

Structural Rationing of Social Service Benefits in a Welfare State

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INTRODUCTION

Social policy (*Sozialpolitik*) in Norway is no longer based only on the needs of the weaker underprivileged or low resource groups within our society. Under the label of “preventive measures,” social policy is increasingly concerned with the distribution of welfare benefits to all strata of the population. New groups are continually taking advantage of the social services so as to get a share of the benefits. These groups are not recruited from the lower strata of society. The problems presented do not stem from general poverty conditions, and they carry relatively little statistical risk of throwing the affected individuals into permanent need for support.

There are several reasons for this development that will not be discussed in this study. It is sufficient to point to the fact that social benefits during the last few years have to an increasing degree been used as instruments of general economic policy and as part of the wage settlements between public authorities and all categories of wage earners. Rather, we shall be concerned with some of the consequences of this development for low resource groups. Since social service expenditures cannot increase indefinitely, even in periods of

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economic growth, acquiescence to new demands from one group necessarily must lead to lessened compliance to the needs of other groups. At the same time it is still more obvious that low resource groups cannot successfully compete in the battle for social benefits. This is apparently an unintentional effect of an imperfect system of distribution and is often interpreted in relation to characteristics of the clients preventing them from effecting their demands and the organizational weakness in a welfare system that is not geared to meet the needs of groups with low resources.

This is doubtless correct, but we should also consider whether this failure is not actually consistent with the more general social principles by which limited goods are distributed. All class societies set certain limits on how much redistribution can be tolerated at any time, and these limits are incorporated in the distributive social service system in the form of "selective rationing mechanisms" directed at certain groups. Some of these mechanisms are explicit, statutory directives concerning who shall receive and who is not entitled to public resources. However, other rationing mechanisms are implicit and informal, based on broad norms and setting limits on the redistribution of resources to marginal and deviant groups.

THE SOCIAL SECURITY SYSTEM

We will take the Norwegian system of social security as our example. There is little research information about this system, its effects, and its clientele, so we must rely on a number of more general observations and on information about bureaucratic organizations and their relations with low resource groups as our point of departure. The literature in this field is by now quite comprehensive (see Sheriff 1976; Nisbet 1975; Leibfried 1977; Schaffer and Huang 1975; Sjoeborg, Brymer, and Farris 1966; Øyen 1974).

The social security system is founded on the National Insurance Act of 1967. Approximately 6000 people are directly employed in the organization, and in 1978 it will administer more than 30 billion kroner. It has functioned in its present form for about a decade, but most of its provisions are older. The organization is built up in the form of a classical bureaucracy with a highly centralized administration, specialization, departmentalization, hierarchical accountability, and a complex set of regulations. The system has a monopoly in administering the benefits granted under the National Insurance Act such as retirement and disability pensions, health and unemployment

insurance, family allowances, and so forth. These benefits are not determined by supply and demand in the market, but by politically set rates that will cover predefined needs. The benefits and services that are offered were originally designed to provide assistance to low resource groups, but have been expanded to include compensation for loss of wages in case of unemployment for all categories of work, social disability in a wider sense, pregnancies, deaths, and the like.

This means that the benefits in principle apply to the entire population, and therefore the clientele is drawn from new groups. The increase in social service expenditures is partly due to the incorporation of these new groups into the system. Instead of being political measures for treating social problems, social service benefits are becoming a more generalized political tool used in wage agreements and the distribution of goods among people who already have work. This can be considered a positive development both on welfare premises and because it builds a bridge between the first and second class citizens in Norwegian society—that is, those whose income comes from their own work and those who receive welfare grants.

However, it is not certain that everyone profits equally from this development. All social systems have a tendency to be influenced by their public, and the social security system is no exception. As a larger proportion of the “normal” public begins to use the services provided by social security, greater emphasis will be placed on administrative responses to normal behavior.

UNDERCONSUMPTION OF BENEFITS

Many people are in need of welfare benefits but cannot receive them because regulations do not recognize their needs. This is an important issue, but not relevant in this context. We pose the question why so many people who have acknowledged *rights* to welfare benefits do *not* receive the goods and services they are entitled to. Underconsumption of welfare benefits may be a greater social problem than alleged abuse of social services (*Rapport 1971; Utredning 1973*).

We know very little about the size of the group that does not get the benefits to which its members are entitled, but several studies indicate that underconsumption must be considerable. A study of the blind and partially sighted, for example, showed that many individuals receive neither the basic pension to which they were entitled, nor the most elementary technical aids whose costs are refunded by the social security system (Odland 1977). A survey in a lower class

area in Oslo showed that nearly a quarter of the tenants had not received all the social benefits to which they were entitled (Eskeland and Finne 1973; Kolberg 1976).

