

**14. Personal judgement**

- Vital issue to address, both from equity and health points of view. The situation of children is especially important in equity terms.
  - Direction of changes basically right but difficult to deny that the problems pointed out by the critics might occur. More time and analysis necessary to judge how right and wrong things have gone.

**15. General available references**

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## 1.2. Pension and Social Security

### 1. Title (please insert a header)

➔ Pension reform

### 2. Initiators

➔ The 'Working group on pensions' appointed by the Ministry of Health and Social Affairs

### 3. Funding

➔ Employer's and insured person's social security contributions as well as taxes

### 4. Beginning, expected end and duration

➔ Stepwise implementation 1995-2003

### 5. Background and rationale of the reform, expected results

- ➔ Big parliamentary review of the pension system during the 1980s. Major report delivered in 1990.
- ➔ Problems of maintaining the social policy content if future growth rate would be high: More and more persons above the income ceiling for benefit purposes implying that fewer and fewer persons would get adequate income replacement from the public system in the future.
- ➔ Problems of cost control if growth would be low.
- ➔ Incentive and equity problems connected to the benefit formula (fairly short period for accumulating a full benefit).
- ➔ Low savings rate during the 1980s.
- ➔ Rationale of the reform: Improve incentives and cost control while reducing inequities and maintaining the social policy goals of both providing basic and income security. Promote savings.

### 6. Country-specific context

- ➔ Universal basic pension since 1948 complemented by earnings-related second-tier starting in 1960.
- ➔ Extra supplements for those with low (or no) earnings-related benefits since 1969.
- ➔ Large publicly controlled buffer funds in the earnings-related system.
- ➔ Price indexing of the entire system.
- ➔ Housing supplements paid by the municipalities important for low income pensioners.
- ➔ The earnings-related program probably the most politically conflictual policy issue in the postwar period.
- ➔ Public funds politically controversial, both the pension funds and the 'wage-earner funds' (instituted in the 1980s and abolished in the early 1990s).

## 7. Target groups and target regions

- Residents and persons active on the Swedish labour market.

## 8. Content and objectives

- Shifting from a defined benefit formula to a defined contribution formula. This is a strategy of (i) controlling costs (fixing the contribution rate), (ii) improving incentives by linking contributions tighter to the benefit level, (iii) reducing inequities by reducing the unintended redistribution tied to the defined benefit formula. However, this also requires that outgoing benefits are linked to the incomes that form the basis of contributions.
- The system is primarily based on the 'pay-as-you-go' principle. 16% of the wage goes into what has been labelled as a 'notionally defined contribution' (NDC) program.
- In addition, the system has a fully funded component equivalent to 2,5% of the wage.
- Replacing the universal basic benefit with a universal guarantee.
- New way of co-ordinating basic and earnings-related benefits by turning the earnings-related system the first-tier and the basic benefit payable only if the pensioner has no or low earnings-related pension. A new element is that those with 'earned pension entitlements' will get credits/supplements even if the total earned pension will not reach above the universal guarantee.
- Separation of early retirement (disability) pensions and old-age pensions.
- Introducing a number of redistributive measures by including various kinds of social insurance benefits in the pension determining income.

## 9. Concrete changes vis-à-vis the status quo

- Entirely new technique for determining the earnings-related benefits.
- New way of co-ordinating basic and earnings-related provisions.
- Individualisation and partial privatisation of the major parts of the funds.
- Separation of the old-age pensions from disability benefits.
- Including 'breaks' if longevity is increased.
- Moving from implicit redistribution (via the old benefit formula) to explicit redistribution by giving credits for other incomes than earnings.

## 10. Major conditions for success

- The perhaps most important feature of the reform is that it is much less dependent on specific conditions, economic as well as demographic.
- If life expectancy is increased benefits will be lower, perhaps too low for people to maintain normal living standards. And if the labour market will be tight for older parts of the working population, and/or groups of people have health problems, this might result in a problematic situation for groups of elderly.
- That the parties that stood behind the reform stick to their commitment to it.

