

CHAPTER XI.

PROPOSAL FOR DEPENDANTS' ALLOWANCES.

300. We now have to consider certain other proposals of a major nature which have been placed before us. We find two which in our opinion are close rivals for the second place in the order of priority in which such funds as may be available should be applied. These are an increase in the scales of sickness and disablement benefits, and a maternity benefit enlarged to include all necessary medical services. We have examined closely the evidence relating to these questions and have received estimates of cost from the Ministry of Health and the Actuarial Committee. The maternity question is dealt with in the next chapter. For reasons which will appear later we have decided to give priority in our recommendations to an extension of the cash benefits available in sickness and disablement. It is appropriate to remark here that the estimated cost of the proposal we make in this regard is practically the total sum which the margin in the present contribution makes available. Thus, if this proposal is adopted and the cost of extended medical benefit is met by the scheme of pooling of surpluses described in Chapter IX, no further extensions or modifications involving substantial expenditure can be proposed as immediately practicable within the financial limits we have set.

EVIDENCE AS TO THE RATES OF CASH BENEFIT.

301. The evidence as to the sufficiency of the rates of sickness and disablement benefits has been of a varied character. This was almost inevitable in a system where sickness benefit means 15s. in some Societies, 20s. in others, and various intermediate figures elsewhere; where, too, some Approved Societies provide substantial benefits on the basis of voluntary insurance and lay great stress on the maintenance of this side of their work, while others confine themselves to the State scheme and look to its expansion for greater support of their members in time of sickness. Thus, on the one hand, the Manchester Unity of Oddfellows, though they do not suggest that the existing rates of benefit are adequate for the maintenance of a married man and his family, contend (App. VII, 67) that "the statutory rates of sickness and disablement benefit laid down in the Act should not be increased," and in reply to questions which we put to them admitted quite frankly that their recommendation was based on the apprehension that any increase in the normal rates of benefit under the Act would be likely "to have a very detrimental effect upon the voluntary thrift movement." (Q. 5921-5938). Similarly, the Independent Order of Rechabites state that they "are not

favourable to the present rates of payment for sickness and disablement benefits being increased. Voluntary Societies make ample provision for any person who requires a larger amount of benefit than is provided under National Health Insurance." (App. VIII, 5.) "We are of opinion that the present standard rates should be the maximum on the ground that the real purpose of the Act is preventive and curative, and not so much for the purpose of providing monetary benefit at the time of sickness, and that there are agencies in existence, and were in existence before the inception of the National Insurance Act, which were then, and are to-day, quite capable of providing monetary assistance if such is needed." (Q. 6107, 6128-6145, 6159-6162.) Other witnesses representing the Friendly Societies gave evidence to a similar effect (e.g., *Loyal Order of Ancient Shepherds*, App. XLIV, 18-19; Q. 14,086-14,099, and the *National Conference of Friendly Societies*, Q. 10,649-10,660).

302. On the other hand, certain witnesses refer to the inadequacy of the present rates of benefit for the purpose of meeting the requirements of a sick person and his family. For instance, the Lancashire and Cheshire Miners' Federation Approved Society point out that "when a man is sick he requires more money, not less, for the purpose of obtaining nourishment" (Q. 7381) and express the view that "if a man receives what he does for compensation because of injury received while following his employment he ought, if he is laid aside through sickness, to be paid a similar amount." (Q. 7382.)

303. The impression left on us by evidence of this type is that the present rates are not considered really adequate for maintenance in time of sickness, even by their defenders, but that they provide an assured minimum to which, as a basis, other provision, e.g. additional benefits, voluntary insurance, savings, &c., may be added, and that there are advantages, moral and otherwise, in such a mixed system.

RELATION OF BENEFITS TO COST OF LIVING.

304. It is interesting to note that when in 1920 the rates of the 1911 Act were raised by 50 per cent. to meet the increased cost of living, that cost had in fact risen at that time by about 175 per cent. No doubt the general prosperity and high wage-rates of that time made this disparity of the two increases of no great importance. Now, however, with reduced wages, much unemployment, and little opportunity for saving, the question of disparity is of considerable moment. The disparity is in fact, and fortunately, nothing like what it was. But it still remains. The cost of living is 75 per cent. higher than in 1914, the rates of benefit only 50 per cent. Even when every allowance is made for additional benefits, the comparison between the present position of the statutory cash benefits and that of 1914 cannot be regarded as entirely satisfactory.