A study conducted by the social security system's own administration shows a great general need for information concerning rights to social benefits, and obviously relevant information is necessary before the public can claim its rights (Lyngstad 1974; Linden 1972). Other investigations among different types of handicapped groups, old people, and the poor, both in Norway and elsewhere, give the same picture of a hidden underconsumption.

The studies uncover four types of underconsumption. First, we have individuals who have never been in contact with the social security system and therefore have never received the benefits to which they are entitled. Second, are those who receive only part of the benefits for which they qualify. Third, there are those who discover their rights too late and get help long after they were first entitled to it. As a fourth group, we have those whose applications are incorrectly refused by the system (NOU 1976).

Why is this so? Why are many more people entitled to benefits than actually receive them? This question has been asked many times and is usually answered by reference to characteristics associated with the individual recipients or lack of responsiveness toward the clients from the service organization. Neither of these two explanations seems to provide a sufficient answer. A more detailed analysis shows that the social security system is actually constructed with a number of regulating and rationing mechanisms that are nonstatutory and that necessarily result in a considerable underconsumption.

This is hardly accidental. Some of the rationing mechanisms reflect common attitudes about living off welfare and not being gainfully employed. Other rationing mechanisms are an indirect result of the way the social security system is organized. The management of social problems has been delegated to a traditional bureaucracy without consideration for the specific characteristics of these problems. Social problems have a variety of causes and a highly differentiated clientele, and it is unlikely that an organization that is created to solve certain kinds of problems will be flexible enough to solve others. In the following sections we shall take a closer look at some of the most important rationing mechanisms.

Information Failure as a Rationing Mechanism

The legal provisions governing the social security system are so complicated that there is probably no single individual who completely

masters the rules for the distribution of benefits. The social insurance system therefore is organized in a number of departments that administer different aspects of the law and have a specialized staff. Internal memoranda, decisions and interpretations are written in a judicial language that renders them inaccessible to the uninitiated. This precision of expression is important within a bureaucracy to ensure correct application of the regulations, but it can be carried too far.

The law is designed to meet all contingencies, even though some of them may be very hypothetical and apply to only a few potential abusers. This results in excessively comprehensive and complicated regulations which even differ in internal agreement with regard to basic principles. External interests and compromises are reflected in the welfare system as in other administrative organs. Consider, for example, the principles for the benefits offered by disability pensions and occupational disability pensions. These give individuals with the same degree of invalidity very different rights according to whether they were injured in accidents at work or in other places. The needs of the injured do not determine the amount of help that is made available, while the situation of the employment of the injured and the place where the accident occurred do. (Compare also the legislation concerning single heads of households, grants of technical aids to different types of disabled persons, etc.) The regulations are difficult to read and often completely unintelligible to people who can neither understand the judicial language nor find the appropriate paragraphs. The staff in the local social insurance offices master the common regulations, but complicated cases must be submitted to higher authorities.

It is maintained that a social insurance official must have four or five years experience before he or she has sufficient expertise to serve the ordinary public competently.^a This is the background to the problems facing the official information office when it tries to inform the public about its rights. The information office is supposed to communicate to the public a system of regulations that have become so complicated that neither information experts nor anyone else can manage to describe it in clear and simple terms.

As it is, the information deals mainly with the basic grants and the most elementary rights pertaining to them. It seems as if only the most elementary welfare measures can be presented without reservations. The information leaflets become evasive and vague when they

^aThese figures are not exact, but representatives of the social security system have suggested, in discussion with social workers concerning the optimal length of their education, that four or five years practice is necessary.

present other social benefits available to the public. This is done in order to avoid raising false hopes, which is, of course, a praiseworthy motive. However, it would be more reasonable to admit that it is impossible to explain the complexity of the social security jungle in a simple yet truthful way, because it can only be understood by a small group of specialists.^b

The authorities are hesitant to acknowledge these side effects of a complicated system. They ascribe the ignorance of the public to its lack of interest in orienting themselves to the system and not reading the leaflets they frequently receive free of charge in their mailboxes. It is also suggested that those who need help the most are those who are slowest to find out about their rights. This is probably true, but it does not change the basic fact that it is necessary to study the regulations intensively before they become sufficiently understandable to make use of them.

The staff of the local offices undoubtedly do their best to help the public, but it is just as difficult for them to simplify the system as it is for the information office. A small group of lawyers now specializes in social legislation and on behalf of their clients track down the relevant information. This is an important development, but there are very few of these specialists in comparison to the approximately 200,000 new social insurance cases initiated every year. Furthermore, the fundamental problem remains, as the public is not able to acquire and process the material that is relevant for their welfare (Kjønstad 1975).