## 11. Arguments raised by opponents of the reform

- From the neo-liberal camp it has been argued that the reform cements a huge public involvement in a policy area where privatization is a viable alternative.

- From the 'greens' it has been argued that a pure reliance on basic benefits would be better from an egalitarian perspective.
- From the 'left party' it has been argued that the new benefit formula punishes women and that the new funds will lessen the democratic influence on capital formation in the future.
- The trade unions have been critical to various (but different) components of the reform. The white-collar TCO has criticized the reform for giving too little credits to studies and too little to women. The metal workers union have criticized the reform for giving too little credits to those on disability pensions. Most unions have criticized the shifting from employer's social security contributions to a split between employer's and insured persons's social security contributions.
- Social Democratic rank and file activists have criticized the party leadership for abandoning the old and successful platform and choosing to compromise rather than political struggle.

## 12. Effects on other policy fields

- It puts pressures for other social insurance programs by assigning a cost for the redistributive measures.
- The implementation of the fully funded individual component is likely to have effects on the private pension market.

## 13. First results

- No benefits have yet been paid.

## 14. Personal judgement

- The reform addresses two fundamental critiques of the modern welfare states: Lack of cost control and poor incentive structures. This makes it easier to defend this big part of the welfare state.
- The co-ordination of basic and earnings-related benefit level is improved both from an equity and incentive point of view.
- The separation of old-age and disability pensions is potentially problematic from a distributive point of view. The reason is that the risk of permanent disability before normal retirement age is much higher among blue-collar worker and it is thus more difficult to get broad coalitions for financing the disability pensions.
- The individualisation of the funded part of the system is very expensive to run and the merits (beside the political-ideological aspects) is yet unclear - even though it might have positive effects on the products offered on the private insurance market.
- The change of technical logic of the system is so big, and the system is so complicated, that it has caused big confusion which could have been avoided if the old platform had been maintained.
- No long-term solution concerning the basic benefit level is offered since it continues to be price-indexed.

## 15. General available references

- <http://www.pension.gov.se/>

#### 1.4. State Welfare and Social Assistance

1. Title (please insert a header)

➤ New standards and procedures for paying social assistance benefits.

2. Initiators

➤ Central government.

3. Funding

➤ Local municipal taxes and block grants

4. Beginning, expected end and duration

➤ January 1<sup>st</sup> 1998

5. Background and rationale of the reform, expected results

- Social assistance has been administered on the municipality level and subject to large regional variation, both when it comes to benefit levels and other practises. However, there also existed a recommended norm (benefit level) defined by the National Board of Health and Welfare. When a municipality decided about a lower benefit level this created problems since the benefit claimant had the right to go to court to get the recommended level of social assistance. Moreover, the social workers were obliged to assist the benefit claimant in the appeal procedure. Benefit claimant could also go to court concerning matters that did not have to do with the basic provisions.
- The result was a complicated procedure for claiming benefits and an unclear situation for both the local authorities and the benefit claimants.
- The municipalities were happy about the court decisions. This had partly to do with problems of cost control on the local government level.
- The rationale behind the reform was to create: Better definition of rights and responsibilities and thereby creating more reasonable claim procedures.

6. Country-specific context

- Social assistance has a strong decentralised tradition in Sweden.
- Strong political element, rather than legalistic, in determining the levels of benefits and the conditions for receiving them.
- The universal and fairly generous social insurance sector, as well as the universal child benefits.
- Benefit levels are fairly generous by comparison but the means-testing is strict.
- No strong tradition of nationwide standardisation of social assistance.
- Local taxation and local government important.

**7. Target groups and target regions**

- Social assistance recipients

**8. Content and objectives**

- Three different levels of benefits: (i) Benefit for basic (short term) needs the size of which is determined on a central level, (ii) Benefit for basic longer term needs (e.g., more durable consumption) the size of which is in principle decided on the local level but which is subject to an appeal procedure, (iii) other benefits entirely subject to local discretion (no appeal procedure).
- Clarification of rights and responsibilities of individuals and municipalities.
- Clarification of legal procedures.

