

UNEMPLOYMENT AND HEALTH INSURANCE IN GREAT BRITAIN, 1911-37

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Great Britain in 1911 enacted two social insurance laws to protect workers against the risks of unemployment and sickness—one an unemployment insurance law which pays the worker weekly benefits when his unemployment results from lack of work, and the other a health insurance law providing medical services, and cash benefits when he is unable to work because of sickness.

The present study represents a survey of the legislative and administrative history of the two laws as they have developed over the years. Have the lawmakers of Great Britain held that the effect of wage loss is the same whether a worker be temporarily disabled or whether he be temporarily unemployed? Are the provisions of one law more generous than the other? What is the probable reason for the greater protection furnished against one hazard than against the other?

The comparison of the two laws is limited to the provisions of cash benefits for temporary interruption in employment and wages. Large sections of each program have no parallel in the other. Thus the provisions for medical care of sick workers are peculiar to health insurance, and the services of the public employment offices in finding jobs for unemployed workers are peculiar to unemployment insurance. Such provisions, therefore, are ignored. With regard to cash benefits under the two systems, the following questions have been asked: What cash benefits are available under the two programs; for how long a period are they granted; how long must the worker be insured to qualify for benefits; under what conditions does he become eligible to benefits; under what conditions is he barred from them; what is the waiting period; what are the contributions; and what groups of workers are covered by the two programs?

Analysis and comparison of the two laws show that the two programs are, at the present time, fundamentally distinct. It would seem as if the provisions of one law had been laid down with scant attention to the other. This discovery is somewhat surprising when one considers that

health and unemployment insurance were included originally in one legislative enactment; that unemployment benefits were identical to sickness benefits when unemployment insurance was established for the major portion of the working population in 1920; that a committee, representing the Ministry of Health and the Ministry of Labour, worked for several years in the early twenties to coordinate the administration of the two systems; and that the Royal Commission on Health Insurance which investigated the problem in 1926 came to the conclusion that the disparity in the two types of benefits resulted in injustice to the workers. In spite of these various efforts, the two systems have moved farther and farther apart.

Links Between the Two Programs

A few important connections, however, exist between unemployment and health insurance. In their coverage provisions the two laws show many similarities, though significant differences also exist. Ever since 1920, the Ministry of Labour has cooperated closely with the Ministry of Health in defining the groups of workers who are subject to insurance.

Moreover, although contributions are paid separately under the two systems, the visits to the premises of employers for the purposes of both health and unemployment insurance are made by the health insurance inspectors of the Ministry of Health. As far as possible, action against delinquent employers is coordinated under both systems.

Health insurance performs still another important administrative function for unemployment insurance. A worker who leaves his job voluntarily without good cause is disqualified for the receipt of unemployment benefits for some time. If such a worker claims that he gave up his employment because of ill health, the employment officer may ask him to submit his certificate from the health insurance physician vouching for the fact that he actually was sick and disabled at the time he left work. If the worker has no such certificate, the employment officer can justly refuse unemployment benefits.

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One further important connection exists between the two systems. The British health insurance law recognizes the importance of keeping unemployed workers insured against the risk of ill health. Free medical care is available to workers with good employment records for the entire duration of their unemployment, and their rights to cash benefits are maintained for a considerable period of time after they cease to pay contributions.

Major Divergences

These are the only connections which are revealed in following the development of the two laws from the time of their adoption in 1911 to the present time. In their cash benefits and the conditions under which they are granted, the two systems are fundamentally distinct. The health insurance law has remained substantially unchanged during the last 27 years, while the unemployment insurance law was amended time and again in an attempt to meet the problems of mass unemployment in the period after the World War.

When unemployment insurance, which was limited at first to seven trades, was extended to the majority of the working population in 1920, the new law fixed the benefits at the level of the sickness benefits—15s. a week for a man and 12s. a week for a woman. There must have been a realization on the part of the lawmakers that the needs of a worker who is unable to find a job are substantially the same as those of a worker who is temporarily sick and disabled, provided that he receives free medical care. Almost immediately after they had been brought together, however, the benefits moved apart again. The only change in health insurance was the reduction of sickness benefits for married women from 12s. a week to 10s. in the year 1932. Basic benefits in unemployment insurance were changed frequently. The most significant liberalization was made in 1921, when dependents' allowances were introduced. Now an insured unemployed man aged 21 or over receives 17s. a week, plus 10s. a week for an adult dependent, plus 3s. a week for a dependent child. Thus, if he has a wife and a child, his allowance is double the sickness benefits to which he is entitled.

