immigrants with evidence of residence (only obtainable with work permit and/or evidence of means of support).
5 Parental, educational and sabbatical leaves also processed by the A-kosser. These are not yet fully computerised. Early retirement pay here also; it is computerised.
6 Both UI recipients and social assistance recipients who are unemployed are required to register with the At. However municipalities may take over registration of unemployed assistance recipients, in which case they have to ensure that their data get on the CRAM system.
Some municipalities have automatic systems in their case and archive registers for indicating when a change in circumstances has been recorded for a person currently receiving benefit. The entry of a change on the system automatically generates a prompt for review. Other municipalities manually review the record for each claimant once a month in order to detect changes in circumstances. A new innovation is to improve the timeliness of the tax data which can be accessed. Currently, the main data which can be accessed comprise the previous year’s tax return and the current year’s forecast (coding). However, employers with more than 20 employees are obliged to maintain monthly PAYE records. The innovation is to link PAYE tax returns to the individual’s CPR records each month.

Delivery 1: In the case of Entry Eligibility for the *folkepension* depends on:

an insufficient pension \(\circ\) attaining the age of 67

- years of residence in Denmark (at least three years for any entitlement; 40 years for full entitlement
- own earned income (for base amount - *guiridbelob*)
- own and spouse or registered partner’s taxable income from all sources (for *pensionsstilliceg* - supplement).

This information is normally held by the municipality. The *Folkeregister* provides recorded addresses in Denmark, enabling residence to be checked, and also verifies civil status. Income information is obtained from tax records, which are available to the social administration through the *Kommunedata* system. It is not usually necessary for a person turning 67 to apply for the *folkepension*: the claim should be initiated on the basis of information held by the municipality. The municipality generates an estimate of entitlement which it sends to the pensioner for signature, and for completion of any missing details, such as the bank account into which payment should be made.

Payment is processed by municipal clerical employees. They do not have specialist professional qualifications, but *Kommunedata* provides training courses on the administration of the *folkepension*, focused around use of the computer system. Processing is entirely on-line. Municipalities are reimbursed 100 per cent by the Ministry of Social Affairs for benefits paid out, but they meet administrative costs from their general budgets. In practice reimbursement is instantaneous because benefit payments are made direct to pensioners’ bank accounts from an account at the National Bank.

Review The benefit in payment may need to be adjusted because of changes in earnings or other income. This adjustment is integrated with the submission of the annual tax return. Where a person experiences an unexpected change in income in the course of a tax year, he or she can apply to the tax authorities for a new coding in the light of the new financial
circumstances. In some municipalities the change in coding is picked up through an ‘alert’; in other municipalities the claimant will have to draw the attention of the benefit authorities to the change in tax coding.

There is very little concern in Denmark about fraud or errors in payment relating to the old age pension. In so far as there are problems, they would flow directly from inadequacies in the tax data or municipal register data. They would therefore not be seen as problems specific to the old age pension.

Special needs payments

Procedures for making one-off special needs payments (personlige tilfælde) are quite different to those operating for the main pension. An application form must be completed. It varies from municipality to municipality but basically asks for the usual personal details and for a fairly complete enumeration of the income and outgoings of the household.

To obtain a special needs payment, the claimant might go in person to the Town Hall (Radius) where the social and health administration (social- og sundhedsforvaltning) is located. There is usually a common reception area for at least some of the functions located at the Town Hall (town planning, licensing, Council Chamber, library, housing office, etc). The applicant might obtain an appointment in advance by telephone or be given an appointment by the reception desk - offices do not usually take on any obligation to see callers ‘off the street’ although they may do so. At the Town Halls visited there was a waiting area near the reception desk with information leaflets about both state and municipal services and benefits.

Claims do not have to be made in person, and some offices try to do as much as possible by telephone and mail. For elderly people, other contacts with the social- og sundhedsforvaltning provide an important route to claiming special needs benefits, for example when a social worker arranges home help or institutionalisation.

While most social security payments are made direct into bank accounts, special needs payments may be made by settling the account directly with the provider (for instance, the dentist). The municipality can also make payments in cash. In the examples seen, it did this through the cash office serving all municipal functions, which was located near the reception area.

The Pension Law empowers municipalities to make additional needs payments, but does not set out conditions under which they are compelled to do so. There are national guidelines for the maximum assistance which can be given under certain heads, such as the heating allowance (varmaettillag) paid to those who depend on kerosene or other relatively expensive modes of heating. There are also national rules on how special needs payments should be rebated when the applicant has other income. The municipality makes the determination as to whether a person is eligible for an award, but
entitlement is then calculated in accordance with national rules which rebate awards against the claimant’s income, with low-income claimants getting 100 per cent of the cost of meeting the need (Ministry of Social Affairs, 1995b, pp.7-8).

The municipality has discretion over these awards and is subject to a budget constraint in making them: whereas the grundbelob and pensionstilla?g are 100 per cent financed by the state (central government), additional amounts are co-financed by the municipalities (25 per cent) and the state (75 per cent). The state share takes the form of a block grant based on the number of pensioners in the municipality.

While award of personal supplements is in the discretion of the municipality, awards are nonetheless subject to appeal to the Sociale ankenavn at county level. Appeals can, for example, challenge a municipality which fetters its workers’ discretion by developing a policy out of keeping with the spirit of the national law.

Special needs payments can also be made under the Social Assistance Law, although the funding basis is different (50/50 state/municipality). Applicants do not need to be recipients of regular social assistance payments. One important group of applicants is people who have taken early retirement on a limited income (efterlon or almindelig fortidspension)

Delivery 2: In the case of incapacity

Entry One route to a disability pension is via sickness benefit (sygedagpenge). Sickness benefits for workers for the first two weeks of sickness are paid and administered by employers, provided the worker has 13 weeks’ prior employment and a minimum of 120 hours of work. After two weeks the municipality takes over the administration of sickness benefit in the case of private sector employees, although the public sector retains administration of sickness benefits for its staff Collective agreements often specify that the employer will pay wages for some weeks of sickness, in which case the employer can reclaim the sickness benefit payable from the municipality. For weeks three to 13 the state pays 100 per cent of the cost of sickness benefits, but after 13 weeks the financing moves to a 50/50 state/municipality basis.

Workers who do not meet the 13 weeks/120 hours condition may still qualify for sickness benefit from the municipality, but they must meet other qualifying conditions indicating recent connection with the labour market (record of contributing for unemployment insurance; recent participation in vocational training). In these cases the municipality administers the benefit from the start.

Review of sickness benefits When the municipality takes over payment of sickness benefits from the employer, the claimant has to obtain the equivalent of a ‘sick note’ from the doctor. Doctors and municipalities can use a form developed by KL in cooperation with the Danish Medical
Association. The municipality also reimburses doctors for the cost of the medical examination using information provided on this form.

Municipal practice varies on the frequency with which sickness benefits in payment are reviewed. National guidelines state that a review should be made at least every three months. In one of the municipalities visited, Farum, the practice was effectively to review the benefit every month by requiring fresh verification before making payment (benefits are paid monthly). Doctors were contacted to check on the period of sickness and the prognosis. Longer review dates applied to people on maternity/parental leave and to those on rehabilitation programmes (see below). Visits were mainly done for the latter group, particularly those in residential rehabilitation.

**Exit from sickness benefit** Sickness benefits can be received for up to a year, after which it is possible, if the person is still sick but could get better, to receive rehabilitation allowances (revalideringsydelse) for up to five years. If the claimant or the case worker considers that the incapacity is ‘stable and lasting’, an application for disability pension (fortidspension) can be made (see below).

Where the case worker finds that a person is no longer sick, or where 12 months have passed and applications for rehabilitation allowances or disability pensions have been refused, benefit may be terminated. At this stage the claimant may be eligible for social assistance if he or she has insufficient means of support. As is explained further below, the move to social assistance is accompanied by compulsory ‘activation’.

**Entry onto disability pension** There are three levels of disability for the purposes of awarding benefits. The basic disability pension (almindelig fortidspension) can be awarded if the claimant’s earning capacity has been reduced by at least half for health or social reasons. Labour market conditions can therefore be taken into account when awarding this pension. There are two rates of almindelig fortidspension: a lower rate is payable to those 60 and over. The benefit for those over 60 is aligned with the folkepension, although the income test is more stringent (all taxable income, not just earned income, is taken into account). The conditions for award of higher-level disability pensions are medical and not social: the mellemste fortidspension depends on a reduction in earning capacity of two-thirds due to physical or mental disabilities; the højeste fortidspension is for those whose working capacity has become negligible. In addition, a disabled person can receive supplements for care and nursing costs, the ‘bistandstillceg’ and ‘plejetillceg’.

As was explained in the introductory section, the structure for adjudication on disability pensions is under reform. The almindelig fortidspension is adjudicated on by the municipality; transfer of adjudication on the higher levels of pension is taking place, but is not yet completed. The process of
awarding the fortidspension can be initiated either by the claimant or by the social worker handling the case. For the higher-level pensions the case worker has a pivotal role as he or she must assemble the supporting evidence, including commissioning appropriate medical reports (including psychiatric reports if appropriate). It is legally possible for the case worker to prepare a claim for fortidspension without the consent of the client. Case papers are submitted to the R&P-ruzwn or to the adjudicating committee of the municipality, where competence has been devolved.

There are several reasons why adjudication on the higher-level disability pensions is being devolved to the municipalities. The change is expected to reduce processing times: average processing time for the basic pension is approximately five months, while cases going before the regional boards take about nine months to process (including preparation time in the municipality). It is also hoped to improve ‘ownership’ of the decisions. The adjudicators have three options in dealing with an application for disability pension: to reject the application, to accept it, or to refer the claimant for rehabilitation. Referrals for rehabilitation have presented a problem, as the social worker at municipal level, who had pursued the application for a disability award, then has to develop a rehabilitation programme for someone who they felt to be beyond rehabilitation. Furthermore, the municipal adjudicating committee is better placed than the noun to ensure that resources are made available for rehabilitation. Another motive for the change is to discourage municipalities from pursuing claims for higher-level disability pensions for financial reasons. The devolution of competence is being matched by a change in financial structure to the 50/50 formula used for other benefits subject to municipal adjudication. The financial incentives faced by the municipality should mean that disability pensions are only pursued where the claimant’s condition is thought to be permanent. Disability pension receipt can be expected to be long term. The law requires that disability pension recipients under 50 have their cases reviewed at least every five years, and adjudicating committees can set shorter review dates, but long-term receipt is the norm. The average duration of receipt is 12 years. Where claimants have conditions that are temporary or susceptible to rehabilitation, it will be cheaper for the municipality to maintain them on social assistance or arrange a rehabilitation programme.

Municipalities can also be expected to weigh up the administrative costs of putting a person on disability pension instead of social assistance. Administration costs are considerably higher for social assistance and rehabilitation benefits than for disability pensions. The case load of a social worker for social assistance or rehabilitation would be normally about between 150 and 300 cases at a time, whereas the case load for disability pensions is nearer to 1,000 cases at any one time. The high cost of administering social assistance reflects the legal requirement to activate the recipient via training and employment projects. The recent extension of activation to all working-age people (previously only those 25 and under
were affected), coupled with the devolution of adjudication to the municipalities, may lead to a short-term 'hump' in disability pension awards, as social workers turn their attention to people who have been receiving social assistance but cannot be ‘activated’.

Review and exit from disability pension Disability benefits are designed on the assumption that the condition is stable and lasting, so that a disabled person will remain in receipt of benefit until reaching retirement age. Rehabilitation benefits and programmes are used in preference to short-term receipt of disability pensions. Nonetheless, it is possible for the adjudicating authority to set a review date when making a disability pension award.

Delivery 3: In the case of unemployment

Entry When a person becomes unemployed their first step is to go to the AF (the employment exchange). The AF will record their registration as unemployed, often directly onto a computer without having them fill out a form. Depending on how the AF is set up, a variety of pieces of information will be obtained about what jobs they are looking for, any special qualifications they have, their school history and other education and training, any certificates they hold for driver’s licences or machine operating, and details of their previous employment. All this information is obtained in order to facilitate job matching. None of it is used directly as an enquiry into the person’s availability for work or willingness to seek work. That function really rests with the A-kasser.

The process for making a claim at the A-kasse The first step for the A-kasse in receiving an enquiry about claiming is to check that claimants have already been to the AF. If they have not, they are advised to go before doing anything else, as the claim will date from their AF registration.

Some A-kasser have just one central office and do much of their work by post. Others have large numbers of small offices. The latter model is more common in blue-collar A-kasser. Offices often occupy the same premises as the union. In small offices the elected union officials may run the A-kasse; for example, the Treasurer of the union may also head the A-kasse. There is also a pattern in the blue-collar A-kasser for the office staff to be drawn from the ranks of union members; for instance, a carpenter or a bricklayer will be recruited to do the office work. There are no specialist qualifications for working at an A-kasse. Recruits to the larger offices of A-kasser usually have general office and clerical experience. Training is mainly done on-the-job, although AS also provides training courses.

There is a strong sense of accountability of staff to the membership, who in effect employ them. Elected officials monitor the performance of the office; a poor service to members may affect their re-election prospects. In the office visited, queuing times were monitored and staff aimed to ensure that people were not kept waiting for more than an hour for their interview, although this was not always possible, particularly early in the month. The waiting area included a children’s play area and coffee on trolleys.
Many of those calling at the office will have made a telephone enquiry and received an application form by post, along with advice on the requisite documentation for their claim. The documents that are required are:

- six or seven months’ pay slips, or possibly longer, in order to establish that the person has worked the requisite number of hours of work, that is, 962 hours in the last three years for a full-time insured person or 629 hours for a part-time insured person

- the applicant's notice from their employer

- their tax card, which is partly needed because the unemployment insurance is taxable and therefore the A-kasse has to ensure that it deducts tax at the correct rate (without the card it is required to deduct tax at 60 per cent)

- their membership document for the unemployment insurance fund, although the computer record can take the place of this document

- their bank account number.

Basic case records are held by the A-kasse on computer, and are called up by CPR number. For somebody who has not made a claim before this record will consist of their name and address, the date on which they joined the unemployment fund and their period of qualifying employment.

In the office visited, people were seen in an open plan office. There was no apparent security. While claims can be made by post, many claimants come to the office to obtain advice on the claim. The interview usually takes between 30 minutes and an hour, depending on its complexity. The staff will go through the application form with the applicant and check that the information is complete. They will tell them in a preliminary way what benefit they can expect to receive and when it will be paid, but this information is not official until subsequently confirmed by letter. At the A-kasse visited, the staff member who conducted the interview and received the papers could not adjudicate on the claim. The papers were always passed to another colleague. The work was organised with staff doing two days on telephone enquiries, two days on the personal interviews and two days on clerical work.

Staff have a duty in accordance with the law on public administration to give advice to the applicant on any relevant aspect of the claim. However, they do not necessarily check whether additional social assistance might be payable to the applicant. They might provide advice on social assistance if the applicant says that they are unable to cope on the amount of money they can expect to receive. They will also provide a letter for the local municipal office which will facilitate the applicant’s claim for social assistance if required.
Benefit is paid monthly on specific days of the month; the applicant is given a document showing the payment dates. The applicant might get a part-payment of less than a month at the first monthly date and then subsequently go on to full months of payment. The payment date is roughly the first day of the month.

Provided the claim is processed by about the 23rd or 24th day of the month, it is possible to arrange payment into the applicant’s bank account at the monthly payment date. It takes about 10 days to action the payment, including three days that the National Bank requires after receiving instructions to make payment into the applicant’s bank account. Almost all payments are made directly into bank accounts. The only exceptions to this arise from emergencies and special circumstances, which might include a failure on the part of the *A-kasse* to ensure that a payment that should have gone through has done so. In special circumstances people can obtain cash from a cash office at *the A-kasse* or a cheque from the *A-kasse*. These payments come from the administration funds of the *A-kasse*. If it is advancing money against a future payment, the *A-kasse* can reclaim the advance from the National Bank when it is due.

In addition to its live load the *A-kasse* may receive other enquiries, particularly about early retirement and leave schemes. These schemes are open to both the employed and the unemployed, and the *A-kasse* handles both types of application. Full familiarity with all the labour market programmes available through the *A-kasse* takes a long time to acquire, especially as there has been a lot of legislative innovation in this area.

Early retirement pay is available to people from the age of 60 who have sufficient (currently 20) years of membership of an *A-kasse*. The transitional benefit is currently available from the age of 50 to people who are unemployed. Administration is straightforward because eligibility depends on years of membership of an *A-kasse*, so the necessary evidence is held on the computer systems of the *A-kasser*. Benefits are taxable but not means-tested. It is not necessary to register as available for work with the AF. Once a year the *A-kasse* must check the current case load of recipients of these benefits to ensure that they have not worked more than the allowed number of hours. To do this an annual return is sent out around the end of the calendar year.

Several schemes are available to both employed and unemployed people to take a year out of employment (or unemployment). The most popular scheme is parental leave, followed by educational or training leave and sabbatical leave. Sabbatical leave can only be taken if the employer fills the vacated post from the ranks of the long-term unemployed. The leave-taker receives a percentage of the unemployment benefit (100 per cent for training leave); the percentages are now being lowered due to the popularity of the schemes and the falling rate of unemployment in Denmark.
There is also a scheme whereby, after a year of unemployment, a person can opt to take a reduced rate of unemployment benefit (70 per cent) but is allowed to work a few hours a week without further loss of benefit, and is not required to be available for work offered by the AF during this period.

The A-kasser advise their members on all of these schemes, and take claims and put benefits into payment. The principal check on correct administration is that awards are audited by the UI Directorate. In cases where the A-kasse is uncertain about the award, it can obtain advice from the Ministry of Labour. Administration of the leave schemes has proved to be complex and time-consuming because there had been little opportunity to develop suitable procedures. The A-kasser can use forms developed by AS, but may have to make their own alterations and additions in some cases. The leave schemes were introduced too rapidly for a computer package to be developed, so the processing is basically manual. The A-kasser are seeking to computerise their administration of leave applications, but need the Ministry of Labour to facilitate this with some procedural guidance.

Review Each month UI claimants have to return a form (by post) which shows the hours that they have worked and the wages they have earned in the previous month. The amount of benefit payable is proportionately affected by the number of hours worked, but the unemployment insurance claim is not terminated by working during the period of the claim.

Newly unemployed people are called to a meeting soon after they become unemployed at which they are given information about their rights and obligations under the labour market law. At the office visited, these meetings are group meetings of roughly 50 people at a time. Presence/attendance at the meeting is recorded, and it is compulsory to attend the meeting. If a person is invited to a meeting and does not come and does not call to make another time, their benefit can be closed down. Normally this will lead to a delay in payment of the benefit, assuming they subsequently contact the office and try to get their claim started up again.

Further meetings with unemployed people are held at specified intervals after the commencement of the claim. These meetings are arranged jointly with the AF, which has the task of putting in place the programmes of activation on which people have either a right or an obligation to embark depending on the stage they are at in their claim. Basically, for the first four years of the claim the person mainly has rights, and in the final three years of their claim they have obligations. When people fail to attend these meetings, they may be asked in for an interview at which the staff endeavour to enquire more deeply into whether they are genuinely actively seeking and available for work.

The AF process The AF takes the initial registration for unemployment, but it does not require regular renewal of that registration. Instead there are
specific dates when either rights or obligations provided for under the law may come into play. Unless the computer matching system at the AF pulls up a person’s details when the staff are searching for candidates for a job, people will only be contacted and called for interview at the AF after 20 months of unemployment. (A shorter period applies to young people with short work histories, who can qualify for UI if they have spent sufficient time in training.) Unemployed people have a right to ask for an activity plan before the mandatory date, but staff may encourage people to wait for the full period, because only then can they get finance for either private sector job subsidies or training schemes.

Staff at AFs have targets for the number of ‘activity plan’ interviews which they undertake. Workers are expected to make two or three plans a day, plus follow-up work. When plans are made and registered on the computer system, the staff can also log an appropriate review date, depending on what the plan entails.

The AFs concentrate very heavily on providing a service for employers and being a competitive placement service, rather than on providing tests for the operation of the benefit system. There has been a lot of public discussion about the possible extent of inactivity and non-availability among the insured unemployed. However, pressure has been put on the A-kasser (rather than on AF offices) to try to tighten their rules and regulations. They can call people in to interviews to assess their willingness to apply for jobs at any time.

Exit from unemployment insurance The ‘benefit and offer’ period for UI is seven years, which is divided into two periods of four years and three years for the purposes of job and training offers. After between five months and a year of unemployment the benefit recipient has a right to take up assistance from various schemes, including enterprise allowances and training (either on the job or not). The claimant has a duty to be available for work offered, but is not under a duty to accept all offers until four years of unemployment insurance receipt have passed. After this time offers must be accepted, subject to an income guarantee, whereby income in on-the-job training is supplemented up to the UI benefit level. Many offers fall below this level because they are part-time; a new programme to generate full-time offers is being introduced among those who have been unemployed the longest (Arbeidsministeriet, 1995, pp.5-6).

Social assistance for the unemployed The employment and training rights and obligations operating during the period of insured unemployment are intended to mean that loss of insurance cover due to long-term unemployment is kept to low levels. However, young people who have not established an insurance record, and older workers with intermittent participation, may find themselves having to apply for social assistance. At one time the municipalities could operate an ‘unemployment benefit
where, by creating a job for a year, they could establish or restore insurance cover, and thereby move applicants back into the insurance system. However, the rules have now been changed so that subsidised work in the public sector cannot be used to establish insurance cover.

The other main development over the last few years has been the gradual extension of activation initiatives under the Law on Municipal Activation, whereby municipalities offer work, training or education to social assistance applicants. The law leaves quite a lot of scope for local-level decisions on details of implementation. The following discussion is based on two municipalities: Hvidovre and Farum. Differences reflect the different social conditions in the two areas, and the different political complexion of their respective councils. Farum is further from the centre of Copenhagen than Hvidovre, and is more suburban and wealthier. It has a Liberal majority on the council, and a mayor with a high-profile aim of reducing taxes in the municipality. Hvidovre has a Social Democratic majority. It is a large municipality with a wide social mix: 1 per cent of Denmark in size and, perhaps, in composition.

Security appeared to be more of an issue at Hvidovre than Farum. A security guard stood at the main reception, and showed people to offices for their appointments. In both Hvidovre and Farum the offices (closed plan) had swing escape doors on the far side of the desk from where the client would sit, and there was either a fixed alarm on the desk or staff carried portable panic alarms. However, screens were rarely in evidence in either Hvidovre or Farum. No reception areas visited had screens, although the cash desk had a screen.

The discussion in this section concentrates on the activation process. It should be noted that lone parents are also subject to activation, so much of what is outlined here applies to the lone parent case also. Details of how social assistance benefits are calculated, and issues to do with cohabitation, are left to the section on lone parents.

Entry Prospective claimants in both municipalities go to the Town Hall. At the reception desk in Hvidovre they are given a short form and an appointment with a social worker or alternatively with a worker at the activation centre (across the road). There is some internal debate about who should be sent straight to the activation centre. Until recently only under-25s were sent. Initially, in 1990, compulsory activation applied only to 18 and 19 year olds, but the age limit was increased and finally removed in mid-1994. Activation does not have to be immediate - it is possible to put a person on social assistance and subsequently direct them to activation initiatives, but Hvidovre aims for immediate activation of young claimants particularly.
One of the main concerns of the activation office at Hvidovre was having to deal with people whose main problems were not labour market problems. The office had prepared an analysis of applicants for the municipality’s social committee which tried to establish categories or indicators for who should be sent straight to activation. For example, if a person was homeless, the activation office argued that this problem should be dealt with first. While in principle a social worker should coordinate the different social services provided by the municipality, in practice there was a problem of people being `sent from pillar to post’ albeit within the same organisation and often within the same building (the Town Hall).

In Farum a new claimant is given a longer form, along with a covering note specifying the documents required. If the claimant completes the form adequately, and if unemployment is the basis for the claim, they are not interviewed. Instead, the claim is put into payment. However, if the claimant has not got a job by the next payment date (the first day of the following month), they will be directed to the activation centre. Most claims are reviewed monthly. Claimants have to phone in at a specified time to obtain their next month’s benefit. Failure to do so leads to delay in paying the benefit.

When a person is placed in an `activation’ initiative, their income will mainly comprise the basic hourly activation allowance, with the activation programme designed around the ‘right’ number of hours to generate an income somewhat above the social assistance level, to allow expenses to be met. If the number of hours on the programme is too low to generate sufficient income, further cash assistance and employment supplements can be paid, although there is a maximum on the effective rate of pay in hourly terms which can be generated by these arrangements.

**Review and exit** In Hvidovre payment of benefits (plus activation allowances) to participants on activation programmes is usually taken over by the activation office. In Farum the activation office provides attendance records to the social worker, who makes the order for payment. In both municipalities failure to come to appointments or failure to attend the programme specified by the activation office can lead to non-payment of benefit, but payment is usually delayed rather than cancelled.

There are a number of unresolved issues about the activation process which are likely to become more apparent in the next few years, as a result of the extension of compulsory activation to social assistance recipients of all ages. Some interlocutors suggested that the social assistance system has been hiding a number of people who could receive a social (disability) pension. Because of the long process for award of these pensions and the prospect of the applicant being referred for rehabilitation, social workers may not have taken all possible cases forward. The requirement to activate claimants may mean that some claims for disability pensions are now proceeded with, in
cases where the activation office does not want to take on the claimant. Devolution of disability pension decisions to the municipal level may facilitate the award of pensions where activation or rehabilitation are thought likely to be expensive or difficult.

There is also a boundary problem between activation and rehabilitation. The programmes are often similar, but the cases are handled by different offices. Activation offices are concerned that they may get more and more of the `hard cases' which would previously have been taken on by a social worker on a rehabilitation programme. This issue applies particularly to people with alcohol or drug addiction problems.

The tension between the requirement to be `activated' and the legal role of social assistance as the benefit of last resort has not been resolved. Those running the system appear to feel that it is easier to deny benefits to younger people, and to be concerned about the consequences of delaying payment or refusing to pay longer-term, older recipients.

Delivery 4: In the Lone parenthood is not, of itself, a basis for claiming assistance in Denmark. Lone parents may be in receipt of any of several benefits, or alternatively may be supporting themselves and their children in the labour market. An emphasis on labour force participation affects the administration of social assistance to lone parents: they are subject to `activation' as explained above, and may also receive assistance with entering or returning to work under other labour market policy initiatives operated by the municipality. Probably the most significant benefit which enables lone parents to continue working is their eligibility for free day care for their children, again provided through the municipality.

Lone parents may also benefit from measures connected with employment available to parents generally. These include maternity leave (barsel), which runs from four weeks before the birth up to 24 weeks after. It is administered in a similar way to sickness benefit (see the section above on delivery in the case of incapacity). In addition, a parent can take up to a year out of the labour force under the leave schemes operated through A-kasser. Lone parents may also receive unemployment benefits: in principle, the availability of child care ensures that they are not disqualified as being unavailable for work. One problem is that sickness of the child may lead to a loss of unemployment benefit. (Sickness benefit covers an unemployed person who becomes sick, but not children.) This is something of an anomaly, as the employment law includes rights to days off to care for sick children.

Alongside entitlements which may arise from employment, lone parents also receive child benefits. These include, obviously, the universal child benefit, bornefamiliedel. An additional benefit, barnetilskud, is payable to parents supporting a child on their own (including two-parent families where only one is earning), and to pensioners supporting children. An extra amount
(ekstra bornetilskud) is payable on a per-family basis to single parents. (Further benefits [særligt bornetilskud] are payable in respect of orphans, children of widows and widowers, and children of pensioners.)

Entry The universal child benefit is notable for its virtually automatic administration. In the words of the leaflet on child benefit: When a child comes into the world, the mother’s municipality is notified of the birth. Therefore the mother does not need to seek out the child benefit. She will automatically be paid the benefit.

When a child is born in Denmark a CPR number is allocated on the basis of the notice of birth. Along with the CPR number assigned to the child some details about the mother are obtained for the municipal personal register (Polkeregister). On the basis of this information the tax administration is able to implement the payment of child benefit. Benefit is normally paid to the bank account of the mother every month. Fathers or others who have guardianship of the children apply at the municipality for payment of the child benefit.

Pregnancy, separation or divorce all constitute events which can generate eligibility for social assistance. However, the first form of help which a lone custodial parent is likely to seek from the municipality is to obtain advance child maintenance (forskudsvis ndbetalt bornebidrag). Under this system the municipality pays a fixed amount to the custodial parent, which is then recovered from the non-custodial parent. The recovery rate is remarkably high (90 per cent in 1992), but the maintenance amount is not huge. In 1995 the normal amount was 8,472 kr per annum (about x:900 at current exchange rates). The amount of bornebidrag is independent of the absent parent’s means. If the absent parent is on social assistance, he or she will receive an enhanced rate as a `supporter’ (forsorcer), and this covers the bornebidrag.

If the custodial parent applies for social assistance, she or he will also be eligible for the `supporting’ rate of benefit (by the same token, both parents in a two-parent household count as `supporters’). The parent’s social assistance entitlement is the difference between his or her net income after expenses (see below) and the appropriate personal allowance. There are four rates of personal allowance: the highest is for supporting adults. The other rates are for non-supporting adults over 25, under-25s living independently, and under-25s living at home. There is no requirement for any income to be disregarded in the law, but municipalities have discretion to disregard income, which they might exercise to promote a return to work, for example.

In addition to the personal allowances set out in the law, municipalities can make extra payments to meet unavoidable expenses under s.37A of the social assistance law. The expenses covered under this head would normally
include rent or mortgage payments, and electricity, gas and water bills. Other
liabilities over which the claimant has no control may also be included. For
example, in Farum some claimants live in blocks of flats where all residents
subscribe to the cost of a TV decoder. Since one cannot opt out of paying
this fee, the administration includes it in expenses under s.37A. To obtain
these amounts claimants have to produce bills and receipts. Payments under
s.37A are not taxable, whereas the personal allowance is taxed. Social
workers have discretion to make payments directly to landlords and utility
providers, which they exercise when, in their view, a person is not
competent to budget their expenditure properly. However, achieving a
situation in which the client undertakes their own budgeting is seen as an
important function of social case work.

Many details about the claim can be verified on the computer system
(address, previous employment, taxable income) and application forms warn
applicants that electronic databases will be searched for information about
their claim.

Automated credit transfer is widely used for benefit payments. However,
municipalities can pay social assistance from the cash office located at the
Town Hall. In Hvidovre this is done rarely, in cases of special or urgent
need. In Farum it is done routinely for short-term benefit recipients.

**Review and exit** In the handling of all claims there is an expectation that
assistance will only be provided on a temporary basis. Claimants are expected
to give an account of the circumstances which have led to a shortfall in
income. Social assistance is therefore not intended to make good a
permanently low income, although in practice it may end up doing so. Some
events, such as strikes, generate an entitlement but also an expectation that
the assistance will later be repaid.

According to the law, a special review of the claimant’s need for counselling
and other assistance must be undertaken within three months of the start of
the claim (Ministry of Social Affairs, 1995a, p.11). In practice social
assistance payments are often reviewed monthly, but in a less systematic way
than the language of the law might imply. Case workers may, for example,
require the claimant to telephone in before the benefit is put into payment.
Sometimes new bills and receipts are required to update payments under
s.37A. If the claimant fails to ring in at the designated time, or to provide the
necessary bills, payment of benefit will be delayed.

Visiting is not a systematic part of the verification process for benefits. This
is partly because the issue of cohabitation is not given a very high profile. To
understand the issues around the effect of cohabitation on a lone parent’s
entitlement it is useful to clarify the situation for two-parent families. Each
member of a married or registered couple is entitled to his or her appropriate
personal allowance, as described above. If their combined income, net of expenses, is below this level, they may be entitled to assistance.

In principle, an adult who is sharing accommodation with another has an entitlement if their own income is less than their personal allowance, after deduction of their share of household expenses. Note that the need to calculate household expenses means that a determination cannot be made without information about other people living in the home who share expenses. However, it is not strictly necessary to have information about the income of cohabitees. Nonetheless some municipalities do collect this information, and apparently apply the same basis for calculation of benefits to cohabitees as to married and registered couples.

The actual situation around cohabitation is therefore rather complicated. However, administrative practice does not appear to put great weight on detecting cohabitation. One interpretation is that the burden of proof rests on the municipality: if a claimant disputed the municipality’s contention that she or he was being supported by a partner, it is hard to see how benefit could be denied, as there is no legal presumption that a cohabitee will provide support.

Commentary The Danish system provides examples of three models of delivery which deal in different ways with the issues which might be expected to arise from devolved administration of central government money. The three models are:

1. *Central policy and decentralised delivery: citizenship-based version.* This model is operated for the old age pension (for those 67 and over) and child benefit. Finance comes entirely from central funds, and benefits are uniform nationwide. The procedures adopted are also fairly uniform: benefit recipients find similar requirements and processes wherever they go.

2. *Central policy and decentralised delivery: labour market-based version.* This model applies to unemployment insurance and the leave and early retirement schemes for members of unemployment insurance funds. Benefits are fairly uniform nationwide, but some rules and procedures are adapted to conditions in particular occupations (for instance, normal working hours, which are important in the formula for determining the benefit payable). As in the case of model 1, the delivery organisation has an elected management, and is therefore accountable to its membership through these elections. Administrative costs are met from the subscriptions of members, so inefficient administration raises subscriptions.

3. *Decentralisation with co-financing of programme costs.* The model of 50/50 financing of benefit expenditures, with the municipalities meeting all administration costs, now applies to disability pensions as well as social assistance and sickness benefits.
1. Central policy and In model 1 the agency problems which can be expected to arise from local administration of central government money are avoided because of the following conditions:

- The benefit rules are simple.
- The data necessary to make determinations are held on a shared computer system. Standards of evidence and judgements on the basis of the evidence can thereby be made uniform.
- Procedures are also largely computer-based.

These conditions make the system easy to control without having to specify administrative procedures in detail. The procedures which do need to be specified are those which allow payments to be audited. Auditing itself can also be contracted out, given that the audit guidelines are clearly specified.

The problems about the accuracy of payments which do arise in this system stem from the (in)accuracy of the tax data on which determinations are based. The problem of compliance with the tax system thereby ‘dominates’ over compliance with the benefit system.

Administrative costs are met from local budgets. It is difficult to assess the relative level of administrative costs because the handling of claims can be combined with other municipal tasks (such as the arrangement of home help or meeting care needs), depending on how the municipality chooses to organise its operations.

The municipal government is accountable to its electorate for efficient administration, while central government is accountable for policy. Since the policy on these benefits is fairly fully specified in legislation, it is possible to say that the Folketing is accountable for the policy. In practice municipal accountability is dominated by the areas of social security administration for which they have more policy and operational responsibility (see model 3 below). This includes the administration of special payments to the elderly (accounting for 2-3 per cent of cash payments to the elderly).

This model seems to be a very attractive system. However, it could not be applied to benefits where the evidentiary requirements are greater; in particular, benefits to people who are expected to support themselves through work if possible. It is therefore no coincidence that model 1 is confined to benefits for those under 18 and over 67. However, it can also be noted that the Danish system allows for income-testing within model 1. The key to this is that the income test is based on taxable income, and can therefore be integrated with the tax system. This means that it is possible for the Danish government to envisage the future development of increased occupational pension provision, accompanied by increased income-testing of the state pension, without this having profound administrative implications.
Despite the parallels between models 1 and 2, model 2 is much less successful in Danish eyes than model 1. This is mainly because the information necessary to make decisions is not as readily established as for the benefits administered under model 1. The key piece of missing information is whether a benefit claimant is actively seeking and available for work.

The process of checking on whether a person is ‘active and available’ involves the employment exchange, the AF, as well as the benefit administration. The AF’s functions in the administration of the work test have been strengthened, with notices of ‘doubts’ going to the UI Directorate, which is thereby put in a better position to check that the A-kasse follows up on the query. However, the AF may lack incentives to raise doubts about whether claimants are active and available. The AF service is promoting an alternative identity as a placement service, operating on a competitive footing with private sector services.

In 1988 the Danish government responded to the pressure of a large budget deficit with a circular which allowed public authorities to levy charges for some of the services which they provided. This applied to a range of activities, such as childcare provision by the municipalities (where fees are limited to a maximum of 30 per cent of costs) and job broking services provided by the AFs. Offices of the AF service responded with enthusiasm to the freedom to offer a ‘product package’ to employers, including educational advisory services, personnel recruiting and so forth (Csonka, 1993, p.13). While the ‘business-like’ approach which this engendered improved the public image of AF offices, there are question marks over whether resources are not diverted from placing the unemployed in more prestigious income-generating activities.

The alternative to increasing the role of AFs is to impose tighter administrative requirements on A-kasser. This can be done through the supervisory and regulatory powers of the UI Directorate. The main constraint is the need for the government to negotiate with the unions over the implementation of tighter rules affecting unemployment. It could be argued that the institutionalisation of the unions’ role in the benefit system, via their connection with the A-kasser, weakens the government’s ‘policy control’ over UI. However, it could also be argued that the policy influence of the unions is strongly institutionalised throughout the labour market, and their influence in the benefit system is only one aspect of this. The tripartite advisory and appeal organisation, the National Labour Market Authority (and its regional branches), has the lead role in organising activation initiatives for the unemployed. It is arguable that job creation and training programmes could not be operated effectively in the face of union opposition.

Critics of the performance of the AFs and the A-kasser often draw an unfavourable contrast between the implementation of activation initiatives.
for the insured unemployed and the municipal programme of activation for social assistance recipients. As is explained in the discussion of model 3, municipal activation has thrived on the basis that the initiatives generate benefit savings. However, there is no mechanism for transferring hypothetical UI savings to activation initiatives. As in most countries, the Ministry of Finance takes the view that deadweight losses are high and the extent of benefit savings is unproven.

The staff administering UI face customers with a strong sense of entitlement and an expectation of good service, since the union is the members’ organisation. However, members have not paid a premium which represents the expected value of their benefits. Furthermore, even if the UI system was self-financing, members would still have to establish that the insured contingency had in fact arisen (a problem of customer relations for private insurers too). There is a relationship between these two problems: because the state meets most of the costs of UI, it can change the rules about how the contingency is defined (for instance, the period of time for which job search can be restricted to the previous occupation) and the extent to which the contingency is covered (for instance, the time limits on cover). Such rule changes can create difficulties for staff at the A-kasser when they conflict with members’ own perceptions of what their insurance covers.

The third model of devolved administration deals with the problem of controlling the delivery of benefits by creating a financial incentive for the delivery organisation to refuse an award where there is not a proper basis for it. Among the issues that arise in such a system are:

- ensuring that the delivery organisation does not refuse awards over-enthusiastically, thereby undermining the operation of the national benefit system
- ensuring that the delivery organisation has sufficient financial resources to meet valid claims.

If these problems can be resolved, the potential advantages of the co-financing approach are considerable. Central government is not faced with the task of formulating detailed regulations and instructions to specify procedures to be followed to determine benefit entitlement in every conceivable situation. Instead, municipalities can formulate rules and procedures within the guidance of a ‘framework’ law in the light of their administrative structure and capacity.

Co-financing with local government also means that the local share of benefit programme expenditure can be diverted to measures to reduce dependency on benefits. Municipalities have an incentive to invest in services which reduce claims on benefits, such as the provision of child care or the development of job creation and training programmes. It is up to each municipality to assess whether the benefit savings will cover the cost of such
programmes. In the case of ‘activation’ initiatives, the availability of some central government (block) money for these programmes helps to tip the balance towards ‘activation’.

In Denmark the problem of illegitimate denial of benefit is addressed through appeals and through monitoring. Both functions reside in the same organisation (the Social Appeals Committee). The Committee undertakes statistical monitoring of rates of award in different municipalities, and the Ministry of Social Affairs communicates concerns back to the municipalities. The appeal process tends to resolve issues arising from ‘tough’ adjudication by the municipalities, although some concerns have been raised about the adoption of ‘unfriendly’ procedures in municipalities which stop claims at a very early stage. The monitoring process is intended to address situations of over-liberal adjudication as well, although the Ministry treads rather carefully in providing guidance that adjudication is too liberal. While it will furnish information to an ‘out-of-line’ municipality, it relies on incentives rather than instructions to obtain consistent practice over the whole country.

The incentive to avoid over-liberal adjudication is that the municipality will have difficulties covering its share of benefit programme costs. Municipal funds come from two main sources: local taxes on both income and property, and block grants. More than half of local authority expenditure is financed by local taxes, but this includes very little benefit expenditure, as explained below.

Local tax rates vary quite substantially - in 1994 the average was almost 20 per cent, with a range of 13-22 per cent (National Association of Local Authorities, 1994, Table 3). The variation does not primarily reflect differences in demographic structure or tax base. The system of equalisation which operates between the municipalities is intended to eliminate such differences. While the equalisation formulae are changed annually, the broad principle is that expenditure needs (for a common standard of service) are calculated for each municipality along with the per capita tax base (which is easily determined, as the tax base is determined by national law). The formula for determination of expenditure needs is estimated by regression analysis, with the main variables being demographic factors (proportions of population in different age groups). Some social criteria are also included: the percentage of houses which are rented, the percentage of children living with only one parent, and an unemployment index. There has been a lot of experimentation with the formula: at one time the proportion of economically active women was included, but this has now been dropped.

On the basis of these equalised income and expenditure amounts, percentages of the differences are transferred between municipalities. The purpose of the inter-municipality equalisation process is to ensure that differences in local tax rates reflect different decisions about service levels (or, indeed, differences in efficiency).
The second source of municipal finance is block grants from central government. The principle of the level and annual adjustment of block grants in the social security area is that local authorities should be compensated for the effect on their spending of national laws. Expenditures on social assistance, sickness benefit, rehabilitation allowances and disability pensions are all made subject to national laws. The principle of compensation therefore requires that the block grant from the Ministry of Social Affairs covers total expenditure on these benefits. In practice this process is subject to complex negotiation, as forecasts are required for determining the overall state budget (National Association of Local Authorities, 1994, p.21).

Leaving aside these complex practicalities, the principle is that all benefit expenditure is ultimately reimbursed via block grants. However, the block grant component is allocated according to demographic criteria, not according to actual case loads. Thus municipalities receive what they ‘ought’ to have spent if their decisions had been aligned with the national average. A municipality which adopts relatively liberal procedures for the award of benefit will find that the block grant does not cover its 50 per cent share of benefit costs, while a municipality which controls awards tightly will make a ‘profit’.

The implementation of this mechanism clearly requires that the block grant formula is acceptable. It is probably important that Denmark is a relatively homogenous country, and that income differentials between municipalities are relatively small, thereby reducing the burden on equalisation formula. It is probably also important that municipalities do not ‘play the system’ too vigorously, and avoid either large ‘profits’ or large ‘losses’. The key to this is the willingness of each local authority to aim towards the norm or average in its performance. Guidance from KL as well as from the Ministry and the Social Appeals Committee contributes towards achieving this end.

In the case of disability pensions, it is very clear that municipalities are expected to maintain common standards by liaising with each other. Nonetheless, there is concern at the prospect of a loss of nationwide uniformity and the prospect that not all municipalities will maintain a good standard of adjudication practice. This concern is felt particularly strongly by the national umbrella organisation for the different groups working with people with disabilities, De Sarmvirkende Invalidesorganisationer. This organisation has enjoyed representation on the 14 rehabilitation and pension boards, whereas it has no guarantee of representation on the boards constituted by municipalities. Furthermore, it is easier to monitor the decisions of 14 boards than of 275 municipalities.

In the case of social assistance, there is more acceptance that practices will vary between municipalities, although there is also a countervailing pressure towards the maintenance of uniform national rights to assistance. Despite the
basically consensual model of policy formation in Denmark, local politicians with strong views do have the potential to disrupt the rather delicate balance of power over social assistance administration.

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Danmarks Statistik (1995) *Social sikrin 1*, *Statistik tilsoverskidd*. Copenhagen


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Overview

The French system contains a mixture of insurance-based, universal and means-tested benefits. The main insurance-based benefits cover retirement, sickness and invalidity and unemployment. The universal benefits are family benefits, available mainly for families with more than two children or with very young children. Means-tested benefits are available, on a differential basis, for handicapped people, old people and single parents. The main residual benefit, for those who do not qualify for these other benefits, is the Revenu Minimum d'Insertion (RMI), which is set at a much lower level and includes the requirement to undergo an individual programme of `insertion' or reintegration into society. Table 6.1 gives an overview of the different benefits for the elderly, disabled, lone parents and unemployed, and indicates their relative importance in numerical and expenditure terms.