**9. Concrete changes vis-à-vis the status quo**

- Clearer national standardisation of benefit levels.
- Limited local discretion in some respects (mainly when it comes to basic provisions) but increased in other respects.
- Reduced role of the courts.

**10. Major conditions for success**

- That the municipalities learn how to handle the three different kinds of benefits.

**11. Arguments raised by opponents of the reform**

- Too low/high scale rates for the first level (both views expressed).
- Too little of social rights character of the first two levels.
- Too little/large local discretion left (both views expressed).
- State intervenes without supplying the funding.
- The big issue of the large benefit-dependency of immigrants not really addressed by the reform.

**12. Effects on other policy fields**

- No specific expectations but this aspect is yet to be analysed.

**13. First results**

- Yet to be analysed.

**14. Personal judgement**

- ➔ Necessary or at least desirable to move in this direction (clarify rights, rules and responsibilities).
- ➔ Three levels approach reasonable.
- ➔ The basic rate includes too few items and should be expanded.

15. General available references

- ➔

## 1.5. Family Issues

### 1. Title (please insert a header)

➤ Reform of Housing Allowances

### 2. Initiators

➤ Central government

### 3. Funding

➤ Taxation

### 4. Beginning, expected end and duration

➤ 1997, 1998 and onwards

### 5. Background and rationale of the reform, expected results

- Housing allowances for those below pension age have been changed in different ways over the past decade. There is a clear trend towards targeting the benefit towards families with children. The allowances have always been income-tested.
- In connection to the 1991 tax reform, the housing allowances were increased to compensate for the reduced redistributive effect of the tax system.
- The responsibility for paying out the benefits was moved from the municipalities to the state and began to be administered by the local social insurance offices in 1994.
- The costs of the housing allowances increased rapidly during the first part of the 1990s. First as a result of the more generous benefit rules, then as result of the economic crisis with declining incomes for many households. However, the increased spending was also assumed to be part of the new way of assessing the entitlement to the allowance; on the basis of projected instead of past incomes.
- The general ambition was to reduce expenditures by a clearer targeting of the benefits. This was part of the ambitions to reduce the huge deficits of the public finances.

### 6. Country-specific context

- The universal and fairly generous social insurance sector, as well as the universal child benefits.
- High support and legitimacy for the welfare state in general but for housing allowances get the weakest support in polls.
- Fairly large proportion of rented apartments.
- High female labour force participation rate.
- Large increase in unemployment in the early 1990s.
- Large deficits in the public finances in the middle of the 1990s

### 7. Target groups and target regions

➔ Families with children

## 8. Content and objectives

- ➔ In 1996 and 1997, stepwise cutbacks in the generosity of the program both when it comes to size of rent and size of apartment taken into consideration when determining the benefits level. Attempt to protect single-parent low income families from the effects of cutbacks, i.e. stricter targeting
- ➔ The perhaps most important change is the new way of assessing and controlling the income and benefit levels. The claimant has to make a projection of incomes on a twelve month basis and then gets a preliminary housing allowance. Afterwards the incomes are controlled against the tax records and a final allowance is calculated. If the preliminary benefit was too large the benefits claimant has to pay back the difference plus a fee. If the preliminary benefit was too small the difference, including interest, will be paid to the claimant. In January 1999 the final housing allowance for 1997 were determined.
- ➔ For couples, the incomes of each spouse is assessed separately in such a way that a couple where incomes are uneven the housing allowance will be smaller. One objective is here to promote gender equality. Another objective is to provide better work incentives.

## 9. Concrete changes vis-à-vis the status quo

- ➔ Cutback of redistributive policy.
- ➔ Change of control-system.
- ➔ Change of incentive structure.
- ➔ Promotion of dual-earner model also in assessing the entitlement to income-tested benefits.

## 10. Major conditions for success

- ➔ That the claimants get information about and understand the benefit conditions, and, hence, reports changes in incomes and other relevant factors.
- ➔ That low income families are not scared by the possibility of re-payment and claim benefits when they are eligible.