SUPPLEMENTATION OF BENEFITS FROM POOR RATES.

305. This consideration, it may be said, is theoretical. We have, as already indicated in Chapter IV, received some definite evidence showing that there are cases in which the resources of the Poor Law are drawn upon to supplement the cash benefits of the Health Insurance scheme. In the first place we would refer to certain figures submitted to us by the Scottish Board of Health and contained in the table at the end of Appendix CV. These show that during the last three months of the year 1924, in 40 industrial parishes in Scotland, 2,952 insured persons in receipt of Sickness or Disablement Benefit to a total value of £1,674 received also from Poor Law funds assistance to the total value of £2,123 and had further assistance from other sources to a total value of £826. It may, therefore, be presumed that in the judgment of the Parish Councils concerned the total of these three sums was necessary in the case of these insured persons as a minimum provision for the needs of life. Lest there should be any misunderstanding, we think it necessary to point out that the 2,952 insured persons to whom this supplementary assistance was given do not represent the total number of insured persons in receipt of Sickness or Disablement Benefit in the 40 parishes during the period in question. It is sufficient to inspect the names of the "parishes" concerned, which include Aberdeen, Edinburgh and Glasgow, to realise that the persons in question constituted a very insignificant minority of all insured persons who drew Sickness and Disablement Benefit in these areas.

306. In the same connexion, we may refer to the tables in paragraph 71 of Appendix CIV which show the experience in this matter of two very large Boards of Guardians. These tables also show that a certain proportion of insured persons resort to the Poor Law and are given relief in supplementation of the benefits which they are receiving under the Health Insurance Scheme. We have no reason to believe that the experience of these Boards is not typical, or that the Boards themselves are unduly generous in their administration of relief. The inference then is that in the opinion of these Boards of Guardians, as expressed in practical day by day administration affecting the rates which they levy, the cash benefits are not in themselves adequate for the bare necessities of life; and that in those cases where no further financial assistance is available from voluntary insurance through a Friendly Society or Trade Union, private thrift, or help from relatives, the Poor Law has still to play the role of residuary legatee to the poverty and distress of insured persons.

COMPARISON WITH RATES OF UNEMPLOYMENT BENEFIT.

307. We cannot conclude this survey without referring to the disparity between the rates under the State Insurance

Schemes for Unemployment and Health respectively. The former rates are 18s. a week for a man and 15s. for a woman with additions of 5s. for the wife of an insured man and 2s. for each dependent child—clearly a much more generous provision than the basic rates of the Health Scheme. Here, again, the comparison is made difficult by the irregular distribution over the insured population of the additional benefits. It must also be borne in mind in any comparison between the cash benefits of the Unemployment and Health Insurance Schemes that a substantially lower rate of contribution prevails in the latter, and that, even so, that contribution provides medical as well as cash benefits. A comparison between the two Schemes must not disregard what the workers are paying for the comparable benefits. Nevertheless the fact remains that the basic rates of cash benefit under the Health Scheme which are all that a considerable proportion of the insured population are entitled to, are substantially below those for Unemployment Insurance, while the fundamental fact of cessation of wages is the same in both cases. Further the need for financial help must in general be greater in a period of ill-health than in a period of unemployment of the same duration. The existing position seems to us difficult to defend. Differences of machinery, such as the Employment Exchange system in the one case and the Approved Society system in the other, a single fund in the one and segregated funds in the other, can be justified. But here we are concerned with the actual provision made in the homes of those who are in closely similar circumstances of distress.

ALTERNATIVE FORMS OF INCREASED BENEFIT.

308. Impressed by these considerations we have turned with the greatest sympathy to examine the possibility of increasing the cash benefits in one form or other. In this problem we naturally had again to refer to the Actuarial Committee for expert advice on the problems involved. We asked them to supply estimates for the three following proposals—(1) an increase of the rates of Sickness Benefit to those of the Unemployment Insurance Scheme with corresponding increases in Disablement Benefit; (2) an increase of Disablement Benefit only; (3) the provision of allowances for dependants on the lines of the Unemployment Insurance Scheme. The report of the Committee on these references is printed in Appendix A to this Report.