The institutional structure of the French social security system is rendered rather complex by the existence of parallel arrangements for different groups in the labour force. The following account simplifies matters by concentrating on the arrangements for `travailleurs salariés', which encompass in total some 20 million of France's 26 million labour force. The main groups outside these arrangements include `cadres' (white-collar workers with some specific training in their field - `professionals' might be the nearest English translation) and civil servants, farmers, fishermen, seamen and miners.
<table>
<thead>
<tr>
<th><strong>Old age</strong></th>
<th><strong>Disability and sickness</strong></th>
<th><strong>Unemployment</strong></th>
<th><strong>Family/ lone parents</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retraite de Base du Regime</td>
<td>Indemnites Journalieres Mal/ache</td>
<td>Allocation Unique Degressive</td>
<td>Allocation Familiale</td>
</tr>
<tr>
<td>General (basic retirement</td>
<td>(sickness benefits)</td>
<td>(unemployment insurance):</td>
<td>(family allowance) (2+ children):</td>
</tr>
<tr>
<td>pension provided by RG)</td>
<td>No. of beneficiaries: n/a</td>
<td>No. of beneficiaries: 1,779,000</td>
<td>No. of beneficiaries: 4,487,000</td>
</tr>
<tr>
<td>No. of pensions in payment: 7.7m</td>
<td>Expenditure on benefits: FF 35.8bn</td>
<td>Expenditure on benefit: FF 90.1 bn</td>
<td>Expenditure on benefit: FF 71.95bn</td>
</tr>
<tr>
<td>Expenditure on benefit</td>
<td>Pension Invalidite (RG)</td>
<td></td>
<td>Allocation Parentale d'Education</td>
</tr>
<tr>
<td>FF 267.1 bn</td>
<td>(invalidity pensions)</td>
<td></td>
<td>No. of beneficiaries:179,000</td>
</tr>
<tr>
<td>(Some 1.6m retired people are covered by other schemes,)</td>
<td>No. of beneficiaries: n/a</td>
<td></td>
<td>Expenditure on benefit: FF 5,755m</td>
</tr>
<tr>
<td>Expenditure on benefits: FF 14.5bn</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retraites Complementaires</td>
<td>Allocation pour 1 Adulte</td>
<td>Allocation de Solidarite</td>
<td>Means-tested payments:</td>
</tr>
<tr>
<td>versees par l'ARRCO et IUNIRS</td>
<td>Handicaps (AAH)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(complementary provision</td>
<td>No. of beneficiaries: 578,000</td>
<td>No. of beneficiaries: 439,000</td>
<td>Allocation pour Jeune Enfant</td>
</tr>
<tr>
<td>through ARRCO and UNIRS)</td>
<td>Expenditure on benefits: FF 19.22bn</td>
<td>Expenditure on benefit: FF 11.7bn</td>
<td>No. of beneficiaries: 1,794,000</td>
</tr>
<tr>
<td>No. of pensions: 7.7m</td>
<td>Allocation d'Insertion</td>
<td></td>
<td>Expenditure on benefit: FF 20.69bn</td>
</tr>
<tr>
<td>Expenditure on benefit:</td>
<td></td>
<td>No. of beneficiaries: 16,000</td>
<td>Allocation de Rentree Scolaire</td>
</tr>
<tr>
<td>FF 186.1 bn</td>
<td>Expenditure on benefit: FF 351 m</td>
<td>No. of beneficiaries: 2,953,000</td>
<td>Expenditure on benefit: FF 8,563m</td>
</tr>
<tr>
<td>Means-tested</td>
<td>(FNS also finances some</td>
<td>RMI</td>
<td>Soutien Familial</td>
</tr>
<tr>
<td>additions provided through</td>
<td>supplements for recipients of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fonds National de Solidarite (FNS):</td>
<td>invalidity pensions from CNAM;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>included in total under age</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of beneficiaries: 1m</td>
<td>pension.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure on benefit: FF 15.9bn</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Data are for 1993)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data are for 1994 except where otherwise stated.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sources: Direct from provider organisations</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Institutions**

The system can be divided broadly into three different institutional structures. These are shown in Table 6.2. Table 6.2a shows one structure, the *Regime General*, comprising ‘caisses’ (funds) for provision for old age, health and family support. The first column of Table 6.2b shows the second structure, covering unemployment. This structure is distinguished from the *Regime General* by the more arm's-length relationship between its institutions and the state. Also shown in Table 6.2b is the third structure, covering social assistance for elderly and disabled people and those not covered elsewhere (RMI). This is not really a single structure, as the arrangements shown in the three right-hand columns vary, but they have certain common features; in particular, the role of local government and the use of institutions of the *Regime General* to facilitate delivery. Omitted from the table are components of *aide sociale* which cover payment to businesses and institutions for health and social services.
The Regime. General

The RG is based on three caisses nationales (CNs): CNAV, Caisse Nationale d'Assurance Vieillesse de Travailleurs Salariés, strictly CNAVTS (covering old age); CNAM, Assurance Maladie (health care and sickness and invalidity benefits); and CNAF, Allocations Familiales (family benefits and allowances).

Note that CNAM encompasses health insurance. This means that it is the largest caisse and is primarily involved in financing provision of health services (as opposed to cash benefits). The financial problems of the French social security system are dominated by the health sector, and many of the social reforms currently under consideration relate to controlling the costs of health care.

Each caisse has a national board comprising representatives of employers and employees, with a president appointed from their ranks by the government. The regional and local offices (CRAMs, CPAMs, CAFs) have boards constituted on the same basis.

Table 6.2a France: Overview of institutions and funding: Regime General

<table>
<thead>
<tr>
<th>Policy/budget</th>
<th>Old age pension and supplements for those with insufficient insurance</th>
<th>Sickness and invalidity</th>
<th>Family allowances, Allocation de Parent Isole</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance and instructions</td>
<td>DSS, CNAV</td>
<td>DSS, CNAM</td>
<td>DSS, CNAF</td>
</tr>
<tr>
<td>Design of forms and procedures</td>
<td>CNAV and CRAM</td>
<td>CRAM</td>
<td>CNAF and CAFs</td>
</tr>
<tr>
<td>Preparation of claim</td>
<td>CNAV (Paris) / CRAM, CCAS</td>
<td>CPAM</td>
<td>CAF</td>
</tr>
<tr>
<td>Adjudication</td>
<td>CNAV/CRAM</td>
<td>CPAM</td>
<td>CAF</td>
</tr>
<tr>
<td>Payment</td>
<td>CNAV/CRAM</td>
<td>CPAM and CRAM</td>
<td>CAF</td>
</tr>
<tr>
<td>Reviews, fraud enquiries</td>
<td>CNAV/CRAM</td>
<td>Doctors employed by CNAM</td>
<td>CAF</td>
</tr>
<tr>
<td>Financial control</td>
<td>CODEC, Cour des Comptes, IGAS</td>
<td>CODEC, Cour des Comptes, IGAS</td>
<td>CODEC, Cour des Comptes, IGAS</td>
</tr>
<tr>
<td>Monitoring performance</td>
<td>CNAV</td>
<td>CRAM and CNAM</td>
<td>CNAF and CAF</td>
</tr>
<tr>
<td>Appeals</td>
<td>CRA, TASS</td>
<td>CRA, TASS</td>
<td>CRA, TASS</td>
</tr>
<tr>
<td>Financing of benefits/ administrative costs</td>
<td>ACOSS: employer and employee contributions, Contribution Sociole Generalisée (CSG)</td>
<td>ACOSS: employer only (plus CSG)</td>
<td></td>
</tr>
</tbody>
</table>
Table 6.2b France: Overview of institutions and funding: other benefits

<table>
<thead>
<tr>
<th>Policy/budget</th>
<th>Unemployment insurance</th>
<th>Disability benefits if not insured (AAH)</th>
<th>RMI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UNEDIC (and government)</td>
<td>Government</td>
<td>Government, Delegation Inteministerielle au RMI (DIRMI)</td>
</tr>
<tr>
<td>Instructions and guidance</td>
<td>UNEDIC and ANPE</td>
<td>Commission Technique National (CTN), COTOREPs</td>
<td>Government, prefet, DIRMI</td>
</tr>
<tr>
<td>Design of forms and procedures</td>
<td>UNEDIC and ASSEDIC</td>
<td>CTN, CAF</td>
<td>CCAS, CAF, Commission Locale d'Insertion (CLI)</td>
</tr>
<tr>
<td>Preparation of claim</td>
<td>ANPE for work registra on, ASSEDIC for claim</td>
<td>CCAS or CPAM</td>
<td>CCAS or authorised alternative</td>
</tr>
<tr>
<td>Adjudication</td>
<td>ASSEDIC</td>
<td>COTOREP (assessment of disability), commune (carte), CAF</td>
<td>CAF, overseen by Commission Departementale d'Insertion (CDI), CLI for ratification of contract</td>
</tr>
<tr>
<td>Payment</td>
<td>ASSEDIC</td>
<td>CAF</td>
<td>CAF</td>
</tr>
<tr>
<td>Reviews, fraud enquiries</td>
<td>DDTEPF and ANPE</td>
<td>COTOREP</td>
<td>DDTEPF and prefet</td>
</tr>
<tr>
<td>Financial control</td>
<td>ASSEDIC</td>
<td>CAF</td>
<td>CAF</td>
</tr>
<tr>
<td>Monitoring performance</td>
<td>UNEDIC</td>
<td>CTN</td>
<td>CDI, DIRMI</td>
</tr>
<tr>
<td>Financing of benefits/ administrative costs</td>
<td>Employer contributions, central government</td>
<td>Central government</td>
<td>Programme: central government; contracts of insertion: departement</td>
</tr>
</tbody>
</table>

Revenue for the three caisses comes from social security contributions ('cotisations'). These are collected by the URSSAF (Union de Recouvrement des Cotisations de Securite Sociale et d'Allocations Familiales) network, which is managed by ACOSS (Agence Centrale des Organismes de Securite Sociale). ACOSS is run by UCANSS (Union des Caisses Nationales de Securite Sociale), which is a board of representatives of the three CNs.

Most elements in the current structure date from 1945, when the extremely fragmented structure of provision was made somewhat more unified. The aim of total unification was not achieved, however, as various groups had established their own provision on terms which were more advantageous than could be achieved by the pooling of risks within the RG. As a result, a number of separate schemes were allowed to continue. Since these make 'basic' provision to certain groups, the government has subsequently supported some of the programmes by covering their deficits, and has exercised increasing leverage over their management.
The RG itself was intended to have some independence from the state. Its founders espoused the principle of `democratic management`. This meant that the system should be:

managed by those with an interest in it
decentralised, with small, local, accessible offices
independent; subject to only limited supervision by the state (Kerschen, 1995, pp.134-135).

As is explained in the commentary at the conclusion of this chapter, the independence of the caisses from parliamentary scrutiny is seen as the source of some problems, and is under reform.

In 1967 the RG was broken up into the three separate funds which exist today. Part of the rationale underlying the legislation (the Loi jeanneney) was to revive the concept of having the social security system run by independent committees representing employers and trade unions, along with users of the health system, doctors and other professional groups. The equal representation (`partaire` of the interests of different groups would achieve the desired balance between cost and level of benefits and services. However, the effectiveness of this principle is called into question by the problem of deficits and the problem of exclusion (lack of adequate coverage for some groups, leading to demands on social assistance).

The Loi Jeanneney also endeavoured to make the management of the caisses more tractable by abolishing elections to their boards. Membership was instead determined by appointing representatives of the interest organisations. However, in 1980 Mitterrand restored elections. The proposals put forward by Prime Minister Juppe in November 1995 include a return to appointment rather than election of the boards. Furthermore, the boards would themselves be supervised by a national council answerable to Parliament.

As at 1995, the presidencies of the different boards which make up the RG were held by representatives of different union and employer organisations as follows:

ACOSS: Confederation Generale des Cadres (confederation of management staff unions)

UCANSS: Conseil National du Patronat (employers` association)

CNAV: Confederation Francaise Deniocratique du Travail (left-wing union confederation, strong advocate of worker participation in management)

CNAM: Force Ouvriere (socialist trade union confederation)

CNAF: Confederation Francaise des Travailleurs Chretiens (Catholic TU confederation).
Despite the fact that not everyone is covered by the RG, several factors make the system operate in effect as a state social security scheme. For example:

- the *caisses* are required to insure everyone, except for the separately insured occupational groups -- they cannot exclude people on the ground that they are bad risks

- supplementary measures for elderly and handicapped people with inadequate insurance are administered, and partly financed, by the *caisses*

- the CAFs, in particular, have a central role in administration of a range of benefits, including RMI.

Employers who are covered by the RG are responsible for registering their employees (thereby ensuring that contributions are credited to their records). While the ACOSs system collects contributions, registration is done at the CPAM, which functions as the local office of the RG for several purposes. The CPAM also issues social security numbers and cards, which are used in all dealings with the RG, and as evidence of identity for other benefits as well.

Separation of *orientation* (advice-giving) and *instruction* (preparation of the claim) from *liquidation* (adjudication) is a feature of several of the means-tested benefits. The role of the RG in administering these benefits is heavily weighted towards adjudication, with other agencies, notably CCAS (see below) taking on the advice-giving and to some extent the claim-preparation functions.

While the *Regime General* is in principle financed by employer and employee contributions, in recent years its financial situation has worsened. Provisional estimates are that in 1995 CNAV ran a deficit of FF13.2bn, CNAM a deficit of FF35.5bn and CNAF a deficit of FF13.4bn. In the course of efforts to put the *caisses* on a more secure footing while retaining the principle of autonomy and separation from the main budget process, additional sources of revenue have been established. The most important of these is the CSG (*Contribution Sociale Generalisee*). This is a tax voted by Parliament, levied at a fixed rate (currently 2.4 per cent) on all forms of income. Revenues are allocated between the CNAF and the *Fonds de Solidarite Vieillesse* (FSV). The FSV finances supplementary coverage for elderly people who are inadequately insured. It also covers the cost of dependents’ allowances for pensioners and the cost of crediting years to insurance without payment of contributions (time spent in military service, unemployment or early retirement).

The structure of the government’s oversight and supervision of the RG is shown in Table 6.3. There is a minister in charge of social security (the exact title of the post changes from time to time), and a Department or *Direction* of Social Security in the government. Under the Department come the three
CNs (old age, sickness and family), the contributions collection agency and a body (UCANSS) charged with managing the personnel of the RG system.

The right-hand column of Table 6.3 shows the regional and local structure of government supervision of the Regime General. The relationship between the government and the Regime is summed up by the word tutelle. While the organisations administering the RG at regional and local level are technically private, they have to submit their administrative and financial procedures, as well as their accounts, to state scrutiny. At the national level, some actions by the Boards require approval in advance by the Minister; others can be annulled by the Minister within 30 days of being made. The Boards must submit minutes of their meetings to the Minister (and to the Minister of Finance). There is also ex post tutelle, in the form of monitoring and auditing.

Audit and control oversight of the RG is exercised by IGAS (Inspection Generale des Affaires Sociales). IGAS conducts audits, enquiries, assessments and appraisals on a range of projects to do with social affairs. IGAS is under the direct authority of the Ministers for Social Affairs, Health and Employment. There is also a national audit office with oversight over all government activities, the Cour des Comptes. At the regional and local levels the prefecture has some limited powers of tutelle, while the Comités Departementaux d’Examen des Comptes (CODEC) exercise financial control.

Table 6.3 France: Governance structure of the Regime General

<table>
<thead>
<tr>
<th>Government</th>
<th>Direction de l’In sécurité Sociale</th>
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<tbody>
<tr>
<td>UCANSS: Manages the personnel of the system</td>
<td></td>
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<tr>
<td>CNAV: Provides old age pensions, including top-ups</td>
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<tr>
<td>CNAM: Mainly administers the health care system; also provides contributory sickness and invalidity benefits</td>
<td></td>
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<tr>
<td>CNAV does not have local offices except for Paris; uses regional administration of health care system (CRAM)</td>
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<tr>
<td>CNAV: Provides family allowances</td>
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<tr>
<td>CNF:</td>
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<tr>
<td>CAF:</td>
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<tr>
<td>114 offices; involved in administering other state benefits (notably RMI) as well as amity allowances</td>
<td></td>
</tr>
<tr>
<td>CPAM: Basic administrative units of the health care system; also involved in invalidity benefit administration</td>
<td></td>
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<tr>
<td>CCAS: Municipal institutions which provide a gateway to benefits</td>
<td></td>
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<tr>
<td>Cour des Comptes, IGAS:</td>
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</tr>
<tr>
<td>Audit and financial control bodies (central government)</td>
<td></td>
</tr>
<tr>
<td>DRASS:</td>
<td></td>
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<tr>
<td>(Directions Regionales des Affaires Sanitaires et Sociales):</td>
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<tr>
<td>Regional offices for social affairs</td>
<td></td>
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<tr>
<td>Prefecture</td>
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<td>DDASS:</td>
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<td>Department-level equivalent of DRASS: CODEC:</td>
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<tr>
<td>Financial control</td>
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<td>Maine</td>
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</table>
A striking feature of the French system is that the regional and local administration of the RG is not subordinate to the CNs within a hierarchical, bureaucratic framework. The regional and local bodies (CRAMs, CPAMs and CAFs) have autonomous legal identities. The regional and local caisses are constituted under private law as mutual societies. Formal directives and guidance are issued by the national organisations, but the regional and local bodies are responsible for designing their own administrative procedures, including designing forms and developing IT systems.

However, personnel policies are centralised under the control of UCANSS. This organisation oversees the making of collective agreements and supervises other issues around working conditions for the 180,000 salaried workers in the Regime General. The ‘techniciens’ (clerks) who adjudicate on claims in the RG are trained at the Centre National d’Etudes Superieures de Securite Sociale (CNESS).

**Administration costs of the RG** The social security organisations are subject to a system for the control of operating costs and investments known as the gestion administrative. This system of budgetary control provides line item allocations to cover the administrative costs of the CRAMs, CPAMs, CAFs and the URSSAF network. The total administrative hind available is subject to a ceiling determined by the government, expressed as a percentage of contribution revenue. Funds are distributed between offices on the basis of workload indicators (the number of benefits paid, or the number of employers’ accounts administered in the case of contribution-collecting agencies).

In 1993 the gestion administrative for the provision of benefits to the elderly (la branche vieillesse) amounted to 1.7 per cent of total expenditure, and for benefits administered by CNAF and the CAFs 3.4 per cent (Commission des Comptes de la Securite Sociale, 1993, p.107). The figure for ‘la branche maladie’ was somewhat higher, at 5.6 per cent, but this does not primarily relate to benefit administration, as the main activity of CNAM is providing finance for the health care system. The possibility that administration costs could be curtailed has been raised by Juppe in the course of the current reform debate, but the Boards have countered with the claim that, compared to private sector insurance administration, administrative costs are low in the RG.

**Unemployment insurance institutions** The second structure is found in the provision of unemployment insurance. Unemployment insurance is not part of the Regime General. Instead, the current UI system has its origins in a national collective agreement made in December 1958. Under the terms of this agreement, UI is financed by employer and employee contributions, which are paid into fonds national de compensation administered by UNEDIC. However, the state supplements UI cover, extending benefits to those who would otherwise not be entitled. These payments include cover for certain groups of young people who have
not established an insurance record, and workers whose UI entitlement has expired (Allocation de Solidarité Spécifique). The unemployment insurance offices (ASSEDICs) administer this ‘regime de solidarité’, which is financed from the CSG.

Rules on the conditions for qualifying as unemployed are formulated by the Ministry of Labour, with employment exchanges (ANPEs) undertaking the testing of whether claimants are actively seeking and available for work. The department-level offices of the Ministry of Labour (the Direction Départementale du Travail, de l'Emploi et de la Formation Professionnelle - DDTEFP) supervises this process. In 1996 the function of adjudicating on this question is to move to the benefit offices (the Associations pour l’Emploi dans les Industries et le Commerce - ASSEDICs). There has recently been a tightening of the rules governing eligibility for unemployment insurance.

The rate of contribution to the UI Fund is determined by agreement between the unions and the employers. If they cannot agree, the government has the power to intervene. The usual pattern is that the social partners reach agreement, propelled by some pressure from the government.

The key administering organisations are the 53 ASSEDICs. These are constituted as non-profit-making mutual societies, like the regional and local offices of the RG. They are organised on a regional basis, with the exception of the ASSEDIC for cadres. ASSEDICs are run by a conseil d'administration with equal trade union and employer representation. Their tasks are to:

- sign up enterprises and get contributions
- maintain the files on contributors and claimants
- pay benefits for UI and the regime de solidarité.

The national organisation for the unemployment insurance system is UNEDIC (Union Nationale pour l'Emploi dans l'Industrie et le Commerce), which is administered by a council of five trade unionists and five employer representatives. The presidency alternates between the camps; at the moment, the president is an employer representative. UNEDIC is responsible for the overall administrative and financial management of the UI regime. It provides advice to ASSEDICs on the interpretation of the convention, and negotiates with the Ministry of Labour.

Other institutional structures

The main benefits not included in the UNEDIC system for unemployment or the RG (or the parallel institutions for insurance provision for cadres and others who are not travailleurs salaries) are Allocation pour l'Adul te Handicaps (AAH) for disability, and Revenu Minimum d'Insertion (RMI). Their common features are that central government finances the benefits, while maintaining the arm's-length administration which characterises the other parts of the system. These benefits are paid by the Caisse d'Allocations Familiales (CAF). However, the CAF exercises this function as an agent of central government, and does not use the revenues of the CNAF in making
these benefit payments. The *prefecture*, as the departmental arm of central government, supervises the CAF’s performance of this function.

Important parts of the process of taking claims and determining eligibility for AAH and RMI are accomplished by institutions of local government. There are three levels of local administration in France: the *commune*, the *department* and the *region*. The *departement* is important in social affairs; its executive arm is the *Direction Departementale des Affaires Sanitaires et Sociales* (DDASS).

Decentralising reforms introduced by Mitterrand in 1982 gave more power to elected local bodies, particularly the *Conseil General* at departmental level and its president. For RMI, the department finances the ‘insertion’ process (the purchase of places on training programmes, for example) and the *Commission Departementale d'Insertion* draws up the departmental insertion programme. The *Commission* is jointly chaired by the *prefet* and the President of the *Conseil General*.

In the case of AAH, the assessment of disability is made by COTOREP (*Commission Technique d'Orientation et de Reclassement Professionnel*). This is also a department-level body, made up of representatives from the state, members of local elected bodies, and representatives from associations for the disabled. While COTOREPs are supervised by a national body, CTN, there is significant department-level variation in the determination of disability.

The *communes* also have a role in the administration of benefits, particularly RMI. For the exercise of social functions, communes have *Centres Communaux d'Action Sociale* (CCAS), and smaller *communes* combine to form these centres, creating *Centres Intercommunaux d'Action Sociale*. While much of the activity of the CCAS concerns the provision of services, they also function as a ‘front office’ for the social security system. The staff will assist people in filling out forms to apply for benefits, including benefits administered by the RG. For RMI, the CCAS has a formal role in taking and approving claims for forwarding to the CAF or the *Commission Departementale*, which adjudicates on them.

RMI claims do not have to go through the CCAS; their role can be replaced by an alternative delegated agency. Social workers employed by the CCAS or the alternative agency negotiate contracts of *insertion*, which have to be ratified by the *Commission Locale d'Insertion* (CLI). The membership of the CLI comprises a nominee of the *prefecture* and a nominee of the President of the *Conseil General* (who chair the *Commission* alternately), together with representatives of other organisations including employers, social workers and voluntary associations.

The CCAS is presided over by the mayor, or by the president of the association of *communes* in the case of an intercommunal agency. *The mairie*
(Town Hall, office of the *commune*) registers births, deaths and marriages, and also maintains the population register (register of addresses) which includes information on cohabitation (*concubinage*). The *mairie* also has some functions connected with benefit administration, notably the issue of the *carte d'invalidite* (see the section below on delivery of incapacity benefits). However, its function is basically to be an office of record, from which evidence in support of a claim for benefits may be obtained.

Local governments also finance and administer *aide sociale*. While cash grants can be made under this system, *aide sociale* mainly comprises various forms of assistance in kind and provision of services.

**Appeals** One aspect of the advice and claim-preparation functions of the *mairie*, the CCAS and the social workers employed by the municipality is that these offices may also provide assistance in the case of complaints and disputes about eligibility and entitlement to benefits. Claimants may turn to their local councillor, the mayor or their MP (*depute*). (The mayor and the *depute* may be the same person.)

The organisations of the RG also provide their own mechanism of initial appeal in the form of *Commissions de Recours Aimable* (CRA). This is a free conciliation service composed of two workers' representatives and two employers' representatives. CRAs do not sit permanently and are constituted on an *ad hoc* basis. In the absence of a resolution, the matter can be taken to the CRA at the national level. Failing that, appeals can go to the TASS (*Tribunal des Affaires de Securite Sociale*).

French administrative law also provides some channels of appeal which are not specific to social security. The two main bodies for hearing complaints and appeals against administrative decisions are the ombudsman's office (*le mediateur*) and the *tribunal administratif*, which is the lowest level of the administrative law structure headed by the *Conseil d'Etat*. However, appeals to these bodies are complicated, and have to be made by a lawyer.

The public/private borderline and the supervision of complementary schemes The structure of France's social accounts gives some insight into the status of the RG *vis-a-vis* complementary insurance provision. Accounts for social security (*Comptes de la Protection Social*) are prepared by a specially constituted commission (*Commission des Comptes de la Securite Sociale*, CCSS), in consultation with Treasury. These accounts summarise all the expenses incurred in covering individuals and households against certain categories of risk. They cover the *Regime General*, unemployment insurance, non-contributory assistance, occupational schemes and the cover provided by Friendly Societies (*mutuelles*).

A subset of these accounts constitutes the *Effort Social de la Nation*. The *Effort Social* excludes the *mutuelles* and provision by employers above the
statutory minimum. With these exceptions, it provides an analysis of the revenues and expenditure of the French social welfare system regardless of the financing source (that is, inclusive of the parts financed by the state, local authorities, employers, employees, etc). Schemes are included in the Effort Sociale if they are compulsory. Unemployment insurance is included as well as the Regime General, because once the social partners agree on the unemployment insurance rate, it is mandatory on all employers to contribute. The Effort Social is presented to Parliament as an addendum to the Finance Bill.

Pension provision under the RG and other basic schemes is subject to a ceiling, and complementary schemes operate to provide earnings-related benefits to those earning above the ceiling. Health benefits are also subject to some limitations of coverage which have led to the development of complementary schemes. Workers do not normally have a choice of complementary provider. The schemes (for example ARRCO and AGIRC in the pensions area) are supervised by CCIPM (Commission de Controle des Institutions de Retraite on de Prevoyance Complementaires et des Mutuelles). CCIPM has the power to issue warnings and implement injunctions and sanctions, and it can also appoint administrators for supplementary pension schemes in case of non-performance. The Secretary General of CCIPM is the head of IGAS.

Delivery 1: The insurance-based pensions in France are earnings-related. The basic retirement pension (minimum contributif) provided under the RG is half one's final income. The system can be complex; a pensioner who has worked in several occupations will have to put together a package of benefits from retirement from a range of sources. CNAV has developed a system to combine the entitlements of a person who has worked within the RG as well as within other schemes (for instance, as a farmer or a civil servant). The aim is to provide a 'one-stop' service for basic pension entitlements ('portail unique'), although the system does not encompass the complementary schemes, such as ARRCO and AGIRC, at present.

For those whose insurance record is inadequate, there is a residual provision for a means-tested benefit. Although this is commonly referred to as the 'minimum vieillesse', or old age minimum, there is not a single benefit by this name. The minimum vieillesse is made up of two means-tested benefits. The first is payable if the person has a pension worth less than the Allocation aux Vieux Travaillleurs Salaries (AVTS). The Complement de Retraite (CR) brings his or her income up to the AVTS level. This is then topped up by the Allocation Supplémentaire (AS), to bring the income up to the minimum vieillesse. If the pension is above the AVTS, then the person is entitled to AS only, to make up the difference between their pension and the minimum vieillesse. These benefits are administered by CNAV, but financed from general revenue (the CSG) (see above on FSV). The Allocation Supplémentaire has a residence requirement where the Complement de Retraite does not.
People who have no pension entitlement at all claim the *Allocation Spéciale de Vieillesse* (ASV), administered locally from national funding. This provides the applicant with the AVTS. They then obtain AS to make up the difference between the AVTS and the *minimum vieillesse*.

**Entry** The agency principally responsible for issues relating to pensions is the CNAV. In areas outside Paris the office that people will usually have to write to is the CRAM (*Caisse Regionale d'Assurance Maladie*), which is the same office as for medical care and sickness benefits.

The first step in preparing the documentation is initiated by CNAV/CRAM. At the ages of 58 or 59 people are written to in order to check their record and work out an estimate of what they will receive. The main aim at this stage is to fill in any gaps in the contribution record. Recipients are given the name and telephone number of a specific clerk to contact. The pension has to be claimed; there is no further follow-up if people do not respond.

People are invited to claim the *Complement de Retraite* with their basic pension. If the form is returned within three months, the benefit will be paid from the date of retirement; in other cases the effective date of the claim is when the form is submitted. Applications for the *Allocation Supplementaire*, unlike that of the CR, are not explicitly invited; claimants have to find out about them by other routes. (There have, however, been advertisements on television.) The claim for AS can be made through CNAV/CRAM, but claims advice is often given by the municipal office (*Centre Communal d'Action Sociale, CCAS*), and the CCAS can also initiate claims.

Information on pensions is available via *Minitel*, a network of information based on the telephone system, which is widely (though not universally) available. At the waiting room in CNAV in Ile de France which was visited there was a *Minitel* unit offering an interactive screen for information on pensions.

The national form to claim the CR consists only of a declaration about resources; the only supplementary evidence specifically required is the notice of taxation and account details. However, it would not be accurate to describe the system as based on self-declaration because offices have to undertake verification, and this is passed back to the applicant in the form of additional demands for evidence. For example, the agency in Ile de France (the Paris region) has developed a supplementary form in order to get much fuller details than are required by the national form. This includes requests for salary slips, evidence about payments and benefits, information about shares and a statement of activity on the bank account. People receiving the benefit earlier because of invalidity also have to supply medical evidence, and, if they are claiming for a spouse, evidence of the marriage. The agency argued, in justification of their supplementary form, that they would only have to ask for such evidence later.
The benefits of the *minimum vieillesse* (the CR and the AS) are calculated by CNAV, by the clerk who has been designated to deal with the case (whose name and telephone number have been given to the claimant: see above). Claims are processed in about 45 days; there were enormous delays in the past, but apparently this is no longer the case.

Where there are delays in establishing a person’s full insurance pension entitlement, CR and AS can be paid in the interim. In cases where pensions have not yet been paid - the main problems, according to CNAV, now relate to pensions from abroad - the benefits will not subsequently be recovered when the pension is paid.

Benefits are paid monthly, generally direct into bank accounts. There is a widely used system of payment to agreed third parties, known as *procuration*, which is sometimes used by elderly people, as well as those with disabilities.

The benefits of the *minimum vieillesse* administered by CNAV/CRAM are payable to people with some, albeit insufficient, insurance. A person without any pension entitlement can claim *Allocation Speciale de Vieillesse*. Claims for ASV are made to the *mairie* or CCAS and processed by DDASS. ASV is subject to a rigorous means test and a detailed enquiry into the circumstances of the applicant. Claimants have to supply:

- identity papers and social security card
- statement of civil status, with evidence on divorce, separation or previous marriages.

For each partner:

- details of last employment and notice of retirement
- bank statements
- notice of taxation
- notice of pensions and benefits received
- contracts for receipts in kind.

Other information about assets includes:

- for owner-occupiers, an accredited statement of the value of one’s property
- details of any sale of property
- for tenants, three months’ notice of rent payments
- for lodgers, a formal statement about their status.
Once the DDASS has assembled and verified the evidence required and adjudicated in favour of the claim, payment is made by the *Caisse des Dépots et Consignations*, a special fund with a range of functions. Apart from financing ASV, it is mainly involved in the promotion of social housing schemes.

**Review** New claimants make returns about changes in circumstances after one year, and subsequently after three years. There are annual checks on financial details. The claimants are asked annually about their bank account; benefit will be suspended if there is no reply after two months.

**Delivery 2:** There are two definitions of incapacity used in the French system:

In the case of incapacity

- for sickness insurance (*Indemnités Journalières*) and the subsequent (after three years) invalidity pension (*Pension Invalidité*), the main test is an inability to earn two-thirds of the previous wage. Entitlement to these benefits requires an adequate contribution record. Sickness insurance and invalidity pension are paid at 30 per cent of former salary for people who can do some work, and 50 per cent for those who are unable to work at all. Payment stops at retirement age (60)

- the non-insurance, means-tested disability benefits use a different definition of incapacity, whereby the claimant must be 80 per cent disabled. Those who qualify may receive *Allocation pour l'Adulée Handicaps*, the *Allocation Compensatrice pour Aide d’une Tiers Personne* (an attendance allowance, paid directly to the provider of the service) and a housing benefit for social housing.

A person with low income who fails to satisfy the 80 per cent disability criterion would have to apply for RMI. It is difficult to estimate how much RMI is used by people with long-term sickness.

Entry Support for sickness is complicated by its primary identification with medical insurance. ‘Social security’, in France, is largely used as a way of referring to medical care, and the ‘Seca’ is identified with the *Caisse Primaire d’Assurance Maladie*, which deals with medical expenses. However, the health insurance system also pays sickness benefits and invalidity pensions.

Within 48 hours of falling ill a person must notify the CPAM by sending in a doctor’s certificate. The employer provides the CPAM with a statement certifying that the person is on sick leave and setting out his or her earnings. Calculation and payment of benefit cannot be made until this statement is received.

**CRAM**, the *Caisse Régionales d’Assurance Maladie*, manages claims and organises payments, but in general claimants continue to make contact through the CPAM and the operations of CRAM are invisible.
A person who becomes ill but has insufficient work history to qualify for Indemnités Journalières and Pension Invalidité can apply for the means-tested AAH. The assessment of disability for AAH is the task of the COTOREP. The assessment takes time: COTOREPs have been recommended to process applications within six months of receipt. The main exception is for people with AIDS; following a special directive, COTOREPs are now bound to turn the cases round within 15 days. COTOREPs operate public offices, but applications do not have to be made in person.

COTOREPs arrange assessments by a doctor and a psychologist. Since 1993 the disability scale has been based on a test of functional limitations; however, the form which claimants are asked to fill is mainly concerned with the diagnostic category of the disability. Although COTOREPs are part of a national system, there are variations in practice - the problem, one respondent commented, is most visible when people move into a new administrative area and are reassessed.

The assessment of disability by the COTOREP is often combined with the issue of a carte d'invalidite, which is formally the responsibility of the commune but will also be assessed by the COTOREP. This card is the basis of a number of benefits, including exemption from the TV licence, some tax concessions and cheap transport. Once people are recognised as handicapped, they have met a basic condition for benefits.

Normally people would apply for the AAH at the same time as they apply for the carte d'invalidite, by going to the CCAS. However, a person who already has a carte could apply for AAH to the CAF, which administers AAH.

At the CCAS in Nanterre applicants for the carte are asked to provide:

- a claim form
- a medical certificate on the requisite form
- proof of three months’ residence (such as an electricity bill, rent records or a telephone bill)
- two identity photos
- evidence of identity and civil status.

Cartes are issued for variable periods of time, depending on the medical condition and local practice. In order to renew the card, all evidence is taken and reviewed again.

To apply for AAH, claimants have to complete a declaration (an application form), and provide supporting documents as follows:

- evidence of their civil status
- a photocopy of their carte d'invalidite
a photocopy of notice of payment from any other benefits
for unemployed people, copies of the last notices from the ASSEDIC.

Where a person passes the means test but is awaiting adjudication by
COTOREP on his or her disability, both CCAS and CAF have scope to
make interim payments out of their discretionary funds available to help out
in needy cases. The CCAS can use its municipal funding for special
payments; the CAF can pay in advance and recover the money later.

Help for the carers of people with disabilities is available in the form of an
attendance allowance, Allocation Compensatrice pour Aide dune Tiers Personne.
This is paid to the carer rather than the disabled person. It is normally
administered by COTOREP, except in the case of people with no fixed
abode, when it is paid through the CCAS. Whereas payment of both the
insurance-based invalidity pension and AAH ends at 60, the Allocation
Compensatrice remains payable to retired people in receipt of an age pension.

Help for further costs arising as the result of disability is available in the form
of Aide Sociale, which is administered by CCAS. This can take the form of
payment for residential care, home helps for disabled people and payment of
national insurance contributions (which are not credited; there is, rather, a
transfer of resources from local government to the funds). One important
feature of the means test for Aide Sociale is that adult children, and even
grandchildren, can be made responsible for the expenses of care for their
eiders (the ‘obligation alimentaire’). The means test for Aide Sociale is therefore
more extensive than for the cash benefits discussed in this study.

AAH is paid by the CAF; the Allocation Compensatrice, as part of Aide Sociale,
by the prefector. Both are paid monthly, usually by direct payment to a bank.

Review The frequency of review and the information obtained depend
upon the benefit in payment. In the case of sickness benefits, recipients are
asked at three-monthly intervals about changes in circumstances. The
frequency of medical reassessments is not subject to any standard rules; it
depends on the nature of the medical condition and policies determined at
the CRAM.

After three years of illness, a person will be transferred to invalidity pension,
which means that he or she is provided with a social work service and a
range of benefits in kind. CRAM continues to manage their claim and the
provision of these additional services. The continued contact between the
social worker and the claimant constitutes the main effective procedure for
review of the claim; CRAM can initiate a full review, but there is no set
pattern for such reviews.

Recipients of AAH are asked every three months to return a statement about
changes in circumstances. There is a reassessment of disability by
COTOREP at least every 10 years, though it can be done more frequently.
Delivery 3: In the case of unemployment, a person who becomes unemployed begins by registering as unemployed, which is usually done at the local Agence Nationale pour l'Emploi (ANPE). These are job centres, responsible for registration of unemployment, advice, placement and coordination of training initiatives. (They also offer free photocopying, the importance of which will shortly be evident.) In Paris the administrative boundaries are confusing; there are specialised ANPEs for particular professions, including for example one for bakers and confectioners; and there are not ANPEs in every location. One source comments that it can sometimes be a hunt to find where to register (Fournet and Spinelli, 1992). Where there is no ANPE, the Town Hall is empowered to register people in place of the ANPE where necessary. In order to register, people need to fill in a form, offer identity papers and proof of residence, and arrange to meet a counsellor. Some ANPEs ask for a curriculum vitae.

While the ANPE is primarily concerned with job search and matching, it also establishes initial files for the payment of benefits. The record entered on computer by the ANPE goes forward to the local ASSEDIC. The system is due for reform in 1996, when the role of the ANPE in relation to benefits is to be removed.

The ASSEDIC sends the unemployed person a six-sided claim form, generally posted out within six to eight days of initial registration. It is also possible to call at the ASSEDIC (claimants must go to the ANPE first, but this will change in 1996). A reminder will be sent a month later; if no form is submitted at that time, no further action is taken. However, a person has up to two years to claim; if the benefit is awarded much later, the rate of payment is that in force at the time of registration for work, not of the date of payment.

With the application form, claimants have to return:

- the original copy of a formal statement from the previous employer, on a double-sided yellow form
- photocopies of papers from the last employment, including for instance notice of dismissal
- all papers accounting for non-employment in the previous four years
- any papers concerning pensions
- a photocopy of the social security card (which establishes the insurance record)
- photocopies of the last salary slips
- a photocopy of any previous decision from the ASSEDIC
- a photocopy of the identity card
- a bank’s statement about account details (these are issued free by the banks).
When the form is returned it is processed by a clerk (technicien) within the ASSEDIC. The basic conditions to be met are that a person must:

- have worked for an employer during the preceding 12 months (with some exceptions, like national service or training courses)
- be actively seeking work (claimants over 57k are excused)
- be physically able to work
- not be seasonally unemployed (seasonal workers are not covered, and unemployment which occurs at the same point of the year for three years is counted as seasonal)
- not have left work voluntarily. Voluntary unemployment leads to a suspension of entitlement for four months. This will be determined on the basis of an employer’s declaration, which has to be included with the claim form.

Review Claimants are asked each month to make a declaration about their work during that month. The monthly declaration about circumstances is not made to the local office, but by post to a service which has been contracted to undertake the function, the Gestion Informatique de la Demande d'Emploi. The form is printed on a postcard which is marked for optic reading by a computer. Claimants have 72 hours to respond; a failure to return the card is equivalent to signing off. If there are special reasons for people not being able to respond (such as a postal strike) UNEDIC, the national organisation, can intervene.

Working for part of the month does not necessarily terminate the benefit claim. The test of entitlement is not the period worked, but how much income has been earned. Earnings are divided across the whole month to determine whether or not the claimant is entitled to benefit.

The test of actively seeking work only takes effect after four months, when people are asked by ASSEDIC to declare what they have done to look for work. If they have done nothing, the local agency - usually the ANPE - will be informed and asked to call them in.

Exit Unemployment insurance is payable only for a finite length of time, which varies by contribution record. A person who had worked at least 14 months of the last 24 would receive full benefit for nine months, then lose 17 per cent of the benefit at four-monthly intervals. Claimants with a shorter contribution record may be awarded benefit for a shorter period. While entitlement to the main unemployment insurance benefits runs out after 30 months, a variety of measures exist to extend the cover provided by UNEDIC. Most important of these is the Allocation de Solidarite Specifique (ASS), which is subject to a means test. Other benefits include measures to facilitate early retirement (preretraite).
These benefits are restricted in their coverage and amount by rules relating to contribution history. For those who do not qualify, or whose entitlement is insufficient to live on, it is possible to claim RMI, either alone or as a top-up. RMI is designed as a residual benefit, in two senses:

all alternative means of support must be pursued by the claimant

the benefit is calculated as the difference between existing income and the specified minimum income (revenu minimum).

Most of the claimants for the RMI are single people, and half are relatively young (aged between 25 and 35) (Majnoni d’Intignano, 1993, p.125). RMI is not payable to people under 25 unless they have a child. RMI is based on a means test, not a test of employment, but claimants are usually on low incomes because they are not working, whether because of unemployment, sickness or being without a settled way of life.

Entry to RMI A translation of the claim form for RMI is attached as an appendix to this chapter. It requests information about all other benefits which might possibly be in payment, including:

1. benefits payable by the CAF (family benefits, housing benefit, AAH or RMI itself (previous claims)
2. unemployment insurance (payable by the ASSEDIC)
3. sickness insurance (payable by the CRAM).

For (3) the social security number is needed to verify the amount (on the computer system operated by CNAM). For (1) and (2) the address of the CAF or the ASSEDIC is needed, as they do not yet have complete national links. However, benefits currently in payment from the CAF can be verified internally at the processing stage. Furthermore, benefits already in payment from the CAF will be combined with RMI when it comes to be put into payment. Note that the Mutualit’ Sociale Agricole has the same administrative functions as the CAF with respect to family benefits and as the CRAM with respect to sickness benefits.

A person who is unemployed will normally be expected to have registered first as unemployed (at the ANTE) and to put a claim forward to the ASSEDIC. However, registration as unemployed does not meet the conditions for ‘insertion’. Claimants for the RMI have to present themselves at the CCAS at the town hall, or at a delegated agency which is able to carry out the functions of insertion. The contract of insertion does not have to be concluded at the time of claiming; claimants have three months to meet this condition. In practice, it seems that only about one-third of claimants conclude a contract (see below).
With the claim for the RMI, an applicant must include:

- evidence of payment listing all benefits which a person is receiving (these are produced by the CAF or the Mutualite Sociale Agricole)
- for people with no fixed abode, a statement from an agreed local organisation
- for single people, certificate of one's civil status (if this is lost, it is possible to substitute a certificate of the loss of papers from the commissariat de police)
- a statement from other benefit agencies as evidence that benefit entitlements have come to an end, or the notice from the ASSEDIC that they are not entitled
- notice of account details from a bank.

This is the formal legal requirement; in practice people are also liable to be asked for a variety of information, including:

- identity papers
- the last notice of taxation
- registration as unemployed
- information about previous salary
- information about accommodation, and
- the social security card.

The benefit claim is forwarded to the CAF and processed there. The basic form covers six sides of A4 paper, though there is a three-sided alternative for people living alone. The CAF will put the claim into payment, although adjudication formally rests with the Commission Departementale d'Insertion. As with other benefits, payment is made monthly by direct credit to a bank account. Other benefits in payment from the CAF will be combined with the amount of RMI due.

Review and exit The key element in the design of RMI which is intended to prevent long-term dependence on benefit is the requirement for the claimant to agree and adhere to a contract of 'insertion'. The contract of insertion is negotiated by a social worker and submitted to the local commission (Commission Locale d'Insertion) for ratification and signature. The social workers are responsible for following through the contract. The purpose of the contract is to ensure that a person is appropriately 'inserted' into social networks, so that he or she is eventually able to move off benefit.

There is some doubt as to how effective this provision is. Only a quarter of claimants have a contract made; the figures vary from 3.3 per cent to 31.5 per cent, depending on the locality (Wuhl, 1992, p.128). There is considerable diversity in the approaches taken to making contracts, reflecting the devolved mode of implementation. In Nanterre the emphasis in developing insertion was strongly on employment and training, with little other activity being seen as possible within the constraints imposed by the
local commission. In Arras, the majority of contracts of insertion have professional insertion as their priority (Direction Departementale des Affaires Sanitaires et Sociales du Pas-de-Calais, 1995, p.21). The data for Arras are shown in Table 6.4.

Nearly half the contracts (47 per cent) were concerned with the development of `social autonomy'. Here there was active case work being done by social workers, focusing on daily living, personal hygiene or domestic budgeting.

Table 6.4 Contracts with claimants in Arras

<table>
<thead>
<tr>
<th>Total current contracts:</th>
<th>1,785</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of which:</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>185</td>
</tr>
<tr>
<td>Employment</td>
<td>761</td>
</tr>
<tr>
<td>Total</td>
<td>946   (53%)</td>
</tr>
</tbody>
</table>

| Of which:                |       |
| Work experience          | 230   |
| Training courses         | 90    |
| Short-term contracts     | 26    |
| Other specified activity | 31    |
| Found own jobs           | 87    |
| Total on specified activity | 464   (26%) |

| Remainder - looking for training or employment | 482   (27%) |

| Not in training or employment | 639   (47%) |

There are some question marks over the extent to which the social workers who negotiate and monitor the contracts of insertion see control as their function. Their training and ‘ethos’ is oriented to bringing the client into a set of social networks. This ambivalence was reflected in mixed responses to cases where fraud was suspected. In Nanterre social workers would not necessarily report a fraud as it was not part of their role; in Arras the social worker would first discuss the issue with the clients, visit them at home if necessary, give them warning and time to think, and then raise the issue at a case conference where the decision could be made to cut off the RMI.

Other agencies may also become involved in reviewing an RMI claim, particularly when the claimant is registered as unemployed. The DDTEPF (Direction Departementale du Travail, de l’Emploi et de la Formation Professionnelle) may carry out checks and ask the ANPE to call in a claimant.

Delivery 4: In the case Lone parents may receive a variety of family benefits, as well as benefits of lone parenthood available to lone parents as such. Where eligibility for these benefits cannot be established, or entitlement is inadequate, lone parents may also receive
RMI. Where this is the case, they will have to sign a contract of insertion which will normally envisage a return to work. There is extensive provision of child care for children under school age in France. It should also be noted that lone parents may claim unemployment insurance if they have been working and are able to establish availability for work.

There is a wide range of family benefits in France, including:

- non-means-tested benefits for
  - family allowances, for families with at least two children
  - people who stop work to look after a young child at home \( (\text{Allocation Parentale d'Education}) \), now extended to cover two or more children
- and means-tested payments for
  - parents with young children, up to the age of three \( (\text{Allocation pour Jeune Enfant}) \)
  - \( \text{Complement Familial} \), for families with three or more children, and
  - \( \text{Allocation de Rentree Scolaire} \), to meet the expenses of starting each school year.

The main benefits available to single parents as such are:

- the non-contributory \( \text{Soutien Familial} \), for a family where there is no second parent
- the means-tested API \( (\text{Allocation de Parent Isole} \text{ Quotient Familial}) \)

The \( \text{Quotient Familial} \) should also be mentioned. This is a family-related tax relief which can make a substantial effective contribution to resources.

The API is worth more than the RMI, and receipt of the API means that single parents will not claim the RMI if they can get the API. However, API is only payable for a fixed period after separation/divorce, or until the youngest child has turned three. There has been criticism that the level of the API is too high relative to the minimum wage (Paugam, 1993, p.86n).

Entry The family benefits in general are the responsibility of the \( \text{Caisse d'Allocations Familiales} \). Most lone parents will have had previous contact with the CAF in relation to their maternity benefits, if not for family allowances.