## 11. Arguments raised by opponents of the reform

- ➔ Redistribution in favour of low income people reduced by the general cutbacks in the program.
- ➔ Yearly assessment of incomes is too rigid when it comes to dealing with the economic problems of low-income people.
- ➔ The principle of assessing the incomes of spouses separately is an undesirable intrusion in family life.
- ➔ Claims on re-payment is harassing low income people.

## 12. Effects on other policy fields

- ➔ Possibly some spillover to social assistance.

## 13. First results

- ➔ Protests by those who get claims on re-payment.
- ➔ Big public debate as the claims on re-payment started in 1998.
- ➔ Signs of increased legitimacy of the housing allowance programs recorded by polls carried out by the National Social Insurance Board.

#### 14. Personal judgement

- ➔ Not in favour of less redistribution. In favour of changing a system with poor control mechanisms and where incentive problems are evident.
- ➔ The new ways of assessing incomes and benefits has the potential of increasing the legitimacy of the system.
- ➔ Yearly incomes and the delayed final determination of benefits are problematic but I see no way around it.

#### 15. General available references

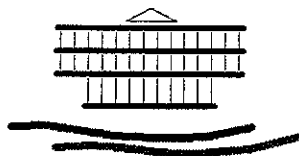
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## 5 General and important developments

### General and important developments

- The public finances will be running a surplus.
- Unemployment is going down although not as fast as envisioned by the government.
- Employment has started to increase lately, and more rapidly than expected.
- Attempts to initiate reforms or instituting new forms of wage bargaining on the labour market have so far failed or been delayed.

**Thank you very much!**



Bertelsmann Stiftung

# **International Reform Monitor**

## **Reforms reported by the UNITED STATES**

1.1. New health care coverage of  
uninsured parents and children

**Six-Monthly Survey  
No. 1 / 1999**

**June 1999**

## 1 Reforms concerning Social Policy Issues

### 1.1. Health Care

1. Title (please insert a header)

► "Badger Care": New health insurance coverage of uninsured children and parents

2. Initiators

► Governor and Legislature of State of Wisconsin / U.S. Department of Health and Human Services

3. Funding

► Divided between State of Wisconsin (30%); U.S. Department of Health and Human Services (63%); and premium contributions from newly insured population (7%)

4. Beginning, expected end and duration

► Law goes into effect 1 July 1999; Program lasts indefinitely

## 5. Background and rationale of the reform, expected results

- Approximately 16% of all Americans – and 31% of persons with incomes below the Federal Poverty Thresholds – do not have health insurance coverage. Although publicly provided health insurance has been extended to additional low-income children (under the federal / state Medicaid program and the Child Health Insurance Program) since 1987, many low-income working parents and children continue to lack health coverage.
- One acute problem is that families containing children were once automatically insured under Medicaid if the family received cash assistance benefits under the Aid to Families with Dependent Children (AFDC) program. The AFDC program was abolished in the welfare reform law passed in 1996, and the Temporary Assistance to Needy Families (TANF) program was created to replace it. That program sharply curtailed low-income families' eligibility for cash assistance benefits, and as a result many fewer families now collect cash public assistance. Even though this change in the cash assistance program for children should not have affected children's eligibility for Medicaid health insurance benefits, the number of children insured under Medicaid has declined along with the number of children collecting cash benefits under AFDC and TANF. Many children may have lost their Medicaid insurance because their parents failed to apply for that insurance when they lost eligibility for cash assistance payments.
- A second problem with the public medical insurance programs for low-income people is that few working-age adults are eligible for Medicaid insurance unless they are in a family that collects cash assistance payments (either for low-income children or for disabled children or adults). Because the 1996 welfare reform resulted in a large reduction in the number of families qualifying for cash assistance payments to children, the adults in these families lost their eligibility for Medicaid insurance.
- The State of Wisconsin and a handful of other states are trying to remedy these problems by creating a health insurance program for low-income adults that is not linked to the cash public assistance programs. The program established by Wisconsin, called "Badger Care," provides generously subsidised health insurance protection for children and their parents for families with incomes below 185% of the Federal Poverty Thresholds (or about \$25,000 per year for a family of three). Families with incomes below 150% of the Federal Poverty Thresholds will not have to pay premium contributions to obtain this insurance. Families with incomes above 150% of the Thresholds must pay a monthly premium equal to 3.5% of family income. When family incomes rises above 200% of the Poverty Threshold (or about \$27,300 for a family of three), the family will no longer qualify for the subsidised health insurance.
- Wisconsin state officials anticipate that more children and parents will be covered by health insurance under the plan. As a result, newly insured children and their parents should receive more and better preventive health care, and hospitals and other health care providers will not be forced to provide as much charity care (that is, unreimbursed services).
- A short-run indication that the program is working would be provided if large numbers of children and parents enrol in the program over the next one or two years. A longer term indicator of success would be provided if there is an increase in the percentage of Wisconsin children and parents who are covered by health insurance (whether privately or publicly provided).