309. As we have already pointed out in Chapter VII, the margin in the present contribution after allowance is made for the medical charges is much larger in the case of men than in that of women, being in the former case such as will produce with the State grant a sum of 4s. per head per year, and in the latter only 9d. This disparity must influence very materially

the question of extensions since, if rates of contribution are to remain unchanged, any extension the charges for which fall equally on the man's and the woman's contribution must be limited by the smaller sum. Moreover, in that case a substantial margin in the man's contribution would remain unapplied. On the other hand if an extension can be planned which falls mainly on the man's contribution, difficulty is avoided. It will be seen later that this consideration among others drives us to a scheme of allowances for dependants in preference to increases in the normal rates of benefit for all insured persons.

INCREASE OF STANDARD RATES OF SICKNESS BENEFIT.

310. We first considered the possibility of raising the standard rates of sickness benefit for men and women respectively to the basic rates of unemployment benefit, namely, 18s. and 15s. a week respectively. We assumed that in the first two years of insurance the present reduced sickness benefit of 9s. and 7s. 6d. a week respectively would be retained, these being one-half of the proposed full rates. We assumed, further, that the rates of disablement benefit would be increased to 9s. in the case of men, thus retaining the present relation between sickness and disablement benefit for men. In the case of women, where the available margin of the contribution was relatively very small, we have for that reason assumed that disablement benefit must remain at its present figure of 7s. 6d. a week. On this basis the rate of disablement benefit would be one-half the rate of sickness benefit for each sex.

311. One disadvantage of this proposal is that the women would receive no increase in disablement benefit, which would remain less than that of men by 1s. 6d. whereas under the present arrangement both sexes receive the same rate. But there is a larger difficulty on financial grounds. From the report of the Actuarial Committee it will be seen that the contribution required for this scheme would be 9-01d. for men and 9-09d. for women. So far as men are concerned the scheme could therefore be met out of the present contribution; so far as women are concerned it could not. We are forced, therefore, to abandon this proposal not only on the ground that it involves for lower benefits a higher rate of contribution for women than for men, but also and mainly, because it would involve an increase in the present contribution for women.

INCREASE OF STANDARD RATE OF DISABLEMENT BENEFIT.

312. As an alternative to the above proposal we have considered the possibility of an increase of disablement benefit only. It was suggested to us by some witnesses (e.g. Cohen, App. LXXVI, 9: Q. 19,802; *National Association of Trade Union*

Approved Societies, App. XCII, 111-112; Q. 22,049, 22,052; *Standing Joint Committee of Industrial Women's Organisations*, Q. 23,151), that there is no logical reason why the rate of benefit should be reduced after 26 weeks of illness, as the need for financial assistance would ordinarily become greater with the prolongation of illness; and it was urged upon us that in order to mitigate to some extent the distress which must often arise by reason of the scanty provision afforded by the present disablement benefit, the rate of that benefit should be increased. This point of view commands respect, but the proposal to which it leads must be examined in the light of experience. On this it has to be said that the reduction of the rate of benefit after 26 weeks is not a novel feature of sickness insurance introduced for the first time by the National Health Insurance Act. While the period after which it is made is not invariably 26 weeks, such a reduction is universal in the practice of Friendly Societies and of those Trade Unions providing sickness benefit. The necessity for it has arisen on financial and administrative grounds, and we are advised that in the few cases in which in the past Societies have attempted to dispense with it, the hard facts of experience have enforced its adoption upon them. The present system, so far from having gone unquestioned, was the subject of attack, on the very ground submitted by our witnesses, so long ago as 1835, when Ansell dealt with it in his treatise on Friendly Societies. The writer in question was an actuary of eminence in his day, and his views might have been expected to obtain a considerable degree of acceptance. In this respect they either failed to appeal, against the teachings of experience, or if put into practice, were discarded when their impracticability was demonstrated.