The \( \text{Soutien Familial} \) is intended to assist with the cost of bringing up children where there is only one supporting parent because of widowhood, non-payment of maintenance by an absent parent, or registration of only one parent at the birth of the child. When a child is born in France, the father does not have to be named or ‘recognised‘; where this occurs, there is no obligation to maintain. (A similar provision, incidentally, extends to mothers, who can give up their rights relating to the child at birth and have
no further obligations towards it.) Entitlement to SF follows. For circumstances where there is a father, there is an obligation to maintain, but SF is paid if this obligation is not met. Maintenance may be excused in certain cases, including unemployment. There is provision in other cases to recover maintenance, but it is rarely used. The duty to maintain attaches to the biological parent, and entitlement to SF is unaffected by cohabitation with a new partner.

Where the youngest child is under three or the family has recently broken down, a lone parent may qualify for the means-tested API. The claim for API, covering three sides of paper, calls for statements on civil status, the situation of the children and the level of income. The claim for API is formally a declarative procedure, and does not call for attachment of justificatory evidence. However, checks are conducted by the CAF. For example, the CAF at Hauts-de-Seine has issued a four-page supplementary form to get fuller details during the initial interview, asking for information about housing, illegitimate children and the other parent.

API rests formally on proof of being `isolated’. The guidance is silent on the subject of cohabitation, saying only that certain situations are accepted as single parenthood - such as living with parents, or living with someone of the same sex - and that in all cases of doubt the benefit is not payable. In practice, a set of criteria is applied to determine whether or not people are or are not members of the same household, which is sufficient to bar someone from the benefit.

Payment is made monthly, by direct credit to a bank, and benefits are received for a whole month for entitlement in any part of it.

Review After the claim for API has been entered, an investigation will be undertaken within the first three months, generally a visit by a CAF agent, to check that the single parent is living alone. The form used by the clerks in the CAF at Nanterre also allows them to note that an enquiry should be made before any payment, or that a special enquiry should be made after six months. The guidance issued by CNAF states that where there is a doubt, the benefit cannot be paid.

Claimants are asked to make a declaration about circumstances every three months. This includes questions about whether the family situation has changed, and a fresh means test covering the three-month period.

Exit Eligibility for API is time-limited, according to the age of the children and the period since family breakdown. When eligibility ceases, the lone parent may claim RMI, which involves making a contract of insertion. This may include participation in a job creation or training programme (see above, under unemployment).
Commentary Clearly institutional diversity is a pronounced feature of the French system. Its consequences for the delivery of cash benefits include:

1. **The availability of several possible points of entry for the claimant into the system.**
   The process of claiming benefits begins with orientation (finding the right benefit and the right office) and instruction, which refers to the full and proper completion of a claim. This might be undertaken at the office which will process the claim, but it might also be undertaken in certain circumstances at the mairie. For RMI, other agencies can also act as claim-takers on the nomination of the prefet. Liquidation of the claim (putting it in to payment) may in turn be separated from financial accountability (for instance, the CAF puts RMI into payment, but RMI is financed by the state via the prefecture, not from the resources of CNAF).

2. **Financial management.** At the national level there is a vigorous debate about who is responsible for taking difficult decisions about the allocation of finite social security resources, as discussed further below. At the operational level the separation of different institutions undertaking different parts of the delivery process did not mean that there was a lack of financial control. The division of labour between agencies makes it possible to identify the costs of supporting different groups fairly precisely, and where responsibilities were shared there were transfers of funds to ensure transparency. The problem of shifting responsibility for claimants between different parts of the system (shunting’) does not seem to arise, perhaps because of these transfers of funds.

3. **The difficulty of dcte’ntiniti; where and how control functions are exercised.** This applies for example to:
   - the apparent absence of nationally uniform guidelines on disability adjudications made by COTOREPs
   - the overlapping assignment of responsibilities for determining whether unemployed people are actively seeking and available for work, as between ASSEDIC, ANPE and DDTEFP
   - the unclear assignment of responsibilities for the detection of fraud.

Despite these issues, the insistence on adequate documentation and evidence by almost all agencies suggests that either auditing is very effective or the ‘ethos’ of administrators in the agencies leads to a rigorous approach to evidentiary requirements.
4. **Information sharing.** Not only are multiple organisations involved in administration, but they are also not equipped with comprehensive systems for the transmission of information between organisations. One consequence is that only a limited amount of verification of declarations made by applicants can be made on the available IT systems. As a result, applicants are made to bear some of the administrative costs of institutional fracturing, as they are required to present documents obtained from other institutions to substantiate their claims. Claimants will generally have their own extensive collection of papers and records for use as ‘pieces justificatives’. It is standard practice that claimants have to present evidence of identity - either an identity card or the *Livret de Famille*, a document issued to all families which records dates of births, deaths and marriages. Means-tested benefits generally include a request for notice of taxation and other evidence of income. Information from the tax system is available for the benefits system, and computer links have been put in place between tax offices and the CAFs (this partly relates to the recently announced decision to make family allowances taxable). Every French citizen has to make an annual tax return, which means that the notice of tax liability stands as a record of previous earnings.

Many claims cannot be made without the necessary back-up; for example, the formal statement from an employer is essential for a claim for unemployment insurance. There is provision for exceptional treatment, particularly for the RMI, but clearly the insistence on formal documentation can lead to delays. The CCAS at Nanterre would not accept any claim which did not have a full set of validatory documents; the CAF, by contrast, was prepared to accept an attestation from the town hall and would follow up later to fill out the file.

5. **Accountability.** One part of the original rationale for the creation of non-state social security agencies was that they were meant to be more directly accountable to contributors and beneficiaries than a centralised state system would be. While it is difficult to assess the extent to which this is so, there are examples of attention being paid to the quality of service provided to the public. For example, the CNAF monitors the performance of its offices on such criteria as:

- the timeliness of payments
- the speed with which people are seen and claims processed
- double checking of claims
- recovery of benefits
- reception
- responses to telephone enquiries.

**Current reforms** The independence of the social security system is now under close scrutiny, with proposals in train for the government to extend its powers beyond supervision or ‘tutelage’. In November 1995 the Prime Minister, Alain
Juppe, presented a package of social security reforms to the National Assembly. The immediate measures included:

- an extension of the base for CSG, and the creation of an additional tax (also on a wider income base than wages) to pay off the accumulated debts of the welfare system. This tax, called RDS (for Reimbursement of the Social Debt), will be levied at a rate of 0.5 per cent for 13 years
- freezing of family allowances, which will also be made taxable
- increases in the rates of health insurance contribution payable by pensioners and the unemployed.

Of longer-term importance are the proposed changes in the governance of the RG. In February 1996 the Constitution was amended to subordinate the RG’s management and budget to Parliament. This will combat the existing ‘vacuum’ in governance whereby the RG has been able to run at a deficit (thereby increasing the public debt) without parliamentary control. In future the RG will be overseen by a national council answerable to Parliament. Each caisse (age pensions, health, family benefits) will have a fixed spending target set by Parliament. The constitution of the council is not yet finalised, but it will consist of Members of Parliament as well as representatives of the interest groups affected. It is also intended that the RG will achieve year-on-year financial balance by 1997.

Another important aspect of the changes is that the government is seeking to align the ‘special’ regimes more closely with the RG. Pension changes affecting public sector workers reflect this objective. It is proposed to raise the number of years of contributions needed for a full pension from 37.5 years to 40 years (in line with the standard provisions for travailleurs salariés in the private sector). This change is subject to negotiation with the public sector unions and has been behind much of the recent industrial unrest in France.
References


Direction Departementale des Affaires Sanitaires et Sociales du Pas-de-Calais (1995) Le Revenu AE11in/n1u d'Insertion dans le Pas de Calais: 1,1 venrple de la vine d'"irras


Majnoni d'Intignano, B (1993) La Protection sociale, Editions de Fallofs, Pans


What is your civil status?

Fill the sections for both Monsieur and Madame if you live as a couple.

Monsieur
- Your family name (name at birth)
- Your usual name (optional)
- Your first name
- Your date of birth
- Your place of birth
- Your nationality*

Madame
- Your family name (name at birth)
- The name of your spouse (if there is one)
- Other usual name (optional)
- Your first name
- Your date of birth
- Your place of birth
- Your nationality*
- If you are expecting, have you made a declaration of pregnancy?

(*Note: This information will only be recorded in our files as: French, coming from the European Union, foreign, and beneficiary or not of an international convention.)

What is your address?

Your complete address
- Post code
- If you do not have a stable address, specify the organisation which you have opted to use as your domicile (agreed association ...).
- (Attach a statement from this organisation which specifies it.)

What is your family situation?

You live as a couple.
- You are married since (date)
- You live as man and wife since (date)

You live alone.
- You are separated in fact since (date)
- You are separated legally
You are divorced
You are a widow/widower
You no longer live as man and wife
You are single

**Have you already received benefits from an organisation responsible for the payment of family benefits?**

Do you receive, or have you already received, family benefits, housing benefit, the benefit for handicapped adults or the *Revenu Minimum d'Insertion?* Yes/No

If Yes, from which organisation? (Name and address)

Under which number? Up till what date?

If No, have you made any claim for benefit? Yes/No
If Yes, from which organisation? (Name and address)

**Monsieur, what is your professional situation?**

Fill the pages concerning *Monsieur* and *Madame if you* live as a couple.

You exercise a professional activity.

You are salaried
Does your activity depend on the agricultural system? Yes/No
You are an independent worker or you work with your spouse
You farm or are married to a farmer (In this case note that you have to fill an additional form.)
You help a family in agriculture (Name of farmer)
You are in activity for *insertion* (State which.)
You are in a training course for which you are paid

Your professional activity is not continuing.
You are a seasonal worker
You have a contract for intermittent work
(In these two cases note that you have to fill in an annual declaration of income.)

You are unemployed.
Are you registered at the ANPE as seeking work? Yes/No
If Yes, since (date)
Are you insured? Yes/No
If Yes, specify by which organisation
If No, state why:
You have not presented the file to ASSEDIC
You have just presented the file to ASSEDIC (date)
What is its address?

The ASSEDIC has told you that you are not entitled to benefit.
You no longer have a right to the benefit paid by ASSEDIC since (date)
**Monsieur, do you receive or do you have the right to receive a pension?**

You receive or you have the right to receive an invalidity or retirement pension, industrial injury benefit, widow’s benefit or the benefit for handicapped adults.

You receive one of these benefits

You do not receive one of these benefits, but you have claimed it

State which:

From which organisation? (Name and address)

You are in another situation (student, on an unpaid training course, sick whether covered by benefits or not, hospitalised, detained, living in partnership whether legally or in fact).

State which:

**Monsieur, do you receive sickness insurance?**

Indicate your number for Social Security or for the **Mutualité Sociale Agricole**.

Do you currently receive sickness insurance? Yes/No

(The next page repeats the questions for Madame, with only one alteration: ‘other situations’ include housewife and maternity leave.)

What are your resources for the three calendar months preceding the date your claim was registered? (Attention: Do not include your family benefits, your personal housing benefit, your benefit for handicapped adults; they will be taken into account automatically.)

Fill the columns relating to Monsieur and Madame if you live as a couple.

Your quarterly income from (dates)

Incomes from activity (wages, salary ...) including job creation programme

Payment for training courses

Payments for expenses

Sickness benefits and payments for industrial injury

Unemployment benefit

Maintenance

Rents, pensions, retirement benefits (whether or not they are taxable)

Widow’s benefit

Payments and relief made exceptionally or with the purpose of insertion (not taken into account in the calculation of benefit)

Regular payments and relief

Other income (income from property, income from savings, property values, life insurance, student grants for higher education excluding those paid for children ...) Specify what they are:

No income

You own property which is not rented out other than your own residence, or you have capital which is not placed. Specify:
If you are permanently no longer receiving the incomes declared above and you do not have other incomes to substitute for them, state which incomes this refers to. (Attach every statement giving evidence of the end of payment.)

What is the situation of children and others of less than 25 years who live in your household?

[Boxes for number of people/]

Surname
First name
Relationship
Date of birth
Date of arrival in the household (if different from the date of birth)
Situation (schooling, working, being inserted, apprenticed, training, military service, long illness, unemployment, etc)
Nationality (see note on page 1)
Total amount of income in the three months preceding the date of registration of this claim (if there is any)
Nature of these incomes (salaries, student grants ...)

If one of these people is permanently no longer receiving the incomes declared above and if the person has no income to substitute, indicate which person and which of the incomes this concerns. (Attach every statement giving evidence of the end of payment.)

If you are no longer living with the other parent of one or more of your children and if you do not receive for them maintenance or the Allocation de Soutien Familial

You have made or undertake to make a claim for the Allocation de Soutien Familial.
You do not expect to receive the Allocation de Soutien Familial or it has been refused.

If you do not receive maintenance for yourself from your former spouse

The judgment which has been given does not fix maintenance or has relieved your former spouse from the obligation.
You have begun an action to obtain or recover maintenance and the procedure is in progress.

If you do not wish to take action to obtain maintenance for your children or yourself

Do you wish to obtain a dispensation so as not to take action for the payment of maintenance? Yes/No
If Yes, state why:
If the maintenance is fixed, state its level:

**Inform us about your housing**

Do you pay rent, repay a loan or do you regularly pay expenses for housing? Yes/No

If Yes, state the monthly level:

Do you receive currently housing benefit or personal allowances for housing? Yes/No

By what title do you occupy your housing?

- You are in a collective household
  - In a long-term residential home
  - In an emergency hostel
  - Other emergency accommodation (specify)
- You are housed without charge by individuals
- State by whom (parent, child, friend)
- You are tenant or sub-tenant or you rent a hotel room
- You own the property
- Other (specify: caravan, squat, homeless)

**Who will be the beneficiary?**

(Do not fill this section if you receive family benefits from a Caisse d'Allocations Familiales or from the Mutualite Sociale Agricole.)

If you live as a couple, you can choose which name your file will be opened under. This choice is valid for at least one year. Do you wish your file to be opened under the name of Madame / Monsieur.

Note, however, that your choice of beneficiary will be automatically altered if the chosen beneficiary is not entitled to this benefit.

**How do you want to receive the benefit?**

(Do not fill this section if you receive family benefits from a Caisse d'Allocations Familiales or from the Mutualite Sociale Agricole.)

To Madame / to Monsieur

To the person or the agreed organisation designated below

- Surname, first name
- Relationship or status (specify)
- Address
- Postcode

To a post office account
To a savings account
To a bank account
Other (spec). fy)

(Attach a statement from the bank, post office or savings fund.)
Declaration on one's honour

(The law provides for fines and/or imprisonment of whosoever is guilty of fraud or making false declarations (Article 150 of the penal code). The organisation responsible for family benefits can verify the correctness of the declarations which are made to it.)

To be signed by Monsieur and Madame if you live as a couple.

I, the undersigned, certify on my honour that the statements given in support of this claim are correct. I understand that they may be verified. I undertake to notify all changes which might modify them.

I undertake equally to sign a contract of insertion within three months with the Commission Locale d'Insertion.

(Signatures and date)

(Law number 78-17 of 6 January 1978 relating to information technology, files and liberties applies to the answers made on this form, of which the recipient is the Caisse d'Allocations Familiales or the fund of the Mutualite Sociale Agricole and the national organisations concerned. This law guarantees you a right of access and of rectification of facts relating to you against the director of the Caisse d'Allocations Familiales or the Mutualite Sociale Agricole which pays the benefits.)
Overview
The governance of cash benefits in Germany has a number of outstanding features which include the following:

1. Different national schemes pay benefits for different contingencies - age and incapacity pensions, sickness benefits, unemployment benefits (and industrial injuries which are not covered in this report).

2. Each of these provides benefits in kind as well as in cash: rehabilitation, medical care, work promotion measures.

3. There is a large number of provider institutions, some of which are occupationally and/or territorially based. They are self-administered and independent, although the degree of their independence from the state varies.

4. Social assistance is paid by local authorities. The Federal Government has a broad legislative policy function, and the individual states, the Landers, have policy and administrative functions and make some financial contribution. Whereas federalism barely affects the benefits in 1-3 above, federal principles and structures are strongly reflected in the governance of social assistance.

The main benefits - age and incapacity pensions, unemployment benefits and sickness benefit - are contributory (although, in the case of sickness benefit, entitlement does not depend on contributions paid). They are based on the idea of equivalence between contributions and benefits and are earnings-related. They do not have built-in minima but they include ‘social adjustments’ (Kruse and Reinhard, 1995) such as periods of time which are credited, or some provision for dependants. Each of these schemes also, separately from one another but combined with cash benefits, provides services which sometimes overlap in function, for instance rehabilitation services.

In the case of unemployment benefits a means-tested element is introduced where there is no entitlement to the fully insurance-based benefit or when that is exhausted. As Table 7.1 shows, a third of all the recipients of unemployment benefits in 1994 were receiving the means-tested unemployment assistance.
Table 7.1 Ger any: 13c3–ef ciarie, and expen ittare by provider organisations

<table>
<thead>
<tr>
<th>Cash benefits paid by pensions institutes, 1994</th>
<th>Cash benefits paid by Federal Employment Institute, 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rentenversicherungstrager (LVAs + BfA)</td>
<td>Bundesanstalt für Arbeit (BA)</td>
</tr>
<tr>
<td>Persons in receipt</td>
<td>Expenditure (in DM)</td>
</tr>
<tr>
<td>Age pensions</td>
<td>12,246,987</td>
</tr>
<tr>
<td>Incapacity pensions</td>
<td>1,865,896</td>
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<tr>
<td>Survivors’ pensions</td>
<td>5,726,286</td>
</tr>
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<table>
<thead>
<tr>
<th>Cash benefits paid by the social assistance offices, 1993</th>
<th>Cash benefits paid by sickness insurance funds, 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trager der Sozialhilfe (KKs)</td>
<td>Krankenkassen (KKs)</td>
</tr>
<tr>
<td>Persons in receipt</td>
<td>Expenditure (m DM)</td>
</tr>
<tr>
<td>Assistance for maintenance Lebensunterhalt (HLu)</td>
<td>3,950,000</td>
</tr>
<tr>
<td>Assistance for special circumstances of life Lebenslagen (HbL)</td>
<td>1,915,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5,865,000</td>
</tr>
</tbody>
</table>

Sources:
'Statistisches Jahrbuch, 1995, 19.1; 'VDR Rentenversicherung in Zahlen, 1994, p 45 (stock figures); 'Statistisches Jahrbuch, 1995, 19.7.2; 'Statistisches Jahrbuch, 1995, 19.1.7; 'Statistisches Jahrbuch, 1995, 19.8 (no. of children for whom payments were made; stock figures); 'Statistisches Jahrbuch, 1995, 19.13; 'Statistisches Jahrbuch, 1995, 19.13 (includes multiple payments; 4,718 excluding multiple payments; stock figures for HLu were 2,529,000); Statistisches Jahrbuch, 1995, 19.2.3.'
Social assistance is separate from the insurance benefits. The Federal legislation distinguishes between assistance for maintenance, *Hilfe zum Lebensunterhalt* (HLu) and assistance in special circumstances, *Hilfe in besonderen Lebenslagen* (HbL). Social assistance is the responsibility of the Länder within broad Federal legislation, which specifies that it should be provided by the local authorities. Table 7.1 shows that the greater part of the expenditure on social assistance arises from payments of assistance for special circumstances (HbL). This can be paid *inter alia* for preventive health care and rehabilitation; to pregnant women, disabled people, carers and elderly people; and to overcome exceptional difficulties, for instance in the case of homelessness. Although means-tested, it has more generous ceilings than the basic assistance (HLu), and the amount of money paid depends on individual circumstances.

To give some indication of the scale, Table 7.1 shows the relative importance in numerical and expenditure terms of the various separate benefits considered in this study. Pensions dominate, but there is a substantial number of social assistance recipients, although it should be noted that the figures in Table 7.1 are for awards made throughout the year. These are flow figures, and the inclusion of multiple awards inflate the numbers for assistance relative to those for the other pensions and benefits.

Aside from the insurance benefits and social assistance there are non-contributory, non-means-tested benefits financed from Federal tax revenues, such as war pensions and various benefits for children. The latter are discussed below in the section on delivery to lone parents.

The law covering the different benefits and providers is codified (or is in the process of being codified) in the ‘Social Code’ or *Sozialgesetzbuch* (SGB). The SGB is divided into books which deal with the separate Acts which cover the particular contingencies, but there are also general parts. These deal, *inter alia*, with the obligation on the institutions to provide comprehensive and swift customer-orientated services; to use claims processes which are as simple as possible; and to coordinate their work (SGB I and SGB X).

Implementation, delivery and also aspects of policy-making in the field of social insurance are carried out by ‘para-public’ organisations which are, to different degrees, self-administered and free from ministerial direction (von Beyme, 1985; Katzenstein, 1987). The social security institutions ‘are not Government bodies, but are, from an organisational and financial point of view, independent corporations under public law’ (Zollner, 1981, p.2). They operate within the context of (i) a strong constitutional law, the Basic Law (*Grundgesetz*), and a powerful Constitutional Court; (ii) a codified social law which covers administrative behaviour as well as the law concerning specific benefits, *Sozialgesetzbuch* (SGB); and (iii) a three-tiered system of social courts.
The origin of self-administration in the governance of Germany's social insurance is said to lie in a compromise reached by Bismarck, who met resistance from the Reichstag when he tried to establish a centrally based Social Insurance Institute in 1881. In response, he is said to have formulated a new organisational aim: to forge a closer connection with the real force in people's lives ... in the form of co-operative associations under State protection and with State assistance (Zollner, 1981, p.25). By giving employees a part to play in the governance of social insurance, he sought to lure them away from private and voluntary insurance. Existing funds, such as the 88 miners' provident funds, were used as models for the new system. Self-administration, involving participation by employers and employees, has been a continuing feature of the institutional arrangements for social insurance. The exception was the period of the Third Reich when self-administration was abolished and insurance institutes were run by managers responsible to a supervisory body. In 1945 it was reinstated: self-administration - along with decentralisation - was seen to be an important element in the re-establishment of democracy in a federal state.

The pensions institutes (Rentenversicherungsanstalten - LVAs and the BfA), the sickness insurance funds (Krankenkassen - KKs) and the Federal Employment Institute (Bundesanstalt für Arbeit - BA) are organised as 'legal entities under the jurisdiction of public law' (Kruse and Reinhard, 1995). They are described as being analogous to juridical persons to whom are attached rights and obligations. All responsibility for the exercise of their functions is vested in themselves.

By law, employers and employees are represented in parity in the Councils and Boards of the LVAs, the BfA and the KKs. The BA, as will be seen, is different in that the groups representing employers and employees have a third of the membership each, with another third representing state agencies - the Federal Government, the Lander and the local authorities. Except for the state representatives, the participants are elected directly by employers and employees, including retired employees, once every six years in social insurance elections (Sozialwahlen). Candidates are put forward by unions, by employers' associations and by associations of the insured.

The self-governing institutions are empowered to make subsidiary legislation, i.e. regulations (Satzungen/Anordnungen). Subsidiary legislation has to be enabled by the primary Act, but it does not need to be laid before Parliament. As Table 7.2 shows the Minister also makes regulations (Rechtsverordnungen), for example, in relation to the bases for the revaluation of benefits. The institutions also determine (in the case of the BA draw up) their own budgets.

Although the LVAs, the BfA and the BA are all self-governing, they vary in their scope for policy-making, their size and location, their macroeconomic impact, their fiscal connections to the Federal Government and their
relationship to powerful groups such as doctors. Their characteristics are discussed in more detail below, Table 7.2 gives an analysis of the different roles played by the various institutions/layers of government in relation to particular benefits.

Table 7.2 Germany: Overview of institutions and funding

<table>
<thead>
<tr>
<th>Policy</th>
<th>PENSIONS</th>
<th>UNEMPLOYMENT</th>
<th>SICKNESS BENEFIT</th>
<th>SOCIAL ASSISTANCE</th>
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<td>Age, incapacity (survivors)</td>
<td>Unemployment benefit, unemployment assistance</td>
<td>Krankengeld</td>
<td>Assistance for maintenance, assistance in exceptional circumstances of life</td>
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<td>Hilfe in besonderen Lebenslagen (HbL)</td>
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The pensions insurance institutes (Rentenversicherungsanstalten) uniform across Germany, individuals are insured with one of 27 different pensions institutes. Some of the institutes represent particular interests. By far the largest single institute is that for salaried employees: the Bundesversicherungsanstalt für Angestellte (BfA) insures ‘white-collar workers’, reflecting a historical divide in pension provision between ‘white-collar’ and ‘blue-collar’ workers. Although pensions were made uniform in 1957, the demarcation is maintained in the administrative arrangements. Other institutes for particular groups are those for miners, maritime workers and for employees of the German railways. Aside from these, there are 23 Land-based institutes (Landesversicherungsanstalten LVAs), which range in size from those insuring 1,739,000 people in Rheinprovinz to 186,000 in Braunschweig (Roland Berger & Partner, 1994). Generally, one LVA covers one Land, but some Länder have several, and in one case one LVA covers two Länder. Where this is the case, supervision is carried out by the Federal Insurance Office (Bundesversicherungsamt), which scrutinises the correct application of the law and also deals with administrative complaints. In the case of Land-based institutes the Land conducts spot-checks every two years. General audit is carried out at Federal level by the Federal Audit Office, Bundesrechnungshof; and for the Land-based institutes by the Land Audit Offices, Landesrechnungshöfe. These bodies are constitutionally independent and report to Parliament. They can be requested to investigate particular aspects of work, such as staffing or efficiency. Internal checks are conducted by staff of the institutes who pull out cases on the basis of confidential criteria and report directly to the director of the institute.

The internal organisation, staffing patterns and local outlets of the LVAs and the BfA vary, but they all have an elected Council/Assembly and Board consisting of employers and employee representatives. They are autonomous bodies, but unlike the Sickness Insurance Funds (see below) they are not empowered to set contribution rates, which are decided by the Federal Government and are uniform. Each year the Federal Government publishes a report forecasting short-term and long-term financial developments in the pensions system which is considered by the Advisory Committee, Sozialheirat. Members of the Sozialheirat are representatives of the insured, the employers, the German Federal Bank and experts in economics and the social sciences.

Contributions are generally paid in equal proportion by employers and employees. Exceptions are those self-employed who come within the scheme, who pay the full amount, and the miners who contribute less than their employers. Contributions form approximately 80 per cent of the LVAs’ and BfA’s budgets. Although they operate on a ‘pay-as-you-go’ basis, they can be used only for the purposes of social insurance, and for domestic purposes. They are not subject to the Federal budget process but would be included in calculations under the Maastricht convergence criteria. An
important judgment made by the Constitutional Court in 1980 confirmed
that pensions based on contributions were the property of the insured (thus
also limiting the Federal Government’s ability to make changes which
reduce benefits for existing pensioners). The Federal Government pays a
subsidy of about 20 per cent to cover the social adjustment arrangements
within the insurance scheme, for instance credited periods for child rearing.
LVAs/BfA keep a reserve fund amounting to one month’s expenditure. If
the pension funds are exhausted the Federal Government can make an
interest-free loan which has to be repaid by the end of the calendar year.

The work of the pensions institutes, with the exception of those covering
agriculture, is coordinated in an Association of German Pension Institutes
(Verband Deutscher Rentenversicherungsträger - VDR). This organisation is
financed and governed by its members who are representatives of the
individual pensions institutes. Its functions are to coordinate, advise the
Federal Government, allocate funds for rehabilitation, and run and control a
central databank for pensions at Würzburg. Unlike the pensions institutes, it
is not a legal entity under public law but a registered association and is not
therefore subject to state supervision. However, because it runs the central
data system it is audited by the Federal Audit Office and answerable for data
protection.

The VDR’s central database holds pension insurance numbers but it is
prohibited under the Data Protection Act for other organisations, extraneous
to the pensions insurance system, to have access to it, or for organisations
directly to access others’ data. However, other organisations feed into the
VDR’s central data bank via data-lines, magnetic tapes or paper (Steeger,
1993). Contribution records are fed in by the sickness insurance funds (KKs)
which collect contributions on behalf of all the social insurance
organisations; records of periods of employment are provided by the Federal
Institute of Employment (BA); and the local authorities provide dates of
birth. The central record passes the information to the liable pensions
institute on a dedicated leased-line network, and where liability changes the
information is automatically batch-transferred to the new institute.

The central record operates a core database for each insurance number. Data
exchange with the information from the other organisations takes place
routinely, but this process is not on-line and the updating of the data
apparently occurs only once a year. Each pensions insurance institute also has
its own online system which holds contribution details, etc, on the basis of
which pensions are calculated and which are accessible in the branch offices
(Steeger, 1993).

Although the VDR has no legal status, it is influential: it controls the central
data bank; it acts as a representative policy advisor to the Government; and
its committees can make binding decisions about issues of benefit delivery
provided they have a two-thirds majority.
There are numerous KKn (Krankenanstalten Krankenkassen) and a large number of umbrella organisations whose main task is to negotiate with the respective umbrella organisations of professionals in the health care services such as doctors and pharmacists. However, the KKn are also responsible for the payment of sickness benefit and they have an important function in relation to insurance benefits, as they are responsible for collecting all contributions. In 1993 there were 251 ‘local’ KKn (Ortskrankenkassen), (since formed into approximately one per Land), 169 ‘guild’ KKn (Irturtgskassen), 749 ‘enterprise-based’ KKn (Betriebskassen), 21 agricultural KKn, one for maritime workers, one for miners, seven ‘substitute’ KKn (Ersatzkassen) for white-collar employees and eight ‘substitute’ KKn for ‘blue-collar’ employees (Statistisches Jahrbuch, 1994, p.484).

Like the pensions insurance institutes the KKn are self-governing organisations. Their council members and board are representative of employers and employees in equal proportions. The exceptions are the KK for miners, which has two-thirds representation of employees, and the ‘substitute’ KKn on which only the insured are represented, reflecting their origins in private insurance.

Unlike the pensions institutes the KKn do not have uniform contribution rates. Each KK is legally empowered to set its own rate although a ‘contributions stability’ rate operates in practice, which prevents variations of more than 3–4 per cent. Contributions are paid in equal proportions by employers and employees. Pensioners and the insurance institute to which they belong also pay 50 per cent each of the contribution.

Differential contributions are a function of the uneven risks carried by KKn which cater selectively for different groups of insured. Under the health restructuring legislation, Gesundheitstrukturgesetz 1992, from 1996 for the voluntarily insured and 1997 for others, people will, with some exceptions, be able to choose which KK they belong to. This will create a competitive internal market, and a question raised is the extent to which it will exacerbate the existing inequalities between high and low contribution rates for bad or good risk KKn. To overcome some of these inequalities a financial adjustment between KKn will be coordinated by the Bundesversicherungsamt. Questions are being raised both about the effects of competition and about the indicators to be used as a basis for the adjustment calculations. The local KKn (which carry most of the ‘bad risks’), while supporting the structural reform, consider the indicators used as a basis for the adjustment calculation inadequate: age, income, family composition and gender of the insured group are used, but morbidity is not included.

The preoccupations of the KKn are with health care provision and much less so with sickness benefit, Krankengeld, which they pay after the first six weeks (see below) and which takes up 4–6 per cent of the KKn’s expenditures. However, there has been a marked rise in sickness benefit expenditure, and the KKn attribute this to the failure of the pensions institutes to accept sick
people who will clearly be in need of a pension at an early enough date. This is part of the pass-the-parcel syndrome which is a feature of the German institutional structures and it is discussed further in the Commentary section.

The Work Promotion Act, Arbeitförderungsgesetz, provides for unemployment benefit and unemployment assistance (and also for additional cash benefits such as ‘short-time allowance’, ‘weather allowance’, subsidies to the building industries during the winter and money paid to employees in the case of an employer’s insolvency). Benefits in kind provided under this Act are employment advisory and placement services, vocational training, vocational rehabilitation and the integration of people of German origin from Russia or other countries where they have previously lived.

The institution responsible for work promotion and the payment of unemployment benefit (Arbeitslosengeld – ALG) and unemployment assistance (Arbeitslosenhilfe – ALH) is the Federal Employment Institute, Bundesanstalt für Arbeit (BA), which is self-administered by the social partners but with Government participation and is a centrally run, Federal-wide organisation. The BA also pays child benefits, Kindergeld, which are Federally tax-funded. Until 1 January 1996 they were flat-rate payments which increased in value for each subsequent child beyond the first and were income-tested for all children except the first. (The 1996 changes to the structure of child benefits are described below in the section on delivery in the case of lone parenthood).

The BA is governed by a Council/Board of Governors of 17 representatives each of employees, employers and public institutions - that is, the Federal Government, the Länder, the local authorities and their associations - and an Executive Board of three representatives of each of these groups. Its head office and that of the Institute for Labour Market Vocational Research, which it runs, is in Nurnberg. There are 11 regional offices which are known as Landesarbeitsämter, although they have no constitutional function in the Länder, and 184 local employment offices, Arbeitsämter (AA). Both the regional offices and the local offices have management committees whose representational groupings mirror those of the BA. There are, further, numerous branch offices and special offices for central and supra-regional duties, for instance the specialised Higher Educational Institution for Public Administration which has a faculty in Labour Administration in Mannheim.

The budget of the BA, which is drafted internally, has to be approved by the Federal Government, and the Executive Board of the BA submits an annual report to the Minister of Labour and Social Affairs. Ninety per cent of the income comes from contributions, which also pay for work promotion services. Deficits are covered by loans from the Federal Government up to the amount of the long-term invested part of the reserve and by additional subsidies from the Government if these are insufficient.
Although overall policy is made at the level of the Federal Government - for instance, benefit and contribution rates cannot be determined by the BA - the BA (like the pensions institutes) can make subsidiary legislation (in the case of the BA known as *Satzungen*), provided there is power to do this under the primary Act. Examples are regulations about what constitutes reasonable refusal to undertake work or what constitutes direct involvement in industrial conflict.

Although the BA has similarities with the self-governing, independent insurance institutes, it appears to act more as an agency for government in relation to *Kinder geld* and ALH, both of which the Federal Government funds directly from tax revenues. In the case of *Kinder geld* the administrative expenses of paying this are also reimbursed by the *Blind*, but the administrative costs of paying ALH are borne by the BA. Both these tax-funded benefits are the subject of major policy changes effective from 1996. *Kinder geld* legislation will become part of income tax legislation and ALH will suffer cuts which are expected to produce DM 3.4 billion in 1996 (inforMISEP, 1995). The changes to *Kinder geld* have important consequences for delivery, and are discussed below.

The Annual Report of the BA shows an increasing number of cases investigated because of suspected fraud between 1992 and 1993 and flags the importance of (i) a computerised data-matching system called DALEB, which established data exchange through computer print-outs between periods of receipt of benefit and employment undertaken (via the KKs which collect contributions); and (ii) the introduction in 1991 of the social insurance identity card which prevents people from claiming benefit while in (legal) employment, as discussed below. It also records that, because of staff reductions, there have been fewer investigations recently although more cases have been completed and penalised (*Bundesanstalt Albeit*, 1995). Another function of the central computer kept at the BA in Nurnberg is to collect and analyse internal statistics for quality control and pass this to the regions. Statistics are sent to Niirnbe.rg by telephone overnight and analyses are made of a range of variables, for instance the time taken to process claims, which are then compared across local employment offices.

*The Linder and local authorities*

Social assistance, *Sozialhilfe* (Szh), which is delivered by local authorities, operates within the broad policy framework laid down in the Federal legislation and the detailed policy and administrative legislation passed by the *Lander*.

The Federal Social Assistance Act, *Bundessozialgesetz* (BSHG), is supplemented by Federal regulations, (Bundes) *Verordungen*, and the Executive Acts, *Ausführungs gesetze* (AGBSHG), of the *Lander*. The most important Federal regulation deals with the fixing of the basic amount, *Regelsatzverordnung*. The amounts themselves are determined by the *Lander*: the *Regelsatzverordnung* merely states how the benefit rate should be made up.
- that the cost of food and fuel must be included, etc. Two other Federal regulations deal with the integration of handicapped people, another with the integration of marginalised people (such as gypsies) and three with the fixing of income limits and the type of assets that might be kept by the applicant. There is, however, a proposal which is still under discussion that, from 1999, the Federal Government is to set a basic minimum rate for HLu, using a standard formula, based on changes in net income, expenditure and price indexation (Seehofer, 1995).

The Executive Acts of the Lander (AGBSHG for Bavaria, Hessen, etc) govern the administration of Szh. The BSHG states that the local authorities should pay Szh, although the Lander can legislate that they will be responsible for some payments. The Lander, by virtue of the AGBSHG, determine the competent authorities - which should be the ‘supra-local’ authorities, the identity of the ‘local’ authorities, their communication and coordinating systems. These local authorities are independent of the Lander, and they are not part of the Lander administration. The Lander exercise some restricted supervision over them, but it is the local authorities who uphold the rights and meet the claims arising out of the BHSG. Local authorities are an important tier of government in Germany and their associations at national level, the Stadtetag and the Landkreistag, are close to national policy-formation bodies at Federal level (Norton, 1994) and exercise strong, informal political influence.

The local authorities involved which are referred to as ‘ortliche Trager’ (local carriers) for the purpose of Szh, are 115 non-county boroughs (kreisfreie Stadte) which are likely to be cities with 40,000 inhabitants or more, and 402 counties (Landkreise) which average 160,000 inhabitants in Western and 80,000 in Eastern Lander. History rather than size may, however, determine the type of local authority. The Landkreise may delegate to smaller units, communes (Gemeinde) which can be very small units or may be larger and comparable in status to the kreisfreie Stadte.

Some of the work is carried out more centrally by supra-local authorities (uberortliche Trager) whose composition and nomenclature varies from Land to Land: they may, for example, be districts, Bethke, rural associations, Landschaftsverbande, or associations of districts, Bezirksverbande. They cover several counties and deal with all regional matters, in addition to social assistance. Joint authorities, or associations of authorities for functional purposes, are common. In smaller Lander the Land itself may be the supra-local authority, the uberortliche Trager. Under the BHSG (para 100) the uberortliche Trager are responsible for social assistance to blind people, and currently to elderly and disabled people in residential care, but the legislation of the Lander can place these responsibilities on the ortliche Trager (Goletz, 1995). Both the commitment of financial resources and the distribution of the tasks between the local and supra-local authorities vary from Land to
Most of the personal services are provided by charities who are reimbursed by the authorities.

Although the BSHG is Federal legislation, the Federal budget does not contribute to Szh except for 1 per cent of the costs for ‘international’ cases. Szh is financed by local authorities, who have to fulfil the requirements of the Act and cannot plead insufficient resources. There is an apportionment between tiers of local government, but about one-third of the local authorities’ moneys comes from their share of the Government’s income, business and trade taxes: the Federal Government is involved in determining these shares. A further 20 per cent come from fees levied locally and another 26 per cent from Land grants. These are unconditional equalising block grants - where the tax yields less than requirements, the Land can pay 90 per cent of the deficit. However, the Land can vary the formula annually (Norton, 1994, p.272).

As has been seen, the institutional and financial arrangements for the provision of Szh are quite varied. The following examples illustrate how local authorities may be involved.

The Landkreis (county) In the Saarland there are six Landkreise, the main one of which is the Stadtverband of Saarbrucken, that is, the Saarbrucken urban region. Saarbrucken also acts as the supra-local authority responsible for nursing and the payment of fees for institutional care.

The Landkreise in the Saarland are divided into Gemeinden. One of the Landkreise in Saarland, that of Saarpfalz, has seven Gemeinden, each with a local office for Szh, varying in size from five to 20 staff. The main local office is at Homburg, which is the largest city authority within the Landkreis. The Director for Szh in the Landkreis is situated there and has delegated more or less all the Szh processing to the local offices in the Gemeinde. He is responsible for estimating the budget for Szh and annually applies to the elected Landkreis authority for the money. He is directly responsible to that authority for Szh. Overspending of the budget can be dealt with by means of loans, but was not viewed as a problem.

Of the 200 people employed in paying Szh in the Saarland about 30 are Beamte at various levels. Beamte are civil servants with a privileged status who have undergone extensive specialist education and training. Other staff do not have this status but have nevertheless undergone a three-year basic administrative training (see below).

Kreisfreie Stadt (non-county town) Frankfurt am Main is an example of a kreisfreie Stadt in the Land of Hessen. Apart from a main office which does not process claims there are several offices in Frankfurt.

Uberartliche Trager (supra-local authorities) Whereas in Saarland the main Landkreis was the supra-local authority, in Rheinland-Pfalz it is the
Land itself which takes on this function. The Land's Office for Youth and Social Affairs, Landesamt für Jugend und Soziales, in Mainz is responsible for all substantial nursing home care paid by the Szh. The ortliche Träger act on behalf of uberortliche Träger, who are, however, financially responsible for the payment of the nursing home fees, and for determining the fees, and have to reimburse the ortliche Träger for them. Tensions arise between these two tiers of Federal and local government over decisions about entitlement and financial liability. The determination of fees also creates difficulties within the Land - between the Landesamt which acts as uberortliche Träger and the elected officials of the Land who can override agreements with nursing home owners, and raise fees, thus causing budgetary problems for the Landesamt.

Delivery 1: In the case of an insufficient delivery of in 1996 employed people working for over 15 hours and earning more than DM 590 per month and some self-employed are insured with the pension exception of exempted groups such as civil servants, Beamt. The retirement age is 65, but a variety of early retirement pensions are possible. Pensions are earnings related, and for a person who has been insured fully for 40 years they pay approximately 60 per cent of his or her last net earnings. (There is a limited individual supplement for low income periods.) With minor exceptions there are no allowances for dependants, but the scheme provides survivors benefits. Contributions are credited for periods of child rearing (for children up to three years old), military service and while drawing other benefits.

Entitlement to age pension at age 65 is gained on the basis of five years of insurance, but longer periods of insurance are required for those retiring early. Partial pensions can be paid at early retirement, but these are subject to earnings limits. The amount of the pension depends on the number of applicable years and months of coverage and a person's average uprated earnings.

Pensioners are paid by the relevant pensions institute, LVAs or BfA. Additional assistance amounts, on the basis of insufficiency or other needs, are paid by Szh provided by the local authorities. In Frankfurt am Main leaflets are issued quarterly to all pensioners to alert them to their rights. In 1993, 11 per cent of all households who had received HLu contained someone aged 65 or over. Of all HLu recipients, 13.7 per cent had some pension income (although this included income from industrial injuries or incapacity pensions).

The numbers of age pensioners receiving HLu are, however, small compared with unemployed recipients, and the description of the claims process for HLu is therefore included below in the account of the delivery process in the event of unemployment. However, pensioners make up a large proportion of those receiving residential care under HbL and approximately half of those receiving other forms of nursing care (figures for Länder in the former West Germany: Neuhauser, 1995, Table 8).
Fees for nursing home care can be paid under the HbL part of Szh, subject to a person being medically registered as requiring nursing home care. 

_Uberörtliche Träger_ pay the fees. These arrangements will, however, change from mid-1996 with the full implementation of the Nursing Care Insurance Act, _Persichungs-essetz_ (discussed below in the Commentary section), although HbL will still be required in many cases as the benefit provided by the Act will be insufficient.

Details of the claiming processes for pensions were obtained at the LVA in the _Land_ of Hessen and, for nursing home fees paid by HbL at the offices of the _Landesamt_ in Mainz.

LVA Hessen The LVA Hessen is one of the 23 LVAs described above. Apart from its head office in Frankfurt am Main it has four claims processing offices, _Dienststellen_, and 13 information and advice centres in various towns in Hessen. As the LVA also provides incapacity pensions and rehabilitation services, there are, further, seven rehabilitation centres (clinics and medical services). A total of 2,898 staff are employed (LVA Hessen, 1994).

The staff involved in the claiming process for pensions are mainly the category of civil servants termed _Beamte_. _Beamte_ are a privileged group of public sector employees who have a particular relationship of loyalty to the state - whether they work directly to the state or for self-administered organisations carrying out statutory functions. The concept of loyalty, _Trennverhältniss_, underlies this relationship: a strong service ethos, which also forbids them to strike, is rewarded with special provisions, for instance preferential pensions.

Two levels of _Beamte_ are involved in the claims process. The first level comprises inspectors, _Inspektoren_, who are in the second grade but not top-level _Beamte_. They have the higher school-leaving certificate (Abitur) and are recruited and then seconded to a three-year theoretical and practical training which is exhaustively examined. The training is provided at a technical college which specialises in teaching about insurance (as distinct from general administration or welfare/assistance). The cost of the training is DM 80,000 (including salary paid) and staff have to commit themselves to working for the organisation for five years after completion.

The _Inspektoren_ undertake most of the work on pension claims. They are assisted by officials in somewhat lower grades who have undergone a three-year training in-house at a cost of DM 60,000 and who undertake specific tasks on a case. They work together with the _Inspektoren_: in the office observed at Frankfurt they worked in pairs, two to a room.

The work of the _Inspektoren_ is checked by senior _Beamte_, _Referenten_, who are in the top-level grades and who are qualified jurists. One _Referent_ checks the work of approximately six _Inspektoren_. It was stressed that none of these staff
see themselves, or were expected to act in, a management role. Their role is to adjudicate on pension claims. Their task is to consult the law in the first place, and then the instructions, Anweisungen. Anweisungen are a combination of guidance on interpretation of the law and administrative procedures. There is also a collection of judicial decisions which have, or are deemed to have, set a precedent. This may occur where the third tier of the courts, the Federal Social Court, has offered a different interpretation of the law and the VDR advises the LVAs that they should treat the judgment as a model for future cases. Examples are judgments which deal with conflict between different insurance providers.

Staff do not work to management objectives. However, there are problems in coping with the amount of work; this increased after the 1992 Pension Act, which introduced a range of new credited periods of contribution.

Entry From the age of 45 those insured by the LVA are sent a print-out of their contribution history every six years, for information, and to give the insured person an opportunity to make amendments if, for instance, appropriate periods have not been credited.

Application for an age pension can be made six months prior to retirement. The claim form can be obtained from the Gemeinde, where help can be provided with completion. Pensioners can also use the services of 'insured elders', Versichertenälteste, who are specially chosen by the elected representatives of the LVA to act as trusted volunteers. They support and advise pensioners in local surgery hours held in premises provided by trade unions or by local authorities, in their own homes or at the pensioner's place of work. In exceptional circumstances and at the request of the pensioner they make domiciliary visits. The hVA Hessen has an index of 80 such volunteers. Other sources of help are the LVAs' own advice centres. LVAs are increasingly concerned with 'being close to the citizen' - Burgernahe, perhaps best translated as 'user-friendliness'. The LVA Hessen has set up a system of consultation days, Sprechstage, in various parts of Hessen. Regardless of where help is obtained, however, the completed form has to be stamped by the Gemeinde as proof that the person’s identity card and birth certificate have been verified.