## 6. Country-specific context

- See "Background and rationale of the reforms" above.
- This reform only applies to residents of Wisconsin, a mid-sized state in the Middle West region. However, other states may eventually adopt similar programs in order to expand health insurance coverage in low-income families containing children.
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## 7. Target groups and target regions

- Wisconsin parents and children in families with annual incomes below 200% of the Federal Poverty Thresholds. Unlike Medicaid, Food Stamps, and cash public assistance benefits, "Badger Care" health insurance is being provided without an assets test. In other words, eligibility for benefits depends only on each family's monthly or annual countable income.

## 8. Content and objectives

- Badger Care insurance benefits will be identical to the comprehensive package of benefits and services covered by the Wisconsin Medicaid insurance program. The existing Wisconsin Medicaid Health Maintenance Organisation (HMO) managed care system, including provisions for quality assurance, improved health outcomes, and grievance resolution, will be used to deliver services to the population insured under Badger Care.
- Initially eligible population: Parents and children in families with incomes below 185% of Federal Poverty Thresholds, though families remain eligible until their incomes rise above 200% of FPTs.
- Free insurance available to: Parents and children in families with incomes below 150% of Federal Poverty Thresholds.
- Premium contribution: 3.5% of monthly income for families with incomes above 150% of FPTs.
- Families who already have health insurance will not be eligible; To enforce this regulation, no family will have access to Badger Care insurance until they have had no private health insurance for at least 3 months; Families with access to private health insurance in which the employer pays for at least 80% of the cost of family coverage will not be eligible for Badger Care; The State of Wisconsin will in some circumstances pay part of the employee's contribution to a private health insurance plan if the employer pays for between 60% and 80% of the total premium cost.
- Objective: Provide health insurance to Wisconsin parents and children not currently insured under a public or private health insurance plan.

## 9. Concrete changes vis-à-vis the status quo

- Low-income parents who are not insured under a private health insurance plan or under the Medicaid insurance plan will receive state-subsidised insurance coverage (see #8 above for eligible population). Because Medicaid eligibility for most non-disabled, working-age adults is linked to family receipt of public cash assistance benefits for children, this expansion of state-subsidised health insurance increases the number of adults who are eligible for health insurance.
- The reform also will increase the number of low-income children who are covered by publicly subsidised health insurance. As a practical matter, many parents do not apply for state-subsidised health insurance protection for their children when the parents themselves are not eligible to be covered by the same insurance plan. Because Badger Care offers insurance protection to both parents and children, many families containing children are more likely to apply for benefits under the new program.

## 10. Major conditions for success

- The availability for benefits must be widely advertised; the State of Wisconsin must make it easy to apply for and become eligible for the insurance protection.
- Hospitals and other medical service providers must encourage uninsured patients to apply for the Badger Care insurance protection.
- Private employers must not eliminate or reduce their existing health insurance benefits under employer-sponsored health and welfare plans. Over 60% of Americans receive health insurance coverage under a private, employer-sponsored health insurance plan. If companies which employ low-income workers eliminate their health insurance plans or substantially reduce the generosity of health insurance protection, the cost of the Badger Care program could explode. Some economists anticipate that employers will scale back their health insurance plans, forcing the State of Wisconsin and U.S. government to assume the cost of insuring more low-income workers and their children.

