



Full Length Review Article

HISTORY OF SOCIAL SECURITY OF POPULATION

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ABSTRACT

Social security has own history and it deserves a deep research to be conducted and results to be properly highlighted. This article started discussing basic concepts of social security through its historical aspects. Two basic Bismarkian and Beveridgian concepts are different by origin and technically but nowadays successfully enrich and complement each other but nevertheless both of them don't lose its peculiarities.

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INTRODUCTION

Two different fundamental approaches to organization of the social security were emerged within 60 years of the late 19th and early 20th centuries. Bismarkian approach was established by the Germany "iron chancellor" who was strong opponent of socialists but ironically he was designer of the social insurance system for blue collars laborers. Bismark announced his program of social transformation as a "social peace" on the wave of labor movements in 1871, particularly after French revolution. Initially that plan was taken by certain level of distrust, but further quick legal reforms make the new founded social funds enable to survive. So, as a result, the occurred social risk was paid 2/3 of previous salary. Labor committees and trade unions also got an advantage from this reform by taking part in the enterprises governing. Instead, the labor force has to pay social contributions to the special funds and the funds were used for only payments of social allowances. The big enterprises - the products of industrial boom in Europe, were a core cell for unemployment social insurance.

This type of insurance quickly spreads out across European countries and became as a social peace between owners of big companies and wage laborers. Along years the types of social insurance were increased in number from temporary unemployment to old age insurances. Another plan was the plan of Roosevelt which was oriented to recovery of USA economy. The plan also has an objective to provide all citizens with minimum life subsistence. American model of social security distinguished from traditional European approach and contained many types of social benefits and consequently it had covered many categories of beneficiaries. Beveridge plan of the new social security which was similar to the American model has been launched in 1942 in Great Britain and was based on universal social payments but with distinctive feature: Beveridge strongly taught social benefits to the concept of social insurance by giving beneficiaries opportunity to be benefited in exchange for social contributions. After WWII, British legislation enacted social insurance norms not only for illness, unemployment, professional disease, old age and death. The legislation also included even family allowances and first ever medical healthcare services within the policy of Beveridgian social security. Finally, two concepts of social security i.e. traditional social insurance of Bismark and universal minimum social security of Beveridge were

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firmly consolidated in postwar Europe. Great Britain, Netherlands and Scandinavian countries introduced universal social security scheme with minimum social benefits and services whereas the countries of continental Europe i.e. Germany, France, Italy, Austria, Belgium, Luxembourg remain with the Bismarkian social insurance model. At the same time, nowadays we are witness of the situation when these two concepts are getting mixed to some extent. Countries started applying the system of social security in which on the one hand social benefits are closely linked with social contributions and on the other hand, beneficiaries get universal subsistence minimum flat rate social benefits with the minimum range of means testing criteria. For instance, in Belgium with typical Bismarkian social security there is a trend to extend the number of social beneficiaries and along with Bismarkian professional schemes, there is a social insurance for working students, social service workers, incapacitated persons are being re-trained, public funds workers, self employed entrepreneurs, etc. Also, as Beveridgian supplement, the Belgian scheme is designed for providing minimum living subsistence.

In the countries with Bismarkian social security model there is a problem with inequality in size of social benefits for citizens with old labor history when due to their low salary level insured persons may be assigned to the low level of social benefits. This problem was solved by implementing guaranteed minimum benefits within some social risks accordingly. Particularly, in Great Britain there were approved measures of means tested extra social allowances in addition to universal pension benefits. Two concepts are mixing by giving beneficiaries opportunity to choose various options of funded pension schemes which were a real advantage and chance to raise social benefits through capitalization. Scandinavian countries supplemented universal scheme by income testing requirements and by introducing insurance pension. Anyways, the core of the both Beveridgian and Bismarkian systems were not changed notwithstanding. In Great Britain the main feature of social security is declared as universal social provision. There are many non-income tested social allowances which are financed by state budget, namely disability and old age benefits, child allowances, means tested social assistance, family allowances and also there is a universal part of old age social insurance pensions. Schemes of income security includes personal allowance and range of supplementary benefits like heating and accommodation payments for elderly, disables, and other vulnerable beneficiaries.

Special fund reimburses expenditures on maternity and support beneficiaries during cold winter by paying energy expenses for heating. Also there is a possibility to reach special loans, grants and other services mostly in municipal government who has discretion for local social provisions management. Belgian social security system is treated as Bismarkian model and reflects more conservative social benefits which are based on personal social contributions history of citizen and also there are many corporative and industrial funds of social insurance. Funded schemes which is direct descendent of Bismarkian model has various forms and patterns. Particularly in Belgium there are mixed funded establishments with its voluntary schemes, which represents second and third funded pillars of pensions, and most of them has corporative roots and they are focused on the collective bargain of big corporations. Participation in these schemes doesn't influence for state PAYG pension system. In Great Britain the funded pension schemes are prevailed in the market and they are most attractive with point of view of freedom of choice. Freedom of choice and ability of private pensions with funded schemes in fact provides guarantee of the pension benefits with significant replacement rate. The examples above which is mostly based on Belgian and British approaches to organization of pension security shows that we can observe mixed patterns of universal and industrial schemes which reflects both Beveridgian and Bismarkian social security concept. This article obviously may create discussions on the role of this two ways of a social security organization and may lead to the highlighting many other interesting forms of social security organization and its peculiar details.

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