The completed form is sent to the LVA processing office. Interviews are not held. The claim form is the same for all the pensions provided by the LVAs/BfA, but there is an additional form for the incapacity pension. The form requires information about married status, periods spent abroad, whether an application is being made on behalf of someone else, and method of payment. A substantial section is devoted to questions which seek to establish whether the contribution records held by the LVA are correct. Other questions are about earnings, divorce settlements, other benefits and receipts. The name of the person’s sickness insurance fund (KK) is requested. The claimant signs a statement undertaking to notify changes of
circumstances and to return overpayments. Documents are listed which may be attached to the form: the social insurance card, which everyone holds from the time they take their first job, and a range of different papers showing contribution history and confirming accredited contribution periods.

There is no matching of data. Data exchange, made possible by the system at Würzburg described above, only comes into operation subsequent to the determination of the claim. Moreover, there are some benefits which affect pensions but are not included in the Würzburg system, such as benefits for industrial injuries. The claimant is expected to state truthfully on the form what benefits s/he is receiving, and his or her word is taken.

Notification of the decision is by means of a uniform letter (introduced by the VDR). Payments are transferred via the Post Office Bank into the pensioner’s bank account, but there is no obligation on banks to accept accounts and 0.5 per cent of the payments are cash payments. In some cases, for instance people who are frail or over 75, direct delivery of cash to a person’s home can be made by the postman. Cash payments are, however, expensive to administer. They form a small proportion of total payments but are nevertheless paid to 100,000 people.

Administrative and processing costs as a proportion of all total expenditure of all pensions institutes (that is, including all pension payments and rehabilitation. and contributions paid to other insurance institutes) is 2.1 per cent (VDR, 1994).

Where the decision is challenged, the first stage of appeal is internal and is heard by a committee of representatives of employers and employees.

Pensioners with low pension entitlements are not referred by the LVA to Szh, but each person receiving a pension is sent a leaflet containing information about the circumstances under which Szh can be paid. If they wish to claim Szh the process is as described below. Requests for verification of pension entitlement, etc, are made by the relevant local authority to the LVA. Legislation does not stipulate a period within which the claim has to be processed, but beyond a certain period the LVA has to pay interest on pensions due. An estimate of average processing time was given as approximately 50 days.

When the pension has been granted the details are entered into the computer at the LVA in codes giving details of contribution records, start date of the pension and the nature of the pension.

Review There is no review, apart from the pensioner’s obligations to inform the LVA of all changes of circumstance which are not specified. Staff
with whom pension processing was discussed did not think there was any concern about fraud, and there was no mention of anti-fraud activities.

Where the claim is for an early retirement pension the employment office (AA) is notified by letter. Exchange of information between the AA and the LVA via the central system at Würzburg will show if the pensioner is working, and the LVA will then write to the employer for details. Processing was observed in a case where the employer stated that the pensioner worked for 19 hours, one hour above the allowed hours, and the pension was immediately withdrawn.

Control/audits are carried out at three levels. Internally, two to three staff are assigned to selected cases on the basis of criteria which are kept confidential, and errors are reported directly to the Director. Error rates include process errors even if the outcome is correct. They were estimated at 10 per cent. The Land conducts spot checks every two years through its central quality control office, Landesprüfungstelle, and where pensions institutes are not Land based this is undertaken in Berlin. The general audit is undertaken by the Federal Audit Office, Bundesrechnungshof.

Delivery 2: In the case of incapacity It is an obligation under labour law (not under social law) for employers to pay a person his or her full wage for the first six weeks of incapacity under the Final Salary Act, Entgeltfortzahlungsgebet. On expiry of the six-week period or if the employer is bankrupt, sickness benefit, Krankengeld, is paid by the sickness insurance fund (KK) at a rate of 80 per cent of the person's gross earnings subject to a ceiling and subject to the benefit not exceeding his or her net earnings. In total benefit is paid for a period of 78 weeks for the same illness within a three-year period.

A person is eligible for an incapacity pension if s/he was in insurable employment for five years before the onset of the incapacity and if s/he paid three years' contributions in that period. Two incapacity pensions are payable under the pension scheme. Retire wegen Berufsunfähigkeit (BU) is a partial pension for people who have lost more than half their earnings capacity in their normal occupation. A full incapacity pension Erwerbsunfähigkeitsrente (EU), equivalent in amount to an age pension, can be paid to people who are unable to pursue any kind of work in the foreseeable future. These pensions are only paid after assessment/provision of medical and vocational rehabilitation services.

Entry The employer acts on a medical certificate provided by the employee's own doctor. If the person is still ill after five weeks, the doctor sends a medical diagnosis (which the employee is not allowed to see) to the relevant KK. The KK contacts the employee and employer for a statement of wages on the basis of which the sickness benefit is calculated, and when it is granted it is paid into the person's bank account or in cash.
Depending on the nature of the illness, the KK will arrange for a further medical examination. In the case of a long-term illness, which is likely to require an incapacity pension, this will take place early on so that the recipient can apply to the LVA/BfA for an invalidity/incapacity pension. Although sickness benefit can be paid for up to 78 weeks, a pension is payable before then if the person has a long-term illness. The KK requests the person to apply to the LVA, and failure to do this within 10 weeks results in a withdrawal of sickness benefit.

The claims process at the LVA or BfA is similar to that of the age pension described above, except that: (i) an additional form has to be completed, which asks details of qualifications, occupation and medical treatment; (ii) a medical examination takes place at the LVA/BfA’s medical centre; and (iii) the person is assessed and possibly offered rehabilitation services, since no incapacity pension can be paid until rehabilitation has been explored. The average processing time for BU/EU is 90 days, and this may mean that the KK continues payment - a source of complaint by the KKs against the LVA/BfAs (see the Commentary section below). If the question of pension is not resolved after 78 weeks, when sickness benefit has to cease, the person may need to seek Szh pending a decision by the LVA/BfA.

A claim to Szh can occur if the sick person does not have sufficient contributions. It may involve a further medical examination at the local medical centre, used also for services to disabled people and war pensioners, Gesundheitsamt. If institutional care is provided the claim is considered at the rheinische Träger.

Review if an incapacity/invalidity pension has been granted, a review including a medical review will take place approximately every three years unless a person is clearly permanently disabled.

Exit A person who is no longer considered incapacitated but who is not taking up, resuming or increasing hours of work can apply to the AA for unemployment benefit, ALG (previous employment is not necessary for entitlement if, in the previous year, at least 240 days were spent drawing an incapacity pension). The KKs would like to direct more people who currently claim incapacity pension to the AA (see Commentary below). Other avenues of exit are to age pension (paid at the same rate as EU) and to institutional care; this is currently paid by Szh if it is beyond the person's means, but from 1 July 1996 it will be paid by the new Nursing Care Insurance, Gesetzliche Pflegeversicherung. This is to be delivered by legally independent insurance funds, separately financed Pflegekassen, but run by the KK.

Delivery 3: In the Both unemployment benefit, Arbeitslosengeld (ALG), and unemployment case of unemployment assistance, Arbeitslosenhilfe (ALH), are earnings related and conditional on labour force attachment. Payment of ALG is dependent on contributions
having been paid, and the duration depends on the length of employment within the relevant period and on age but is normally a maximum of 312 days. For those with children ALG is paid at a rate of 67 per cent of net previous wage, and for those without at 60 per cent. ALH is payable if ALG is exhausted or if there is a minimum contribution record which is, however, insufficient to qualify for ALG. ALH can be paid indefinitely for those who received it as an end-on to ALG, but is limited to a year for claimants who were not previously in receipt of ALG. It is paid at a lower rate than ALG (57 per cent and 53 per cent depending on whether there are children) and it is means-tested. Currently benefit levels for ALG are based, as in the case of ALG, on previous earned income. From April 1996, however, they will be based on the income that the unemployed person can expect to earn under current labour market conditions (inforMISEP, 1995). It is not stated who will determine what this amount should be.

Eligibility to unemployment benefit ALG and ALH requires a person to be unemployed (that is, usually working a total of 18 hours or less), available for work and registered at the employment office. Currently ALH is also paid to certain categories of people who have had no links with the labour market, but this benefit is to be abolished (inforMISEP, 1995). Non-categorical social assistance (Szh) may be claimed by unemployed people. Unemployment is given as the main single reason for receipt of Szh. In 1993, 31 per cent of households had recourse to Szh because of unemployment; 14 per cent of Szh recipient households were also in receipt of ALG or ALH while claiming Szh (Statistisches Jahrbuch, 1995, 19.13). Because of this the process of claiming Szh is described in relation to this exemplar, although it also applies in the case of pensions, incapacity and lone parenthood.

Job placement services and the benefit payments department are both provided by the BA Arbeitsamter (employment offices) of the BA. In Frankfurt am Main the Land Employment Office, Landesarbeitsamt, employs 1,000 people as it functions as both regional office and local employment office for the whole of Frankfurt am Main district. It is divided into four departments - placement (Vermittlung), vocational guidance, benefits (Leistungen) and administration. In Frankfurt the Vermittlung (the claimant’s first port of call) and the Leistungen departments were five to ten minutes’ walk apart, but they are co-located in the same building in most other Arbeitsamter.

Entry A claimant for unemployment benefit has to attend the job placement department at the AA in person in order to receive a claim form. S/he has to identify himself or herself by presenting the compulsory identity card, Personalausweis. An interview is then held in the office of the employment counsellor, who, although not a Beamter, specialises in placement work and is knowledgeable about all job opportunities in the
area. The interview is by appointment, although it is possible to call in. The
office is open all day. The counsellor can take time over the interview,
which is tailored to the individual, although it was observed that there were
many telephone calls intervening.

An unemployed person without qualifications is offered any training which
the counsellor considers suitable although, s/he cannot refuse to provide an
inappropriate training if it is of the claimant’s choice. All the training costs
are met by the AA, including child care and travelling costs. It is impressed
on the claimant that s/he has a duty to find work subsequently in the field
in which s/he has been trained. An unemployed person with qualifications
is given time to find alternative work in his or her own vocation. If nothing
is available, further training in a new area is provided.

If the counsellor finds that the person is unemployed, s/he accepts the claim.
It was stated that it was virtually unknown for people not to be considered
available for work. The customers (they are referred to as ‘Kunden’, directly
translated as customers) then usually go to the benefits department, which
is open to the public from 8 am to 12.30 pm, and claims are accepted only
in person. No appointments are made in the benefits department, and people
are interviewed in the official’s room. Waiting time on the day on which the
process was observed was approximately 10 minutes. By 12.30 pm two
workers had seen 80 people.

The claim form is completed by the customer and evidence is checked by
the interviewing official who also assesses the claim. Central items of
evidence required are the social insurance identity card (which is issued by
the KKs but is not used by them in the delivery process, and which contains
social security number and name), the income tax card and a certificate of
former employment, Arbeitsbescheinigung. The first two, which are also
required by employers when recruiting staff, are held by the AA for the
duration of the claim. The Sozialversicherungsausweis was introduced to
prevent people fraudulently claiming and working (at any rate in the formal
economy). The Arbeitsbescheinigung gives details of contributions paid, wages
for the past six months, hours worked and reason for termination of
employment. Any information omitted on the Arbeitsbescheinigung is checked
with the employer. The claim is not accepted if any evidence is missing.

The processing time usually takes about two weeks, depending on the
completeness of the documents. If it takes longer than one month an
advance is paid which the AA can reclaim if necessary. Leaving employment
without good reason, or refusal of suitable employment/training offers,
means that the benefit will be withheld for any period of up to 12 weeks.

Decisions can be made by either a Beamter or a less qualified official,
depending on their nature.
An official’s decision is clerically checked by a colleague, but the Director of the AA is answerable for all decisions. Data processors feed the details into the computer when they have been checked and double-signed, probably in order to prevent internal fraud. Computers are used to record all information and for enquiry purposes. Computers of the job placement and benefit departments are linked and all information can be seen immediately.

At the benefit determination stage there is no access to the data of other benefit-providing organisations, and other organisations, including the local authorities who pay Szh, do not have access to AAs’ data.

Review All changes of circumstances must be reported - for instance, sickness, holiday periods, resumption of work, start or cessation of training. (The first six weeks of sickness is paid for by the Arbeitsamt). Generally unemployed people have to report to the job placement department every three months but do not need to return to the benefits department.

Data exchange occurs between the BA and KKS by means of computer print-outs. Anyone working has to be registered with a KK, and this constitutes a check on claiming and working.

It was said that because the workers check each others’ decisions the error rate is low.

The regional offices carry out quality control and spot checks are carried out by a branch of the BA, the Iloipirfringsaint. Costs, speed and accuracy are evaluated. From April 1996 there will be greater emphasis on the verification and scrutiny of assets in the case of ALH (inforMISEP, 1995).

Exit Changes are currently being considered which will allocate ALH recipients to job creation and “productive labour promotion measures ... to an extent corresponding to their share of the unemployed” (inforMISEP, 1995). The view is that ALH recipients are under-represented on these programmes, and the intention is to test their willingness to work with a job offer in future. Young beneficiaries are to be encouraged to take low-paid work by being offered wage bonuses. ALH recipients will be obliged to take early retirement pensions, the argument being that there is no justification for a person entitled to a social insurance pension continuing to claim the state welfare benefit, as the latter is subsidiary to the former (inforMISEP, 1995, p.20).

An unemployed person may need to claim Szh because benefits have run out, were insufficient, or s/he lacked entitlement in the first place. Unemployment is given as the single largest cause of claiming HLu (apart from ‘other causes’) (Statistisches Jahrbuch, 1995, Table 19.13.4). Where Szh has been paid pending the outcome of a claim for ALG or ALH, the latter will be abated by the Szh amount. Communication between the AA and the
Sozialamt (social assistance office) is by means of a form which the claimant presents to the AA and by letter between the two organisations.

The division of responsibility between various types and tiers of local authority varies considerably from Land to Land. The process for social assistance was discussed at the local offices in the Landkreis of Saarpfalz, and in the kreisfreie Stadt of Frankfurt am Main. The claims process was observed in one of the Frankfurt offices, which was open to the public from 7.30 to 15.00 on Mondays and Thursdays. Claimants were seen by appointments which were made on the telephone for the same day or the next day of opening if the need for money was urgent. Interviews were conducted at the official’s desk (two to a room) and the officials answered the telephones at the same time.

Discussions held about the delivery of Szh indicated that very little use is made of IT. Where there is, it is PC-based and any network is confined to one office. It is mainly used to record details of claims and calculations of benefits, send internal minutes, and print letters and other documents. All details are also held in a clerical file.

Entry. Unless a person is bedridden all claims have to be made in person at a Szh office. The claim form (see Appendix to this chapter) is completed by the official during a personal interview, and the same official goes on to assess benefit. The claim forms are slightly different for each Land/Landkreis/Stadt (sonic, for example, ask the claimant to declare all capital disposed of within the last 1.0 years).

All the information detailed in a claim must be verified (this is not stated in the legislation but applies everywhere). Although BSHG para 117 authorises computerised data-matching, confirmation of other claims for other benefits is usually obtained by writing to the appropriate office. It is only possible to claim in the area where a person is registered with the local authority, so multiple claims are unlikely.

All calculations are checked by another official, usually of the same grade, and double signed. In Frankfurt am Main there were financial ceilings on the amounts that certain grades of officer could authorise. In coming to a decision local guidance rather than the law is consulted, but difficult cases are referred `upwards’ and examples were given of office managers who made decisions - for instance, about requiring a claimant to sell a car or the level at which nursing home fees would be paid. The office manager is responsible for all decisions made and may look at all incoming post, or check a sample. A 10 per cent error rate was given as an estimate.

With a few exceptions, it takes a week at the most to clear a claim, but many are completed on the day of application. Szh is paid monthly in advance, on the last working day of the month (although it can be paid immediately for
part of the month), usually into the recipient’s bank account, although cheques, cashable at the post office, can be paid. Money can be paid at the office to claimants who need it urgently.

Decisions are communicated to the claimant individually unless there is a computer in the office which prints out the letter suitably adjusted for the claimant. A notification contains reasons for the decision, the law used, information that the money is paid monthly and advice that changes in circumstances must be notified.

Review Every change in circumstance must be reported, and entitlement to Szh is then reconsidered. Most beneficiaries are seen at the office regularly to find out why they still need Szh. The frequency of these visits depends on the case. Each month’s payment of Szh requires a new look at the claim. There are no attempts to detect fraud although officers are alert to it during interviews.

Exit Opportunities for work have to be provided for Szh recipients, especially young recipients (BSHG, paras 19 and 20). Work opportunities, in addition to those provided by the AA, aim at reintegration, and the costs of creating such opportunities can be borne by Szh. In certain circumstances Szh can continue to be paid. Cooperation is urged between the providers of Szh and the AAs.

Examples of special payments made to unemployed Szh recipients were an archaeological dig, which was funded 50 per cent by the Landkreis and 50 per cent by the EU, and a 12 months’ subsidy for local employers to take on additional staff.

Refusal to participate in such special schemes means that the claim to Szh is forfeited (BSHG, para 25). Proposals for the reform of Szh include strengthening the penalty, which, it is said, is often not carried out in practice or is implemented unevenly. It will be enforced by law and will ‘free’ the Sozialämter from taking difficult decisions about individuals. The Sozialämter are to pay for work promotion measures, and there will more disregards for those working. Measures provided by the voluntary sector are to have a ‘statutory basis’ (Seehofer, 1995).

Delivery 4: In the case of lone parenthood

Until 31 December 1995 parents claimed child benefit, Kinder geld, which was income-tested for second and subsequent children, at the child benefit office, Kinder geld kasse, in the benefits department of the AA. They could claim a supplement to the child benefit, Kinder geld zuschlag, if they did not pay tax or paid very little tax and therefore did not benefit from the child tax allowance which is another form of child support. Radical changes have now made child benefit part of income tax legislation.
Child benefit will now be paid for the first two children at DM 200 per month and at higher rates for the third child (DM 300) and the fourth and subsequent children (DM 350) and it will not be income tested. Parents with higher incomes can choose instead to receive a tax allowance. Where parents are in employment, child benefit will be paid by the employer, who will deduct it from the employee's monthly tax payment. However, determination of eligibility remains with the Familienkasse, now renamed the Familienkasse, at the AA, which forwards the decision to the employer. Where there is no employer or where the firm has fewer than 50 people in employment, the Familienkasse itself pays child benefit.

There was fierce opposition to this move from the employers, who resisted taking on an additional administrative task for which they would not be paid. Large organisations claimed that it would cost them DM 10,000 per month in administrative costs, and threatened to appeal to the Constitutional Court.

The Familienkasse remains, like its predecessor, located at the AA and part of the BA, which is a Federal agency under social security law. Child benefit appeals are therefore heard by the Social Courts. However, the administration of tax law lies with the Länder, and as Kindergeld legislation is part of tax law it would follow that it be administered by the Länder. Instead, however, the BA, via the AAs, continues to determine and in some cases deliver child benefit. It does this in the name of ‘Länder’ (Kruse and Reinhard, 1995), an arrangement which is termed ‘Organeleihe’, literally the ‘lending of an administrative organism’. However, appeals relating to child benefit will now be heard by the Courts of Finance, as Kindergeld is an income tax matter.

A parent who is caring for children and not working or working less than 19 hours can also claim a child-raising allowance, Erziehungs geld. For children born after 1 January 1993 this is payable for the first three years of a child’s life and it is income tested after the first six months. For parents who live together the partner’s income is taken into account. This benefit is extinguishable, in the case of single parents, at an earnings level which is three-quarters of the level for couples. Erziehungsgeld is thus targeted in the first place to non-working parents; second, beyond six months, to parents with little means; and third, in the operation of the income test, towards single parents. It is not claimable from the AA. It is up to the Länder to determine which organisation should administer it, and it is usually the Land-based care/welfare office, Versorgungsamt, which deals with war pensions and other compensatory matters and which may have a Familienkasse.

These benefits are all Federally revenue-financed. There is also specific provision for single parents which is an advanced payment on maintenance payments, Unterhaltsvorschuss. It is payable for children under 12 if the absent parent has failed to support the child. The Land determines which organisation should administer it.- normally it is the Office of Child and
Juvenile Welfare, Jugendamt. The Unterhaltsvorschuss is financed jointly, in parity, by the Federal Government and the Länder.

A single parent with insufficient resources will have to have made the appropriate claim for these benefits before approaching Szh. In 1993 approximately 16 per cent of recipients of HLu in the Länder of the former West Germany were lone-women with children (Wirtschaft und Statistik 9, 1995, Table 6). Subject to no other means/provisions being available s/he will be entitled to Szh without registering for work until the child is three years old, after which there may be a presumption that the parent should be treated as unemployed (13SHG, para 18 [3]; but see below, `The process of claiming', para 2). Under HLu some groups may claim a supplement for additional needs, Mehrbedarfszuschläge, for instance the elderly, disabled and pregnant (20 per cent of the scale rate as supplement). Lone parents with children under seven, or with two or three children under 16, are entitled to 40 per cent; if they have more than four children, to 60 per cent (BSHG, para 23.3 [2]). The additional needs supplement is paid to lone parents unless there are special circumstances which dictate otherwise.

Single payments, Einmalige Leistungen, may be made to cover costs for clothing, heating, special educational material for pupils, moving, furniture, and repairs of household goods. The Federal Government, with the agreement of the Bu-mdesrat, makes regulations which detail the content, extent, amount and manner of granting any such payments (13S1-IG, para 21 [1b]).

The process of claiming The process of claiming Szh has been described under exemplars 1 and 3 above. Particular aspects of the process relating to lone parents are:

1. When the child is age three, and if s/he is not in day care, the question will be raised whether there is good cause for this, and if not the Sozialamt will be obliged to seek day care from the Jugendamt. However, all the circumstances of the family will have to be taken into account before doing this.

2. At this stage the question will be raised whether the lone parent should be obliged to work: there is an implication in the law that this should be so if child care arrangements have been made. This decision is taken in conjunction with a social worker. However, the BSHG (para 18 [2]) states that such a decision must not prejudice the orderly upbringing of a child.

Commentary Table 7.2, which gives an analysis of the roles of the institutions governing cash benefits in Germany, illustrates that:

8 There is little central direction of provision from the Federal executive.

The institutions which deliver benefits are also involved in policy-making; a policy/implementation division is not apparent.
Policy formation is exercised by a multiplicity of institutions and is diffuse.

The Federal system, a ‘layered democracy’ (see Norton, 1994, p.242) enables decentralisation of social assistance to take place, while giving local authorities and *Lander* a strong voice in policy-making and financial allocations. This is achieved through the interlocking of responsibilities placed on the different tiers of government and through the representation of the *Lander* in the second chamber, the *Bundesrat*, where legislation which affects the interests of the *Lander* can be vetoed.

The picture drawn here fits the frame of more general points about German government found in the literature (e.g. Smith *et al.* 1992; Katzenstein, 1987). The literature develops the theme that Germany is a ‘state without a centre’ and stresses the stability of policy and institutional configurations, brought about by the need to negotiate any change between multiple centres of policy-making. Recent writings have also attributed the comparative reluctance of German institutions to adopt a New Public Management style to resistance to change caused by the stalemating effects of dispersed power, legal regulation of procedures, and institutional and public employees’ interests (Benz and Goetz, 1996). It is only very gradually that new styles of management are being introduced, under the name of ‘new steering model’ (*Neues Steuerungsmoedel*), as a ‘bottom-up’ move from practitioners in local authorities (Jahn, 1995).

The particular forms of negotiation which take place when change is introduced are illustrated in the account of the Nursing Care Insurance Act, *Pflegegesetz*, which shifts the cost of provision of domiciliary and institutional care for the elderly from local authorities providing SzH to the contributors to the KKS (Alber, 1994). Another example is the suggestion that the tightening of foreigners’ eligibility to SzH will be a *quid pro quo* for placing more responsibility for long-term unemployed people onto SzH.

The institutional configurations are not only historically formed, but are also expressions of current views of social policy. In the field of cash benefits the self-administered, independent organisations represent what was referred to as the ‘tertium’, that is, a third model in place of the alternatives of entirely public or entirely private provision. They have been seen to obviate the need for ‘privatisation’. In the area of cash benefits the closest to the introduction of ‘pure’ private sector methods is the forthcoming creation of an internal market in the operation of the KKS. However, an important reason for allowing the KKS to compete for customers was the desire to break down the demarcation between ‘white-collar’ and ‘blue-collar’ funds, and it was therefore initially supported by the local funds who were carrying the ‘bad risks’ of their ‘blue-collar’ contributors. The allocation of workers of different status to different funds is being questioned, either because such stratifications lead to inequalities as in the KKS or because they lead to
duplication of function and possible inefficiencies as in the case of some of
the pensions institutes (Roland Berger & Partner, 1994).

Radical proposals, which might lead to greater reliance on private sector
provision, are being made by some employers, who are advocating a freezing
of contribution rates. Other developments which might damage the tertium
are (a) signs that the consensus between the social partners is fracturing, and
(b) the reduction in the membership of the employers’ organisations and the
unions, especially in the Länder in the East.

Implications for delivery

The characteristics of the institutional structures of the governance of cash
benefits have some direct consequences for the delivery of benefits. They
stem from the nature of law and bureaucracy in Germany, the demarcations
between institutions, the way in which self-administration is perceived, and
the consequences of decentralisation in relation to the financing of Szh.

Thus, it can be argued that the force of the constitutional law and the
concept of a rights-based state, Rechtstaat, allows self-administered
institutions to act as independent organisations without fear that they will act
arbitrarily. Moreover, the relations between the institutions and the
administrative behaviour of their personnel are structured by the social code,
Sozialgesetzbuch. The top grades of the institutions’ staff are lawyers, and
those in contact with the public are also trained in the law as it affects the
specialist areas of social security in which they work. The institutions are
legally responsible for the work they undertake, and their staff is accountable
to them.

The institutional demarcations between the pensions institutes (LVAs/BfA),
the sickness insurance finds (KKs) and the Federal Employment Institute
(BA) bring into sharp relief the problem of allocating people suffering mixed
contingencies (Behrens et al, 1994; Behrens, 1995) to single categories. The
difficulties of categorising people as either incapacitated or long-term
unemployed, as employable and therefore recipients of unemployment
benefits or `unemployable’ requiring social assistance, etc, are especially
visible in the German arrangements. Accepting responsibility for a claim
often means that the liable organisation not only pays benefit for that person
but also contributions to other institutions. There are incentives for not
accepting claims or for moving beneficiaries on, and these are likely to have
effect especially in the `mixed contingency’ cases. The incentives are more
likely to feed into policy discussions than into action concerning individuals,
since the institutions are bound by law to make financial adjustments once
their liability is sorted out. However, the ‘financial merry-go-round’ ridden
by the institutions concerning their respective liabilities can also result in
passing the parcel in respect of individuals. It is possible, for example, for a
client of the KK who has not exhausted sickness benefit and who is on the
margins of acute/chronic sickness/disability to be pressed to apply for an
incapacity pension, which provides a lower level benefit but which is paid
by the LVA/BfA and not the KK. A similar situation *may occur* if the proposals to force ALH recipients to apply for early retirement pensions are carried.

The devolvement of Szh to local authorities has consequences for delivery which directly arise from the problems about raising sufficient local resources to pay for it. Local resources are vulnerable since substantial amounts come from shares of income, business and property taxes which fluctuate with economic trends. The longer-term effects are for local authorities through their associations and for the *Lander* to put pressure on the Federal Government, but in the short term there will be consequences for delivery. Given that local authorities are bound to fulfil their obligations under the BSHG, regardless of available resources, they will need to turn to other measures (Schulte and Trenk-Hinterberger, 1982). These may include incurring debts, but they are likely also to consist of administrative measures which tighten eligibility or reduce access without falling outside the law. Variability in provision may be as much a function of such financial pressures as of discretionary policies.
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Name of recipient/appointee
Address
Telephone no.
Whether claiming HLu or HbL or both
Specific reason for claim
Personal details of all members of the household:

- names
- status in family
- date of birth
- place of birth and which Landkreis
  male/female
- whether children are own or step
- nationality
- education/occupation
- religion (voluntary)
- Krankenkasse number and name of Krankenkasse

Identity card no., issuing authority, date of issue
Passport no., issuing authority, date of issue
Travel identity (Reiseausweis) no., issuing authority, date of issue
Severely disabled registration card, number, per cent disability and reason
Refugee details; from which authority and number
Income details of all members of the household, with proof
Necessary outgoings from income, e.g. travelling cost, insurance
Any other persons/children for whom claimant/partner is responsible
  (separated partners or divorced partner, parents or children)
Details required of these people are:

® name and place of birth
- date of birth
- relationship
® job
® income
- if already supporting any of these, in what way and any reference numbers.

Type of house - renting, owner, in someone else’s household, details of housing costs, landlord, any subtenants and what they pay
Heating costs
Gas/water/electricity
Garage costs, etc
Amount of any housing benefit (Wohngeld)
Are there likely to be any changes in personal or economic circumstances?
Details of any benefits already claimed, their start dates, reference numbers, and amounts
Details of insurance contributions payable for pension and other insurances
Any war pension?
Capital:
- cash/savings
- life insurance
- machines, jewellery, assets, personal possessions
- value of house
- vehicles
- any money/assets given away

Employers within last 12 months
Reasons for claim
Bank account number
Declaration that all is true and complete
Signature of recipient and partner
Three separate schemes provide statutory cash benefits in the Netherlands. They fulfil different functions and, with some exceptions, relate to different contingencies. The schemes are variously governed, partly by state and partly by independent institutions.

The general scheme of national insurance is by far the largest of the cash benefit schemes, in both recipient and expenditure terms. It provides age pensions (Algemene Omdenomswet - AOW) for those over 65, widows' and orphans' pensions (Algemene Wednwen en Wezenwet AWW) and child benefits (Algemene Kinderb~slagwet - AKW). The general scheme also provides a disablement pension for the non-employed (Algemene Arbeidsongeschi1etheidswet AAW), but this is administered together with the employees' disablement benefit under the insurance scheme for employees outlined below.

The national insurance scheme provides for the population who are not, or are no longer, likely to be economically active. It was established in the 1950s and is seen to reflect a ‘Beveridge-type’ universalist principle. However, universalism was not extended to all benefits because corporatist traditions of public provision remained strong in the Netherlands after the Second World War. As can been seen from the description of the insurance scheme for employees (below) separate arrangements were made for benefits for those in employment.

The contributions which pay for national insurance are in effect earmarked taxes, paid by all residents, and the pensions are conditional on the person being a resident in the sense of a ‘habitual resident’ (inge etete) (see the section below on delivery in the case of an insufficient pension). The flat-rate pensions which it provides are paid at the social minimum and there is no guaranteed minimum pension for those with reduced years of residence and therefore reduced entitlement. The scheme is administered by a National Insurance Bank which also exercises some policy roles.

The ‘employees insurance’ scheme has fewer recipients and involves substantially less total expenditure than national insurance although more is spent per head on those who receive it. It provides, for those who are in full or part-time employment, benefits at times of unemployment, sickness and disability, but it does not cover the self-employed. It is strongly rights-based and financed from contributions paid by employers and employees. In the case of unemployment, employers and employees each pay the same rate of contributions, but for disability benefits the contributions are paid by the employee. The benefits are earnings-related. A top-up (Toeslagenwet - TW), which is income tested, can be paid to those who are in receipt of benefit
but whose income is below the social minimum (70 per cent of the statutory minimum wage for a single person, 90 per cent for single parents, and 100 per cent for couples).

The post-war insurance scheme for employees dates from 1952. It is governed and administered by autonomous social partners, in the Dutch tradition of corporatist involvement of producer groups in social policy (see Cox, 1993; Therborn, 1989). It represents particularist sectoral interests which are currently under some scrutiny from central government in its attempt to control the cost of social security. Changes are being introduced which are intended to remove the partners’ direct involvement in policy implementation (see de la Combe, 1995).

Social assistance
The social assistance scheme has the longest history, stemming from a Poor Law of 1854 which existed predominantly to subsidise private charities. Social assistance (A/cenu’ne Bijstaridsi, uet - ABW) was not established in its modern form until 1965. Although it is the least significant of the Dutch schemes in terms of both the numbers of recipients and expenditure, as Table 8.1 shows, it is highly sensitive to economic policies. It is largely financed by central government but administered by local authorities, which occupy an important position in Dutch democratic government and have a longer tradition of welfare provision than institutions of the central state. At times of public expenditure constraints, issues about local authority autonomy versus financial control from the centre come to the fore.
### Table 8.1 Netherlands: Beneficiaries and expenditure by provider organisations

<table>
<thead>
<tr>
<th>Benefits paid by</th>
<th>Benefits paid by</th>
<th>Benefits paid by Local Authority Social Services Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Insurance Bank</td>
<td>Industrial Boards</td>
<td>Gemeentelijke Sociale Dienst (GSD)</td>
</tr>
<tr>
<td>Sociale Verzekeringbank (SVB)</td>
<td>Bedrijfsverenigingen (BV)</td>
<td></td>
</tr>
<tr>
<td><strong>Persons in receipt</strong></td>
<td><strong>Expenditure (0 x 1000)</strong></td>
<td><strong>Persons in receipt</strong></td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td><strong>Old age Pensions (AOW)</strong></td>
<td>2,142,000</td>
<td>32,546,000</td>
</tr>
<tr>
<td><strong>Disability pension (AAW)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Widows' and orphans' pension (AWW)</strong></td>
<td>1,195,000</td>
<td>4,803,000</td>
</tr>
<tr>
<td><strong>Disability benefit (WAO)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Family allowance (AKW)</strong></td>
<td>3,467,000</td>
<td>6,863,000</td>
</tr>
<tr>
<td><strong>Unemployment benefit (WW)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sickness benefit (ZW)</strong></td>
<td>171,000</td>
<td>4,644,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figures are for 1994.
Sources: For SVB and BV benefits except sickness benefit, Ctsv (1995a); for GSD, Sociale Nota, 1996; for sickness benefit, Sociale Nota, 1995. There were 107,000 top-up (TW) payments in 1994.

### Institutions

Different institutions govern these schemes but, regardless of the degree to which they are autonomous bodies, their expenditures contribute to the collective burden and are therefore of crucial concern to the government, which aims to hold public expenditure at around 53 per cent of GDP.

The Ministry of Social Affairs and Employment prepares the primary legislation, which is agreed by Parliament. The Minister may make legally binding rules (subsidiary legislation) under the Act. However, other functions in relation to some discretionary areas of policy, the formation of operational policies, the supervision of policy implementation, the setting and control of budgets and the delivery of benefits are carried out by various institutions which are independent or semi-independent of government. The exceptions are the arrangements for social assistance where these functions are undertaken variously by central and local government. An overview of the roles of the institutions is given in Table 8.2 and the institutions themselves are described below.

**The Social Insurance Bank**

The Sociale Verzekeringbank (SVB) governs the schemes for old age pensions, widows’ and orphans’ pensions, and also child benefits. It has close links with central government but is supervised by the independent Social Security Supervisory Board (College van Toezicht Sociale Verzekeringen - Ctsv). It is
seen to be an autonomous institution and is established by law to carry out a public task, but it has representatives appointed by the government on its board. Its staff, unlike the staff of the local authorities, are not civil servants.

Table 8.2  Netherlands: Overview of institutions and funding

<table>
<thead>
<tr>
<th>National insurance schemes</th>
<th>Social assistance (ABW, RWW, IOAW, IOAZ)</th>
<th>Employees’ insurance schemes (WW, ZW, WAOIAAW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Legislation</td>
<td>Minister of Social Affairs</td>
<td>Minister of Social Affairs</td>
</tr>
<tr>
<td>Subsidiary regulations</td>
<td>Social Insurance Bank (SVB)</td>
<td>Minister of Social Affairs</td>
</tr>
<tr>
<td>Policy interpretation</td>
<td>Local authority councillors</td>
<td>Industrial Boards (BVs)</td>
</tr>
<tr>
<td>Operational policy</td>
<td>District offices of Social Insurance Bank</td>
<td>Temporary Institute for Coordination and Adjustment (Tica)</td>
</tr>
<tr>
<td>Supervision</td>
<td>Social Security Supervisory Board (Ctsv)</td>
<td>Minister and state supervisory consultants</td>
</tr>
<tr>
<td>Funding</td>
<td>Contributions: residents/employed AOW: 14.55%, AWW: 1.80%</td>
<td>Contributions: ZW: Employer 0.95, Employee 1.00, WAO: 2.55, WW: 9.40</td>
</tr>
<tr>
<td></td>
<td>Tax revenues: AKW</td>
<td>Tax revenues: TW</td>
</tr>
</tbody>
</table>

The board of the SVB consists of 13 members including an independent chairperson, who is currently the ex-Minister of Social Affairs, but his party allegiances are not seen as important in this appointment. Four members are representatives of employers and four of employees, put forward by employer organisations and unions, whose appointment is agreed by the Minister. The remaining four, and the chairperson, are ‘appointed by the Crown’ and are likely to be financial or academic experts. The presence of employer and employee representatives on the board is noteworthy, given that pensions are funded entirely from contributions which are paid by residents and are not work-related. This structure developed historically and represents an amalgamation of arrangements made in 1901 for a bank and the later arrangements under which child benefits were paid through Labour Councils. It also reflects the importance given to the social partners: the employers are considered to have an interest in pensions because of the likely effect which contributions, even if residence based, might have on wages.

The SVB advises on contribution levels, and although government has the power to set then the Minister has to rely on the financial information provided by the SVB and ‘does not dare to disagree’. The collection of the contributions is contracted out to the tax office - the SVB pays the tax authorities substantially to undertake this. Thus the Bank is spared the difficulty of collection that faces the administrative offices of the insurance scheme for employees (see below), but it is now under some pressure from the government to check the adequacy of collection by the tax office. Staff
feel, however, that this is not realistic - the Bank ‘is not really in a position to do this’.

The contributions are paid by the tax office directly into the SVB’s account every quarter. Although the insurance is pay-as-you-go, the money raised from contributions is ring-fenced, that is, the government cannot use it to finance other expenditures. Responsibility for the fund lies with a board and the governors of the Pension Fund which works alongside the SVB’s board. If the fund goes into deficit it can use a small reserve, but when this is exhausted the government has to subvent.

The SVB has less say in the matter of benefit levels. Legislation states that indexation should be relative to earnings but it gives the Minister discretion to index to prices and this discretion has been exercised in recent years.

Formally the government is responsible for policy and the SVB for implementation. An example given was that of the division of responsibility among staff working in international relations: the Ministry official negotiates treaties and the SVB official conducts the liaison between countries. But in other areas of work the situation can be more complex. The structure of Dutch law enables judges to make decisions which may not be covered by social security legislation. In the case of pensions for widows and widowers, until January 1996, when a new General Survivors Benefit Act was passed, the SVB was following a policy of equal treatment which was based on judge-made law but was actually ultra vires as the existing social security legislation did not cover widowers, attempts at earlier legislation having failed. Practice can also displace official policy through the operation of the Public Law Act, which allows judges to find in favour of clients if through administrative error, they have mistakenly been awarded a benefit to which they are not entitled. (The term ‘client’ is used in relation to all benefits in the Netherlands and in Dutch also has the connotation of ‘customer’.)

The SVB has a head office consisting of the governors and a board of three Managing Directors, including a Chair, who variously head sections for personnel, international relations, technical and financial matters. The Financial Director is also responsible for 22 district offices. The Board of Directors is responsible for day-to-day operations.

The district offices are located across the country. Each main city has one. There is a further office which works exclusively on international affairs and a separate administrative office.

The Industrial Associations (Bedrijfsverenigingen. BVs), which govern Tica the insurance scheme for employees, are organisations of employers and employees. There are 18 BVs, which are presently responsible for policy implementation and benefit delivery in relation to unemployment benefit (Wet loosheidswet - WW), incapacity benefit (Wet op
de arbeidsonderwett schikheidsverzekering - WAO) and sickness benefit (Ziektewet - ZW) for employees.

Each BV is established for a specific branch of industry (health care workers, metal industry, construction, transport, etc). Employed people become members of the insurance scheme through their employers and their benefits are paid by the administrative office used by the BV which represents their employer's trade.

The statutes of the BVs have to be approved by the Minister, and the Minister decides on whether they should have recognition. The members of the BVs represent, in parity, the relevant employer and employee organisations. They work consensually in the interests of the industry they represent, although problems between unions and employer organisations can occur if the representatives on the BVs are the same as those who have been working on collective agreements. Cooperation between the two sides of industry runs deep in Dutch coalition politics and in Dutch social organisation. Traditionally society divided vertically into religiously based ‘pillars’ which used to govern all aspects of social life and which united trade unions and employer federations of the same religious persuasion. Features of pillarisation were both exclusivity and tolerance of other pillars. Although the pillars began to crumble in the late 1960s the concept of ‘sovereignty in one’s own circle’ remains powerful.

Before 1995 a Federation of BVs coordinated the work of the different BVs, but it had no legal status and no clearly delineated function. In 1995 it was succeeded by Tica, which is translated as the ‘Temporary Institute for Coordination and Adjustment’. Tica was established by the central organisations of employers and employees and approved and recognised by the Minister. Members of its board are drawn from the boards of the BVs. In addition, the central organisations of employers and employees can - and have - appointed members of the board under the provisions of the legislation. Unlike its predecessor, Tica has an independent chair appointed by the Crown on the recommendation of the Minister. Also unlike its predecessor, Tica has legal status: it was established under the Act for the organisation of social insurance (Osv) and its functions are to coordinate the administration of the employee insurance schemes; to make supplementary regulations and issue directives relating to the administration of the scheme; to improve cooperation with other institutions working in the field (such as regional employment offices and departments of social services), to give administrative/technical advice to the Minister about the administration of the employee insurance schemes; to manage and administer the funds of the relevant employee insurance schemes; to set the budgets for the BVs; and to develop a strategy for the regionalisation of the employee insurance administration which involves cooperation with the regional employment offices. It also has powers to make rules within the Act, for example about the nature of the sanctions to be applied in relation to WW.
The BVs deliver benefits through administrative offices and since 1 January 1996 have been obliged to have a contractual relationship with them (see below). In some cases the BVs have joined together to use one administrative organisation, of which the largest is the joint administrative office (Geineenschappelijk Administratiekantoor - GAK) which serves 14 of the 18 BVs. GAK has 30 district offices. (Details about the organisation of these offices are given below in the discussion of the delivery process.)

The BVs exercise some policy roles. Although they have no scope for determining eligibility criteria, duration or level of benefits, they are able to negotiate special rules for particular categories of their members. For example, the board which covers audiovisual workers has been able to obtain a redefinition of employment/self-employment in relation to cameramen who work on contracts. Thus BVs can fine-tune to the needs of the populations they cover. They also have discretion granted by the primary legislation. For example, the Act covering unemployment benefit allows BVs to impose sanctions where a person is culpably redundant, refuses the offer of a suitable job, has not made sufficient job applications, etc. A clear policy statement about the sanctions to be used has to be put out by the By, and each BV stipulates who should be empowered to make decisions about whether sanctions should be applied. These sanctions policies are not the same for all BVs. Thus the link between the breach of obligation and the level and degree of the sanction may vary: if the beneficiary is culpably redundant a reduction in benefit amounting to 20 per cent for eight weeks or 30 per cent for six months may be imposed. If the beneficiary does not fulfil administrative requirements, such as registration in the regional employment office, the sanction can vary from a warning to a 10 per cent reduction in benefit for eight weeks.

All the arrangements have to be set out in a policy document by Tica, and Tica devises rules which have to be observed by the BVs. The regulations governing these policies issued by Tica are said to have the force of the law. There are further ‘instructions’ which state how the policies should be implemented, and these are drawn up by both the BVs and the administrative offices.

Currently the BVs are accountable for all benefit decisions, but they are empowered to mandate them to the administrative offices. However, certain kinds of decision are not mandated, for instance the decision not to give any benefit, and some cases which present special difficulties are dealt with by ‘little committees’ made up of the members of the BVs. The BVs differ in the extent to which they mandate decisions.

Plans to separate policy and implementation by transferring accountability for delivery to the administrative offices themselves (which means to GAK in most cases) came into force in January 1996. This may mean that, in future, BVs will keep in touch with cases by seeing some case papers but that
they will not take decisions on them. BVs will make contracts with the administrative organisations for benefit delivery, and the chain of accountability for delivery will be via the director of the administrative organisation to the supervisory body (Ctsv; see below). In principle ‘outside’, ‘private’ organisations could tender for these contracts, but in practice it is likely that, for the present, five of the existing administrative organisations, two of which have been amalgamated, will remain in place, but work under contract: accountability for delivery and policy implementation will be transferred to them.

This new system is not yet in place, but Tica has prepared a model contract which is currently under consideration by the BVs. All contracts eventually made will have to be agreed by the supervisory body (Ctsv).

Contributions to the employee insurance scheme are ring-fenced for benefit purposes and not used for other items of public expenditure. Central government determines benefit levels and contribution rates, but the latter is on advice from Tica, which receives information from the main administrative organisation, GAK. However, each BV has a redundancy fund for which it sets the contributions itself and over which it exercises full control. Until recently the BVs were responsible for their own budgets, held separately for each of the benefits they provided. The 1995 reorganisation has transferred responsibility for budgets - except for the redundancy funds - to Tica. Tica itself, however, is responsible to the supervisory council (Ctsv).

The Social Security Supervisory Board (College van Toezicht Social(Verzekeringen - Ctsv) supervises the work of Tica, the BVs (insurance for employees) and SVB (pensions and child benefits). Before 1 January 1995, under the name of the SVr (Social Security Council), it also advised the Minister about both the schemes, but Tica has now taken on this role in relation to the BVs and SVB now directly advises the Minister. The regulatory and supervisory functions of Ctsv have, however, been strengthened.

Ctsv, unlike its predecessor, does not have representatives of the social partners on its board. It has been deliberately constituted as ‘independent’, and the board consists of three full-time members appointed by the Crown on the recommendation of the Minister. Internal problems with these arrangements have now (early 1996) led to an inquiry, and it is likely that there will be a further reorganisation.

Ctsv’s main function is to scrutinise the legal and financial probity of the work of the BVs, Tica and the SVB. The scrutinies are conducted on the ‘single audit’ basis, that is, the internal audits are checked, and if there are any doubts Ctsv carries out its own audit. Operational audits focus on
processes or particular organisations where problems are suspected on the basis of 'risk analysis'.

Ctsv has far-reaching powers to make binding rules, to administer sanctions and to reverse decisions. For example, an infringement of the \textit{Tica} rules which cover the work of the BVs will be brought to the attention of the Minister by Ctsv (although this does not mean that the \textit{Tica} rule will necessarily be upheld). The proposed new contract between the (purchaser) BVs and the (provider) administrative organisations, although based on the model drawn up by \textit{Tica}, will nevertheless still have to be agreed by Ctsv. Rules devised by the BVs individually (for example, about how to determine wages in certain industries in order to work out the earnings-related benefit) are also scrutinised for their accordance with the law and their fair application. Ctsv can apply sanctions to BVs, requiring them to compensate for mistakes by paying out of their redundancy funds. The control functions of Ctsv are, however, currently the subject of discussion. An alternative model put forward is that a `supervisory` body should be confined to reporting inadequacies to the organisations it is supervising.