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## 11. Arguments raised by opponents of the reform

- See last item under #10 above: Over 60% of Americans receive health insurance coverage under a private, employer-sponsored health insurance plan. If companies which employ low-income workers eliminate their health insurance plans or substantially reduce the generosity of health insurance protection, the cost of the Badger Care program could explode. Some economists anticipate that employers will scale back their health insurance plans, forcing the State of Wisconsin and U.S. government to assume the cost of insuring more low-income workers. Opponents of Badger Care predict that employer response to the Badger Care program might, ironically, reduce the percentage of working Wisconsin residents who are covered by an insurance plan.
- Some opponents believe that Wisconsin has higher spending priorities than improving the health insurance protection available to low-income parents and children.

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## 12. Effects on other policy fields

- As noted in #10 and #11 above, private employers may be encouraged to scale back the generosity of their health insurance plans for their low-income workers.
- Under the old Medicaid system, some parents of children who have health problems may have applied for cash public assistance in order to gain eligibility for Medicaid's generous health insurance benefits. The availability of Badger Care insurance may therefore reduce the demand for cash public assistance benefits. (In Wisconsin, this effect is likely to be very small, however. Wisconsin has been far more successful than other states in reducing the number of families collecting cash public assistance: The number collecting assistance has dropped 90% since the early 1990s. If other states adopt plans similar to the Badger Care insurance plan, however, the effect on public assistance caseloads could be much larger.)

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**13. First results**

➤ The plan has just begun; there are no results yet. ➤ ➤ ➤ ➤ ➤ ➤ ➤
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#### 14. Personal judgement

- Badger Care is a sensible and humane reform.
- An even better reform would be to offer guaranteed health insurance protection to all American children, and scale the family's premium contribution according to the family's capacity to pay. A single state-wide or national health plan for children would be much easier for parents and health care providers to understand. The present system of publicly subsidised health insurance, with its multiple plans and eligibility criteria, is very difficult to explain to parents and providers, and consequently it is not used by all eligible families, leaving 15% of all American children (and 23% of poor children) without health insurance.

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#### 15. General available references

- "Badger Care to Insure 18,000 in Milwaukee County," <http://www.district-1.org/may99/p010599.html>

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「社会保障改革の動向に関する国際情報ネットワーク開発」

プロジェクト

第二回目報告

1999年12月

オーストラリア

カナダ

フランス

イギリス

イタリア

日本

スウェーデン

アメリカ

2nd Survey (Winter 1999) - International Reformmonitor - New Reforms

Country	Social Policy				Labour market policy	Industrial Relations		Reforms in other policy fields
	Health care	Pension and social security	Nursing and elder care	State welfare/ social assist.		Family issues		
Australia	-	-	-	-	Work for the dole	-	-	-
Austria	-	-	-	-	Tele.soft. jobfit for the future	-	-	-
Canada	-	-	-	-	Abolition of the Canadian Labour Force Development Board	-	Federal Government Pay Equity Settlement	-
Denmark	-	Change of pensionable age in the State Pension System	-	-	Labour Market Reform 3	-	-	-
Finland	-	Pension reform with the aim of postponing moving into retirement	-	-	-	Reform of the Finnish Personnel Fund system	-	-
France	-	Act on the financing of social security in 2000; provisions concerning the General Health Insurance Scheme	-	-	Reduction of normal working time from 39 to 35 hours per week	-	-	-
Germany	-	-	-	-	Employment Office 2000	Debis Services Collective Agreement	-	-
Great Britain	-	Welfare Reform and Pensions Act 1999	-	-	-	Employment Relations Act	-	-
Italy	-	-	-	-	-	-	-	-