313. We cannot ourselves assume the responsibility of advising that the lessons of experience on this important subject should be disregarded however reasonable in logic is the plea submitted to us. We have nevertheless thought it proper to refer the matter to the Actuarial Committee. It will be seen from their Report that after making allowance for the recent experience as to the cost of disablement benefit and for a further margin of 20 per cent. to meet the strong probability, dictated by the practical experience to which we have referred above, that an increase in the rate of disablement benefit would involve a greater frequency and a greater duration of claims, the margin in the present contribution would allow for an increase of 2s. 6d. a week in the case of men but only of 9d. a week in the case of women. Here again we are faced with the difficulty that within the limits of the present contributions, men would be given a substantially better treatment than women. We do not think that a mere addition of 9d. to the present rate of 7s. 6d. is worth serious consideration. Beyond this, as we have indicated, we are very much impressed with

the potentialities of serious difficulty, financial and administrative, which are latent in an increase in this particular benefit, and we can accordingly make no recommendation of the kind for which we have been asked by the witnesses who have brought this question to our notice.

DEPENDANTS' ALLOWANCES.

314. As a third possibility we have examined the question of providing allowances for dependants similar to those under the Unemployment Insurance Scheme, leaving the basic rates of sickness and disablement benefits unchanged.

315. From the Second Report of the Actuarial Committee it will be seen that calculations have been made of the effect of giving the same rates of allowance as under that Scheme; but as these would bring the contribution for men up to 9 $\frac{1}{2}$ d. a week we have ruled out this possibility and turned our attention to two other possible plans either of which could be financed within the present contributions. These are (1) an addition of 3s. a week to the sickness benefit in respect of a wife and an addition of 6d. in respect of a child, one-half of these rates being provided during the payment of disablement benefit, (2) an addition to the sickness benefit in respect of either a wife or a child of 2s. a week with a proportionate addition of 1s. a week to disablement benefit.

Of these two schemes we prefer the second, mainly on the ground that the former, involving as it does a rate of 6d. a week for any dependent child could hardly in that respect be of much practical value.

316. A question of some difficulty which calls for consideration at the outset, relates to the provision to be made in respect of wives and the extent to which that provision should be affected by the consideration that in certain circumstances the wife, being herself a wage-earner, is not wholly or in many cases even partly dependent on her husband. We have come to the conclusion, however, that for Health Insurance purposes the wife should in all cases be regarded as dependent on her husband, and that accordingly the additional allowance should always be paid in respect of the wife, even where she is herself a wage-earner. It is true that such a wife is not ordinarily a dependant for the purposes of the additional allowance payable under the Unemployment Insurance Scheme. In the circumstances of the Health Insurance Scheme, however, we consider that the proposal which we advocate can be supported not merely on very cogent grounds of administrative convenience, but on other grounds substantial in themselves. At present wage-earning wives are largely concentrated in certain parts of the country (as in Lancashire) and in certain Societies, and if wage-earning wives were excluded from any Scheme for the payment of dependants' allow-

ances under the Health Insurance Scheme, there would be introduced a new factor which would operate to the financial advantage of certain Societies as compared with others and which would accordingly increase the number of influences making for deviations from the general average experience among Approved Societies.

DEFINITION OF DEPENDENCY.

317. We have spoken above of allowances for dependants in general terms. It is now necessary to consider a little more closely what should be the scope of the term "dependant" to be adopted for the purpose of the benefit. In this connexion we would direct attention to Sir Walter Kinnear's reply to Question 23,460.

318. The statutory definition adopted for the purpose of Unemployment Insurance is sufficiently wide to include such persons as the housekeeper of a widower who has charge of his children, or an "unmarried wife." The provision of dependants' allowances to persons of these types is perhaps relatively simple in the case of Unemployment Insurance, as this is administered by a Government Department which is in a position to issue exact instructions to all its local branches and thereby to enforce uniformity in the distribution of benefits throughout the whole insured community; but in regard to Health Insurance the case is otherwise, and we think that the administration by Approved Societies of dependants' allowances in respect of such persons would be an extremely difficult matter.