\textbf{Me} local authorities

The local authorities (\textit{Genie\textit{nrwi}}) are responsible for paying social assistance. Central government currently pays 90 per cent of the benefit expenditure on the basic assistance payments from general tax revenues and has a close interest in the control of costs. However, as will be seen below, the budgetary structure also allows for local authority discretion and the devolvement to them of budgetary decisions.

There are 629 local authorities (always referred to as `municipalities') in the Netherlands. Their size varies, from the largest, such as Amsterdam, The Hague, Utrecht and Rotterdam, with populations of between 750,000 and around 200,000, to another 20 with around 100,000-200,000, to the rest with populations below 100,000. The municipalities are the only elected tier of local government with responsibility for a wide range of tasks. There are, in addition, 12 elected provinces with some supervisory functions (for instance, in relation to the level of local taxes which the authorities can levy).

The local authorities' Social Services Departments (\textit{Gemeentelijke Social'Dienst - GSD}) deliver the general social assistance benefits (\textit{Algemene Bijstandswet - ABW}), unemployment assistance (\textit{Rijksregeling Werknemers - RWW}) and also two minor benefits which provide special assistance for (older) unemployed and partially disabled people who are employed and self-employed respectively (\textit{Inkomensvoorziening Onder o Gedeeltelijk Arbeidsongeschikte Werkloze Werknemers/Gez'n Zelfstandigen - IOAW/IOAZ}).

In addition, local authorities can make discretionary payments for special expenses (\textit{Bijzondere Bijstand - BB}) which can also be paid to those not in receipt of assistance, either as grants or as loans, depending on purpose.
Accountability for the work of GSDs lies with the mayor, who is not elected but (formally) appointed by the Crown. The municipal council elects aldermen from its midst on a party-proportional basis, and they form the executive of the municipality (Derksen and Korsten, 9.995). Local taxation is low and the local authorities receive, from central government, a block grant (the Municipal Fund), which constitutes 28 per cent of their revenue, and specific-purpose grants, which form 59 per cent. They are obliged to establish a GSD and have to pay for the administrative costs of all assistance out of the block grant. Until 1991 they were refunded by central government for the actual expenditure on the special expenses payments (BB), but since then, they have received a fixed budget for these payments, based not on actual but on historical expenditures. They are free to use this money on other services, or to supplement it from their block grant.

Central government also provides local authorities with substantial sums for job creation schemes (see the section below on service delivery to the unemployed). These include a job creation scheme for employment in the public sector and a recent experiment designed to create jobs in the private sector.

Some changes in the financing arrangements are in train. In 1999 local authorities will have to pay 20 per cent of the cost of the basic assistance benefit (ABW), and the government’s share will be reduced to 80 per cent. From 1 January 1996 there will be a change in the structure of the benefit rates which will mean that central government will guarantee to pay 50 per cent of the minimum wage to every individual assistance beneficiary, 100 per cent for couples and 70 per cent for lone parents, but that the additional 20 per cent needed to make up the social minimum which is paid to single people will only be paid if the claimant can prove that his or her costs are not shared with anyone else. The onus of proof will be on the claimant. Moreover, the government will be financing the 20 per cent for three years only, after which there will be a fixed budget for these payments based on historical expenditure figures.

The proposed changes indicate a trend by central government to cut its own expenditure on assistance and, in particular, to limit open-ended commitment and to devolve the responsibility for expenditure decisions onto local authorities. Within tighter budgets the authorities have been given more discretion. In itself this is in keeping with the principles of the Assistance Act which are concerned with individualisation and, more generally, with the view of local government as democratically close to the community which it is serving. A form of devolvement seems to have been upheld in law: appeal judges tend to give internal instructions, issued by the municipalities, the force of law even when they are not in accordance with the Act, provided that they favour the client.
The supervisory role of central government is exercised through extensive inspections of cases (30,000 dossiers per year are randomly inspected) and procedures undertaken by the Ministry’s officials, and by government audits. Each administrative office of a GSD has a complete inspection once a year, but inspectors are in the offices throughout the year and meetings are held between staff of the department and inspectors three to four times each year. Issues discussed at these meetings are fed back to those responsible for policy implementation in the Ministry.

Central government can exercise sanctions by refusing to reimburse the local authority for the payments made. If a local authority runs into deficit it can be placed into the financial custody of the province under article 12 of the Municipal Act. In The Hague this situation has almost been reached and was seen as potentially helpful in so far as it would provide additional revenues, albeit at the cost of loss of autonomy. However, many municipalities have been forced to rely on Article 12’ and as a result the fund is drying up. Municipalities are now having to deal with deficits by imposing severe cuts (Kickert, 1995).

Delivery 1: In the case Pensions are paid at the age of 65 on the basis of a form of insurance which of an insufficient pension is primarily established by virtue of a person being ‘resident’ in the Netherlands (see below for the definition of ‘residence’). The scheme is financed by contributions which are levied together with tax on income (up to a maximum), but entitlement to the pension does not depend on contributions having been paid, or on a person’s work record. Entitlement is established on the basis of the number of years of residence. (Contributions may, however, determine entitlement where a person is not a resident but is working in the Netherlands). A full pension requires coverage for 50 years from age 15 to 65. For each year not covered a reduction of 2 per cent is made to the full pension. The person entitled to a full pension receives 70 per cent of the minimum wage (that is, the social minimum); a couple receive two times 50 per cent of the minimum wage, and a pensioner with a partner under 65 receives 50 per cent and an income-tested allowance up to a maximum of 50 per cent. Pensioners who do not have a full pension and who have no other form of income therefore fall below the social minimum. There is no categorical, specific means-tested top-up to the social minimum in this scheme, in contrast with the supplementary benefit (TW) paid under the insurance scheme for those employees (under 65) who have insufficient earnings-related benefits. Pensioners who receive less than the social minimum and have no other resources would therefore have to apply to the local authorities for assistance.

Although the `vast majority’ of pensioners in the Netherlands have occupational pensions in addition to the state pension (Watson Wyatt, 1995, p.190), 15 per cent of households with an old age pensioner had less than 300 guilders per month in additional income in 1992 (information provided by SVB, 1995). However, the respondents in the municipalities of both The
Hague and Rotterdam reported that very few pensioners applied for assistance (ABW).

Pensioners unable to meet special expenses can apply to the local authority for the special expenses payment (BB). Figures for The Hague show that of a total of 31,450 clients receiving assistance benefits in June 1995 (that is, 7 per cent of the population of The Hague) 1,000 were people over the age of 65 who were receiving BB. In Rotterdam (July 1995 figures) 1,827 out of a total 61,448 clients were over 65 and recipients of ABW; another 1,039 received BB.

The SVB district office The 22 district offices which are responsible for the assessment and payment of age pension, widows’ and orphans’ pension and child benefit are divided into three sections to correspond to these benefits. Each section has 16–18 employees. Additional staff are administrators who support the benefit paying sections, ID specialists, trainers and those working on legal matters. There are also home visitors who are not attached to any section. It was stressed that they are separate from the fraud staff who were introduced into the offices approximately two years ago, and who are especially trained for this work in a national training institution.

The staff in each of the benefit determining sections are referred to as ‘beoordelaar(s)’. This term is peculiar to the SVB and the closest translation was said to be ‘assessors’. They are considered accountable for their decisions. Every decision is audited by a colleague in the same section and amounts above 5,000 guilder have to be verified by the head of the section. Difficult cases are referred to the section head, but he or she is a manager and lacks the expertise to make decisions. However, help can be sought from the legal department at headquarters.

The staff are not qualified but receive in-service training over a period of five to six months. The beoordelaars are all at the same grade, but some deal with more complicated cases and are paid a little more.

Entry Approximately four months before a person’s 65th birthday the computer in the municipality in which he or she is registered as resident triggers the pension by sending information about the future pensioner to the relevant district office of the SVB. The municipal register gives information about name, address, nationality, date of birth and marital status, and this is transferred to the SVB application form and sent to the pensioner for verification. In law it is the pensioner’s responsibility to apply for the pension, but in practice the SVB approaches him or her. If, by mistake, the SVB were to fail to do so, an appeal could be lodged by the client and the judge would most probably uphold the appeal on the basis that the client had been treated inequitably relative to other pensioners.
A late claim can be backdated for one year without difficulty; in law it can be backdated for a maximum of five years, in special cases. Further backdating is not common practice, and SVB’s internal policy does not permit it.

A person who is not registered with the municipality will not be triggered. He or she will have to make the application at the SVB office, bringing proof of identity. A pension will not be paid until he or she is registered with the municipality.

The form which is sent to the pensioner also contains questions about any periods during which s/he has lived outside the Netherlands and inquires, if so, whether s/he has settled indefinitely in the Netherlands. It also asks whether s/he is in receipt of any other benefits, for details of previous marriage(s) and of children under 18 for whom there is a child benefit entitlement, and there are similar questions about a person’s spouse or partner including questions about the spouse’s previous marriage(s). There is a separate form for partners under the age of 65 which asks about that person’s wages, income and benefits for the purpose of the income-tested supplement.

The information on the form(s) is checked against the information on the municipality’s computer, to which the SVB subscribes and from which it electronically receives notice of any changes. If there are any discrepancies the client is contacted by phone, invited to come to the office or visited at home. To establish whether a person has had periods of absence from the Netherlands a central office in The Hague is contacted which keeps data provided by the police.

The question of residence is crucial to the determination of entitlement. The particular word used for residence is in this context (and for taxation purposes) ‘incezetene’, which appears to translate best into ‘habitual residence’. The determining criterion is whether the person is settled in the Netherlands, (is socially, juridically and economically in the Netherlands’). To receive a pension the applicant has to be ingezetene unless s/he is a foreigner working in the Netherlands. In that case, if s/he pays tax s/he is insured, information about his or her employment situation having been obtained from the tax office. It was stressed that these were not always clear-cut matters and that it was up to the assessor to decide on eligibility, entitlement and level of pension.

In the past pensions were paid in advance, but this is changing to fixed-day payments once a month, so payment may be in arrears for some people. Ninety-five per cent of payments are paid into bank accounts. It is possible to be paid by cheque, but in future pensioners will be charged for the extra cost of doing this. People without a fixed abode can receive urgent advance payments but if they are not registered in the municipality they will have to
claim the pension every month and state where they are living. Under the Public Law Act claims processing must not take longer than 1.3 weeks, or 26 weeks if the person is abroad.

Review Pensioners are warned that they have to notify the SVB of any change in circumstances. These are specified variously for single persons, couples and those separated. They mainly concern changes in marriage/partnership status, nationality, address and income.

The change of circumstances about which the SVB is particularly concerned is one where fraud is most suspected - where a couple set up home together but do not inform the SVB. It is of an advantage to couples/partners age 65 or older to let SVB believe they live separately since couples receive two times 50 per cent of the minimum wage and single pensioners each receive 70 per cent. Setting up home is not necessarily considered to involve sexual or affectional relations: it may just mean sharing expenses. On the other hand, a commercial relationship, such as between landlord and tenant, is not seen as constituting shared expenses.

To counteract fraud SVB offices are currently checking on all pensioners who live at the same address, which they can do via their own computer, and are investigating or visiting those they suspect. Where this kind of fraud is detected the pensioners have to repay any overpayments incurred in the last five years. Overpayments which are obvious because of their size and are not notified to the SVB are considered fraudulent.

There is no obligation on the SVB to advise pensioners with partial or insufficient pensions of the availability of ABW in the municipality. Indeed, the SVB Head Office discourages this on the grounds that pensioners, many of whom might have private means or occupational pensions, will feel offended and consider it stigmatising to be thought of as claimants under the ABM. Notwithstanding this, our informant often wrote to pensioners who were not awarded a full pension pointing out that they were receiving less than the social minimum and that they could apply under ABW. Moreover, it was stressed in discussion at The Hague that the municipality approached pensioners in its area once a year to ask whether they needed help.

Delivery 2: In the case of incapacity

Benefits under the Sickness Benefits Act (Ziektenwet - ZW), the Disablement Pension Act (Algemeen Arbeidsongeschiktheidswet - AAW) and the Disability Benefit Act (Wet op de Arbeidsongeschiktheidsverzekering - WAO) are paid by the BVs and their administrative offices, as described above. AAW, which covers housewives and people who have been self-employed or become disabled at an early age, is part of the universal insurance scheme, but it is delivered by the organisations who administer the insurance scheme for employees.
Some important changes, designed to curtail expenditure, have been made to the legislation in the past two years. The numbers of people absent from work through sickness or disability were stated to be out of all proportion to the working population and too high compared with those in other countries (SZW, 1994). In 1993 the emphasis on disability changed to an emphasis on ability/inability to earn income: in determining incapacity any factors beyond ‘objective’ medically caused conditions were excluded; a wider definition was given to ‘suitable’ employment, which became ‘generally accepted employment’ (so that more people could be deemed to earn an income); and the duration of earnings-related benefits became dependent on a person’s age. These rules now apply to existing pensioners and beneficiaries below the age of 49. The measures have led to a reduction in claims for disability benefit, lower assessments of degree of disability and fewer applicants (Social Security Supervisory Board, 1995). The new restrictions are also said to have ‘reinforced existing differentials in case-handling’ since specialised knowledge held by those in ‘higher-level jobs’ is not easily transferable (ibid, p.22).

In 1994 employers became responsible for paying an employee a minimum of 70 per cent of his or her wage for the first two weeks in the case of small, and six weeks in the case of large, employers. The employer was made responsible for sick leave inspection visits and for counselling aimed at encouraging the employee to return to work.

The district office of GAK The delivery process was discussed at the Kronenburg district office, one of the two GAK offices which serve Amsterdam and which together cover a population of 1 million. The Kronenburg office employs 500 staff Local offices were previously ‘fashionable’ as they were seen to be ‘closer to the customer’, but their future is now under discussion. It was said that the current priority is to save costs and that it is likely that the two Amsterdam offices will amalgamate. If this happens it will clearly affect accessibility, but in general the offices in West Holland are more accessible than those in the less industrialised East. The offices in the East are less busy and provide some back-up with processing, but there is also an air of competition between offices - due to league tables based on statistical returns. One view was that district offices are supposedly being given more autonomy but are actually strongly led by Head Office.

Each district has five sections - one for each benefit (ZW, WAO, WW), a legal section and a medical section. It is likely that the three benefits will be combined in future in one section in an attempt to ‘improve efficiency by 30 per cent’. A previously independent medical service, the Joint Medical Service (GMD), which assessed disability for the all the BVs and their administrative offices, has been disbanded so that doctors now work for the specific administrative organisations, such as GAK.
Staff work in teams to process claims (there are two special teams for foreigners). The teams consist of the team leader and behandleandel beambte - literally translated as ‘handling clerks’ - who decide on the claim, but the decision is subject to the office manager who reads and signs every decision, although s/he does not necessarily see the file. The team leader will randomly check the decisions made on cases. Other members of the team are administrativ medewerker, translated as ‘administrative assistants’, who take routine decisions, for example about the age-related end of the qualifying period of WAO.

Entry The route depends on whether the person is employed, and therefore possibly entitled to WAO, or self-employed, or a housewife, or disabled from an early age and therefore possibly entitled to AAW. In the latter case s/he will apply to the district office after 52 weeks of incapacity; the application form can be obtained from that office or from the post office, and it can be mailed.

An incapacitated/sick person in employment receives wage continuation from the employer for the first two to six weeks, depending on the size of the enterprise. At the end of this period s/he claims ZW from the BV, that is, through the GAK office, which will require a medical examination in addition to that already available to the employer. The examination is conducted by the office’s medical service. The office has a legal duty to draw the client’s attention to WAO after he or she has been sick/incapacitated for eight months, but during this period the medical services try to find work which might suit the beneficiary despite his or her handicap. After nine months of incapacity the client, who has to make the application for WAO himself or herself, sends a WAO claim form to the office. This is very short and simply serves to file the claim. (The provisions for an employed person’s sickness benefit have now changed. From 1 March 1996 the employer is required to continue paying wages for 52 weeks, a contingency against which s/he will now be able to insure privately).

On receipt of the claim form the client’s degree of incapacity is again medically assessed and the medical services report to the district office. The district office assesses entitlement, in other words whether the person fulfils the conditions of being ‘an employee’ - working for wages, to a person or organisation in authority, based in the Netherlands, and whether the incapacity has lasted for 52 weeks. The person needs to be over 18 and under 65.

Very little information is obtained from the applicant. The initial form states the person’s name, address, date of birth and Soil number (see below), and these are checked against data on a central index (GVI) which is on-line to all the GAK offices and through which information held by other BVs about a person can be traced. Data held by other BVs are not on-line and have to be accessed by telephone. GAK has a central computer (BRP) for its own
use only, which holds all the information relating to all the benefits paid out by GAK (every benefit department within GAK has its own system). The BRA and the GVI exchange information every month by means of tapes, but the data were said not to be reliable.

Field inspectors visit the person’s employer to obtain information about wages which is required to calculate the earnings-related payment. The client is asked for interview at the office with the administrative assistant and signs his or her agreement to the medical and employer-based information. S/he has to bring identification papers to that interview.

A decision has to be reached within 13 weeks, but it often takes longer to process the claim - it was said that this often depended on the extent to which the field inspectors had been able to complete the work.

If it is decided to pay benefit, the head of department authorises the disk, which is sent to the office’s bank for processing. Benefit is paid into the bank account of the client in the middle of the month. A very full explanatory letter is sent to the client explaining how the benefit was arrived at.

There is no trigger to TW, the income-tested top-up. However, the office is alert to a person's income from the benefit, and if this is below the social minimum an application form for TW has, by law, to be sent to the applicant. This form inquires about income from other sources. It is the beneficiary's responsibility to return these forms, and no reminders are sent by the office.

The need for TW is most likely to arise where the medical services advise that a person may be fit for some work, thus leading to a reduction in benefit, and in that case a TW application form is sent. In general, however, TW is not advertised.

Review There is a medical review at the end of the first year. Also, each year beneficiaries are sent a form asking them to declare any change of circumstances. Until 1 May 1995 there were no sanctions for failing to return this form, but BVs are now permitted to impose penalties if recipients fail to meet obligations to provide information. The nature of the penalty depends on whether, for example, a person has failed to meet a deadline, volunteer relevant facts, cooperate in undergoing medical treatment, etc. The penalties vary by amount of deduction of benefit (from 5 per cent to 30 per cent) and duration of the deduction (from four weeks to 34 weeks or for the entire period). Failure to supply information on request carries a 10 per cent penalty for the full period.

The view of officials was that until recently Dutch society was antipathetic to checking details given formally by claimants and beneficiaries: information thus provided, and signed by the claimant to be true, was taken
at ‘face value’. However, this is no longer the case. It is now possible to check whether a person is in any employment with a 13V-registered employer by means of the BRA, and the GVI is gradually being ‘filled’ with information about the benefits provided by the local authorities and the Social Insurance Bank as well as those provided by the BVs. Details of salaries and wages are already held by the BVs since they are responsible for collecting contributions, and these will shortly be on-line to the departments paying unemployment, disability and sickness benefits in the district offices.

If a problem is suspected the beneficiary will be invited to reconsider his or her statement. It was stressed that ‘all this checking’ was new.

The benefit is reviewed every five years, when the case is reassessed. In cases where there may be a problem the benefit can be reviewed more frequently.

Exit When the duration of the wage-related benefit is exhausted the beneficiary may receive follow-up benefit. Exit must be either to work or to unemployment benefit. Conditions for unemployment benefit are relaxed for people who have been recipients of WAO or AAW. Because the WAO/AAW depends on degree of incapacity, benefit is not entirely lost if a partially disabled person works.

A vocational rehabilitation unit is directly concerned with integrating incapacitated people into work. It is situated in the district office, and BVs buy the service from GAK. It is not connected with the employment office, which does not provide for disabled people, although this may change in the future. The unit consists of 16 people with a director, an assistant and five teams of trained occupational advisors and vocational consultants. Once the degree of incapacity has been assessed, and provided the person cannot return to his or her previous job, the file is transferred to the unit. The beneficiary is invited to attend a group meeting where s/he decides whether to use the service. The service consists of a personal interview and vocational training and testing conducted by consultants brought in from the private sector. Job application training is done in-house. The occupational advisors have performance targets of 76 placements per annum. It is hoped that 30 per cent of those eligible for rehabilitation per month will be placed. There is no limit to what can be spent on each case, but results are expected to justify expenditure. It is not clear what is meant by ‘success’, but placement in a job for six months was offered as a definition.

Delivery 3: In the case of unemployment A person may claim unemployment benefit, Werkloosheidswet (WW), if he or she has lost at least five hours’ work per week, if the employer is not compelled to continue payment for these hours, and if he or she is available for work. The loss of less than five hours’ work, but representing 50 per cent of the weekly hours worked, may also constitute unemployment.
To be insured, a person must be in employment which is compulsorily insured, or have taken out voluntary insurance. Those people not compulsorily insured are those over 65, civil servants and the self-employed.

Unemployment benefit consists of a wage-related benefit and a follow-up benefit, and there is also a short-term benefit. A fully insured person, who worked for 26 out of 39 weeks before becoming unemployed, and for 52 days per year in at least four out of the past five years, receives 70 per cent of previous earnings (up to a minimum). The maximum duration is five years but depends on length of previous work history. Follow-up benefit will be paid, for two years, after the end of this period, at 70 per cent of the minimum wage (unless this exceeds the wage-related benefit paid previously). Where a person does not qualify for these benefits, but has worked for 26 weeks in the 39 weeks prior to unemployment, a short-term benefit is paid. This is paid for six months, and the rate is 70 per cent of the minimum wage (unless this is greater than previous earnings).

Entry When a person is dismissed, the employer gives the employee a letter of dismissal. The employer will also seek a dismissal permit from the employment office, *Arbeidsbureau*.

An employee disagreeing with his or her dismissal should write, using registered mail, to the employer stating his or her case.

The *Arbeidsbureau* will write to the employee asking if s/he agrees with the dismissal, giving the employee the chance to put his or her case. The employee should respond and, in the case of disagreement, enclose a copy of any registered letter to the employer. Only after considering this information will a dismissal permit be issued. Sanctions (see below) are imposed if an employee is found to be responsible for his or her own dismissal.

A person, upon becoming unemployed, must present himself or herself at the *Arbeidsbureau* and register as unemployed within two days of dismissal. S/he may do so in advance of becoming unemployed if s/he has received advanced notice of dismissal. The claimant is given an application form for *WW* and information about the nearest office (for example, one of the GAK’s district offices) to which the application should be submitted. An appointment (within eight days of unemployment) is made with the GAK office. The application is submitted in person together with the necessary supporting evidence. Evidence required for the interview with GAK officials includes:

- identification
- a copy of the dismissal permit issued by the *Arbeidsbureau*
- a letter of dismissal from the previous employer
- employment contract and pay slips
documentary evidence concerning previous terms of employment
• any other documentation relating to the dismissal, such as court rulings.

The GAK must make a determination on a claim within:
• four weeks for an advanced payment (in urgent cases)
• 13 weeks for normal cases
• six months for insolvency cases.

Other decisions, such as approval of a training course, should be made within eight weeks.

If the office fails to make an assessment in this time the period may be extended, though it is not clear by how long. Failure to assess entitlement within this extended period can be the subject of an appeal.

Once entitlement has been assessed, a letter is issued detailing the award. Payment is made every four weeks, normally into a bank account, and a statement is sent to the claimant detailing the amount paid.

Review Everyone below the age of 57 must re-register with the Arbeidsbureau regularly. Each time registration is made, a new time and date is given for next re-registering.

In addition, every four weeks (although this may be flexible) a claimant must hand in a werkbrief declaration to the district office of any changes in circumstance. The claimant must report changes of address, any earnings from employment, sickness (which will require an application for sickness benefit), holiday, etc.

If a claimant starts working, benefit is reduced on the basis of the number of hours worked. So, if s/he were getting benefit on the basis of the loss of 38 hours per week employment, and worked 16 hours in a week while unemployed, the benefit paid for that week would be 22/38 of the benefit rate paid normally. If s/he has earnings based on less than five hours work, benefit would be reduced by 70 per cent of the income from that work.

Sanctions may be imposed when a person is late registering with the Arbeidsbureaus; when information is not provided when requested; where a person fails to actively seek work; when labour market rules are not observed; for serious breaches such as fraud; or for refusal to accept work or training. Sanctions imposed vary from written warnings for minor offences, a 30 per cent reduction in benefit for 42 weeks in more serious cases, up to permanent withdrawal of benefit.

The reductions are a reduction in the percentage of the previous earnings or minimum wage. If a person is receiving 70 per cent of previous earnings as
benefit, a sanction of 10 per cent will reduce the benefit to 60 per cent of previous earnings. The actual reduction in benefit is, therefore, more than 10 per cent.

Exit When WW expires, the claimant is informed that s/he will no longer receive benefit. This same letter also instructs the claimant to apply for RijksgroepsRegeling Werknemers (RWW) from the municipal authorities. All GAK/BV involvement in the case ceases at this point. The GAK retains no interest either in the further benefit claim or in continued compliance with active and available requirements.

RWW is identical to social assistance, ABW, in all aspects except for the requirement that the claimant provide proof that s/he is actively seeking work from which some ABW recipients are exempt. The claimant must send copies of the appointment cards from the Arbeidsbureau, detailing when this was last attended and the time of the next appointment.

The municipality may confirm these details with the Arbeidsbureau. They may also contact the Arbeidsbureau to determine whether the claimant has undertaken any employment and any income s/he may have received.

A number of job creation schemes are available for the unemployed. Currently, substantial funding is devoted to the creation of jobs for the young and the long-term unemployed. A variety of schemes are run nationally by the Arbeidsbureau. These provide work placements for those on WW and unlikely to be able to find work unassisted.

Funding is also provided to municipalities to operate employment programmes for recipients of RWW. These include:

® Job Pool Scheme. This provides jobs in the public sector for those unemployed for three or more years. Places are funded by government subsidies for each placement, a 20 per cent reduction in wage taxes, benefit money and the Arbeidsbureau.

® Youth Guarantee Scheme. Municipalities are obliged to provide jobs for young people between the ages of 17 and 21, and for school-leavers up to 23 years of age. The administration of this scheme is funded by grants from central government to municipalities. Wage costs, based on a minimum wage which increases with age, are met entirely by central government.

® Extra Employment Scheme. This is a scheme for the creation of jobs within the public sector for the long-term unemployed with few or no qualifications. Central government provides a flat-rate payment for each place created. By 1999 it is intended to provide 40,000 places nationally.

® Job Creation Experiments. Municipalities are funded by central government to create places in the private sector. Funds are provided for
a certain number of places for each municipality. This experiment is to end in 1997.

From January 1996 the municipalities and *Arbeidsburean* will be obliged, under the ABW law, to work together to provide job creation services. The available schemes are to be reorganised within municipalities and funded by them. It is anticipated that such schemes will cost f1.4bn.

Other changes will entail the full incorporation of RWW into what will be known as *new ABW*. The intention is that this will also lead to the development of a one-stop service for claimants. The municipalities will work in conjunction with the *Arbeidsburean* and the BVs/GAK to provide benefit services across the range of benefits together with work placement services.

Delivery 4: In the case of lone parenthood

There are no additional or special child benefit or in-work benefits for lone parents other than those paid as incentive/bonuses for returning to work (see below). Lone parents do not have to be available for work if they have a child under the age of 12, although this is shortly to be changed to five. A lone parent whose means are insufficient has to apply to the local authority in which s/he resides for social assistance (*Al'eniene Bijstandwet* - ABW) under the General Assistance Act.

The local authority Social Services Department (GSD) The delivery process was researched in the municipality of The Hague and in Rotterdam. The Hague covers a population of approximately 450,000. Although it is a prosperous city one in three of its population are said to be living at or around the social minimum. There is little industry and there are few jobs for the less well educated. In June 1995, 45 per cent of the ABW benefits paid to those under 65 were to lone parents. However, this amounted to only 15 per cent of the total number of benefits paid by The Hague. Half of all payments were made under the unemployment assistance scheme (RWW) (DSZW, 1995).

The Hague's GSD has approximately 25 local offices located in various areas of the city. One of these is at the Town Hall, which is a futuristic building with excellent facilities although alarming to some staff (and possibly to clients also). The Department has changed its name from the Department of Social Services to the Department of Social Services and Work Opportunity Projects (*Dienst Sociale Zaken en Werkfelgehuïdsprojecten* - DSZW). It was said that this would broaden its appeal to those who were not poor and encourage people who would otherwise not come forward to apply for the special expenses benefit (BB) which can be available even for those above the social minimum provided they have a recognised need. The new title foreshadows the emphasis on cooperation between the municipalities and the Labour Offices which became mandatory after 1 January 1996. At present The Hague and the Labour Offices run a joint institute (*Werkraad...*
resourced by central government funds which provides a specialist employment placement service for the long-term unemployed who have little schooling and are over the age of 35.

The DSZW has a staff of 1,200, of whom 400-500 are social workers, 50 are benefit 'decision-makers' (two for each office), 300-400 are administrators and a growing number are special investigators. The social workers are civil servants who deal with cash benefits. They are increasingly being required to be more active in finding employment for recipients. They are professionally trained but may have been only to 'middle school' for three years instead of receiving the longer four-year training undergone by case workers in other areas of social work.

The social workers prepare the claim and make a recommendation to the 'decision-maker', who may be a social worker but who also has a two-year college training in public sector law.

A potential client has to come to the office and make the claim, and the benefit granted will be calculated from that date. The person is seen by a receptionist, who may, as in Rotterdam, be a social worker. The receptionist records the application on hard copy which is signed by the client. An appointment is made with one of the social workers, and this can take place on the same day if the claim is urgent. The client is given a detailed basic form to complete and bring to the interview and further relevant forms, such as a form for partners to fill in, a form relating to children, a separate form for any BB claim and another for owner-occupiers since they can get help with mortgage interest under ABW.

The basic form asks for name, address, nationality, identification, marital status, details of accommodation, income, income from other benefits, income from self-employment, possessions (including a car, savings, shares, money which has been given away) work record, availability for work, education, medical insurance, debts, details of divorce settlements, questions about methods of payment and questions about likely future changes of circumstance.

The client is required to bring this completed form to the interview together with evidence of identity (passport or similar or municipal registration), evidence of Sofi number (the combined insurance and tax number), rent book, medical card, bank account number and bank statements for the last three months, although the last of these is not always obligatory. At the initial interview with the receptionist the client can also be asked to bring in up to 14 further pieces of evidence - for instance, relating to previous work history, student grants or alimony, or in the form of solicitors' references.

The client brings the completed form and the documents to the interview. In The Hague officers will help the person to complete the form if necessary,
but in Rotterdam this was not permitted. Identity is established through the production of: a passport or the equivalent; a residence permit; and the municipal registration card, which is essential and also required at any time when a person becomes employed. It gives details of his or her residence, family composition and parentage. In certain circumstances The Hague will give a client money to buy such a card.

The *Soli* number is a legal requirement and is provided automatically for everyone over the age of 12. It is picked up at the start of employment or collected from the tax office. Foreigners have to apply for *Sofi* numbers to the tax office, which checks with the police whether they are legal. It is possible to get an urgent payment without a *Sofi* number, and in cases where insufficient evidence of identity is produced at the interview the person can receive an advance payment but will be required to provide the required evidence within a month. No tourist - not even from the European Union - will be given a *Sofi* number under any circumstances and so cannot receive any payment.

Following the interview the details given are checked against the information held on-line in the municipality's register, which records names, addresses, dates of birth, gender and family status and composition. Standard messages can also be exchanged between the municipalities through their joint electronic network (GEMNET). The register does not record any benefits previously claimed either in the *home* municipality or elsewhere, but there are plans for such a system in the future. If there are discrepancies in the information the social worker will visit the client or otherwise contact him or her. In The Hague visits were avoided wherever possible, but in Rotterdam each lone parent was visited. The social worker also contacts the last employer.

Checks are made that a person is not in receipt of other benefits by comparing the information against that on the tax computer, which holds income, employment and benefit details. However, the tax computer is not on-line to the municipalities. Although its information is open to them it has to be obtained on hard copy and checked manually, and there is a further problem in that it tends to be a year out of date. The tax computer does, however, record the *Sofi* number, which is current.

There is no on-line communication with the central index kept by the BVs for the employee insurance scheme, so it is not immediately apparent whether a person is receiving a benefit under that scheme, nor is there a direct link with the computers at the SVB which would enable the municipalities to check whether someone was in receipt of a pension, widow's pension or child benefits (a fax is sent to check the latter point).
A review form, detailing changes of circumstance, has to be brought in or sent to the office by the client every month. It asks about changes in address, household composition, whether employment or course of study or voluntary work has been undertaken, and whether the person is registered at the Labour Office. No further benefit is paid if the form is not returned. In Rotterdam sanctions are applied if the monthly change of circumstances form is not returned without good reason. Five per cent of benefit is deducted in the first instance and 10 per cent in the second, once payment has been resumed.

Although the ABM does not prescribe how checks should be carried out (it merely stipulates that continuing entitlement must be scrutinised) it specifically requires local authorities to reassess each case twice yearly. This involves a total reassessment of the case, with the re-completion of the application form and a further interview. Exceptions are made in practice for older people. Not all authorities have been able to undertake these assessments but the law is increasingly being enforced by the Ministry.

There are two ways in which fraud is detected. The first is via the tax computer through which data have been available since 1991. In The Hague it takes 25 people to check the returns from the tax computer. If a claim is found to be fraudulent the municipality will try to reclaim the money and will prosecute. At June 1995, 6 per cent of the money paid to beneficiaries in The Hague was fraudulently claimed by people who were working as part of the formal economy. The proportion fraudulently claimed has almost doubled since 1993, but this is because investigation into fraud was undertaken in 1990 and 1991 and these investigations were not completed until 1994 (DSZW, 1995).

The checks against the data on the tax computer only discover fraud among those working in the formal economy. To reach those working in the informal economy (informants referred to these forms as ‘white’ and ‘black’ respectively, but in this report the terms formal and informal are used) there is an interdisciplinary team composed of people from the municipalities of The Hague, Rotterdam, Amsterdam and Utrecht, from the tax office and from GAK. This interdisciplinary ‘team’ might, for example, check on all taxi drivers to discover whether they are paying their taxes and contributions and whether they are claiming benefit, etc. It is noteworthy that the Ministry’s respondent made it clear that this was not a government initiative. The Ministry itself does not have a fraud squad. Its only fraud concern is with illegal workers.

A 25 per cent disregard for people moving into work has been replaced by a bonus scheme. It is at the discretion of the municipality, subject to a legal ceiling. It is paid monthly and can be paid for two years if the income from work is below the social minimum.
Maintenance payments do not assist "exit". They are pursued by the municipality but are deducted from the ABW paid to the lone parent. A lone parent returning to work has to pursue maintenance payments himself or herself.

Examples of ways of encouraging exit were given at Rotterdam. Rotterdam is the largest municipality in the Netherlands and also has severe social problems. The GSD has 80 district offices, each with a manager, a personnel manager and an assistant manager. The district visited had a case load of 3,000. There were 12 social workers and two "decision-makers". The receptionist, who is also a social worker, is expected to conduct eight initial interviews in a morning. Twenty-five per cent of the payments made are "urgent payments" (too many in the view of the informant) which are paid by cheque at the Head Office. They cause a great deal of aggravation and aggression, and screens have been considered but they have not been introduced.

Rotterdam is "generous" with special expenses payments (BB) because there are many very poor people in the area and because the council is "left-wing". (There are problems in comparing statistics between The Hague and Rotterdam, but such figures as were readily available appeared to show that the proportion of beneficiaries receiving IIB was approximately 6 per cent in both Rotterdam and The Hague.) BB can be used to encourage exit in the case of lone parents by, for example, offering to pay for education. This kind of commitment will be carefully scrutinised by the "decision-maker", who will insist on extensive enquiries into its appropriateness. A particular case was discussed on which there was a great deal of information held in a large file which included a photograph of the client on the front. A great deal of attention had been paid to helping this mother move into education, and the decision-maker's estimate of the time spent on this particular case was 10 hours altogether, which included one hour of her time. On difficult decisions the Head Office can be consulted. Accountability lies not with the decision-maker but with the manager of the office, whose expertise, however, is in management and not "case determination".

A number of recent concerns about cash benefits in the Netherlands have led to a period of policy and institutional change. To some extent these developments in social security need to be viewed against general movements in the Dutch public sector. In the 1980s there were cut-backs throughout the public sector, applied especially to the municipalities, who moved to adopt "new public management" techniques, based on business practices. In opposition to the centralisation which had accompanied the crumbling of the old order of the "pillars" there were moves towards decentralisation. Other changes brought in deregulation, privatisation, reorganisation of the civil service and a reduction in the number of civil servants. In the 1990s many government departments sought to separate policy and operational/delivery functions and gave the organisations responsible for delivery greater managerial autonomy.
Doubts were also expressed about the efficiency of the semi-autonomous institutions which form the fabric of the neo-corporatist forms of governance. The Dutch National Audit Office, Algemene Rekenkamer, reporting in 1995, showed that in 1993 there were 190 such organisations, employing 130,000 people, accountable for 18 per cent of total central government expenditure, and mainly providing subsidies and benefits. Ten per cent were found to have no legal status, 50 per cent were not properly inspected or supervised, and there was a general lack of management information and control (Kickert, 1995).

Following criticism that the SVr was not an independent supervisory body as the BVs had representation on its board, an all-party Parliamentary Inquiry was established to examine the administration of unemployment, sickness and disability benefits (Groen, 1994). This method of inquiry, which allowed for evidence to be taken, was unusual in the Dutch system. It led to proposals for a form of coordination through ‘regionalisation’ and a redefinition of policy and implementation/delivery roles in the institutions governing the insurance scheme for employees.

Two other committees, one of experts and the other of MPs, were set up to investigate the administration of social assistance where fraud and misuse were suspected, and they led to much greater emphasis on the control of fraud. This was accompanied by moves to change the budgetary relationship between central and local government, devolving more responsibility for making decisions on benefit payment to the local authorities while limiting central government’s financial commitments.

Administrative arrangements in the Netherlands are therefore moving towards regionalisation; a redefinition of the role of the social partner, also involving redefinitions of responsibilities for policy and implementation; and devolution. Issues about access, the future of IT, cost control, supervision and compliance and the potential for privatisation fall under these headings.

The institutional description of the cash benefits system in the Netherlands as given above shows how each part is separately governed and closely bounded. The benefits themselves are also structured so that they have been able to operate in a self-contained manner. Provision for those of working age (disabled people and unemployed people) are separate from benefits for those who are less likely to be active in the labour force (pensioners, widows, children). They protect their clientele against recourse to assistance by providing their own means-tested top-ups and relatively long-term benefits. It is only when unemployment benefit expires that unemployment assistance (RWW), which is a part of the general assistance scheme (ABW), is paid. Only very few insured people may need ‘topping up’ with ABW, and this will only happen if they are not fully entitled to insurance benefit. ha 1993 less than 1 per cent of households receiving assistance benefit were at the same time in receipt of the unemployment insurance benefit (WW). (Ctsv,
1995b). The largest part of the benefit system, which provides for those who are economically inactive, pays benefit at the social minimum level and recourse to assistance is not expected. Each part of the system has its own administrative structure providing separate local outlets which are not coterminous. Thus there are 629 municipalities each with local offices, 30 district offices of the GAK alone and others serving the remaining BVs, 22 district offices of the SVB and 28 labour offices (employment exchanges).

These separate operations have become a matter for concern, not so much because they present difficulties of access for clients but because there has been no connection between the labour offices and either the municipalities or the administrative offices of the BVs. The access question is only of limited importance since the clientele in general does not overlap. The lack of connection with the labour office is, however, seen as serious. The BVs' clients are incapacitated/disabled and unemployed people. The number of disabled people has risen sharply, leading to the view that the disability benefits system provides a convenient alternative to redundancy. This exit-from-employment route has come under criticism for placing far too great a burden on public expenditure, and the emphasis is now on labour market reintegration for both disabled people and those who are unemployed. The same is true of clients of the municipalities, the majority of whom are unemployed. Relationships with the labour offices have been difficult since they are differently organised and located and since they have in any case tended to ‘cream of’ the ‘better’ workers.

Legislation introduced on 1 January 1995 now requires cooperation with the Regional Board for Employment. The municipalities have begun to set up joint local employment placement services with the labour offices for the long-term unemployed who have little schooling.

Tica is charged with improving cooperation, and other bodies, including management consultants who are working on behalf of the municipalities, are conducting work on regionalisation. Tica’s plans show that there will be Regional Employment Boards which will consist of social partners and local authority representatives. These Boards will be compelled to cooperate with the 18 BVs under agreements formed between the Central Employment Board, which consists of social partners and representatives of central government, and Tica. Local outlets will remain separate but an unemployed client will be able to apply to any of these offices and have his or her case dealt with in the spirit of ‘one-stop’. The new law will demand a ‘personal plan’ made by the labour office with the client. The labour office will inform the municipalities’ Social Services Department if the client fails to comply.

As can be seen, regionalisation is not about drawing together the separate parts of the cash benefit provisions. The SVB, for example, is not included. Regionalisation is seeking to encourage labour market participation.
The self-contained nature of the arrangements for the different cash benefits is apparent in the information technology systems. It appears that all the information about individuals is available and accessible but it is not linked up. Data-matching was not thought about until approximately seven or eight years ago, but there is also a sense in which the different organisations do not feel the need to talk to each other. For example, the BV organisations are not interested in whether a person is also claiming assistance - in their view they are either entitled to the insurance benefit or not. Nor are they interested in SVB data. It is the municipalities which have an urgent need to access the BVs and the SVB data to know who is in receipt of insurance, benefits and pensions. For its part, the SVB must have access to the municipalities' registers, which give details of residence and family status. All organisations seek information from the tax data which hold the tax, employment and benefit details of every person with a combined tax and insurance number (SA, but the tax computer is not as yet linked up with the different benefit computers.

Every person in the Netherlands receives a combined tax/benefit number at the age of 12 (So 1), and it is possible to access information about individuals through this number, which benefit claimants always have to provide. It serves both as a check on identity and as a pathway to other data. For example, a person arriving at a local authority assistance office without the number will be asked to obtain it from the tax office. In the case of foreigners the tax office will check on immigration status before issuing it. The tax data are a crucial source of information but they are up to a year out of date and because they are not on-line to the various benefit offices they are labour intensive to deal with.

The registers kept by the municipalities (and a General Register) are the other main sources of information about individuals. It is not an offence to fail to register with the municipality, but evidence of registration is required for employment and for claiming benefits. The details about residence and family composition held on the registers are used by the municipality - especially for lone parents - and by SVB in relation to pensions and child benefits.

Each of the different organisations running the different schemes - the local authorities, BVs and SVB - calculates and pays benefits by computer. In the BV scheme the different BVs have separate systems and only some are linked to the central index (GV1). There are also problems because the GVI is overstretched and not always kept up to date. To access data for the BV the municipalities have to use a print-out of the GVI. There is no direct link between the SVB offices, but each office can directly access the main SVB computer centre. In future the whole organisation will operate on-line. SVB offices have access to the information on the municipal register in their area. Figure 8.1 gives a picture of the current computer links.
There are currently plans to link the BVs, the tax computer and the municipalities’ computers through a central system (RINIS), and it is estimated that this will be operational in two to three years time. However, there are reservations about access to information. Fears were expressed about potential political uses to which such extensive information can be put, particularly in relation to the municipal register. Two people commenting unprompted in different organisations regretted the role which the register had played in wartime, and others saw dangers in being ‘too tidy’.

**Figure 8.1 Netherlands: Computer links**

<table>
<thead>
<tr>
<th>BRP</th>
<th>GVI</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 BV</td>
<td>? BV</td>
</tr>
<tr>
<td>not in GAK</td>
<td>in GAK</td>
</tr>
</tbody>
</table>

Joint Electronic Network (CF NNE-I)

22 District Offices

Computer Centres

Amtelveen and Nieuwe

Legend

- on line
- electronic
- - - - telephone
- tape exchange
- --- in preparation
- - - - no links

BRP - GAK central computer
GVI - central index
IB - municipal information bureau

Note: Access to comprehensive data not shown here) is mainly through print-outs. There are plans for linking all data, including tax, through central system (RINIS) within two years.

**Redefinition of roles** Legislation of 1 January 1995 has made changes which are intended to limit the role of the social partners in policy and implementation and in supervising a system run by themselves. The discussions about privatisation and separation of policy and benefit administration are closely connected with these moves. Unease about the social partners’ influence in the Employee Insurance Scheme has centred around their role in encouraging exodus from work by generous implementation of disability benefits and a belief that they have been encouraging the payment of subsidies to wages rather than seeking to provide more employment. A different view of these events was that government had colluded with the social partners to achieve
relatively painless exit from work but that the media had over-emphasised the partners’ role.

The belief that the social partners may have been using the benefit delivery system for self-interest led to the proposal that they should cease to have a role in policy implementation and benefit delivery. This could be problematic, however. Some BVs are likely to consider themselves still legally accountable for adjudicating benefits which they provide.

One proposal is that the administrative offices of the BVs should function independently under contract to deliver benefits. The notion of a contract introduces the idea of competitive tendering for the administrative organisation of the BVs’ benefits. However, it is clear that an outside enterprise would find it almost impossible to win a tender against the existing administrative organisations and in particular the large and comparatively cost-efficient organisation, GAK.

It is important to note that the establishment of the administrative offices under contract to the BVs for delivery is not comparable to the establishment of Agencies in the UK. It seems, instead, to be inspired by the perceived need to remove the social partners from the implementation arena and to neutralise delivery.

It is noticeable that even under the present system, where there are six administrative organisations serving the various BVs, an element of competition is fostered by comparing performance statistics. The costs of administration are compared across organisations, and GAK, the biggest organisation, is shown to be the cheapest. The element of competition is to be strengthened in further legislation in 1997.

Although, at the time of writing, the administrative offices are unlikely to be taken over by outside agents, the redefinition of the social partners’ roles may well lead to a shift towards private sector provision. Thus the social partners, deprived of their role vis-a-vis implementation and benefit delivery, may develop disability insurance in the private (occupational) sector. This has already happened to some extent as a result of the tightening of the eligibility criteria for disability benefits in the statutory system. The social partners’ ‘compensated’ for this by setting up collective agreements, and this may be part of the explanation for the non-appearance of disability cases in the assistance (ABW) scheme.