The fundamental difference between sickness and unemployment provisions becomes evident in a comparison of the qualifying-period requirements and the duration for which benefits are granted

under the two laws. A number of temporary measures were passed in the period after the World War, by which large groups of unemployed workers were permitted to draw unemployment benefits "in advance of contributions." They received benefits in spite of the fact that the required number of contributions did not stand to their credit and that they had drawn benefits for the maximum number of weeks. For a period of 4 years from 1927 to 1931 benefits were unlimited in duration. In the latter year a national crisis occurred threatening the financial stability of the country. As a result of this crisis, the attempts to devise an insurance system which was elastic enough to take care of all unemployed workers were abandoned. Since 1931, unemployment benefits have been granted only if 30 weekly contributions have been paid in the 2 years prior to application for benefits, and the duration is limited to 26 weeks in a year. For workers with a long record of covered employment, however, the maximum duration may be extended still further. Those who cannot meet the qualifying-period requirement or who have exhausted their rights to benefits receive assistance on a needs basis.

In contrast to unemployment insurance, the qualifying-period requirement and the duration for which sickness benefits are granted have not undergone any significant changes since the adoption of the original health insurance law in 1911. The worker is eligible to reduced cash benefits during sickness after he has been insured for 26 weeks; the full amount is paid after 104 weekly contributions. He receives these benefits for 26 weeks in a year, after which he is shifted to invalidity benefits at a reduced rate until he recovers, reaches age 65, or dies.

In addition to fulfilling the qualifying-period requirement, a worker must be certified by the health insurance physician as being "incapable of work by some specific disease or by bodily or mental disablement" before he can receive sickness benefits. Because of the different nature of unemployment, the conditions for the receipt of unemployment benefits have always been fundamentally distinct from those governing health insurance and have no relation to the latter. The main condition for the receipt of unemployment benefits is that the worker must be "capable of and available for work."

Many of the disqualifications for the receipt of either sickness or unemployment benefits are sim-

ilar in intent if not in the actual wording of the law. These provisions are designed to prevent the worker from drawing benefits simultaneously under two different social insurance systems and to bar him from benefits while he is an inmate of a public institution.

A number of other disqualifying conditions are peculiar to unemployment insurance. The first of these is designed to prevent the use of unemployment insurance funds for the support of workers involved in a trade dispute. The second bars the worker from benefits for limited periods of time if he has lost his employment through misconduct or has left it voluntarily without good cause. Lastly, an unemployed worker is disqualified for benefits if he fails to apply for or accept a suitable job, or to carry out the instructions of the employment office, or if he has neglected to avail himself of a reasonable opportunity to obtain suitable employment.

The outstanding difference between the contributions levied under the two laws is that the rate of unemployment contributions has been changed almost every year since 1920, while the health insurance contributions have been revised only twice in the last 26 years. As the following tabulation shows, weekly unemployment insurance contributions for adult workers are now about double the health insurance contributions in spite of the fact that the latter cover the cost of temporary sickness as well as long-term invalidity, medical care, and other benefits in kind:

	Worker		Employer	
	Men	Women	Men	Women
Unemployment insurance...	9d.	8d.	9d.	8d.
Health insurance	4½d.	4d.	4½d.	4½d.

Under both systems the Government pays part of the costs. In health insurance the Government's share of the costs of benefits and administration is one-seventh in the case of men and one-fifth in the case of women. In unemployment insurance the Government pays one-third of the total cost of the insurance system. In addition, the Government assumes the entire cost of the unemployment assistance program.