319. Another consideration to which we must have regard in the case of the unmarried wife is that the granting of such allowances would be inconsistent with the title to a widow's pension under the Widows', Orphans' and Old Age Contributory Pensions Act. Many Approved Societies would, moreover, probably raise serious objection to making payments in such cases.

320. We have considered the practicability of limiting the definition to "those persons living in the household who are dependent upon the insured person, and any of his children residing outside the household." It has, however, appeared to us very desirable to avoid any definition which would place upon Approved Societies the onus of making inquisitorial investigations into the private circumstances of a member and his household. Further, the adoption of this definition would add very materially to the administrative difficulties of the Societies, and would probably be followed by a claim from the Societies for a substantial increase in the amount allowed for administrative expenditure.

321. With regard to those cases in which husband and wife are both insured persons, we consider that the payment of dependent children's allowances in the event of the illness of

either the father or the mother would not be justifiable economically, and in particular would tend to absorb a large part, if not the whole of the margin in the women's contribution for the advantage of the small minority of insured women who are married, and whose claims already impose a heavy burden on the contributions of the whole body of insured women. We think, therefore, that in all cases children should be regarded as dependent upon the father only, and that dependent children's allowances should not be paid from the mother's insurance where both she and her husband are insured persons.

322. We think that the case for dependants' benefits would be reasonably met and that Societies would be relieved of the necessity of making undesirable inquiry into family circumstances if provision is made on the basis that if the insured man is married 2s. a week is to be added to Sickness Benefit in respect of his wife and 2s. in respect of each child under 14, and if he is a widower, and has dependent children, 2s. is to be added to the weekly sum payable in respect of these children. The addition to disablement benefit would be 1s. a week in each case.

323. With regard to the case of widows with dependent children, we have considered the possibility that in view of our recommendation to grant in the case of widowers an allowance additional to the children's allowances, a similar concession would be claimed on behalf of insured widows. We think, however, that as the widow will, in virtue of her husband's insurance, be usually in receipt of a pension under the new Widows' Pensions Scheme, she has no strong claim on the ground of need to this allowance, while we are averse to making a further addition (for which all insured women must contribute) to the heavy increase of benefit which children's allowances will represent in the case of a very small class among the women in insurance. In the case of widows, we accordingly suggest that the allowance for dependants should be 2s. a week for each dependent child in the case of sickness benefit and 1s. a week in the case of disablement benefit.

324. In the case of the insured woman whose husband is uninsured, we have come to the conclusion that the principle to which we have already referred, viz., that the husband must be regarded as responsible for the children, must be adhered to, especially as this principle was definitely accepted by Parliament after full discussion on the Widows', Orphans' and Old Age Contributory Pensions Bill. We feel, moreover, that it would be inequitable to discriminate between the uninsured and insured husband, and to give the former an advantage over the latter. For these reasons we suggest that where the husband is living and uninsured, dependent children's allowances should not be paid from the wife's insurance.

325. With regard to unmarried insured women with dependent children, we do not consider that the allowances should be paid in respect of the children, as an awkward problem of actual dependency would inevitably arise in regard to maintenance orders awarded by a Court and would raise serious administrative difficulties. But we do not think it just that unmarried women, who constitute the great majority of insured women, should have to contribute for a benefit which very few of them are ever likely to receive. We have therefore considered carefully in what circumstances an unmarried woman could fairly claim that her sickness or disablement benefit should be supplemented by an allowance for a person dependent on her. We have come to the conclusion that the allowance might be made in such a case in respect of a dependent widowed mother. It should, however, be laid down that where a widowed mother is alleged to be dependent upon an unmarried insured daughter, but also has unmarried sons to whom she can reasonably look for support, she should be regarded as dependent upon the sons and not upon the daughter.

326. We are informed that under the Widows', Orphans' and Old Age Contributory Pensions Act elaborate machinery has had to be set up for the purpose of securing periodical notifications from schoolmasters of the continued attendance at school of dependent children over the age of 14. Certification to Approved Societies on similar lines would, we suggest, be impracticable, and in view of the difficulties involved in certifying the dependency of children over the age of 14, we suggest that "dependent child" for the purpose we have in view should be defined as a child not exceeding the age of 14.