Curtailing the influence of the social partners in the statutory scheme may, they claim, also affect fraud detection. In the employee insurance scheme the main anxiety about fraud relates to the non-payment of contributions. To curb this, spot checks are made for non-compliance, for example, by focusing on new petrol plants in Rotterdam or the clothing trade in Amsterdam.
Fraud did not become an issue in the employee insurance scheme until 1993. GAK now has a sizeable new Compliance Unit which, in addition to making spot checks on employers for non-compliance, is analysing fraud cases by gender, age and trade with a view to selective prevention of fraud at the claiming stage. By contrast, the focus on fraud in the SVB (that is, the national insurance scheme) is not on employer compliance (the employer does not contribute to that scheme and in any case the contributions are collected through the tax system) but on ensuring, for example, that pensioners do not misuse the policy which pays single pensioners more than a couple by misrepresenting their family status. As has been seen, the response in SVB is to undertake very labour-intensive visiting. The greatest concern about fraud is in the ABW (assistance) scheme and is discussed in the next section on devolution.

Devolution

`Devolution denotes a vertical shift in power and authority across an organisational boundary' (Pollitt, 1995). In the ABW scheme measures are being taken which involve some withdrawal by central government from funding benefits on demand and a shift towards fixed budgets and wider areas of discretion for local government. Central government is therefore moving to limited budgets and is exercising greater financial distance and less responsibility for the outcome of benefit provision. The measures have not yet been introduced and there is only speculation about the consequences - for instance, geographical inequities requiring further controls, demands by local government for larger grants or greater powers to increase local taxation.

Since 1991, when the tax data first made fraud apparent and also provided a means for detecting it, there have been efforts to contain it. In the ABW context, the concern with fraud is about misrepresentation (lone parents living together, unemployed people working in either the formal or informal economies). However, the Ministry does not have a `fraud squad`. It is left to the local authorities to detect fraud through the checking of evidence and the rules set by the Ministry for ensuring that changes of circumstance are reported.

A feature of devolution was said to be a lack of management information. There were no overall figures, for example, for the administrative costs of paying assistance, and the Ministry did not hold figures for each of the municipalities. A comparison of expenditures between authorities was considered difficult as some may, for example, be spending parts of their block grants on ABW. For the national insurance scheme and the insurance scheme for employees, the independent supervisory body (Ctsv) provided statistics on administrative costs (see Table 8.3). Independent supervisory bodies clearly have a crucial role in systems, which, as in the Netherlands, use the `social mid-field' - neither really private nor really public - for its governance of publicly funded provision.
Table 8.3  Netherlands: Administration costs of insurance benefits

<table>
<thead>
<tr>
<th>Benefit expenditure</th>
<th>Administration cost</th>
<th>Administration cost as a % of benefit expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>(million £)</td>
<td>(million £)</td>
<td></td>
</tr>
<tr>
<td>AOW (old age pension)</td>
<td>32,546</td>
<td>394</td>
</tr>
<tr>
<td>AWW (widows' and orphans' pension)</td>
<td>4,803</td>
<td>173</td>
</tr>
<tr>
<td>AWW (disability pension) and WAO (disability benefit)</td>
<td>19,566</td>
<td>1,433</td>
</tr>
<tr>
<td>WW (unemployment benefit)</td>
<td>8,086</td>
<td>869</td>
</tr>
</tbody>
</table>

Data are for 1994.

Sources: Benefit expenditure, Ctsv (1995a); administration costs, Ctsv (1995b)

Current discussions in the Netherlands suggest two trends. The first is that in some respects the notion of institutional autonomy is gaining rather than losing ground. Local authorities are to have more discretion; the administrative offices of the employee insurance scheme are to be accountable to the independent Ctsv; the Social Insurance Bank now advises the Ministry directly; the Industrial Associations may move, increasingly, into private sector provision. At the same time, there appears to be a strong governmental steer: central government devises policy and directs incentive measures to control the cost implications of working through institutions which do not necessarily share its objectives or its concerns about 'the collective burden'.

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Overview All statutory cash benefits and Food Stamps in the USA are funded through, and delivered by, public institutions. As shown in Table 9.1, they can be grouped according to their mode of governance as follows:

**Dominant role for SSA-administered benefits**  
Old Age and Survivors Insurance (OASI) (also sometimes referred to as Retirement and Survivors Insurance - RSI) is provided entirely through the Federal Government from employers' and employees' contributions. Eligibility requirements and benefit levels are uniform throughout the USA. The responsible institution for delivery throughout the USA is the Social Security Administration (SSA) which is a Federal agency (the meaning of 'agency' status is discussed further below).

Disability Insurance (DI), which together with old age insurance and survivors' benefits forms the OASDI programme, is also nationwide and funded from contributions. However, delivery is not entirely conducted by the SSA, as the assessment of disability is carried out by the States.

Supplemental Security Income (SSI) is a means-tested benefit for people who are age 65 or over or are disabled. It can be paid as a supplement or as an alternative to the insurance-based benefits under OASDI. It is also a nationwide benefit, provided through the SSA, but unlike OASDI it is financed from tax revenue. As with DI, assessment of disability is undertaken by the States. Eligibility requirements are uniform, but States can supplement the benefit level and this supplement may be administered by the States or by the SSA.

Food Stamps  
Food Stamps (FS) are coupons in lieu of money given for the purchase of food. They provide the safety net in the USA for those who have income and resources below the levels set by the Federal Government. Food Stamps are administered by the Department of Agriculture at Federal level but they are delivered by the States' public welfare organisations. All programme costs are funded from Federal general revenues but administrative costs are shared with the States, that is, 50 per cent (or more if the error rates are low) is paid by the Federal Government.

The Food and Consumer Service (FCS) of the Department of Agriculture is responsible for the policy and administration of Food Stamps. Until the recent 'welfare reform' discussion about Aid to Families with Dependent Children (AFDC), the status of Food Stamps as a Federal programme had not been questioned. Food Stamps, unlike AFDC, have kept up with inflation largely because they have the support of the agricultural lobby: Food Stamps account for 4 per cent of food sales. Recently, however, along
with AFDC, they have begun to be seen as an open-ended Federal commitment and have become part of the debate about the Federal deficit.

By contrast with AFDC (see below), the eligibility and entitlement conditions for Food Stamps are laid down nationally and cannot be modified by the States, although States can seek ‘waivers’ of Food Stamp rules under limited conditions. The waiver process has been more important for AFDC and is discussed further below. Minimum delivery requirements are also laid down in Federal law: for example, Federal regulations stipulate that delivery has to be completed within 30 days.

Table 9.1 USA: Beneficiaries and expenditure by programme

<table>
<thead>
<tr>
<th>Dominant role for Federal Government</th>
<th>Federal/State partnership</th>
<th>Joint Federal/State provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>OASDI</td>
<td>Unemployment Insurance</td>
<td>AFDC (excluding AFDC-UP)</td>
</tr>
<tr>
<td>41.5 m beneficiaries (3.5m disabled)</td>
<td>3 m recipients at any one time</td>
<td>4.5 m cases, 1.3 m recipients</td>
</tr>
<tr>
<td>Expenditure $286 bn ($31 bn disability)</td>
<td>(9.6 m over year)</td>
<td>Expenditure $20.1 bn</td>
</tr>
<tr>
<td></td>
<td>Expenditure $37 bn</td>
<td></td>
</tr>
<tr>
<td>SSI</td>
<td></td>
<td>AFDC-UP</td>
</tr>
<tr>
<td>1.5 m SSI elderly, 4.1 m disabled</td>
<td></td>
<td>322,000 cases, 1.3 m recipients</td>
</tr>
<tr>
<td>Expenditure $22.2 bn</td>
<td></td>
<td>Expenditure $2.1 bn</td>
</tr>
</tbody>
</table>

Food Stamps

10 m Food Stamp Households
(FSHs) with 25.4 m members;
Expenditure $20.9 bn
Figures are for 1992.


*Federal/State partnership* Unemployment Insurance (UI) is operated as a ‘Federal/State partnership’ with the Federal Government providing the framework within which the States operate their schemes. The central component of this framework is the Federal Unemployment Tax Act (FUTA) which set a tax of 6 per cent on employee earnings up to $7,000, payable by employers. All States operate approved UI schemes which generate a credit (‘offset’) of 90 per cent of 6 per cent (5.4 per cent). The Federal Government collects the balance of 0.6 per cent, along with a temporary surcharge of 0.2 per cent. Thus the current ‘FUTA tax’ collected by the Federal Government is 0.8 per cent of (for most employees) $7,000, or $56 per employee.

The intention of the ‘offset’ arrangement was that States which provided UI would not have a competitive disadvantage relative to those which did not offer this form of social security to their workers. However, it is important
to note that the credit of 5.4 per cent is obtained by any approved State scheme, regardless of the actual tax rate levied on employers. In 1992 the average actual tax rate was 2.2 per cent, with a range from 0.6 per cent to 5.4 per cent (Schmulowitz et al., 1993, p.27). The tax paid by individual employers within a State is merit-rated, with States levying higher taxes on those employers who lay off or dismiss workers most. Merit-rating formulae vary from State to State. The merit-rating system has important administrative implications, as employers have a financial incentive to ensure that separations are classified as voluntary quits rather than as dismissals.

Approval of State schemes rests with the Secretary for Labor. State legislation is monitored by the Unemployment Insurance Service (UIS), part of the Employment and Training Administration within the Department of Labor. Federal legislation is very general and a great deal is left to the legislation of the individual States. The main requirements which State legislation must comply with concern the fiduciary protection of Trust Fund money. All payroll tax revenue must be deposited in the State's UI Trust Fund with the Treasury, and can be used only for benefits. The Funds are intended to accumulate reserves during cyclical upturns which can be drawn on in times of recession. The reserves can only be invested in approved financial instruments.

While there are other requirements for approval for State UI schemes, the adequacy of benefits is not subject to Federal scrutiny. States can therefore reduce the State UI tax paid by employers (without losing the 5.4 per cent credit) by setting lower benefits. There are some signs of this happening, principally through failure to increase maximum benefits. As a result the average UI benefit is now about one-third of the worker's previous wage, compared with an average of about 50 per cent in the 1970s.

The structure of financing for the basic UI programme is that States finance benefits (usually for 26 weeks; 30 in Massachusetts) while the Federal Government meets administration costs. However, there is also provision for extended benefits to be paid to unemployed people who exhaust their 26 weeks of entitlement when the State's overall rate of unemployment is high. Extended benefits are financed 50/50 by the State and the Federal Government, and are subject to Federal rules, for example over job search requirements. The Extended Benefit Program is virtually defunct because the trigger for extended benefits depends on the insured unemployment rate (IUR), which has fallen relative to the total unemployment rate (TUR). While a reform in 1992 enabled States to base the trigger on the TUR, no State took up this option, basically because of concern about its possible cost. The recession of the early 1990s depleted many State Trust Funds; some had to borrow.

The fall in IUR relative to TUR indicates that many unemployed people are not in receipt of UI, either because they have exhausted their benefits or because their previous work history is too intermittent. Given the failure of
the Extended Benefits Program, Congress has filled the gap with various ‘one-off’ Emergency Unemployment Compensation (EUC) measures. By contrast with extended benefits, EUC is financed entirely by the Federal Government. As a fully Federally financed programme, EUC is subject to Federal rules, and this affects quite markedly the audit and quality control procedures operated, as is explained below.

**Joint federal/Sta**<sup>g</sup>. provision

*Aid to Families with Dependent Children* (AFDC) is a means-tested benefit for families with children that are deprived of parental support. It most frequently relates to lone parents, but since 1988 it has been mandatory for States to pay AFDC where a parent is unemployed (AFDC-UP). As Table 9.1 shows, the numbers receiving benefit under this head are small. One reason is that the definition of unemployment for the purposes of AFDC-UP requires the applicant to have a well-established connection with the labour market (an adequate work history).

Federal and State governments co-finance AFDC in accordance with matching formulae, also referred to as ‘Federal financial participation’ (FFP). For cash assistance, the FFP is the same as the Medicaid assistance rate (Federal Medical Assistance Percentage, FMAP). Administrative costs are subject to FFP of 50 per cent, although higher Federal participation has been offered at various times to support initiatives such as fraud prevention and detection, and computerisation. However, no ‘enhanced match’ provisions are in operation at present. Administrative expenditure is basically determined by States’ decisions as to the amount which they will budget for their 50 per cent of administrative costs.

At the Federal level, the Administration for Children and Families (ACF) within the Department of Health and Human Services (DHHS) has oversight of AFDC. The Federal Government and the States are jointly responsible for policy and financing AFDC. Responsibility for implementation and delivery lies with the States but, because of the Federal Government’s financial involvement, delivery is closely monitored by regional offices of the Federal Government.

The Federal Government approves the State plans for AFDC according to conditions laid down by the Social Security Act. The State plans must cover administrative arrangements, opportunities for fair hearings, privacy, the treatment of assets and disregards, circumstances under which people are deemed ineligible (such as strikes), and other services and provisions to be made (foster care, adoption, job training). For some of these matters the plans may need only to outline parameters, leaving the determination of details to the States. In other matters there are Federal requirements, for instance in relation to the kind of assets which should be excluded from consideration in determining eligibility. However, taking this example, States are given leeway to determine the value of assets which will constitute the threshold for eligibility.
The major policy role of the States is in the determination of the ‘need standard’. States set their own need standard, and also determine what level of assistance will be provided relative to the need standard. Since 1980 the US average need standard has doubled. However, the average payment amount has increased by less than one-third. Whereas the payment amount stood at 92.7 per cent of need in 1980, it had fallen to 61 per cent by 1994 (US Department of Health and Human Services, 1995). This has administrative implications which are discussed in the introduction to the section on delivery of benefits in the case of lone parenthood.

Another important area for the development of State policy in recent years is the formulation of ‘demonstration’ (pilot) projects intended to improve the operation of the benefit system, principally by getting people off benefits and into work. Under Title XI, s.1115 of the Social Security Act, Congress delegated to the Secretary of DHHS the power to approve ‘waivers’ altering AFDC eligibility rules and benefit levels, to change various aspects of requirements relating to participation in employment and training schemes, and to impose new kinds of requirements, for instance immunisation. While Federal schemes for work and training by benefit recipients have operated for some years (initially through the Work Incentive Program [WIN] and subsequently through JOBS [see below]), States have sought to vary these programmes in a variety of ways. In some cases the demonstration projects have tightened conditions for participation compared with the Federal guidelines. However, Federal conditions were themselves tightened due to President Reagan’s insistence on mandatory participation in the JOBS programme (Title II of the Family Support Act). Few States have been able to achieve the participation levels for the unemployed parent programme. Many States are not spending the full amount of potential Federal JOBS funding.

Some States have undertaken demonstrations which liberalise conditions, for example, by increasing earnings disregards (as with New York’s Child Assistance Program - CAP). Other States are seeking changes to the ‘100 hour rule’ which limits the extent to which claimants can work and continue to receive AFDC-UP. There are two main criteria that the demonstration must fulfil: it must have a scientific design for evaluation, which is now widely taken to require random assignment of claimants to the pilot and to a ‘control' group, and it must not increase costs to the Federal Government. The latter criterion may contribute to the tendency for many successful waiver applications to involve the tightening of conditions. States are not prevented from liberalising conditions, but they must meet all additional costs themselves instead of receiving the usual Federal financial participation. The emphasis on evaluation design stems from the logic of piloting, which is that findings might subsequently be incorporated into wider welfare reforms. However, as is discussed further at the end of this chapter, demonstrations have become so widespread that it seems that s.11.15 has really been allowed to become a mechanism for giving the States more leeway in policy-making.
Waivers were approved for both Massachusetts and West Virginia in 1995. In Massachusetts waiver authority was given for a large number of initiatives including tighter work requirements and sanctions for non-compliance, school attendance, immunisation, and - more contentious than the other proposals - limiting assistance to 24 months in a 60-month period. This 'two-year cap' was later abandoned after ACF in Washington sought to make the exemptions, listed by Massachusetts, mandatory on the State instead of permissive. In West Virginia the waiver will require one parent in an unemployed AFDC-UP applicant or recipient case, with exceptions, to participate in JOIN, an alternative work experience programme; it will sanction the entire family after a second instance of non-compliance with JOIN; and will disregard as income, wages or allowances paid to JOIN participants for work and travel expenses.

While this study of cash benefits does not encompass health benefits, the arrangement of health cover for the elderly (Medicare) and the poor (Medicaid) has important effects on the benefit system. The management of these programmes is the principal activity of DHHS; administration of cash benefits is of minor financial importance by comparison. This is not just because of the high health care needs of the elderly: even for the poor Medicaid is the most valuable benefit available (entailing higher expenditure than AFDC or Food Stamps). Its importance intensifies problems of getting off benefit for welfare recipients - jobs may be available at wages above assistance levels, but low-paid jobs rarely carry health cover.

Specific institutional effects of Medicare and Medicaid include the following:

1. Under these programmes the Federal Government disburses large amounts of money to private providers. This has been accompanied by the development of monitoring systems to control fraud and embezzlement of public funds. Some of these monitoring systems are linked to Federal monitoring of State use of Federal funds for benefits also.

2. Healthcare institutions have an interest in facilitating Medicaid applications to ensure that bills are paid on behalf of poor people who receive treatment. These applications are dealt with by State public welfare offices, who also administer AFDC and Food Stamps. In many States applications for Medicaid are handled in an integrated way with the cash assistance programmes. The administration of health benefits is accompanied by outreach activity which also affects the income support benefits. In particular, the State agency has contracts with a number of hospitals to take Medicaid claims. The hospitals pay the administrative cost of these claims (the benefit for them is improved promptness in recovery of treatment costs). While the hospitals' interest is in medical benefits, applicants are often also eligible for income support.
3. The SSA and the States’ public welfare offices are reimbursed from the appropriate medical care trust funds for their work in administering Medicare and Medicaid, respectively.

Table 9.2 summarises the roles of the different institutions which govern and deliver the pensions and benefits listed above. The following discussion looks first at the institutions involved in delivery of OASDI and SSI: the Social Security Administration (SSA) and the State Disability Determination Services (DDSs). Next, the financing and governance of the offices involved with the delivery of AFDC and Food Stamps are described. The discussion then turns to Unemployment Insurance, and particularly the relationship between UI, the Employment Service and the work programmes offered to recipients of AFDC and Food Stamps. Finally, the monitoring activities of the regional-level organisations, and the role of the Office of the Inspector General (OIG) in the various departments, are discussed.

The exact arrangements for the delivery of State-administered benefits vary by State. Where applicable, examples have been drawn from the two States visited in the course of this study, Massachusetts and West Virginia. A note on the reasons for choosing these States is attached as an Appendix to this chapter. The criteria used relate to differences in the two States’ AFDC programmes. Massachusetts is a relatively high-income State: it pays relatively high benefits amounting to 100 per cent of its need standard, and its matching formula, FMAP, is the base amount for high-income States, 50 per cent. In 1994 West Virginia had the highest FMAP in the country, at 75.72 per cent. West Virginia pays relatively low benefits, amounting to only 50 per cent of its need standard.

The SSA officially separated from DHHS in 1995, and was thereby restored to its original status of an independent Federal agency. The main reason for independence was the pressure exercised by interest groups to take social insurance benefits off-budget so that they could not be used to make good the Federal deficit. Administrative issues also played a part. A panel of experts reporting to Congress in 1984 had given administrative reasons for making the SSA an independent agency. They argued that inefficiencies had been caused by internal reorganisations as a result of repeated changes in leadership of DHHS, and that SSA was subject to too many layers of bureaucracy in DHHS. The panel also canvassed arguments against independence, which were that social security should not be insulated from fiscal policy given the size of its expenditures, a Federal social programme should not be regarded as a contractual pension system, and independent status would operate against a coordinated approach to social programmes (DiSimone, 1995).
It appears that the predominant concern about protecting social insurance against budgetary inroads merged with unease at the complaints levelled against the quality of the SSA’s service. In 1992 the House Committee of Ways and Means described the problems of poor administrative performance. Staff cuts, which had been imposed on SSA as part of a general curb on Federal employment, had resulted in backlogs in disability administration; the central telephone access through the ‘800 line’, installed because of overload at local offices, had caused long waits and had been very costly; local office staff were refusing to see people without appointments; and performance statistics were gamed (US House of Representatives, 1993a). Two reports in 1993, one by the Vice-President and the other from the General Accounting Office, led to Hearings in the House on Reinventing the Social Security Administration in which independence was the central proposal (US House of Representatives, 1993b). The independent agency was eventually established by legislation in August 1994 and made effective in March 1995.

The budget for the SSA (for both programme and administrative costs) is now developed separately to the main Federal budget. The separate budget process was intended to ensure that social security cuts could not be part of any general budget reconciliation (but the SSA remains financed from the
Federal budget, and was closed down during the recent budget deadlock. The effect of the separate process is different to removing the Social Security Trust Funds (SSTFs) from the budget (as advocated in earlier debates) because the SSA does make some expenditures which are financed from general revenue. The most important area of such expenditure is the Supplemental Security Income (SSI) programme, which provides benefits to elderly and disabled people with inadequate insurance.

Both programme and administrative expenditure on SSI are subject to the annual budget process. However, part of the SSI appropriation is open-ended: an indefinite appropriation is made to finance any shortfall in the definite appropriation for programme costs during the last months of the fiscal year. Furthermore, control of SSI administrative expenditure is opaque, because the OASDI and SSI programmes are administered in an integrated way by SSA offices. As a result, administrative costs for SSI are met in the first instance from Trust Funds (the same source as OASDI), but the Trust Funds are subsequently reimbursed from the general budget with the aid of an *ex-post* cost analysis of the respective expenses of SSI and OASDI (US Social Security Administration, 1995a, p.58).

The new structure of the SSA consists of a Social Security Commissioner, appointed by the President and confirmed by the Senate, carrying a ministerial salary, responsible for all duties of the agency with authority and control over all personnel and also a member of the Board of Trustees. Also appointed by the President are the Deputy Commissioner, the Chief Actuary and the Inspector General (see below on the role of the Office of the Inspector General in the US government). The Board of Trustees consists of seven members including the Commissioner and the Secretaries of the Treasury, Labor, and Health and Human Services, as well as the Deputy Commissioner of Social Security.

In the original House proposal the independent SSA was to be governed by a three-member board, with no more than two members being from the same political party. In the Act as finally passed the Senate's preference for a single Commissioner to head the agency was accepted on the grounds that this would enhance management efficiency. However, Congress agreed that a bipartisan Advisory Board would be established, with seven members, three appointed by the President, two by the House and two by the Senate. The functions of the Board specifically encompass both policy and delivery issues, for example:

- making recommendations to the President and to the Congress with respect to policies that will ensure the solvency of the OASDI programme
- reviewing and assessing the quality of service that the SSA provides to the public.
The function of a bipartisan Board, as seen by Congress, is to enhance public confidence in the social security system.

One interpretation of the effect of agency status is that it reduces the influence of the Executive on social security relative to the Legislature (Congress). One reason why this outcome was sought by Congress was that the Department of Health and Human Services, where the SSA was previously located, administers AFDC, a 'welfare' programme. Separation of SSA from HHS has the effect of drawing a clear line between aged and disabled social security recipients and other groups, such as lone parents.

The SSA employs 69,000 people in 1,300 district and branch offices, 10 regional offices, six processing centres, one data operations centre, 39 teleservice centres and 136 hearings offices. Some operational authority concerning personnel and budgetary matters is delegated to the regional commissioners, but all policy remains at the centre of the SSA where the regulations are drawn up. The regulations have to keep within the meaning of the primary legislation which does not, however need to specify in what areas regulations should be made. The regulations are scrutinised by the Office of Management and Budget (OMB) but are not laid before Congress. In addition to the regulations there is the Program Operations Manual System (POMS) which contains the operating procedures. These are also written at SSA Head Office.

Program Service Centers (PSCs) are located at six (out of ten) of the regional offices. Their role has been:

- to handle claims which the field office is unable to adjudicate on - basically those which are not captured in the computerised processes available
- to store old age and survivors (OAS) claim records which the field office has determined
- to undertake some quality assurance (QA) and quality control (QC) functions.

Work is divided between the PSCs on the basis of the geographical indicators contained in Social Security Numbers (SSNs). As a result, each field office will tend to deal with one principal PSC but any immigration into its area will involve dealing with other PSCs.

The PSCs' role is now changing somewhat as the teleservice centres, which are co-located, become more important. PSC staff now act as supplementary teleservice advisers during busy times (staff undertaking this function are called 'spikes'). The SSA plans to take and determine more claims by telephone each year, and PSC personnel are seen as important in this plan, as they are trained in adjudication.
The most recent hirings in the SSA are in the teleservice centres. Because of the state of the labour market it is now possible to hire college graduates for these jobs. Teleservice operators need to be knowledgeable about all the benefits. Guidelines from SSA Head Office on personnel state that the regional commissioners should employ bilingual people and `good scholars'. Because of the increasing `customer' orientation, the emphasis is on employing `good' people at the front line, while numbers of policy staff are being reduced.

Entitlement to DI and SSI is determined by SSA offices. However, eligibility - that is, whether a person's situation meets the definition of disability - is decided by the Disability Determination Service (DDS) which is provided by the States, although paid for by the SSA. DDS employees are State employees, although all the finance comes from the SSA. State salaries vary, but State staff are paid less than Federal employees.

The funding allocated to the administration of the DDSs is based on projected workloads (number of cases processed). Because of differences in running costs between States, the SSA operates a `cost-effective management system' to compare costs while at the same time allowing for differences in factors such as rent. The SSA cannot reassign case loads from high-cost to low-cost States, although staff have sometimes transferred between States to help clear backlogs. Given this limitation, the SSA has concentrated on trying to improve productivity by comparing cases handled per staff member (`production per work year' - PPWY) across States. For example, West Virginia is a low-cost State because of low office costs and salaries, but it also has a below-average PPWY of 270, compared with the national average of 297. Low-productivity States are not subject to financial sanctions, but receive administrative and management advice from the SSA: in the words of one DDS officer, `they help you to death!' Budgetary authorities are structured around four basic line items: personnel, non-personnel, medical and indirect costs. In addition, the IT component of costs is treated as a separate item for budgetary control, largely because of congressional interest in IT expenditure.

The reasons why the DDSs are run by the States are largely historical: States operated disability-related services before the introduction of DI in 1956, and still operate rehabilitation and other social services. The role of the States was reviewed in a recent exercise on `re-engineering' the disability claims process, but it was decided not to change this part of the system, partly in deference to State interests and partly because of the lower cost of State employees and the difficulties presented by Federal employment ceilings (although, somewhat oddly, DDS staffing can be affected by State employment ceilings). However, the new process does involve the appointment of a disability claims manager who will combine some of the functions of SSA and DDS staff.
There has been concern about the rising number of disability beneficiaries and the high costs and long delays involved in processing their applications. DI and SSI together (including appeals hearings) took up half of the administrative costs of the SSA in 1993 (US Social Security Administration, 1994). The average time taken to process DI and SSI claims is projected to be 154 days in 1995; an appeals hearing before an Administrative Law Judge (ALP is expected to take, on average, 342 days in 1995. These long delays are not only difficult for the customer but also costly to SSA: the hearing may consider new evidence, and evidence often has to be updated for the hearing.

A feature of the disability determination process is the high rate of appeal to ALJs, and the high rate of success for appellants. In West Virginia some 80 per cent of appeals are successful. The DDS suggests that this is due to the different decision processes applied on appeal. DDSs operate in a rule-based fashion, focusing on the medical evidence available (for more details, see the section below on delivery in the case of incapacity). ALJs, by contrast, form a view based in part on the credibility of the claimant’s own evidence as given at a hearing.

There is great pressure on the disability benefit system because of the paucity of alternative income support benefits. This is particularly noticeable in States with low income levels and high unemployment, including West Virginia and other southern States. In West Virginia only 23 per cent of applications are allowed. Along with a high rate of appeals, there is also a lot of repeat filing (where refused applicants simply begin again with a new claim).

The re-engineering of the disability claims process aimed to cut administrative costs without increasing programme costs, while providing a better customer service. The key elements in the proposals included:

- improved information and claims packs for customers, and more scope for third parties to help get the application form completed to a high standard
- improved procedures for the notification of decisions, aimed at reducing the rate of appeals
- the creation of a new post (‘disability claim manager’) who would be familiar with both the medical issues and the non-medical parts of the determination
- more use of IT, particularly to assist the medical enquiry and store and transmit its results.

The new process is to be implemented by 2001 (US Social Security Administration, 1994).
AFDC Title IV-A of the Social Security Act specifies that a single State agency must be responsible for administering AFDC. This agency is known as the 'Title IV-A Agency'. The State can delegate its administration to county level, but remains in a policy and supervision role. A small number of States (15 in 1990) have taken this option; in these States AFDC is described as being `State-supervised' rather than `State-administered' (US Department of Health and Human Services, 1991).

In both West Virginia and Massachusetts AFDC is State-administered. In West Virginia the Title IV-A Agency is the Department of Health and Human Resources (WV DHHR). The Department is headed by a Secretary and is made up of four bureaux, each headed by a commissioner. The bureaux are:

- Bureau of Children and Families (BCF)
- Bureau for Community Support
- Bureau for Public Health
- Bureau for Medical Services.

In Massachusetts the Title IV-A Agency is the Department of Transitional Assistance (DTA), until very recently named the Department of Public Welfare. The DTA, along with other departments of social services, mental health and medical assistance, is part of the State’s Department of Health and Human Services (DHHS). The DHHS is headed by a Secretary, while the DTA and other 'sub'-departments are headed by commissioners. Thus the DTA appears to be on the same 'level' as the BCF in West Virginia, but with the important difference that the DTA, not the DHHS, is the Title IV-A Agency. The significance of this is that the DTA has operational responsibility for AFDC.

Commissioners are appointed by the Governor, serve at the service of the Governor, and often have a high political profile. Currently the Governor in Massachusetts is a Republican (although both Houses in the State are Democratic) who favours radical 'welfare reforms'.

Welfare policies in both States are deliberated upon by a committee of the State Legislature. The 'need standard' and benefit level is always determined by the Legislature, but the Title IV-A Agency develops the regulations.

The two States have a similar regional structure. The Massachusetts DTA is divided into four regions, each with 12-15 branch or area offices which vary in size, the largest having approximately 150 staff. The BCF, which administers AFDC, has four regional directors, and, as of March 1995, 38 community services managers in charge of the field offices. Some functions are centralised at the Office of Family Support within the BCF in Charleston. For example, all Food Stamps are mailed from this office. Child support enforcement is a separate division of the BCF.
The administrative structure in West Virginia facilitates close integration of AFDC administration with other social services. For example, the commissioners heading the BCF and Community Support have joint ‘Quality Council’ meetings with the BCF regional administrators and other senior staff. Community Support functions centre on the administration of long-term care facilities and psychiatric units.

An important difference between West Virginia and Massachusetts lies in West Virginia’s high poverty rate and limited fiscal resources. States are not required to pay the full amount of their need standard. For example, if there are insufficient funds States may impose maximum levels of assistance and/or a percentage reduction of the need standard. Massachusetts pays the full amount of its need standard; West Virginia imposes a reduction of 50 per cent. One consequence of partial payment is that it is recognised that families must obtain support from other sources in order to get by. These include both support from other State and Federal agencies (such as Food Stamps) and support from the voluntary sector. The post of community services manager (in place of the previous ‘office manager’) has been established with the remit of liaising with voluntary organisations and charities as well as running the public welfare office. The function of liaison with the voluntary sector is an important one at all levels within the BCF.

In both Massachusetts and West Virginia the Title IV-A Agency is also the agency charged with administering the Job Opportunities and Basic Skills Training (JOBS) programme. JOBS was set up under the Family Support Act 1988, which made it mandatory for States to provide educational opportunities, job skills training, job readiness activities, and job development and job placement activities. States also have to provide two further optional components from among job search, on-the-job training, work supplementation and community work experience.

JOBS replaced the Work Incentive Program (WIN) which provided non-mandatory employment skills assistance to AFDC recipients. As well as introducing mandatory participation, JOBS also paid special attention to certain ‘target groups’ in the population. Under JOBS every State is required to spend 55 per cent of its JOBS expenditure on targeted populations in order to receive enhanced Federal financial participation (FFP). JOBS FFP is equivalent to a State’s FMAP or 60 per cent, whichever is the higher, for programme costs, and 50 per cent for administrative costs. (There is also a 90 per cent matching rate for spending up to a level based on States’ WIN allotments for 1987.) However, States have not succeeded in matching all the Federal funding that is potentially available. The targeted population consists of parents under the age of 24 who have not finished high school or who have not had any work experience in the past year, and long-term claimants who have received AFDC for three years out of the last five.

Private sector organisations are involved in aspects of JOBS in both Massachusetts and West Virginia. In Massachusetts the JOBS programme, or
the Employment Services Program (ESP) as it is known there, comes within one of the directorates responsible to the Assistant Commissioner for Policy and Programme Management in the Department of Transitional Assistance. The DTA buys into services provided under the Job Training Partnership Act (JTPA) (see below) and also buys staff from the Massachusetts Department of Employment and Training (DET) who visit, or are located in, the DTA’s AFDC offices. However, AFDC recipients cannot use the regular DET services, for reasons discussed in the next section (on unemployment insurance and employment services).

In West Virginia, Employment and Training (E&T) staff employed by the BCF administer JOBS from public welfare offices. A feature of JOBS in West Virginia has been its relative emphasis on the Community Work Experience Program (CWEP) whereby benefit recipients work off their benefit. The number of hours to be worked equals the amount of benefit divided by the minimum wage. Placements for this programme were provided by the non-profit private sector in response to advertising by the BCF and local offices. Education and training places are obtained in liaison with the JTPA administration, but, as in Massachusetts, AFDC recipients do not use the West Virginia Employment Service. Some training is offered by private sector organisations.

Food Stamps As well as administering AFDC, public welfare offices undertake most of the delivery of the Food Stamp programme, apart from awards to households which are entirely dependent on SSI, where SSA field offices do the administration. There is a high degree of overlap between AFDC and Food Stamp receipt: in 1993 nearly 90 per cent of AFDC families got Food Stamps (US Department of Health and Human Services, 1994b). However, FS does have other recipient groups, notably people in work on low incomes. The maximum potential award of FS is low relative to AFDC (and relative to the official poverty line), but entitlement tapers out only gradually as other income increases.

West Virginia has developed an integrated application form for AFDC, FS and Medicaid, whereas Massachusetts retains separate application forms for each. The difficulty with integration is that the programmes have different eligibility rules, despite their high rates of cross-qualification. FS is a national programme, with uniform eligibility and entitlement across the country, whereas AFDC is a State programme operated within Federal guidelines. This has meant, almost inevitably, that FS and AFDC rules differ. While efforts have been made at the Federal level to reduce these differences, their elimination would require either that the States submit to standard Federal rules, or that the Federal Government allows the States to vary more aspects of the FS programme. In the current environment of ‘States’ rights’, the first alternative is unlikely. The second alternative, if implemented, could take the form of block-granting FS along the same lines as the block-granting of AFDC envisaged in the welfare reform measures passed by Congress in 1995.
One important feature of the current differences in eligibility rules is that AFDC recipients sanctioned for non-participation in JOBS may retain their FS entitlement. However, FS has its own E&T programme, and some States have tried to integrate the two in demonstration programmes. These involve seeking waivers of FS rules as well as AFDC rules (cf. the discussion of waivers above). Some States have sought to increase the attractiveness of participation in E&T programmes by allowing participants to receive their FS entitlement in cash. Cashing-out also makes integrated administration of AFDC; and FS easier. Whereas AFDC waivers have to be approved in Washington, FS waivers are dealt with in a lower-profile way by regional offices. While AFDC waivers are highly political, FS waiver decisions tend to be more influenced by the practicalities of coordinated administration.

There are no Federal requirements concerning the form of the organisation responsible for UI at State level. All that is required is that “the States designate, or authorize the creation of, a State agency vested with all powers necessary to cooperate with the US Employment Service” (US Department of Labor, Employment and Training Administration, Unemployment Insurance Service, 1995b, para 500). The US Employment Service (USES) had been established in 1933 by the Wagner-Needles Act, to provide a nationwide system of information about job vacancies.

In some States the UI agencies (sometimes referred to as ‘employment security agencies’) are independent Boards or Commissions, composed of representatives of employers and employees and/or interest groups. In others they are an independent department of the State government or a part of the State Department of Labor. In Massachusetts the UI agency is the Department of Employment and Training, headed by a commissioner, who is directly responsible to the Governor. In West Virginia the UI agency is the Bureau of Employment Programs, which is situated within the Department of Commerce, Labor and Environmental Resources. The Bureau is also headed by a commissioner appointed by the Governor. In the offices visited in Boston and Charleston the UI office was located in the same place as the Employment Service, but this is not always so.

Job search requirements for UI vary from State to State. One consequence of the short duration of UI eligibility (basically six months) is that States attach relatively little importance to the provision of employment services to the insured unemployed. Furthermore, while the Employment Service is financed from the administrative budgets yielded by the FUTA tax, training programmes and job creation schemes cannot be financed from FUTA money. These demarcations become rather complex in practice because the ES may also be the JTPA agency (see below) and because some States supplement Federal administration funding, and this supplementary funding is not subject to the same constraints upon its use.
In recent years Congress has tried to encourage States to adopt a more proactive stance with respect to UI recipients by developing `worker re-employment and profiling' systems, whereby claimants with a high risk of remaining unemployed are identified on the basis of their age, educational level, occupational background and industry of previous employment. States have been left to develop their own profiling models. High-risk claimants identified on the basis of profiling receive additional employment services. In 1993 it was made mandatory for State agencies to make UI conditional on selected, `profiled' claimants participating in re-employment services (US Department of Labor, Employment and Training Administration, 1994).

The Job Training Partnership Act (JTPA, 1982) is the main government programme for the provision of training. It is not explicitly linked to benefit receipt, either institutionally or in the qualifying conditions for participation. The JTPA is Federally funded, with money distributed across States according to an unemployment-based formula. The JTPA's various titles provide for `economically disadvantaged' adults and young people, dislocated workers, native Americans and migrant workers (King, 1995, p.193). It is administered by private industry councils (PICs). While ES and Department of Labor officials are often represented on the PICs, the JTPA office is separate from the ES in a number of States. However, in both Massachusetts and West Virginia the ES is the JTPA office.

While JTPA services can go to the insured unemployed, particularly those `profiled' as being at risk of long-term unemployment, the JTPA is also linked to the JOBS programme for welfare recipients (see above). Indeed, the JTPA agency can be nominated by the State to operate the JOBS programme, instead of the public welfare office (neither West Virginia nor Massachusetts has taken this option). One difficulty in the relationship between the JTPA and JOBS is that JTPA agencies obtain better results by `creaming' better applicants, who are not usually in the target groups for JOBS participation.

Thus there are three programmes involving the provision of benefits and services to the unemployed (UI, JTPA, JOBS), and potentially four agencies: the UI administration, the Employment Service, the JTPA agency and the public welfare office. Some States have tried to bring the different agencies together, particularly the last three. A pilot, temporarily financed by the Federal Government, has been launched in the Plymouth area of Massachusetts, where the office provides rehabilitation services, industrial services, UI, JTPA and social services. In Xenia (Ohio), UI, AFDC and training and placement services have been co-located in one office, but the different funding sources for each activity limit the potential for coordination, as well as leading to differences in office space, facilities, and staff pay and conditions, which become highly visible when activities are co-located.
The administration of both UI and ES is affected by the powerful position of employers, who appear to have been successful in arguing that ‘their’ money (in the form of FUTA taxes) should be spent in their interests. One result is that many ESs are strongly employer-oriented, aiming to provide placement services which can compete with private sector agencies in providing a good service to employers.

While the States control key features of their UI programmes (in particular, the level of benefits), the Federal Government has control over administrative spending from employers’ UI contributions. State Trust Fund money cannot be used towards administrative costs; it must be used only to pay benefits. Congress makes an annual appropriation of administrative funds based on estimates of workload (claims load, appeals, number of taxable employees - bearing in mind that State offices collect the State tax as well as paying out benefits), factored up on the basis of the resources required to undertake the function and their cost (wages, rents) in each State. The information for factoring up largely derives from time-and-motion studies which were done throughout the late 1970s and early 1980s, but were abandoned in 1985. The estimates of administrative costs are also subject to discussion between the Department of Labor and the Interstate Conference of Employee Insurance Agencies, which represents the States in Washington.

Actual disbursements of appropriated funds depend on actual workloads, in which the most variable factor is the number of claims. Although management of administrative budgets has become more decentralised in recent years, with detailed line item control being replaced with ‘bottom-line authority’ for State administrators, the financing system remains closely linked to the payment of benefits, and could be claimed to discourage more ‘proactive’ administration.

This issue has been raised in the context of discussions about devolving UI administrative funds to the States, although it is not the main issue. The devolution proposal is that States would retain the funds collected from employers in their State, rather than the Federal Government making an allocation to States. The Federal UI administration is cautious about replacing the workload-based appropriation with another basis, as it is thought that the current system protects administrative funding against cuts.

A curious feature of the administrative arrangements is that States collect only ‘their’ taxes; the Federal share is collected by the IRS on behalf of the Federal Government. This is under scrutiny as part of Vice-President Gore’s National Performance Review. The aim is to reduce the reporting burden on employers by reducing the number of agencies they have to deal with. The Department of Labor supports this initiative because it expects to reduce the annual bill it receives from the IRS for FUTA collection. Some States combine their UI tax collection with other State taxation functions. Audits are conducted to ensure that costs billed to UI administration are correctly
attributed. State-appointed auditors report annually; the Federal Government undertakes its own audits on a longer cycle.

Where State offices undertake delivery of benefits (as for UI, AFDC and most Food Stamp payments), the Federal Government audits and controls the use of Federal money at State level through its regional offices. Each Federal department has its own regional office structure, and different departments define their regions differently - for example, Department of Agriculture regions (which supervise Food Stamps) are not coterminous with DHHS or Department of Labor regions.

One of the main functions of the regional offices is to operate various quality assurance, quality control, management evaluation and other 'programme integrity' measures. In the context of benefit delivery, QA measures usually encompass process indicators such as time taken from initial claim to payment, while QC refers to the sampling of cases to check on the accuracy of determinations. The exact arrangements differ somewhat from benefit to benefit, as the following summary illustrates.

**Unemployment Insurance** The QA programme for UI reviews procedural performance against Secretary's Standards and Desired Levels of Achievement. These relate to claims and appeals promptness, cash management, and recovery of overpayments (but not accuracy) (US Department of Labor, Employment and Training Administration, UIS, 1995a). Most QA auditing is undertaken by States themselves in accordance with the agreed performance criteria.

Federal regulations set out the parameters of QC programmes which must be conducted by the States. The current QC programme for UI only examines awards; a pilot programme is in operation to review denials. It has proved difficult to establish common quality standards for UI across the States. States have argued successfully that 'league tables' of QC performance should not be published because quirks in State law cause variations in the number of errors generated in QC studies (for instance, States with more stringent 'able and available' requirements are more likely to generate errors in this area). States have also obtained commitments that they will not be subject to financial penalties for errors disclosed by QC studies, leaving only the 'ultimate sanction' of withdrawal of administrative funds. Each State also has its own definition of fraud, and its own policy on taking fraud cases to prosecution.

As explained in the introductory section, Extended Unemployment Compensation (EUC) is fully financed by the Federal Government and is subject to more stringent active job search requirements than ordinary UI. Audits of procedures (QA) by regional offices have found examples of State systems being deficient in implementing these requirements, particularly in failing to establish notification systems between employment services and UI
offices to enable sanctions to be exercised against claimants who were not actively seeking work.

In 1990 there was a widespread misinterpretation by States of the application of the Federal job search requirement to certain categories of UI recipient, and erroneous payments of millions of dollars were made. Penalties would normally be payable, but in the end an Act of Congress was passed to forgive the penalties.

Alongside their QA and QC activities, regional offices are also involved in the implementation of the Benefit Payment Control (BPC) programme, which aims to reduce overpayments through measures including:

• ensuring that claimants are aware of their obligations at Benefit Rights interviews
• cross-matching from quarterly earnings returns from employers
• improving procedures for employer notification when temporary layoffs end
• detection of multiple payments going to the same address
• data exchanges between States.

Regional offices also have an advisory function. States can protect themselves from subsequent adverse audit findings by referring the circumstances of doubtful cases to the regional offices, and obtaining advice in writing.

AFDC DHHS/ACF has ten regional offices, each headed by a regional administrator. The regional administration basically comprises three offices: Financial Operations, Family Supportive Services and Family Security. Within the last office come Child Support Enforcement, JOBS and AFDC (including AFDC quality control). (Family Supportive Services include various child welfare functions and Federal programmes such as Headstart.)

Quality control is undertaken by the States in the first place. There are two types of quality control. The first involves the State examining the paper and computer records of a random sample of cases. The local office pulls cases according to an approved sampling plan and conducts a review. Denials and terminations are reviewed as well as cases in payment. The second QC procedure is the verification of decisions by quality control visits, also selected by random sample. From these processes, statistics on the number of cases which are valid and the number which are in error are generated.

The regional office (representing the Federal Government) re-reviews one-third of the cases sampled by the State, but does not undertake any visiting. The Federal Government imposes penalties for State errors, which are
calculated on a regression formula. In Massachusetts the State has guarded against being penalised for low-quality QC by establishing a central unit in the State organisation which reviews the findings of the random sample prior to scrutiny by the regional QC staff.

States are also penalised for failing to meet QC targets laid down by the Federal Government for accuracy of benefit determination. The target error rate is 5 per cent, but actual errors have been considerably higher. However, sanctions have never yet been collected from States. Some sanctions outstanding from up to 1991 have now been forgiven, while sanctions since then are the subject of a court battle between States and the Federal Government. The sums involved are substantial: West Virginia spent $3.3 million in State funds on administration in FY 1994, but has been sanctioned $800,000.

States have appealed against the sanctions on a variety of grounds, challenging their legislative foundation, the procedures set out in the QC manual, the validity of the statistical procedures used when sampling for QC, and the appropriateness of imposing a uniform standard across regions.

**Food Stamps** The Food Stamps Act specifies procedures for QC and management evaluation. The States are required to draw a random sample of cases for QC purposes. The region reviews a sub-sample of these cases and has more power to compel claimants to cooperate in the QC process than do the States.

Approval of States' delivery plans is given by the regional offices, as are approvals of waiver applications (by contrast with AFDC; see above). However, the Federal Government does not have resources to monitor delivery practices, which are known to vary. Federal staff have been ‘ downsized’ and the emphasis now has to be on accuracy through QC re-interviewing. There are no longer resources for management evaluation.

Federal control over the delivery of Food Stamps is exercised in part through financial incentives. The Department of Agriculture pays 50 per cent of the administrative costs but this is raised to 60 per cent where a State's error rate in relation to awarded Stamps is 5.9 per cent or less and where the error rate in denied awards is less than the national weighted average. An additional 1 per cent of administrative costs is paid for every 0.1 per cent below the 6 per cent error rate. Penalties can also be imposed for high error rates, but some States have agreed to ‘invest’ their sanctions, that is, to spend the amount of the sanction on improving administration.