Reasons for Dissimilarities

This brief survey of the two social insurance laws in Great Britain has covered the major changes effected in a quarter century of operation. Established in the same year, the two laws have diverged widely over the years. Though their coverage is practically identical and though

workers presumably need the same amount of cash benefits to maintain themselves and their families, the present unemployment insurance law provides far more generous cash benefits than does the health insurance law. The Royal Commission which investigated the health insurance system in 1926 came to the conclusion that the differentiation in benefit rates was unjust:

It is difficult, in our opinion, to justify a less generous provision for the invalid than for the man in good health, whose circumstances certainly involve smaller expenditure. It is equally difficult to justify the existence of two State schemes side by side, one of which recognizes the needs of dependents and the other does not, in circumstances of hardship closely similar. Both schemes are designed to alleviate the distress arising from the cessation of income due to causes beyond the worker's control, and the question whether these causes are to be sought in ill-health or in the failure of employment has no bearing on the needs of dependents.

Why has the health insurance law remained relatively static while the unemployment insurance law has been so rapidly and consistently liberalized? At least three reasons may be advanced for this disparity: (1) the different financial bases on which they are established; (2) the different administrative principles on which they operate; (3) the different roles which voluntary insurance plays in the two programs.

Considering the widely dissimilar financial bases of the two insurance systems, it would perhaps be surprising if one program had paralleled the other in the extension and liberalization of benefits. Unemployment insurance is financed from a national pool—a single fund into which all contributions are paid and from which all benefits are disbursed. The risk of wage loss during sickness, practically speaking, is pooled only for the members of each approved society.

The administrative bases of the two systems are fundamentally different. Most of the workers covered by unemployment insurance receive their benefits directly from Government agencies. Before the introduction of compulsory health insurance, numerous voluntary mutual insurance associations of workers (friendly societies) operated in Great Britain to protect their members in times of sickness. When health insurance was made compulsory in 1911, it was decided to preserve the friendly societies, and they were made the basis for the operation of the new national program. Sickness benefits are paid out by 850 different societies, which have retained a large degree of autonomy

under the law. Many of the societies can increase the benefits for their members out of their disposable surpluses. A recent estimate puts the number of workers who are entitled to such increased cash benefits at 8½ million, or about one-half of all workers covered by compulsory health insurance. The workers thus look to their societies, rather than to Parliament, for increase in benefits above the legal minimum.

The law has not destroyed or replaced the extensive network of voluntary insurance. Many of the approved societies, in addition to their official functions, continue to sell voluntary sickness insurance to their members. At the present time the voluntary membership of the societies is over 8 million individuals, a large proportion of whom insure for voluntary cash benefits during sickness. Often the cash benefits paid under voluntary insurance are as great as or greater than those under the compulsory health insurance system. Compulsory insurance merely guarantees that sickness benefits shall never fall below the level fixed in the law. Admittedly the statutory benefits are insufficient to maintain the worker during illness. However, instead of liberalizing the law, British policy has left the supplementation of the statutory benefits to voluntary effort.

Perhaps in the preservation of the voluntary aspects of the health insurance program lies the most important explanation of the differences between the two systems. The approved society system was adopted for the administration of health insurance not only because it provided an existing machinery but also because the Government desired to preserve and encourage the voluntary efforts of the workers to acquire protection against sickness. The opportunities to insure voluntarily against the risk of unemployment have

always been limited and have been still further restricted in the period since the World War, when trade-unions and friendly societies found it increasingly difficult to pay benefits to their members during unemployment. Workers are thus entirely dependent upon the provisions made by law and cannot buy added protection on their own initiative. Only through legislative action could they be assured of more adequate protection during unemployment than that afforded by the original unemployment insurance law.

The history of the two laws indicates that workers as a group have been active and successful in bringing about a liberalization of the unemployment insurance law. The influence of labor as an organized group is not as clearly seen in the field of health insurance. Here the workers lack the unity of purpose and approach which is observed in the field of unemployment insurance. Undoubtedly the large group of workers who are eligible for an increase in sickness benefits or who are insured voluntarily against sickness do not demand liberalization of the law as vigorously as the less fortunate members of the working population not in receipt of this added protection. Moreover, increasing the minimum cash benefits in health insurance would reduce the necessity for voluntary insurance. Therefore it would affect adversely the private activities of the societies in selling voluntary insurance. Hence the interest of the societies may have been at variance with whatever demands the workers have made for increased benefits under the law. The societies, standing between the workers and the Government, may have acted as buffers absorbing or forestalling the pressure for more liberal cash benefits which might otherwise have developed in health insurance.