Other functions of Department of Agriculture FCS regional offices include giving eligibility policy guidance and systems advice to States, and monitoring and assisting States’ anti-fraud activities (which receive enhanced administrative funding). (As explained in the IT section below, a set of
standards for verifying income against other data sources has been established by the Federal Government.) There is also a Retailer Management Unit, which employs field officers who authorise food shops where the Stamps can be used. The regional offices are also active in the promotion of electronic benefit transfer (EBT) methods of paying benefit, in preference to coupons.

The Office of the
Inspector General (OIG) Since 1976 each major Federal department has had an OIG. Each department’s OIG reports to the Federal Inspector General, who in turn reports to Congress. Many States have a similar structure, with State Inspector Generals reporting to State legislatures. Each Federal OIG also ‘shadows’ the regional structure of the principal department. With the creation of the SSA as a separate agency, some OIG staff were transferred from the DHHS to make up an OIG for the SSA. The SSA OIG has 250 staff, comprising 130 investigators and 120 auditors.

The duties undertaken by the OIG vary from department to department, but can include:

- auditing investigations, including both the initiation of fraud enquiries and taking of fraud referrals
- evaluations and inspections.

While there is some potential overlap between OIG work and the QA and QC activity conducted by agencies and departments, there is a basic difference in their terms of reference. The OIG has extensive powers to investigate specific cases, and works closely with the Department of Justice in preparing cases of fraud and malpractice (including internal fraud) for prosecution. By contrast, QA and QC activity is intended for administrative monitoring and does not generate action on specific cases. Most fraud enquiries are conducted by OIGs, many of which operate ‘hotlines’ for complaints and tip-offs.

State-level departments also have OIGs. In West Virginia the DHHR has an OIG which comes under the General Counsel, who reports directly to the Secretary of DHHR. The Office covers both Medicaid and AFDC. It includes a Quality Assurance unit as well as investigations and fraud management. The Board of Review (an auditing body) also comes under the OIG. There are about 90 staff (including secretarial support staff), including six ‘front end fraud specialists’ (who follow up suspicions communicated by claim-takers), and 25 investigators and ‘repayment officers’.

This separation of fraud detection and prosecution from the main benefit administration is also a feature of the system in Massachusetts. In Massachusetts fraud is dealt with by a Bureau of Special Investigations (BSI) which is part of the Executive Office of Public Safety and not the DTA. The
DTA itself undertakes no investigations. The BSI investigates work with local office eligibility workers who are ‘taught how to determine when potential clients meet the referral criteria profile’ (US Department of Agriculture, Food and Consumer Service, 1995, p.9).

Social Security Numbers (SSNs) SSNs are routinely requested by all agencies administering benefits, as well as by employers. Public welfare offices usually ask to see the SSN card, to prevent use of another person's SSN. At one time, State welfare offices could issue SSNs, but the SSA has now withdrawn issuing authority from other agencies in an effort to tighten control over the SSNs.

A system of enumeration at birth has been operating now for about ten years. Hospitals request an SSN (at the parents' request) at the same time as they send birth information to the State Vital Statistics office. An important incentive for parents to enumerate their children is that the IRS requires that SSNs be given for children for whom tax deductions are being claimed.

The amount of complementary information held with the SSN is limited. Only the information which is needed for the current operational purposes of the agency can be held. For example, addresses are currently held for benefit recipients but not for contributors. The issue of Personal Earnings and Benefit Estimate Statements (PEBES) to contributors will change this. The SSA will use its IRS interface to obtain up-to-date address information. As well as their public information function, PEBES will also have a security function, as they will alert contributors to benefits being awarded against their SSN on the basis of their contribution record.

The SSA's computer system The computer system used by SSA offices is basically highly centralised, although its size necessitates the use of regional processing centres to avoid overloading the central system in Baltimore. The system provides screens for handling most aspects of OASDI and SSI case processing, except for disability determinations. Staff enter details of claims on-screen while interviewing. The system generates a `statement' from data entered during the interview; this is printed off at the end of the interview, and the customer reads it through and signs it.

The SSA has a programme in place to upgrade its IT capacity by installing personal computers in place of ‘dumb' terminals and linking them via local area networks (LANs). This expands the capacity of the system while allowing more flexibility to be offered to staff in word processing and other tasks. It is accompanied by expanded use of IT for providing information to staff, notably in the transfer of the POMS from paper to CD-ROM. Staff processing claims on the PC-LAN system use the system for most aspects of their work, including letters and reminders.
To ensure that all information held by the SSA is up to date and on-line when a field office staff member keys in an SSN, a request can be generated the day before. However, it is possible to process a claim without doing this. By the same token, information inputted by a field office is incorporated into the main record overnight, and any discrepancies will generate `alerts'.

The main problem area which the .PC-LAN development is seen as addressing is the processing of disability claims, where it is hoped to do more case development electronically, with the cooperation of doctors and others involved in the assessment process. The SSA's development plans do not include any major extensions to the data-matching and verification. capacity of the system. The main verification process is the `Numident’ enquiry, whereby all information held against an SSN by the SSA is brought up. The main emphasis here is on improving the timeliness with which earnings are posted to individuals’ records. The aim is that all be posted within six months, but 1993 performance was that only 62.6 per cent were posted in this time.

For most of the SSA’s case load (most OAI recipients) further information beyond the previous earnings record is not needed. Where current earnings information is needed, this is obtained through the earnings posting process (the contributions recording system). Income information (only needed for SSI recipients) can be verified annually against IRS data. No proposals are in train to extend these systems.

Unemployment Insurance UI offices are also highly computerised, but the contrast between a centralised system and a ‘Federal-State partnership’ is apparent in the structure of the systems. Each State has its own computer system for UI, although the Federal Government has financed the development of a system to handle interstate claims (which used to be called Internet, and is now called ICON). While the interstate system is a specific area of Federal competence, the Department of Labor has also attempted to promote automation at State level. In doing so it has faced the criticism that the workload-based administrative funding arrangement for UI agencies makes it difficult for states to finance IT plans.

There are several examples of interstate cooperation in IT development for UI, including the development of expert systems to guide UI interviews (US Department of Labor, 1990). There are also examples of partnership arrangements with the private sector. Recently the Federal Government awarded a contract to the Maryland UI administration for the establishment of an Information Technology Support Center to promote the dissemination of IT initiatives between the States. Two major private sector firms provide technical support to the project (Newcombe, 1995).

In the UI offices visited, claim-takers interviewed applicants at their desks, with information on-screen about the contribution record and any benefit
payments already made. UI agencies tend to have good access to employers' quarterly wage returns, as these are made in conjunction with employers' UI contributions. The main innovation in verification which UI agencies are pursuing has been the introduction of a monthly 'New Hires' register, which enables UI recipients who have resumed work to be identified more speedily than the wage return allows.

AFDC and Food Stamps Public welfare offices are the poor relations in the use of IT to process claims. By contrast with SSA and UI offices, staff in the offices visited were not able to view screens while interviewing applicants. Data-inputting was done from paper records prepared by the case workers, and obviously no contemporaneous checking of case information was possible. Federal funding of up to 90 per cent of the cost of IT systems was available until April 1994, but was then reduced to the standard rate for administration cost matching of 50 per cent, leaving some States with uncompleted systems. Both Massachusetts and West Virginia have major plans in the development stage. Massachusetts is now developing BEACON, while West Virginia's prototype is called RAPIDS. Both systems have elements of a common specification developed by the Federal Government called FAMIS (Family Assistance Management Information System).

Information available on BEACON gives some insight into present and possible future IT capacities in the public welfare area. Points of interest include:

1. The system is intended to be used interactively during interviews. It will both guide the interviewer and accomplish some 'outreach' by calculating eligibility on all public welfare programmes, not just the programmes the applicant has specified. Some physical redesign of welfare offices will be necessary to implement this model: if case workers are to use the system while interviewing and also accomplish their own management tasks, it seems more efficient to interview at their desks, as is done in SSA and UI offices, rather than in separate interview rooms.

2. The system is intended to support on-line 'interfaces' with other parts of the public welfare system, most notably JOBS administration (ESP in Massachusetts) and Family Support Enforcement (FSE). One implication of this is that sanctioning of benefit recipients for non-participation in JOBS or non-cooperation with FSE will be accomplished more efficiently. At present there are long delays before non-attendance on a course, for example, affects benefit payments. The system may also provide on-line access to some sources of verifying data.

3. The system will also generate alerts from data-matching exercises conducted with other agencies. The FS administration in Massachusetts uses a system called PRISM which meets data-matching requirements established under a Federal initiative called the State Income and Eligibility Verification System (IEVS). IEVS is a Federal requirement for
Food Stamps, AFDC and Medicaid. States have to use automated systems to obtain wage and benefit information from Federal and State agencies for use in FS administration. For identifying income, States are required to match with:

- the State Wage Information Collection Agency (SWICA) which codes up employers' quarterly wage returns; this information is collected to establish both UI and OASDI earnings records; some SWICAs are partly privatised (data entry is contracted out)
- the SSA, for self-employment income (not collected by SWICA) and OASDI, SSI, Black Lung and other benefits (monthly records)
iii. the IRS for unearned income (annual records)
iv. State unemployment insurance agencies for UI, workmen’s compensation and other benefits (monthly)
v. Title IV-A Agencies for AFDC and Medicaid (monthly). Matching relies on the SSN, although sophisticated routines have been devised by SWICAs to deal with SSN errors by using other information (name, address) to get a match. Many SSN problems are simply data-entry errors.

While IEVS is described as a 'verification' system, very little verification of income goes on before putting welfare claims into payment. Instead, 'hits' from data matches are used as the basis for investigations. Generally, there are far too many hits to investigate, and States are allowed to 'target' their enquiries, for example by concentrating on those appearing to involve large amounts of money. The information obtained from matching is supposed to be acted on within 45 days of receipt, but this does not mean that every hit has to be investigated.

Electronic benefit transfer (EBT) Another IT initiative of importance to public welfare offices is the development of EBT.

EBT provides improved payment security, particularly for Food Stamps, where the use of cards which can only be redeemed at authorised food stores is expected to reduce trafficking (the conversion of Food Stamps into cash). It also appears that the establishment of electronic payment systems is connected to improvements in the efficiency of sanctioning actions taken against AFDC or FS recipients. At present there are long delays before payment is stopped as the result of a sanction; under EBT these delays will be eliminated.

Recovery of overpayments The Federal Government has tried to improve recovery of overpayments through the Federal Tax Refund Offset Program (FTROP). Under this programme States can advise the IRS of
their debtors so that any tax refunds owed to debtors can be diverted to repay debts. Debtors identified by the OIG are matched with IRS records and are notified that they are subject to offset. In the year to June 1995, 3,000 debtors were identified in West Virginia, of whom 139 appealed successfully against their notification. Amounts owed by the remainder totalled just under $1 million, of which under $250,000 was collected. This was the second year of operation of the scheme. Returns to FTROP are expected to decline: the first year of activity was very fruitful ($500,000 was recovered) but much collectable debt has now been collected.

`Direct deposits' and `two-digit fingerprints/photo-matching' demonstration in Massachusetts Massachusetts has introduced `direct deposits' for AFDC so that payments will be made directly into bank accounts or financial institutions where these are accessible. Massachusetts' DTA is piloting an identification card for AFDC which carries a photograph, and also fingerprinting in two locations under the Federally approved `waiver'. It is planned to adopt these procedures throughout the State in 1996.

Delivery 1: In the case of an insufficient pension The old age pension system in the USA (OASI) provides earnings-related benefits. It is possible for a person with low and/or intermittent earnings to find that their insurance benefit is insufficient to live on relative to SSI standards which vary by State. However, the number of elderly SSI recipients is low relative to the number of OAST recipients (see Table 9.1) and is expected to continue to fall. The main reasons are that quite substantial redistribution is built into OASI: low-paid contributors get relatively more out of the system than high-income groups; and dependants' and survivors' benefits are generous, so low-income wives (in particular) may find that their husbands' insurance gives them adequate protection. Wives make their own claims for OAI, not necessarily at the same time that their husband claims, and receive their `own' benefit, but receive an additional amount on the husband's record if that amount would be higher.

One factor which leads to lower OAI benefits is early retirement. The USA has a flexible retirement age, with lower benefits for those who opt to retire from age 62. A person who retires at 62 cannot supplement their OAI income with SSI (unless they are disabled). The qualifying age for SSI is 65. It has not yet been decided whether the SSI age will be raised as the benchmark retirement age is raised to 67 from the year 2003.

The SSA's local outlets are called field offices or district offices. There are 49 offices in Region I covering New England, and the Boston District Office, which serves a population of around 574,000, has 39 staff. A further six staff work at a branch office. The clientele consist of 26,200 OASI beneficiaries, 4,900 DI and 11,956 SSI beneficiaries (claims live in any given month). Region I issues a `New England Quality Service Initiative' document which sets out action under the headings of Rebuild Public Confidence in Social
Security, ‘Provide World Class Service’ and ‘Create a Nurturing Environment for SSA Employees’. It outlines points under service delivery, outreach, office automation, financial effectiveness, communication and employee development and equal opportunity.

The Charleston (West Virginia) office sets its standards in similar terms. In neither office was the focus primarily on indicators such as time taken to complete claims, although management uses this information to identify problems. It was suggested that performance indicators could too readily be ‘gamed’ or manipulated; this was why the emphasis had shifted to service indicators and ‘maintenance goals’, which give local managers discretion to decide which activities to concentrate on to give a good service in their local area.

Security for staff is not a major issue for the SSA. Screens are not used. At the Charleston SSA office the only security system is an alert button at the reception desk, but a more comprehensive duress system is to be installed. The case development worksheet on the computer system can be tagged with information about dangerous customers.

The two main categories of personnel dealing with claims in an SSA office are:

- claims representatives (CRs), who take applications and make determinations
- service representatives (SRs), who give out information in response to initial enquiries and deal with problems after a claim has gone into payment.

CR and SR posts are normally permanent appointments. After appointment, CRs attend a classroom course for 20 weeks. Successful completion is recognised with a diploma. Qualification as a ‘journeyman’ CR takes three years. After completing the diploma course workers receive continued supervision and training, and make final determinations on straightforward cases after about two years. The training process emphasises familiarity with the Social Security Act, Federal regulations and the POMS (which claims representatives refer to as their Bible). The offices also employ ‘development clerks’, along with summer casual workers to provide clerical assistance.

CRs have authority to adjudicate on all types of benefit. Their work is routinely reviewed through random selection of cases. In addition, there is a work management system which keeps track of the age of claims. Employees have PIN numbers which regulate their access to the computer system. Only fully qualified CRs can authorise a claim for payment.

Public information The Office of Public Affairs at the SSA in Baltimore oversees some major public information campaigns, most notably the
implementation of the decision to provide PEBES to all social security contributors (some 126 million people) by the year 2000. The Office also produces pamphlets for field offices and employers, as well as for post offices, libraries and other public places. Because of the considerable client overlap, information on Medicare is provided as well.

The SSA has a page on the World Wide Web (the open access part of the Internet) from which application forms can be downloaded and information obtained. Much information is now produced in both Spanish and English. Information packages are updated monthly and are also sent to radio and TV stations. Packages are also provided to schools.

Baltimore also determines some policies over information campaigns. For example, a recent publicity drive endeavoured to increase the number of people receiving their benefits by direct deposit. Along with other publicity, it is Office policy that when customers report lost cheques they are encouraged to open an account. Other initiatives have included a ‘brides’ week’ to encourage newly married women to update the record of their name held by the SSA, and a campaign to encourage parents to ensure that their children have SSNs.

Alongside the initiatives emanating from Baltimore, local offices run their own information and outreach campaigns. For example, the Charleston office liaises with funeral homes to help ensure that survivors’ claims are made. Pre-retirement seminars are given in workplaces. The local office receives many requests to make presentations.

**Entry** Application may be made in advance of retirement age. The customer may contact the SSA in writing, in person or by telephone. An appointment will be arranged at the district office, though outreach visits and home visits also take place where access is a problem.

Many people initiate their claim to benefit with a phone call. A toll-free (‘800’) number for social security enquiries is widely publicised and heavily used, leading to problems with getting through which are being combated with heavy investment. The ‘800’ number is open 7 am to 7 pm Monday to Friday. Calls are answered at ‘megasite’ teleservice centres, co-located with some of the regional offices of the SSA. The calls can be divided into two types: information enquiries and claims-initiation enquiries.

Information enquiries are partly dealt with using automated scripts (voice response or tone-dialling keypad response). For example, PEBES can be requested via an automated process. PEBES are now sent to everyone over 60; they are obviously important to people deciding when to retire.

Claims initiation enquiries are handled by staff taking basic details (name, social security number, marital status, etc) and then:
• initiating a computer enquiry to the central computer at Baltimore

® setting up an appointment with the customer’s nearest field office

® advising the customer on documentation they should bring with them to their appointment (birth certificate, marriage certificate, etc).

The appointments system notifies the field office of the appointment, while the request to Baltimore generates a printout in the local office of the records held for that SSN. While some information is on-line at local offices and teleservice centres (for instance, entering an SSN will bring up the name), other information is obtained via batch processes which are run daily. A full check on all available information cross-matched by SSN is called a `Numident' enquiry.

The 800 appointments system is also used by and between field offices. For example, the Charleston SSA office receives enquiries from people whose nearest office is elsewhere in the State, but who have contacted Charleston because it is the capital. The Charleston office can set up appointments with other field offices. (Customers do not have to deal with their nearest office; they can deal with the office of their preference.)

Appointments can be made to conduct interviews over the telephone, but customers have to mail in documents such as evidence of identity and their latest wage information (`W2' form) so that earnings records can be brought up to date. Asa result many people prefer to come in person.

Despite the importance of telephone enquiries, offices still deal with a great deal of `walk-in' business. The manager in the Charleston West Virginia office aims to see people within 15 minutes, and staff are routinely transferred from other activities to help to keep waiting time down.

Claims representatives take most claims in person, working at their desks in an open-plan office with the computer record for the customer live on screen. After entering the SSN and bringing up the available earnings and benefits for the customer and his or her partner (if an SSN is provided), the claims representative runs through a set of verifying questions, such as:

® checking the last date of work to see if earnings information is up to date

® enquiring whether Railways or Veterans benefits might be applicable

® checking for work done outside the USA

® offering the choice of payment by cheque or direct deposit

® completing omitted information, for instance on previous marriages (which can affect survivors’ benefits).
The CR verifies on-screen that s/he has seen the necessary documents (notably evidence of identity and marriage certificate). When cases are selected for QA/QC review, reviewers will normally visit the benefit recipient and re-verify the existence of supporting documents. Reviewers work out of satellite offices of the regional office. Field offices are given a list of the cases selected for review. They themselves do not visit, except as a service to customers who cannot come to the office (they do not visit for verification purposes), although supervisors in the field offices may telephone a customer for verification.

After running through the menus, the system generates a result for the benefit payable. It also generates a tailor-made statement built up from the information given in the course of the interview. This is printed off and signed by the customer. If all the necessary information has been verified, the claim can go into payment immediately; otherwise the customer is asked to mail in documents. The CR will set a prompt to bring the case up for attention on a certain day (known as a `tickle`) to follow up on missing information or any other factors requiring review. The computer system may also generate alerts. These arise from periodic data-matching exercises, but may also be generated overnight (by Baltimore) after a new claim is entered, when claim details are not fully consistent with information held on the SSA mainframe. Since the information generating overnight alerts is also available on-line to the CR, their function is primarily to pick up any errors or omissions in the CR’s handling of the case, such as not detecting previous periods of OASDI or SSI benefit receipt.

If the amount of insurance benefit is very low, or there is no insurance entitlement, and the claimant is over 65, the CR can prompt the customer as to whether they wish to submit a claim for SSI. Since SSI depends on unearned as well as earned income (of the claimant and other people in their household), considerably more data has to be requested. The customer will be asked to produce:

- information about the home he or she lives in - mortgage, or lease and landlord’s name
- payroll slips, bank books, insurance policies, car registration, burial fund records, and other information about income and assets owned.

Many SSI claims are not made at the same time as OASI claims. A person in receipt of OAST may become eligible for SSI due to a change in circumstances; alternatively, an elderly person may never have submitted an OASI claim (this is becoming uncommon). SSI recipients may also be entitled to Food Stamps. The SSA office does not adjudicate on FS claims, but if a customer lives in a household where everyone is applying for or receiving SSI, the application for Food Stamps may be made at the SSA office. In Massachusetts the State supplements the Federal SSI benefit. The
State supplement is administered by SSA and included with the Federal payment each month.

Outreach for SSI is particularly important. The law requires that the SSA facilitate claims-taking by going out to people who are unable to come to the office. This entails visiting nursing homes and old people's homes. SSA offices also liaise with voluntary organisations and State welfare and social services agencies as part of their outreach activity.

Payment of both OASI and SSI is made monthly, either by direct crediting or by US Treasury cheque. Despite a campaign to persuade people to shift to direct crediting, many people still receive payment by cheque. If cheques go astray, there is a standard non-receipt process which takes five to ten days to cancel the old cheque and issue a replacement. There is also a `critical payment system' to issue a replacement cheque in less than five days for OASDI, and to make immediate payment out of office funds in SSI cases. The task of pursuing enquiries where cheques are cashed falls to the Treasury.

Review There is no review of OAI claims unless the recipient is still working (that is, still has earned income, which is taken into account in calculating OAI until the person reaches age 70). A mailer is sent out at the beginning of each year automatically, asking about earnings. In SSI cases the review period depends on the case characteristics (principally age of recipient and basis for claim). Elderly SSI cases are reviewed every three to five years. The computer system generates notices when cases are due for review.

When cases are selected for QA/QC review, reviewers will normally visit the benefit recipient and re-verify the existence of supporting documents. Reviewers work out of satellite offices of the regional office. Field offices are given a list of the cases selected for review. They themselves do not visit, except as a service to customers who cannot come to the office (that is, they do not visit for verification purposes), although supervisors in the field offices may telephone a customer for verification.

Reviews may be prompted by data-matching exercises conducted by regional or national offices two or three times a year (see IT section). When these reveal anomalies they trigger an alert to the local office. All alerts must be pursued.

Other aspects of case handling which require regular review include the performance of representative payees, who must submit an annual return showing how the beneficiary's money has been spent. Representative payees are used where minor children are receiving benefit, where the customer has a drug or alcohol problem, and in other cases as the result of a `capability assessment' by the CR.
Delivery 2: In the Statutory cash benefit for short-term sickness exists in only six States in the case of incapacity USA, not including either West Virginia or Massachusetts. Sickness benefit is provided by the private sector either through employers’ arrangements or individual sickness insurance policies.

If a person has been disabled for five months and is insured under OADI he or she may be eligible for disability insurance (DI). Eligibility requires a person to be `unable to be engaged in any substantial activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months’ (US Social Security Administration, 1995a, p.3).

Entitlement to OADI depends on having a minimum number of quarters of coverage. To qualify for DI an additional insurance test is applied for which a minimum number of years of work are required, the number depending on the age of the disabled person.

Someone who does not qualify for DI, or whose benefit is low, may be eligible and entitled to SSI. The eligibility condition - the definition of disability - is the same as for DI, but SSI is income and assets tested. Unlike DI there is no waiting period before it can be claimed; however, it has to be shown that other kinds of benefits (although not AFDC/FS) have been considered first.

Entry A person who has a disabling physical or mental condition calls the 800 number (see above) and is referred to the local SSA office, or calls or visits an office.

The disability claim form is a lengthy document and is often mailed out to people making enquiries, who may take some time to complete it, particularly the medical history section. (There is a small industry which helps to trace medical records.) The mailing date often constitutes the start date for the claim, although further backdating is possible. When forms are mailed out, a `tickle' is set to ensure that it has been returned. For SSI the follow-up period is 60 days; for DI, six months. After this period expires the case can be closed, but if there is any indication of problems which are preventing a person pursuing the claim (such as illiteracy), the SSA makes further enquiries.

While most forms are completed thoroughly by claimants, the SSA will accept the form in any condition. The claims representative will also assist the customer in completing the form. At the time of the interview, some non-disability eligibility information is entered onto the computer system, such as the statement of income and assets. The CR also advises the claimant whether s/he will be eligible for (contributory) DI, on the basis of contributions information on the system. However, the non-disability part of the determination will not be developed (for instance, verification is not sought) until after the disability determination is made.
After as much information as is available is entered on the disability claim form, the CR completes a ‘development worksheet’ on the computer system to record the forwarding of the claim form to the DDS. This worksheet gives the ID of the CR, the date the claim was taken and the date it was signed by the applicant. It also lists the issues to be resolved and sets a ‘tickle’ for follow-up by the SSA. Where a case is going to the DDS, the ‘tickle’ is normally set for five to six months away, although the case may return from the DDS before this.

Whenever a CR begins the development of a case on the computer system, the system runs overnight checks to ensure that relevant information has been followed up. If the system finds a record of something which has not been detected by the CR (for instance, earlier receipt of a benefit) it will generate an alert. These alerts, along with 800 appointments and other centrally generated notices, are printed at the local office during the night and collected and distributed to staff first thing in the morning. Alerts are also generated if, for example, a claim has been authorised for payment for more than $5,000 (which happens where substantial backpay is due). Such authorisations must be countersigned (on the system) by another CR.

The system of alerts constitutes an incentive for CRs not to take short-cuts in the initial interview. The system is structured so that it is possible to bypass screens where the customer reports nil information (such as no income).

The information processed overnight in Baltimore is only what is held on the SSA’s own systems. It includes, for instance, Black Lung programme information, because this is administered by the SSA. However, cross-matches against IRS, Veterans Administration and UI databases are run less frequently - every three to six months. Similarly, earnings information from wage records is cross-matched only episodically.

Some States have on-line links with the State Department of Vital Statistics (DVS), but not West Virginia, which cross-checks information by letter or telephone.

At the close of the disability interview, the CR explains to the customer:

- whether DI will be payable, or just SSI; if DI will not be payable, the applicant may decide to abandon the claim at this stage
- DDS procedures
  - the need to notify changes of address
  - the likely lapse of time and the possibility of obtaining assistance from the State welfare office in the interim
  - rights of appeal.
The applicant signs medical release forms and is given a computer chit as proof that s/he has filed for benefits (the State welfare office will ask to see this).

The application is sent from the SSA office to the DDS by mail. At the DDS it is entered into a computer system and assigned to one of the professional examiners, by catchment area (some store is laid by the examiner's familiarity with the area and its medical practitioners). The examiners are not medically qualified but may have backgrounds in the liberal arts or social sciences, and are specially trained by the DDS.

The examiner undertakes 'case development', which involves collecting all the medical and vocational evidence and if necessary contacting the claimant by telephone. On average, five medical sources will be approached. The internal consultant to the DDS advises whether there is enough information, and if there is not will arrange a special examination.

When all the information has been assembled a 'sequential analysis' is undertaken to determine whether disability exists according to the definition. The sequences establish whether the person is working; whether there is a severe impairment; and whether the impairment meets or equals the level of severity in the 'listings' of impairment. If the person is not working gainfully and meets the last two conditions disability benefit can be awarded. If not, a functional analysis is undertaken which establishes whether the person has functional limitations which prevent work being undertaken. The internal consultant advises on the person's functional limitations and the disability examiner then looks at the person's abilities/limitations in relation to a 'grid' which shows what is required of particular jobs. The purpose is to establish whether there are any jobs which that person, given his or her limitations, age, education and experience, can carry out.

The decision of the DDS is sent back to the SSA field office for communication to the applicant. Under current procedures, denials are communicated by post, while allowances lead to a further interview at the SSA to determine non-disability eligibility and entitlement. At this interview the applicant's reporting responsibilities are explained.

In the current process, those determined not to be disabled can ask for reconsideration. Part of the reconsideration process is a face-to-face interview with the DDS. In the 're-engineered' process a predecision notice of disallowal will be sent to the applicant, who can supply further evidence and/or request an interview. The reconsideration phase of appeal will be eliminated (US Social Security Administration, 1994).

Review Section 221(i) of the Social Security Act requires a continuing disability review (CDR) at least every three years for those classified as medical improvement expected (MIE) or 'medical improvement possible'
(MIP). The law does not specify a review frequency for those considered permanently disabled; reviews can be made as deemed appropriate.

In fact the SSA (and DDSs) have not conducted all the CDRs required by law (US Department of Health and Human Services, 1994, pp.IV-6-7). To deal with the backlog the SSA uses postal enquiries to identify those with the highest likelihood of medical improvement for referral to the DDS. Some 40 per cent of the MIE/MIP workload do not have a full medical review at their review date in the light of their response to the postal enquiry. Of the cases subject to full review, about 20 per cent are determined to be no longer eligible. However, two-thirds of these apply for reconsideration, of whom about half are successful in retaining benefit (benefits continue to be paid during reconsideration and appeal). Of the other half, about 60 per cent appeal further and have a hearing before an Administrative Law Judge (ALJ). Of these, 60 per cent are successful. Thus, at the end of the day, some 11.2 per cent of DI cases subject to full medical review are discontinued (SSA communication, 1996).

Exit There are a number of work incentive provisions for disabled people, including allowances for impairment-related work expenses; subsidies to employers; continued payment of DI/SSI under vocational rehabilitation programmes; trial work periods for those in receipt of DI; extended periods of eligibility for benefit allowing for the reinstatement of a claim; earned income disregards (SSI); and special SSI payments for people in work (US Department of Health and Human Services, 1992).

A person in receipt of DI or SSI who failed a review could in principle receive AFDC (if there are children in the home). S/he would have to establish a deprivation factor. In other cases, people on a low income can receive Food Stamps without establishing that they are disabled or unemployed, although they may find themselves subject to FS Employment and Training requirements.

Unemployment Insurance (UI) provides earnings-related benefits to regularly employed members of the labor force who become involuntarily unemployed (US Social Security Administration., 1995a, p.9). To be eligible, a worker must have a prescribed amount of employment and earnings during a specified period, and must be able and willing to work.

The staff in UI offices are primarily trained on the job, supplemented by sessions for interview training. People are hired initially as interviewers, and are able to certify entitlement only on straightforward cases. Cases where issues arise are referred to a separate group of officials (called ‘deputies’ in West Virginia) who deal only with the resolution of issues and do not take claims.
Entry

Employers are required to post a notice in the workplace explaining the UI system. To make a claim in Charleston, the newly unemployed person visits or telephones the UI service at the address given on the notice posted by the employer. Claims must be made in person, but some parts of the State are served only part-time by mobile offices, so claims can be started by phone. In Boston, at present, claimants are also expected to present themselves at the office, where they collect a form from the receptionist at an open desk. They complete this as far as possible and are then called to an interviewer. As from November 1995 claimants will not come to the office, but will telephone in their social security number and an operator will call up their records on screen and take the claim over the telephone.

Applicants have to establish that they have sufficient covered (insured) employment in the first four of the previous five quarters. In West Virginia qualifying applicants receive 26 weeks of benefit. These do not have to be claimed consecutively. A claim remains live for up to a year, and interruptions arising from brief spells of earnings or non-availability (for instance, taking holidays) leave benefits available to be claimed in weeks 27 onwards. Computer records and information generated for claimants show the amount of total benefit entitlement (initially, 26 times the weekly benefit amount) remaining to be claimed. In Massachusetts benefit duration is 30 weeks and a dependency benefit for children is also paid.

Claimants are required to produce a `picture ID', such as a driving licence, and their social security card (numbers are not sufficient). The social security number is run against the UI database, and the record of contributions and previous claims is checked. The interview takes place on the same day as the initial call at the office. Part of the interview covers `benefit rights', where the claimant's reporting responsibilities are explained. The first continuation form (see the section below on review) is given to the applicant. In West Virginia claimants are asked to bring their first continuation into the office in person, partly so that the form can be checked for errors. Subsequent continuations are done by post.

After establishing benefit entitlement with the UI officer, claimants in West Virginia are required to register with the Employment Service. They have 30 days to do this, but are encouraged to do so immediately. In Charleston the managers of the two services (UI and ES) have arranged the application process so that applicants do not have to return to the front desk for their ES interview, but instead make their way through the (open plan) office to the ES section. ES advisors often see people in groups, particularly if the office is busy.

In Massachusetts UI recipients are not required to register with the employment services, although they may be asked to bring in a log of their work-seeking activities.
In the Charleston office some of the information given by the applicant is put into the computer by the interviewer, but some is put on paper for later data entry. If there appear to be ‘issues’, particularly over the cause of leaving (see below), the interviewer will generate a statement for the claimant to sign.

After data entry, new claim details are batch processed overnight to generate letters to last employers, who are asked to state reasons for unemployment and to verify the person’s wages. Determination of cause of termination of employment is very important to the operation of the UI system. This is because, when a UI claim is made, previous employers are assessed for the purposes of ‘experience rating’. Employers who make large numbers of terminations pay higher UI premia because of experience rating. This gives employers an incentive to claim that they are not at fault in bringing about the claimant’s unemployment. Employers will challenge a UI claim made by an ex-employee if the employee left voluntarily or was guilty of misconduct.

Employers have to respond to these enquiries within ten days, by mail, and the information from them is added to the record on the computer. If it raises any ‘issues’ the case is transferred to a deputy for decision. The deputy develops the case in a quasi-judicial fashion, obtaining statements from employers and claimants. While much of the process is done by telephone, the deputy does sometimes set up a ‘hearing’ which the employer and the claimant attend in person. In straightforward cases the claim-takers/interviewers will make the determination.

In both West Virginia and Massachusetts payment is still made by cheque, although other States use direct crediting more. States using direct crediting have led the way in the introduction of telephone signing; the cost savings from telephone signing are less significant when a cheque has to be posted (the continuation notice is sent with the cheque). Some States are looking at automated processes to allow claims to be continued by telephone without being taken by a receptionist in person; others are concentrating on setting up machine-readable continuation forms or scanning systems for forms.

Review In both West Virginia and Massachusetts payment and continuation are fortnightly. Beneficiaries are required to state, for each week, whether they are actively seeking work, have refused any work, have applied for any kind of pension, have attended any school, college, etc, have received any other benefits, or have worked. If no ‘issues’ arise, payment continues.

The State office uses the computer mainframe to generate further reviews. In West Virginia an eligibility review is conducted after ten weeks: the central office sends a printout to each local office listing those claimants drawing their tenth week of benefits. The State office also arranges data-matching against the New Hires register and employers’ quarterly wage
reports, and sends notices of ‘hits’ to local offices for investigation. Since capacity to investigate is limited, the data match is sometimes run only until the desired number of hits are generated, and is then cut short.

In Massachusetts a random selection of claimants is asked to contact the office for interview, in an attempt to identify fraud. Both States also operate the Federally mandated quality control (mechanism: each week the computer randomly selects 20 beneficiaries for an intensive QC interview.)

The profiling system also generates official contact with the UI beneficiary, but it is the Employment Service which makes the contact. In West Virginia the ES (called the Job Service in West Virginia) advises the UI office of the number of people it has capacity to see, and the UI office then uses profiling to identify who to contact for intensive placement advice and access to JTPA services. While the claimant must respond to the invitation to attend the ES, decisions about whether a person has shown themselves to be inactive or not available for work rest with the deputies in the UI administration. They operate their own guidelines and rules of thumb. In some States, such as Pennsylvania, there is no requirement for claimants to be actively seeking work. In most States there are exemptions from the work search requirements for people on temporary lay-off with a definite recall date, and for people who belong to a union which operates a ‘hiring hall’ arrangement. In West Virginia deputies are reluctant to close down a UI claim when a claimant refuses a job which s/he feels to be unsuitable. As a rule of thumb, claimants are not required to accept jobs which pay less than 90 per cent of their previous earnings in West Virginia.

Exit As has been seen, little administrative pressure is put on the general run of UI claimants, who are seen as non-welfare cases, to seek work. Moreover, JTPA services, which are financed from Federal general revenues (although some States add funds from State taxes), are separate from those providing UI. Employers’ interests dominate the administration of UI, and employers have been hostile to the use of FUTA money for anything other than benefits. The primary mechanism which ensures exit is, of course, the limited duration for which benefits are payable.

When UI is exhausted, and if the person remains unemployed, and has no means, application can be made for AFDC-UP and/or Food Stamps. Currently there are no institutional links between the providers of UI and AFDC/Food Stamps, although, as discussed in the institutional overview, some ‘one-stop’ services, to cater for both the insured unemployed and those who have insufficient covered employment or whose benefits have expired, have been piloted. The office which has been established at Xenia, Ohio, meets the ‘one place’ criterion for these services, but separate staff deal with the different types of claim within the office, so it is not a ‘one person’ service.
Claiming of AFDC by two-adult families is very limited. Since 1961 States have been able to include unemployment as a ‘deprivation factor’ and since 1990 all States have been required to do so. AFDC-UP can therefore be paid where a parent is unemployed if the family qualifies under the entitlement rules (Eardley et al., 1996). However, the definition of unemployment used is very restrictive, and parental absence remains the dominant deprivation factor.

West Virginia has a relatively high proportion of AFDC-UP recipients - 24.2 per cent of all AFDC recipients, compared with 10.6 per cent for the country as a whole in 1994 (US Department of Health and Human Services, 1995, p.10) - and in 1995 obtained Program Waivers for a demonstration (pilot) project for AFDC-UP. In the programme, called JOIN (Joint Opportunities for Independence), one parent in the family will be required to participate in JOIN, unless either parent is already in a JOBS activity. JOIN is a work experience programme in which participants are paid work and travel expenses of $1 per hour by the employer. The payment is disregarded for benefit purposes. The maximum period for which a person can be required to work on these terms is 12 months. Where a family fails to comply with JOIN participation requirements, the first sanction is the removal of the adult’s needs in the determination of the family’s AFDC-UP for three months; the second sanction is the termination of all AFDC-UP assistance for the family for six months. Opportunities to establish compliance late in the day are included, as are procedures for conciliation and appeal.

The emphasis on two-parent families in JOIN is unusual. Measures to curtail long-term benefit receipt by promoting (re)entry into the labour market are mainly directed at lone parents, simply because other unemployed people are often excluded from long-term receipt of cash benefits. Single people and members of two-adult families can claim Food Stamps on a long-term basis, but this is not conditional on unemployment; people in low-paid work also qualify.

**Delivery 4: In the case of lone parenthood**

There are no categorical child benefits or benefits for lone parents in the USA. For parents who have earnings or income, allowances are made through the tax system by means of a personal tax exemption level per adult and per child. For (relatively) low-earning families there is an Earned Income Tax Credit (EITC) which is a refundable tax credit for working parents with children under the age of 18 (Bradshaw et al., 1993).

Families with insufficient resources may be eligible for Aid to Families with Dependent Children (AFDC). To qualify the family must contain a child under 18, and subject to deprivation of parental care due to death, incapacity, unemployment or continued absence of a parent. Parental absence is the dominant deprivation factor, established by 86.8 per cent of
AFDC recipient families in 1992/93 (US Department of Health and Human Services, 1994b, Table 15).

A number of Federal rules govern the amounts of household income and resources which can be disregarded in determining AFDC entitlement. States may choose to set lower disregards. Some 'demonstration' projects conducted under waiver (as mentioned above) provide for higher disregards than the standard Federal rules, to encourage earning.

States have choices about the treatment of Food Stamps, housing subsidies and other assistance from State agencies. They can decide that resources from these sources do not duplicate assistance under AFDC on the following grounds:

1. The purpose for which the money is granted is different from the purpose for which AFDC is paid - for instance, vocational rehabilitation.

2. The goods and services concerned are not included in the State need standard.

3. The money makes up the difference between the need standard and the level of benefit.

In West Virginia a considerable amount of assistance from other public sector or charitable agencies is disregarded, as condition 3 holds. This means, for example, that AFDC recipients also receive full allocations of Food Stamps. Recipients who live in public housing can also be in receipt of rent payments via the Department of Housing and Urban Development (HUD). These are 'vendor payments' (made directly to the provider). Since Food Stamps and HUD payments are fully Federally funded, States have an incentive to ensure that their AFDC recipients receive these benefits.

Vendor payments are treated differently to 'free' income. In West Virginia friends and relatives of an AFDC recipient may pay utilities bills or housing costs without this being counted towards the resources of the recipient (that is, without leading to a reduction in benefits).

As discussed in the institutional overview, delivery of AFDC is conducted by public welfare offices supervised by the State's Title IV-A Agency. In West Virginia these offices handle applications for AFDC, FS and Medicaid. They also administer a number of smaller programmes, including General Assistance for Disabled Adults, a State-funded programme providing medical benefits only; Emergency Assistance, which usually comes into play when the claimant is faced with a utility disconnection or eviction notice, and can be obtained only once a year; and the Low Income Home Energy Assistance Program (LIHEAP), a Federal programme to help with heating costs. LIHEAP money comes as a block grant, and is paid out from the end of November for about four months, or until the money runs out. As noted
above, charitable organisations also provide emergency assistance. The utility companies themselves have programmes, and they do not disconnect supplies during the deepest winter months; nor do they operate prepayment schemes.

In Massachusetts the benefits paid include a State-financed benefit called Emergency Aid to the Elderly, Disabled and Children (EAEDC). Massachusetts has abolished General Relief, which was the former State-provided residual benefit. Emergency Assistance can be paid in the case of natural disasters, prevention of homelessness and serious abuse or neglect of a child, or where there is a threat to the health and safety of a child. In Massachusetts it can be paid for a period of 12 months.

While AFDC workers are sometimes referred to as ‘social workers’, they are not required to be social workers, or to have college degrees. Work experience and in-house training are the main routes to acquiring skills. Workers do not have their own case load, although they are sometimes referred to as ‘case workers’ or ‘case managers’. In West Virginia the organisation of work means that JOBS and Family Support Enforcement tasks are conducted separately to AFDC interviewing and determination.

In Massachusetts the organisation of work is affected by demarcation disputes between the unions representing AFDC and Food Stamp workers. An AFDC applicant’s Food Stamp requirements will be dealt with by the AFDC worker, but a Food Stamp application on its own is determined by Food Stamp workers, who carry heavier case loads and until recently were paid less.

The following account of the process of claiming is based on (i) the Kanawa County office in West Virginia, which serves Charleston and much of the surrounding area, and (ii) the office in Malden, a small town just outside Boston, Massachusetts. The differences between the two offices reflect both policy issues and budget constraints. West Virginia has the lowest AFDC administrative costs in the country, at 5.2 cents per $1 of benefit, compared with the national average of 14.2 cents. Massachusetts spends 10.2 cents. The low level of administrative spend per $1 in West Virginia is particularly striking as benefits are low. Thus expenditure per case is even lower in West Virginia relative to the national average, at $13.34. Massachusetts spends $55.55 per case; the national average is $53.42.

Entry In West Virginia claimants for AFDC and Food Stamps are normally expected to apply in person, and there is no appointments system for income maintenance claims (appointments are made for employment and training interviews, and for some child support interviews). When the claimant arrives s/he goes to a screened reception desk and is given a form to complete. The claimant can take the form away and return, but many complete the form in the reception area, advising the reception desk when
s/he is ready to see a case manager. Where the claimant has claimed before, the reception will lodge a request to the file room to find his or her file so that it is available to the case manager (see below). The office then tries to ensure that the claimant is seen within half an hour, but this is not always possible. By contrast with the Social Security office, there are few staff who can be taken off other clerical functions to see claimants. In the late 1980s poor performance by the State agency led to successful actions in the courts which have imposed certain duties on the Kanawa County office. These include a requirement to see claimants on the day they first come to the office, unless they agree otherwise.

In Massachusetts the claimant is not given a form to fill in. The supervisor does a `screening' interview in a private room to assess likely eligibility, based on what the applicant says. If the applicant is ineligible he or she will be told this but can nevertheless choose to go ahead. If the case proceeds, a case manager is assigned who either interviews the person immediately or by appointment on the next day. In both States the claimant is asked to produce photo-ID (such as a driving licence), birth record, social security number, bank account and evidence of any earnings. While social security numbers are requested for the claimant and any other household members, claims can proceed without them. Verification of household living expenses, such as electricity bills, is requested; if it is not provided, the claim can proceed but benefit paid will not include the amounts needing verification.

West Virginia has an integrated form for applying for AFDC, Food Stamps and Medicaid. Claimants are asked to tick a box indicating which benefits they are applying or reapplying for, but another court order requires the office to evaluate every claimant for every income maintenance programme. After the claimant has completed the application form, s/he is interviewed by a case manager, who goes through the form with him or her and checks the details. The interviewer writes out a letter setting out documents which need to be sent in, keeping a carbon copy on file. In Massachusetts this part of the process is formalised by a `Verification Checklist' of all items required to establish entitlement and progress on them, copies of which are held by the applicant and by the case manager. Further forms and standard letters are used to verify circumstances: for example, letters to landlords about rent and utility costs, people sharing accommodation, schools attended by the children.

Massachusetts has separate forms for the different benefits; these are completed by the case manager as the case requires. At the interview, the case managers are required to ask claimants whether they need Food Stamps or a temporary emergency medical card, pending the decision on AFDC.

In West Virginia it was estimated that a Food Stamps interview takes about 20 minutes if there are no major complications; AFDC takes 30-40 minutes. The reason for the difference is that a `deprivation factor' has to be
established for AFDC. The most common deprivation factor is the absence of one parent from the home. If both parents are present, unemployment must be established (an AFDC-UP case). This requires a certain level of previous labour force attachment - previous work and earnings (PWE) test.

Where the deprivation factor is lone parenthood, child support procedures come into play. In West Virginia the interviewer will complete a child support referral form, and the claimant is asked to wait at reception to be called for interview by a child support worker. h1 Massachusetts the case manager takes more evidence, completing a form giving ‘Absent Parent Information’, which requires date of separation, details of any maintenance received, and the absent parent’s place of residence. The applicant signs an ‘Assignment of Support Rights’ form, giving rights to any maintenance received to the DTA. It contains a declaration of intent to cooperate with the Child Support Enforcement Unit. There is an option to refuse if good cause can be demonstrated - for instance, incest, rape, adoption proceedings and possible harm or emotional impairment to child or applicant.

If the claimant is not exempt from JOBS and/or the Food Stamps E&T programme, the case manager in Massachusetts completes a ‘Massachusetts JOBS’ form. The form details any grounds for exemption from JOBS and any needs, such as for child care, which may affect JOBS participation. In West Virginia non-exempt claims are picked up from the computer record (see below) within 30 days, and the claimant is called in by the E&T team, which is located in the public welfare office.

After the interview, the case manager makes a decision on the case (the likely decision is often communicated during the interview). A supervisor checks over the form, but the decision lies with the case manager. After the form has been completed and reviewed, and a decision made, it goes for data entry into the (Statewide) computer system. Payment is triggered by this system.

In Massachusetts the process is similar: a supervisor countersigns the case manager’s worksheet, and the information is transferred by a data-entry operator to the computer, which is in a separate room. This separation of claim-taking and data-entry functions may be intended to prevent internal fraud, although in West Virginia the reason given was that the case managers were too slow at data entry to use the system themselves.

AFDC has to be granted or denied within 30 days. If, after 22 days, evidence is still outstanding the claimant is sent a `Verification Reminder' requesting the evidence or withdrawal from the application. The letter gives the claimant an opportunity to ask for an extension, but most cases are resolved within 30 days. The time taken to complete cases is quality controlled and, in Massachusetts, court-ordered. Quality control requires 95 per cent of cases to be completed on time (within 30 days). Computer print-outs showing time taken act as management tools for the director of the office.
Data entry takes place within 30 days; 45 days is the Federally imposed time limit for getting payments out after application. Where the claimant has no income whatsoever, the case manager can expedite the claim for three-day payment.

In West Virginia there is no `front-end' fraud investigation by the Public Welfare Office. However, if the case manager is suspicious about an aspect of the claim, s/he can refer the case for investigation by the State Inspector General's office. These investigations endeavour to identify fraud before a payment is made, although payments are not delayed beyond the normal processing period (30 days) by the investigation.

The main sources of fraud are thought to be where the absent parent is in the house, unreported jobs, and not living at the stated address. Offices used to do their own investigation (mainly by visiting the claimant's house and talking to neighbours) but an episode of overzealous investigation resulted in another court order which has been interpreted as preventing local welfare office investigation. As a result the local office does not attempt to verify whether the absent parent is really absent. However, it does collect other `collateral statements' to verify evidence, for example that the adult claiming to be the care-giver is recorded as such on school records. If a claimant has recently been employed, verification of his or her reasons for leaving will be requested from the employer. Sometimes verification is inferred from the claimant's contact with other agencies. This arises particularly with rent assistance paid by the Department of Housing and Urban Development. If the claimant is in receipt of HUD benefits, it may be assumed that HUD has verified that they have no earned income.

In Massachusetts the DTA and the Bureau of Special Investigations (BSI) have implemented `front-end fraud detection' measures in all the local DTA offices. These include referrals to BSI by DTA workers for investigation where there are suspicions of fraud on the part of AFDC applicants. This occurs before AFDC is authorised. The only home visits that are undertaken by the DTA are in connection with quality control.

For AFDC, payment takes the form of issue of Treasury cheques, drawn on a special State account with the Treasury. Food Stamps are issued centrally in West Virginia. The stamps are held in vaults in the same building as HHR in Charleston, and are batched up and mailed from there. Offices have local accounts for making emergency payments where cheques go astray. Investigation is undertaken by the Treasury. Lost Food Stamps are recorded and replaced by the Charleston office. A record is kept of FS coupon numbers, and this is often referred to when trafficking (conversion of FS into cash to buy non-food items) is being investigated. Trafficking is investigated by the FBI.
Review  Cases are reviewed after three months. The names of recipients to be reviewed are found by the computer and show up on the case worker’s activity list. The review consists of a re-determination of eligibility, involving another interview, but with less in-depth inquiry and fewer evidentiary requirements. A further review should take place after six months, but few offices in either State manage to carry out reviews with such frequency.

As noted above, claimants are referred to E&T soon after making their claim. In Massachusetts 5,000 lone parents are receiving AFDC and child care while attending college, but arguments are being put that they should be made to work instead. The ESP workers have to make these decisions, and agree on an Employment Development Plan with the claimant, setting out employment objectives, the steps needed to achieve them, and the support (such as child care) required. If a Development Plan cannot be negotiated it becomes the subject of a hearing which has to take place within 30-60 days, and in the meantime the claimant receives AFDC. The ‘culture’ in Massachusetts has been to rely on people’s motivation, but this is likely to change with welfare ‘reforms’. Non-cooperation with Child Support Enforcement results in termination of the adult’s portion of the AFDC payment, but does not affect Medicaid or Food Stamps. Termination of AFDC means that the office has to re-evaluate the claimant’s entitlement under other programmes.

One of the main issues in AFDC review is the reporting of income. Two systems have been used at different times: prospective budgeting, whereby payment is made on the basis of an estimate of the coming month’s income, and retrospective budgeting, whereby income reported from previous months is used to adjust the current month’s payments. In West Virginia quarterly prospective budgeting is used, whereby income reported is projected for three coming months. From a QC perspective retrospective budgeting is superior, as claimants are required to report and verify their income as an ongoing part of the delivery process. If the claimant does not submit an income report when required, the benefit payment will not be made and the case will be closed. Prospective budgeting does not impose the same reporting requirement on claimants, and is associated with much higher QC error rates than retrospective budgeting. However, some States prefer prospective budgeting because of the lower administrative costs involved. Since 1993 States have had the option to return to prospective budgeting, and a number have exercised this option.

In West Virginia ongoing checking of cases using data-matching is conducted by the (State) OIG. The OIG has an agreement with the Internal Revenue Service whereby it provides details of welfare claimants and the IRS runs a matching programme, returning any ‘hits’ to the OIG for investigation. This process is conducted on an annual cycle. One reason for putting this process in the hands of the OIG is that the IRS is concerned
about the security clearances of staff using their data, but the Inspector General has appropriate clearance.

In Massachusetts DTA offices have access to SSA data: information is downloaded monthly to the mainframe computer to which local offices have access. The central office in Boston has a direct link to Department of Revenue files through an authorised individual at this office, and there is frequent data-matching with the Revenue. The results are sent electronically (e.g., through PRISM) and on hard copy. Local offices have direct access to Motor Vehicle Registration files. The DTA also matches files with other State welfare agencies to see whether they are servicing the same people. Matching with agencies such as the SSA, Revenue or Motor Vehicles Registry does not constitute data exchange. The DTA compares its files to theirs, to obtain information which may affect eligibility.

Cases are also reviewed as part of the QA and QC processes, although their remit is to review the administrative process as a whole rather than particular cases. However, errors identified are followed up by the relevant local office. The State QA unit works on developing indicators of problem cases, which are used by local offices and the OIG in identifying cases for further investigation. Despite these efforts, the primary method of identifying fraud in West Virginia is through `whistleblowing’. Reports are checked with the local office issuing the benefit before investigation proceeds.

In the year to June 1995, 1,099 referrals of AFDC cases in payment were received by the OIG in West Virginia, out of a total caseload of about 37,000 (in payment at any one time). For Food Stamps there were 8,531 referrals (125,000 cases in payment at any one time). $3.3 million of overpayment was identified, of which $1.3 million was recovered (compared to the total AFDC and Food Stamp spend of about $340 million).

**Exit** The Employment Services Program in Massachusetts is intended to provide exit routes for recipients, but while this research was being conducted the focus was on the major changes to AFDC policies proposed under the general head of `welfare reform’. Among these were suggestions for limiting the duration for which AFDC could be paid.

The Child Support Enforcement (CSE) programme is seen as another route out of reliance on AFDC. CSE is run by the State and local human services departments who locate absent parents, establish paternity and obligations and enforce payment orders. CSE provisions automatically accompany the payment of AFDC. Some incentive is given to claimants to cooperate since they can receive up $50 of any current child support each month without a deduction from the AFDC payment.

Commentary A separation, even polarisation, between the social security programme and `welfare’ provision is the dominant feature of the cash benefit system in the
USA. Even before the creation of the SSA as a separate agency, the administrative system for social security was completely different to that for welfare. Agency status may widen the gulf further.

The Social Security Administration operates to `mission statements` and goals which were developed when it was part of the Department of Health and Human Services. These goals are set out in annual reports, along with information on the extent to which performance meets objectives and commentary on how shortfalls in performance could be remedied. For example, the goal of providing `a world-class service` is supported by a `customer service pledge` to provide:

• good service through knowledgeable and courteous employees
• best estimates of the time a request will take to deal with, and explain delays
• clear explanations of decisions
• accessible services from safe pleasant offices
• a timely service, keeping appointments (within 10 minutes)

© speedy provision of SSNs (US Department of Health and Human Services, 1994, p.1-5).

These might be called `process` or `management` objectives, and are consistent with a structure in which policy-makers have delegated managerial responsibilities to the commissioner and her or his team, while retaining accountability for the outcomes of the programme (income security in old age, alleviation of poverty, etc). However, this interpretation is contradicted by other features of the SSA`s reporting practices. In particular:

1. Neither the responsibility for formulating goals or targets nor the implications of failing to reach targets are clearly defined. The targets are formulated by the SSA itself, in response to the pressures and expectations which emerge through political discussion and debate. Other performance targets may be implied by legislation. Annual reports provide explanations of performance shortfalls, sometimes containing an implicit message that the target was unattainable and pitching for more resources.

2. The SSA reports on the substantive outcomes of the social security programme as well as on management or process objectives. The 1994 Annual Report includes a section on `Social Security Programs and their Impact` which examines poverty among the elderly, effect of social security payments in lifting recipients out of poverty, extent of reliance on social security compared with other sources of income, income replacement rates, SSI guaranteed income level relative to the poverty line, and support to other programmes provided by the SSA. The goals set by the SSA do not include any targets for these outcomes, but they do
implicitly include the goal of maintaining political support for the social security programme.

These features of the SSA’s reporting structure reflect an environment in which policy-making responsibility is contested between the President and Congress, and where senior executive officers such as commissioners engage in the policy debate and take on the task of securing political support for the programmes they administer. The creation of the SSA as a separate agency in 1995 can be seen as part of the contest between the President and Congress. The law established the SSA as a separate agency. It does not clarify the lines of policy-making responsibility, although it appears to give more autonomy to the SSA in some respects, for instance over staff numbers, and more power to Congress in determining the SSA’s budget.

One reason for this lack of clarity over policy accountability is that the creation of a separate agency had a subtext of ‘taking the politics out of social security’ by treating the programme as a contract between the SSA and its contributors. The emphasis on building up the Trust Funds and the role of the Trustees supports this perspective. One implication is that the policy environment in which the SSA works should in principle be very stable as its focus is adherence to the insurance contract implicitly made with contributors. However, the environment cannot be stable. While adjustment to the contract to cope with population ageing might have been accomplished by technical adjustments developed by the Trustees, no amount of technical tinkering can cope with the enormous pressure on the disability programme. Furthermore, since many disabled people qualify for SSI rather than DI, the growth of the disability programme has implications for general budget financing as well as for the condition of the Trust Funds.

The response has been to seek administrative solutions to controlling expenditure on disability benefits, currently by ‘re-engineering’ the disability determination process. One of the main aims of the changes which are being implemented by the SSA is to reduce the number of appeals and improve the chances of the initial determination being upheld on appeal by better ‘development’ of cases. However, the appeals situation does reflect an underlying policy problem, which comes from the discretion exercised by Administrative Law Judges and the powers of the ordinary courts. In effect, the competition for control over policy between the Executive and the Legislature, noted above, is expanded further by the contribution of the Judiciary.

While the exact implications of agency status for the SSA have yet to emerge, one undisputed consequence is that the political distance between social security and welfare has been widened further, with the welfare programme going down a completely different path. However, some of the same themes of competition over policy are present in the welfare debate. For the purposes of this study it is the competition between the States and
the Federal Government rather than the competition between the Presidency and Congress which is of most interest (although the two are closely related).

At first sight the division of policy responsibilities and managerial accountability for AFDC between the Federal Government and the States is full of paradoxes. Since more than half the money being spent is Federal money, it would seem that the States act as agents of the Federal Government in delivering the AFDC programme. However, the pattern of accountability is almost the reverse of a `policy/delivery' split, in which the Federal Government would set the main policy parameters and leave management to the States. Central policy decisions such as the setting of the needs standard and the determination of the benefit level are left to the States, in contrast to Food Stamps where their value is determined by the Federal Government. For AFDC the Federal Government sets many of the main requirements of management performance (which is consistent with an agency relationship), but in addition has become involved with the implementation of processes necessary to achieve its performance targets (which is not). Federal involvement with implementation is often on the pretext of regulating interstate relationships, an established area of Federal competence. For example, the development of compatible computer systems to share information about claims and facilitate data matching (the FAMIS project) had an interstate aspect. But the interstate dimension is a pretext, arising from the weakness of the other mechanisms available to ensure compliance with administrative performance targets - notably the apparent impossibility of collecting financial sanctions from the States.

Ultimately, the weakness of the Federal Government`s position derives from the financing structure for AFDC. The matching principle limits the ability of the Federal Government to achieve its aims, as the overall level of financing of both programme and administrative costs is determined by State decisions. (The availability of `enhanced match` funding alters this situation only marginally.) At first sight matching would appear to be a way of aligning Federal and State incentives over control of the welfare budget by ensuring that both governments have an equal interest in expenditure control. However, if expenditure control was the only objective, it would be sufficient to require States to meet all costs, and there would be no basis for a Federal role (except in guarding against State rules which penalised movers between States - something which the courts have proved able to do, invoking constitutional provisions).

One reason for a Federal role in welfare provision is to reduce `welfare dumping’, whereby low-benefit States undermine other States’ welfare programmes. States are restricted in their ability to operate programmes alone because of the threat of inward migration to claim benefits and because of the risk that the taxes needed to finance benefits might cause a loss of industry and employment to low-tax States. Welfare dumping can be
prevented by the establishment of common standards of provision, backed by ‘equalisation’ arrangements which enable poorer States to meet these standards. While the choice of a low or high benefit regime may be partly a political matter, the reality is that the poorest States are the most likely sources of ‘dumping’ pressure, as their weak economic position means that they are the most threatened by the effect of high taxes on industry and employment.

It is clear that the matching formula for AFDC does not prevent welfare dumping, basically because it achieves insufficient equalisation between low-income and high-income States. Despite enhanced match provisions for low-income States, high-income States pay higher benefits and therefore enjoy higher levels of Federal assistance per benefit recipient. The absence of common standards of provision follows from the budgetary arrangements. While there is some welfare rationale for having different needs standards across States (because the cost of living varies between States), the provision allowing States to choose to pay less than 100 per cent of their needs standard flows directly from financing considerations. The power to limit benefit payments to some percentage of the needs standard, or to cap payments, is provided because there is no last-resort financier: States have to ensure that their budgets balance (with the aid of Federal financial participation). Without this provision, States would have to balance their budgets by rendering more people ineligible, which would be both less visible and less reliable.

Given that matching is an inadequate instrument for achieving some degree of uniformity in welfare provision across the States, the Federal Government has used its supervisory powers to monitor administrative aspects of AFDC. It tries to maximise the regulatory leverage it can exercise, given its lack of financial leverage. The most important procedural issues in benefit administration are those which concern equality of treatment between claimants and the prevention of arbitrary and unfair decision-making. The Federal Government addresses these questions through its scrutiny of State plans and through its QA and QC processes.

However, the Federal Government’s ability to ensure high procedural standards is also compromised by the funding situation. Direct recognition that some States spend too little on administration comes in the agreements reached with States to ‘invest’ their sanctions (in effect, a bargain that sanctions will be forgiven if administrative spending is increased). A further issue arises from the effect of low benefit levels on the integrity of administration. As the discussion of delivery of AFDC in West Virginia indicated, payment of less than 100 per cent of the needs standard has implications for the way in which other claimant income is handled by the administration. Income from some sources (families, charities, other agencies) is disregarded provided it is ‘tied’ to satisfying particular needs (paying utilities bills, rent, etc).
In order to meet claimants' needs while maintaining the level of control over claimants' behaviour that this approach implies, the public welfare office has to function as a coordinating body for charitable provision as well as a benefit provider. The public welfare office routinely puts customers in touch with charitable organisations for assistance, for instance with utility bills which they cannot pay, or help in meeting special needs. For example, the Lions Club helps people who need glasses; a voluntary association also runs a Statewide food help telephone line for people to call if they are going hungry. Kanawa County has also obtained donations to improve the public waiting area in the public welfare office.

Several bodies exist to coordinate the work of private charitable agencies and the State welfare office. One of the main functions of the community services managers who head local offices is to liaise and attend meetings with local community councils and councils of agency executives. At the time this research was being done, in September 1995, the State welfare offices were facing the prospect that routine mailing of Food Stamps would be interrupted by the Federal budget crisis. Managers were asked to liaise with voluntary agencies running food banks in an endeavour to ensure that food would be available.

The State has also drawn on charitable support in its efforts to improve access to AFDC and Food Stamps. At State level there is an Office of Information and Referral, which takes telephone enquiries and advises people where to go for help. This office is operated with United Way funding (United Way is an association of charities). Both volunteers and paid workers staff the office. The State is looking at having claims taken by this office and other volunteer outreach workers.

The Federal QC process is partly directed to gaining insight into `client error`. Some of this error may arise from misrepresentation by the client, and could therefore be classified as fraud, although the regional offices conducting QC do not endeavour to make this classification, as definitions of fraud vary from State to State. A striking feature of welfare administration in the USA is that the system appears very vulnerable to fraud because of its reliance on claimant statements at the stage of initial determination. Verification through other sources of evidence than can be provided by the claimant is slow and cumbersome. Despite this feature, plans to improve the integrity of administration (particularly through FAMIS) have not been pursued very vigorously. Instead, the attention of policy-makers is focused on long-term benefit dependency, particularly on cases where the claimant is legally entitled to benefit but is believed to have altered his or her behaviour in the light of the benefit rules in order to maintain entitlement.

While the distinction between perpetuating a fraud and altering one's behaviour or circumstances to fit the system is legally quite clear (compare the distinction between tax avoidance and tax evasion), there is a political
connection between the issue of fraud and concern about dependency. The
connection arises because those administering the system have little
confidence in its rules and are aware of the impossibility of satisfying its
evidentiary requirements. Much of the evidence required involves proving
a negative (no income, no partner in the house, no assets). This means that
positive rights and entitlements can never be conclusively established. As a
result, those who are claiming are not seen as exercising a right or receiving
an entitlement. Even if their claim is legally defensible, their behaviour and
circumstances signal ‘dependency’, suggesting that the policy-makers'
objective should be to terminate the claim as soon as possible.

This attitude contrasts with the courts’ view of rights and entitlements,
which is based on the law, and which therefore distinguishes strongly
between legal and illegal claims. One curious consequence concerns ‘process
values’ around customer service. As noted above, these form a large part of
the SSA’s ‘mission’, but State Title IV-A Agencies have refrained from
imposing similar missions on public welfare offices. Instead, important
aspects of customer service (seeing claimants on the day they come to the
office, assessing their eligibility for all programmes administered by the
office) have been imposed by court order in both Massachusetts and West
Virginia.

The most striking consequence of the drive against dependency on AFDC
has been the proliferation of waiver applications for demonstration projects.
In these projects QA is put to one side, and scrutiny of the projects centres
on evaluations of impacts and outcomes rather than processes. Under
demonstration projects, close Federal scrutiny of administration is replaced
by the requirement of cost-neutrality: the demonstration cannot result in a
Federal funding level above that which would be incurred by existing
programmes (AFDC, Food Stamps and Medicaid). The current procedure is
for cost-neutrality to be determined by comparing benefit expenditure on the
‘control’ group with those undergoing the pilot.

It seems anomalous that States can attract higher amounts of Federal
assistance by setting higher need standards and benefit levels, yet cannot
obtain more money by easing eligibility rules. The reason comes back to the
Federal Government’s attempts to use its financial participation to obtain
regulatory and political leverage. For example, States can obtain more
Federal funding for work-promoting projects, provided they do so within
the framework of JOBS, in accordance with the participation targets set out
by the Federal Government. Federal insistence on cost neutrality for waivers
reflects the loss of control over spending which is implicit in the waiver
process.

The waiver process provides some indication of how Federal-State relations
will develop if current welfare reform measures proceed and FFP in AFDC
is converted into block grants. In line with the emphasis on evaluation of
outcomes which is a feature of the demonstration process, Federal officials expect that their scrutiny of the use of Federal block grant money will also involve evaluation of outcomes. Scrutiny of management processes and the quality of decision-making may be reduced. This will leave the courts as the main source of external scrutiny of administrative processes. (Whether this scrutiny will be as significant in the past is open to question - it is likely to be significant that the welfare reforms remove all `entitlement language' from AFDC.)

Most evaluations of pilot projects have so far failed to yield clear results. A lot of emphasis is now put on random assignment in an effort to obtain more conclusive evaluations. The `evaluation industry' (notably the Manpower Demonstration Research Corporation) appears to be convinced that the problems of evaluation can be solved by altering the research design. As waivers become more important and block granting looms on the horizon, one faces the curious prospect of a welfare system in which randomness in the treatment of claimants has been elevated to a central principle.

The close linkages between AFDC and Food Stamps at the delivery end have meant that Food Stamps have been caught up in the waiver process. However, States' concerns and incentives with respect to Food Stamps are very different because the Food Stamp programme is Federally financed. This means that States have incentives to move people off AFDC and onto Food Stamps. Food Stamp allocations are too low to live on, but they are subject to only a gradual taper, and have no unemployment or `deprivation' requirements. The most effective way to utilise the Food Stamp system to reduce AFDC rolls is to get people into low-paid work, where they may be able to get by with earnings augmented by Food Stamps.

The different Federal-State relationships which characterise AFDC and Food Stamps cause a host of minor problems at the delivery end. Depending on the rules a State adopts for AFDC, it is possible for basic factors in the determination of entitlement to differ across the two benefits, necessitating two claims procedures or two sets of calculations within one claim. Some sanctions which can be exercised against AFDC recipients do not apply to Food Stamps (for instance, sanctions for non-cooperation with Child Support Enforcement agencies).

The fate of Unemployment Insurance also shows the pressures and strains of the Federal-State relationship. Over the last decade or so, many States have allowed UI benefit levels to fall relative to wages in order to cut the State component of the unemployment insurance tax. Now, reflecting the current climate of assertion of States' rights in the USA, several states are advocating `devolution' of the FUTA tax (the share of unemployment insurance tax which is collected by the Federal Government to finance administration costs). They advocate that States should retain the tax collected for administration in each State, and finance their own administrative costs.
There will be hearings on this issue before a Committee of Congress in 1996. Devolution is opposed by Federal administrators, partly because the last elements of Federal leverage over the administration of UI would be lost.

The debate about ‘devolution’ of administrative costs has highlighted the absence of incentives to control costs under current arrangements. There is no mechanism for putting pressure on inefficient States to improve their administration. One reason is that the Federal Government is not in a position to dictate ‘best practice’ to the States under the terms of the ‘Federal–State partnership’. States which use a lot of worker time for certain processes can argue that the extra time is accounted for by peculiarities of State law and particular treasured features of State practice.

In fact, there are already some question marks over the true extent of Federal powers. While the Federal offices at regional level undertake QA and QC analyses, they cannot sanction States very effectively. Administrative grants can be withdrawn, but this would obviously make any maladministration worse. Otherwise the Federal Government has only the ‘all or nothing’ sanction of declaring a State to be out of conformity with the conditions for obtaining a tax offset. The political obstacles to using this power are substantial, and any State so sanctioned would inevitably challenge the Federal Government in the courts.

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The choice of States to be visited reflected two underlying sets of factors which were thought to be of interest in studying the benefit delivery process:

1. Social conditions and income levels: We were interested to see how the delivery process is affected by and responds to pressure arising from low incomes and high unemployment. A relatively prosperous State would need to be selected alongside the low-income State, to provide a benchmark for this analysis.

2. Historical and political differences: The two States should have long-standing differences in approach towards welfare provision, in order to enable the research to see how differences in the policy environment are reflected in the delivery process.

The size of the State was not included as a criterion. While large States can be seen as more `representative' of the USA as a whole, the choice of fieldwork sites in large States would require a further selection process which would have undermined any suggestion of representativeness.

Indicators relating to the specified criteria are:

1. The rate of Federal matching of State welfare expenditure under AFDC. This provides an indicator of per capita income. The poorest States receive matching funds at the rate of up to 65 per cent Federal/35 per cent State; the richest states at a 50/50 rate.

2. The ratio of the State's need standard to the amount of benefit paid. Need standards vary across States for cost-of-living reasons as well as because of differences in allowed items for inclusion in needs. A low need standard may therefore indicate either stringency in the welfare system or a low cost of living. An alternative indicator of stringency is amount paid relative to the standard. Many States do not pay 100 per cent of their need standard; some pay less than 50 per cent.

3. The State's hypothetical payment for a given family (one adult/one child has been used) relative to the national average (unweighted average of State payments). While this amount varies for cost-of-living reasons, it also provides an indicator of the generosity of welfare provision which complements (2).

All the criteria relate to AFDC, as this is the major programme with significant state variations. Data used were as at 3. October 1990, except for the Federal match, which was for fiscal year 1992/93.
Using the three criteria, two sets of states have been derived as follows:

Set 1: States receiving 50 per cent Federal matching funds, paying 100 per cent of their need standards and paying a benefit greater than 4/3 of the national average.
Set 2: States receiving 65 per cent Federal matching funds, paying 50 per cent or less of their need standards and paying a benefit less than 2/3 of the national average.

The two sets of states are shown in Figures 9.1 and 9.2. AK, GU, HI, PR and VI have been excluded from the analysis, for obvious reasons. As the figures show, the States in set 1 are dominated by the Northeast (except for CA and MN), while those in set 2 are in the Southeast.

The Office of Family Assistance in Washington drew our attention to OR, WI and MA as examples of good practice in the implementation of JOBS programmes, and on this basis Massachusetts was selected as the first-choice State from set 1. Of the States in set 2, West Virginia had the advantage of relative proximity to Washington, DC, and WV has also attracted some interest over its implementation of JOBS.

Figure 9.1 USA: High-income, high-benefit States
Figure 9.2 USA: Low-income, low-benefit States
### APPENDIX CHECKLIST FOR DELIVERY PROCESS

**The claims process**

**Making the claim**
- What are the sources of information about the benefit(s)?
- What attempts are made to reach likely beneficiaries?
- Where is the claim made? (Single site, multiple sites?)
- Is it made by post/personal call/telephone/other?
- Who receives the claim?

**Making the decision**
- Who decides how the law applies to the circumstances of this particular case?
- What rule books are used by the decision-makers?
- Is there special training for those who make decisions on eligibility and entitlement?
- Are only public employees allowed to make such judgements?
- Does the person taking the decision have independent status (e.g. independence of adjudication officer)?
- Who authorises payment?
- What is the authorisation process; how many levels; what kinds of cases go to higher levels on what grounds?
- How is the decision communicated/in what detail (print-out/other)?
- By whom is it communicated?

**Evidence on which decision is made**
- What is the nature of the evidence required on which to make a decision?
- Where is it stated that the evidence is required (legislation: primary/secondary; directives; guidelines; circulars)?
- How is the evidence acquired (pay slips; passports; contribution records)? Is there data-matching?
- What attempts are made to detect possible fraud?
- What checks are there on evidence?
- What measures can be taken to rectify a wrong decision (e.g. over- or under-payment)?

**Evidence of continuation of contingency**
- What changes of circumstance prompt further checks/controls?
- What are the checks/controls used?

*For all the above, what use is made of IT?*
- What are the functions of IT?
- Is it mainframe?
- Is it for customer use?

**B Payment**

How is the benefit paid (over counter/in cash/giro cheque/into bank account/by order book)?
- How is security ensured?
How much time (average and distribution) elapses between decision and payment? Is this governed by legislation? guidelines? discretion?
What is the role of IT in making payment?

C Audits
How is a) decision b) delivery c) take-up audited?
What criteria are used to audit (speed/accuracy/cost)?
What internal management audits are there? What role does IT play here?
What internal ‘professional’ audits (e.g. Chief Adjudication Officer)?
What feedback from appeals?
We are seeking country reports for Denmark, France, Germany, the Netherlands, the UK and the USA as part of a Department of Social Security-financed project on International Comparisons of Benefit Delivery Systems. The core of the project is the analysis of each country’s delivery process by means of tracking certain representative cases. For example, we will be examining how a person who becomes unemployed:

- makes a claim (entry onto benefit)
- is affected by changes during the period of receiving the benefit (either claimant-initiated changes in circumstances or administration-initiated changes in treatment due to lapse of time)
- terminates the claim (exit from benefit).

This case-based approach will be taken for a range of contingencies, including e.g. invalidity as well as unemployment. Note that this approach dictates that we look at the whole range of benefits which a person experiencing the contingency might be entitled to - the study is not restricted to particular benefits. We are particularly interested in the interactions between different agencies which might have a common ‘client base’.

To provide background information for the study and to aid us in selecting interesting cases, several pieces of preparatory work are being undertaken, including:

1. Review of the main issues in benefit delivery as seen by the British Department of Social Security. The steering committee has already indicated what some of these issues are, e.g. control of administrative costs, use of computers by both claimants and social security office staff, cross-checking (data-matching) across agencies, audit methods, etc.

2. Literature review of the historical development of the institutional structure of benefit systems in the five countries in the study.

3. Detailed overview of the current institutional structure for benefit delivery.

We are seeking country counterparts to undertake item 3 and to assist us in finding contacts for the second phase of the study, when the ‘cases’ have been developed. In the second phase, the lead researchers will visit the countries to see benefit offices in operation and interview key participants in the benefit delivery process.
A fee can be paid for the country reports, which need to be with us by mid-June 1995.

When we commission the report we shall send a brief outline of the information we already have on the benefit structure in the relevant country, along with a list of the research questions we are asking the country counterparts to address.

Helen Bolderson
Deborah Mabbett

Brunel University
Uxbridge
Middlesex
UB8 3PH
UK
The UK research team is commissioning reports from counterparts in Denmark, France, Germany, the Netherlands and the USA. This outline indicates the areas which, it is planned, the reports will cover.

The purpose of the reports is to give the research team an overall picture of the benefits payable, the institutions involved in administering the system, and the financial structure of the system. Subsequently, the research will move on to examine the delivery process in particular parts of each country’s system in detail.

As a first step in liaising with counterparts, some sections of the reports will be drafted by the UK researchers using available secondary sources. Counterparts will be provided with these drafts and with further country-specific questions as soon as possible.

**Outline**

1. **The institutions involved**
   
   This section will map out the institutions governing social security policy, operations and delivery. The map will identify the responsibilities each institution exercises for:

   (a) policy
   (b) operations
   (c) delivery
   (d) regulation and monitoring.

   A possible format of this map is as follows:

<table>
<thead>
<tr>
<th>Specified Pensions and Benefits</th>
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</thead>
<tbody>
<tr>
<td>Policy</td>
</tr>
<tr>
<td>Operations</td>
</tr>
<tr>
<td>Delivery</td>
</tr>
<tr>
<td>Monitoring</td>
</tr>
</tbody>
</table>

2. **Details of each institution**
   
   For each institution, we are seeking information about:

   (a) the legal framework within which it operates. What kind of legal and other instruments determine its existence and function?

   (b) its internal structures of i) governance and ii) management. What kind of Management/Governing Committee/Board does it have? What different interests are represented on these bodies? How are they appointed? How do they exercise influence and over which activities do they exert it?
(c) how the organisation is held accountable/answerable. Who has authority over its work? If authority is delegated, how is it delegated?

(d) the personnel who staff it - numbers, qualifications, roles.

3. Role of institution in Looking at important changes in social security policy or innovations in benefit delivery introduced in recent years:

(a) Where was the change initiated, and in response to what pressure?

(b) In the case of policy changes, did implementation proceed from the `top down`, or was there a process of policy development which encompassed operational and delivery aspects?

(c) Do local offices or districts initiate or `pilot` innovations? How much scope exists for variations in practice at the local level?

4. The financial structure This section will identify the revenue sources for:

(a) benefit expenditure, by benefit;

(b) administrative costs, by benefit or by institution, whichever is appropriate to the budgetary procedure adopted.

Further questions in each of these areas are:

*Benefit expenditure:* What is the budgetary process for benefit expenditure (distinguished by benefit as necessary)? Which part of the governance structure makes revenue decisions (e.g. setting of contribution rates, determination of allocations from general tax revenue)? Do any benefits have annual limits on expenditure (cash limits)? How are these implemented?

*Administrative costs:* What information about these costs is held? Who compiles this information? Is control of administrative costs seen as an important issue in some or all benefit/institutional areas?
APPENDIX D ORGANISATIONS VISITED

Denmark
Social Forsknings Instituttet (Institute for Social Research), Copenhagen
Socialministeriet (Ministry of Social Affairs)
Finansministeriet (Ministry of Finance)
Kontoret for social- og arbejdsmarkedsforhold, Kommunernes Landsforening (Association of Municipalities), Copenhagen
Arbejdsløshedsforsikringenes Samvirke (Association of Unemployment Insurance Funds), Frederiksberg
HK Kobenhavn Arbejdsløshedsforsikring (Unemployment Insurance Fund), Copenhagen
Arbejdsløshedsforsikringen Storkobenhavn (Greater Copenhagen Employment Service), Copenhagen
Bistandskontoret, Radhus (Town Hall), Farum Kommune
Kursus- og radgivningscentret (Education and advice centre), Hvidovre Kommune

France
Caisse Nationale d’Assurance Vieillesse de Travailleurs Salaries (CNAVTS) (National Old Age Insurance Fund for Employees), Ile de France (Paris)
Caisse Regionale d’Assurance Maladie (CRAM) (Regional Health Insurance Fund), Ile de France (Nanterre)
Commission Technique d’Orientation et de Reclassement Professionnel (COTOREP) (Technical Commission for Employment Information and Guidance), Hauts de Seine (Nanterre)
Centre Technique National d’Etudes et de Recherches sur les Handicaps et les Inadaptations (National Technical Centre for Study and Research on Handicap and Disability), Paris
Union Nationale Interprofessionnelle pour l’Emploi clans les Industries et le Commerce (UNEDIC) (National Confederation for Employees in Industry and Commerce), Paris
Association pour l’Emploi Dans les Industries et le Commerce (ASSEDIC) (Association for Employees in Industry and Commerce), Arras
Agence Nationale pour l’Emploi (ANPE) (National Employment Agency), Nanterre
Caisse Nationale des Allocations Familiales (CNAF) (National Family Benefits Fund), Paris
Caisse d’Allocations Familiales (CAF) (Family Benefits Fund), Hauts de Seine (Nanterre)
Centre Communal d’Action Sociale (CCAS) (Municipal Centre for Social Action), Arras
Centre Communal d’Action Sociale (CCAS) (Municipal Centre for Social Action), Nanterre
Mutualite du Pas de Calais (Mutual Society of Pas de Calais), Arras
Germany  Max-Planck-Institut für Ausländisches und Internationales Sozialrecht (Institute for Foreign and International Social Law), Munich
Bundesministerium für Arbeit und Sozialordnung (Ministry of Labour and Social Affairs), Bonn
Institut für Supervision, Institutionsberatung und Sozialforschung (ISIS) (Institute for Organisational Consultancy and Social Research)
Verband Deutscher Rentenversicherungsträger (VDR) (Association of German Pension Institutes), Frankfurt am Main
Landesversicherungsanstalt (LVA) Hessen (Pension Institute in the Land of Hessen), Frankfurt am Main
AOK-Bundesverband (Federal Association of Local Sickness Insurance Funds), Bonn
Bundesverband der Betriebskirchenkassen (Federal Association of Enterprise-based Sickness Insurance Funds), Bonn
Arbeitsamt (Employment Office), Frankfurt am Main
Deutscher Verein für öffentliche und private Fürsorge (German Association for Public and Private Welfare), Frankfurt am Main
Landesamt für Jugend und Soziales (Land Office for Juveniles and Welfare), Mainz, Rheinland-Pfalz
Sozialamt (Social Assistance Office), Homburg, Saarpfalz
Socialstation (Social Assistance Office), Frankfurt am Main

The Netherlands  Ministerie van Sociale Zaken en Werkgelegenheid (Ministry of Social Affairs and Job Opportunities), The Hague
College van toezicht sociale verzekerings (Ctsv) (Social Security Supervisory Council), Zoetermeer
Temporary Institute for Coordination and Adjustment (Tica), Amsterdam
Sociale Verzekeringsbank (SVB) (Social Insurance Bank) Headquarters, Amstelveen
Sociale Verzekeringsbank (SVB) District Office, Amsterdam
Bedrijfsverenigingen (BV) Nieuwe Algemene (General Workers, Industrial Association), Amsterdam.
Gemeenschappelijk Administratiekantoor (GAK) Headquarters, Amsterdam
Gemeenschappelijk Administratiekantoor (GAK) District Office, Kronenburg
KPMG Management Consulting, The Hague
Dienst Sociale Zaken en Werkgelegenheidsprojecten (DSZW) (Social Services Department), The Hague
Gemeentelijke Dienst Sociale (GSD) (Social Services Department), Rotterdam

USA Social Security Administration (SSA), Baltimore, MD
SSA Boston Regional Office, Boston, MA
SSA Boston District Office, Boston, MA
Disability Determination Service, Boston, MA
SSA District Office, Charleston, WV
Disability Determination Service, Charleston, WV
Department of Labor, Office of Unemployment Insurance Program Management, Washington, DC
Department of Labor Regional Office, Unemployment Insurance Program, Boston, MA
Department of Employment and Training, Unemployment Insurance, Boston, MA
Department of Labor Regional Office, Unemployment Insurance Program, Philadelphia, PA
West Virginia Bureau of Employment Security, Charleston, WV
Department of Health and Human Services, Administration for Children and Families, Washington, DC
Department of Health and Human Services, Administration for Children and Families, Regional Office, Boston, MA
Massachusetts Department of Transitional Assistance, Boston, MA
Massachusetts Department of Transitional Assistance, Local Office, Malden, MA
Department of Health and Human Services, Administration for Children and Families, Regional Office, Philadelphia, PA
Bureau for Children and Families, Department of Health and Human Resources, Charleston, WV
Bureau for Children and Families, Kanawa County Public Welfare Office, Charleston, WV
Department of Agriculture, Food and Nutrition Service, Alexandria, WV
US Department of Agriculture Regional Office (Food Stamps), Boston, MA
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
<th>Description</th>
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<tbody>
<tr>
<td>AA</td>
<td>Arbeitsnachte (employment offices)</td>
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<tr>
<td>AAH</td>
<td>Allocation pour l'Adulte Handicaps (adult disability benefit)</td>
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<tr>
<td>AAW</td>
<td>Algemene Arbeidsloshedskassernes (disability pensions)</td>
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<tr>
<td>ABW</td>
<td>Algemene Bijstandswet (social assistance)</td>
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<td>ACF</td>
<td>Administration for Children and Families</td>
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<tr>
<td>ACOSS</td>
<td>Agercc Cent rate des Organisms de Securite Sociale (Central Agency of Social Security Organisations)</td>
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<tr>
<td>AF</td>
<td>Arbejdsmiddling (employment exchange)</td>
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<tr>
<td>AFDC</td>
<td>Aid to Families with Dependent Children</td>
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<tr>
<td>AFDC-UP</td>
<td>AFDC-unemployed, parent</td>
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<tr>
<td>AGBSHG</td>
<td>Ausfiihrungsgesetze (Executive Acts)</td>
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<tr>
<td>A-kasser</td>
<td>Arbejdsmiddling (unemployment insurance fund)</td>
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<tr>
<td>AKW</td>
<td>Algemene Kinderbijslagwet (child benefit)</td>
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<td>ALG</td>
<td>Arbeitslosengeld (unemployment benefit)</td>
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<tr>
<td>ALH</td>
<td>Arbeitslosenhilfe (unemployment assistance)</td>
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<tr>
<td>ALJ</td>
<td>Administrative Law Judge</td>
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<tr>
<td>AMRs</td>
<td>Arbeidsmarkedsradene (labour market councils)</td>
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<tr>
<td>AMS</td>
<td>Arbeidsmarkedsstyrelser (National Labour Market Authority)</td>
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<td>ANPE</td>
<td>Agerce Nationale pour l'Emploi (employment exchange)</td>
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<tr>
<td>AOW</td>
<td>Algemene Ouderdomswet (old age pensions)</td>
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<td>API</td>
<td>Allocation de Parent Isole (lone parent benefit)</td>
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<td>AARCO</td>
<td>Association des Regimes de Retraite Complementaire (Association of Complementary Retirement Pension Providers)</td>
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<tr>
<td>AS</td>
<td>Allocation Supplémentaire (supplementary benefit - France)</td>
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<td>AS</td>
<td>Arbeidsloshedskasmes Sameirke (National Advisory Association for A-kasser - Denmark)</td>
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<td>ASS</td>
<td>Allocation de Solidarite Specifique (extended unemployment benefit)</td>
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<td>ASSEDIC</td>
<td>Association pour l'Emploi dans les Industries et Commerce (unemployment benefit office)</td>
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<tr>
<td>ASV</td>
<td>Allocation Speciale de Vieillesse (special benefit for the elderly)</td>
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<tr>
<td>AVTS</td>
<td>Allocation aux Vieux Travailleurs Salaries (benefit for elderly workers)</td>
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<tr>
<td>AWW</td>
<td>Algemene Weduwen en Wezenwet (widows’ and orphans’ pension)</td>
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<tr>
<td>BA</td>
<td>Benefits Agency (UK)</td>
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<tr>
<td>BA</td>
<td>Bundesanstalt fur Arbeit (Federal Employment Institute - Germany)</td>
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<tr>
<td>1313</td>
<td>Bijzondere Bijstand (special expenses benefit)</td>
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<tr>
<td>BCF</td>
<td>Bureau of Children and Families</td>
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<tr>
<td>BfA</td>
<td>Bundesversicherungsanstalt fur Angestellte (Federal Insurance Institute for Salaried Workers)</td>
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<td>Acronym</td>
<td>Description</td>
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<tr>
<td>BPC</td>
<td>Benefit Payment Control</td>
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<td>BSHG</td>
<td>Bundessozialgesetz (Federal Social Assistance Act)</td>
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<td>BSI</td>
<td>Bureau of Special Investigations</td>
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<tr>
<td>BU</td>
<td>Rente wegen Berufsunfähigkeit (partial incapacity pension)</td>
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<tr>
<td>BVs</td>
<td>Bedrijfsverenigingen (Industrial Associations)</td>
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<tr>
<td>CAF</td>
<td>Caisse d'Allocations Familiales (fund for family benefits)</td>
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<tr>
<td>CAP</td>
<td>Child Assistance Program</td>
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<tr>
<td>CCAS</td>
<td>Centre Communal d'Action Sociale (Municipal Centre for Social Affairs)</td>
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<tr>
<td>CCIPM</td>
<td>Commission de Controle des Institutions de Retraite ou de Prevoyance Complementaires et des Mutuelles (Supervisory Commission for Complementary Retirement Pension Providers and Mutual Associations)</td>
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<tr>
<td>CCSS</td>
<td>Commission des Comptes de la Securite Sociale (Commission for Social Security Accounts)</td>
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<tr>
<td>CDI</td>
<td>Commission Departementale d'Insertion (Departmental Commission for Insertion)</td>
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<tr>
<td>CDR</td>
<td>continuing disability review</td>
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<tr>
<td>CL1</td>
<td>Commission Locale d'Insertion (Local Commission for Insertion)</td>
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<tr>
<td>CN</td>
<td>caisse nationale (national social security fund)</td>
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<tr>
<td>CNAF</td>
<td>Caisse Nationale d'Allocations Familiales (CN for family benefits)</td>
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<tr>
<td>CNAM</td>
<td>Caisse Nationale d'Assurance Maladie (CN for sickness and invalidity benefits and health care)</td>
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<tr>
<td>CNAV</td>
<td>Caisse Nationale d'Assurance Vieillesse de Travailleurs Salaries (strictly, CNAVTS) (CN for old age benefits)</td>
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<tr>
<td>CNESS</td>
<td>Centre National d'Etudes Superieures de Securite Sociale (National Centre for Advanced Study in Social Security)</td>
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<tr>
<td>CODEC</td>
<td>Comite Departemental d'Examen des Comptes (departmental auditors)</td>
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<tr>
<td>COTOREP</td>
<td>Commission Technique d'Orientatio et de Reclassement Professionel (Technical Commission for Employment Information and Guidance)</td>
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<tr>
<td>CPAM</td>
<td>Caisse Primaire d'Assurance Maladie (local fund for sickness and invalidity benefits and health care)</td>
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<tr>
<td>CR</td>
<td>Complement de Retraite (supplementary old age benefit)</td>
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<td>CRA</td>
<td>Commission de Recours Amiable (Conciliation Commission)</td>
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<tr>
<td>CRAM</td>
<td>Caisse Regionals d'Assurance Maladie (regional fund for sickness and invalidity benefits and health care - France)</td>
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<td>CRAM</td>
<td>Central Register for Arbejdsmarked (the labour market - Denmark)</td>
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<tr>
<td>CPR</td>
<td>number Central Person Register number (personal identity number)</td>
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<tr>
<td>CR</td>
<td>claims representative</td>
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<tr>
<td>CSE</td>
<td>Child Support Enforcement</td>
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<tr>
<td>CSG</td>
<td>Contribution Sociale Generalisee (general tax for social purposes)</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>CTN</td>
<td>Commission Technique National (National Technical Commission on Disability)</td>
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<tr>
<td>Ctsv</td>
<td>College van Toezicht Sociale Verzekeringen (Social Security Supervisory Board)</td>
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<tr>
<td>CWEP</td>
<td>Community Work Experience Program</td>
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<tr>
<td>DDASS</td>
<td>Direction Departenientale des Affaires Sanitaires et Sociales (Department Office for Health and Social Affairs)</td>
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<tr>
<td>DDS</td>
<td>Disability Determination Service</td>
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<tr>
<td>D.DTEPF</td>
<td>Direction Departementale du Travail, de l'Emploi et de la Formation Professionelle (Department Office for Work, Employment and Training)</td>
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<tr>
<td>DET</td>
<td>Department of Employment and Training</td>
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<tr>
<td>DHHR</td>
<td>Department of Health and Human Resources</td>
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<tr>
<td>DHHS</td>
<td>Department of Health and Human Services</td>
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<tr>
<td>DI</td>
<td>Disability Insurance</td>
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<td>DIRMI</td>
<td>Deltagation In terministerie rielle an RMI (In.ministerial Committee on RMI)</td>
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<tr>
<td>DRASS</td>
<td>Direction Regionale des Affaires Sanitaires et Sociales (Regional Office for Health and Social Affairs)</td>
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<tr>
<td>DSA</td>
<td>Den Social Ankestyrelse (Social Appeals Board)</td>
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<tr>
<td>DSS</td>
<td>Direction de la Securite Sociale (Department of Social Security)</td>
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<tr>
<td>DSZW</td>
<td>Dienst Sociale Zaken en Werk `elenheidsprojecten (Department of Social Services and Work Opportunity Projects)</td>
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<tr>
<td>DTA</td>
<td>Department of Transitional Assistance</td>
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<tr>
<td>DVS</td>
<td>Department of Vital Statistics</td>
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<tr>
<td>E&amp;T</td>
<td>Employment and Training</td>
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</tr>
<tr>
<td>EAEDC</td>
<td>Emergency Aid to the Elderly, Disabled and Children</td>
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Further information regarding the content of the above may be obtained from:

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Attn. Keith Watson
Social Research Branch
Analytical Services Division 5
10th Floor, Adelphi
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London WC2N 6HT
Telephone: 01.71 962 8557