The regulatory complexity that was considered necessary to ensure justice becomes in itself unjust, because it is instrumental in preventing many people from ever getting the welfare benefits to which they are entitled. Moreover, it is also instrumental in stigmatizing certain people as ignorant. It reminds one of the Emperor's new clothes, since neither Parliament nor the local social insurance boards, who are supposed to supervise the system, manage to gain insight into the complex world of the social security system.

Stigmatization as a Rationing Mechanism

Even if everybody knew all about their rights within the social security system, there would still be many people who would never

^bThere is no doubt that the National Insurance System is worried about its failure in the information sector (cf. the most recent volumes of *Sosial Trygd*). Detailed plans have been worked out for improving the public information service. However, all these plans have the present system of regulations as their point of departure and assume that better technical aids, use of mass media, and enough public relations experts in the end will make the public understand the regulations.

claim their rights. This is due to the strong prejudice and stigmatization in our society against people who do not manage to live off their own earnings. There is no corresponding prejudice against employers who do not employ "second rate" workers. The prejudice is not only reflected in the welfare regulations, but also in the organizational arrangements of these regulations. Certain groups are stigmatized more than others, and this stigmatization acts as a rationing mechanism. There are two forms of stigmatization of people who receive welfare grants. The first type is applied by the public in general towards different groups of welfare clients and works independently of the organization of the system. The second type consists of mechanisms within the welfare system that, independent of the intentions of the staff, reinforce the general processes of stigmatization.

Some situations increase the experience of being stigmatized more than others. Selective social services, for example, create more stigmatizing situations than universal social services (Pinker 1971). Situations where people do not understand the decisions concerning themselves, where they do not understand the language used, and where they have to communicate with strangers in order to make their needs known to an out-of-reach decisionmaking body all further the experience of being stigmatized. The experience is closely related to a feeling of powerlessness. Situations where people are required to supply discreditable information about themselves and where they must contribute to the reinforcement of a negative impression of themselves are of the same kind. So are situations that make people at the bottom of a hierarchy beg for help and those that imply unilateral transfers.

If we examine the social security system more closely, it is possible to recognize quite a number of such situations. Most welfare benefits are grants to which the public is entitled, and they are distributed in accordance with established criteria. For some grants, detailed information about the client is decisive in determining whether the requirements laid down in the regulations are fulfilled. This has the characteristics of a means test. The client presents his application without knowing the rules of the game and without knowing what information is pertinent. The transaction becomes asymmetrical as the client stands alone while the staff represent the expertise and the weight of the whole organization. The organization determines the role of the client and has the right to decide what information about the client's life is needed and what information shall be defined as irrelevant.

As long as we have a welfare system that is organized as a bureaucracy, many of these stigmatizing processes seem unavoidable. But

some reforms have been suggested. There is, for example, no doubt that the universal benefits to which the public has an automatic right and that are granted to everyone regardless of class and position as long as they fulfill some simple requirements are less stigmatizing than grants that are means tested. Old age pensions, family allowances based on the size of the family, and refunding within the health service are examples of universal benefits that certainly carry no stigma.

However, a move toward more universal services must be viewed against the background of the development described in the beginning of this chapter. Universal services are more costly, and if defined exclusively as social expenditures, they will, in a period of cutbacks in welfare budgets, be established at the expense of more needy groups. If we want to stress the point, we could say that what the poor gain in terms of decreased stigmatization they lose in terms of actual benefits.

Secrecy is one of the foundations of stigmatization. More openness in the social security system might reduce the stigmatization. The complicated and impenetrable regulations and the professional secrecy imposed on welfare officers both contribute to the myths of abuse and immoral clients. The public does not have the insight into the system to reject stereotypes of welfare clients, and cases of alleged abuse of welfare benefits are never contradicted because of professional secrecy. Protection of privacy of the individual is important and might reduce individual stigmatization. When carried too far in order to protect the system from public insight and the profession from public control, secrecy in itself becomes part of the stigmatization process. Clients collectively might be harmed, because stereotypes concerning their behavior are not corrected and because secrecy implies "abnormal" behavior that has to be hidden from "normal" society. Their real problems are not explained to the public, and needed welfare services will not be initiated (Øyen 1978).

Emphasis on the rights of the public to receive welfare benefits will also contribute to reducing stigmatization. Since our society is organized around the idea that all pay is related to work and to having a job, an emphasis on the role of welfare grants in compensating for nonexistent jobs could be helpful. In a tightening job market based on technically trained and younger people, the weak, the old, and the uneducated are bound to lose out. The price to be paid for this type of job market is the size of the social security budget. This price can only be reduced if it is possible to create a job market adjusted to all types of workers.

The size of the grants offered under the social security system is itself

an important condition for stigmatization. The grants are small enough to reinforce the impression that the welfare clients come from the lower classes of Norwegian society, and poverty traditionally is an invitation to stigmatization. An increase in the minimum pension would be a good, helpful protection against stigmatization (cf. Hogan 1977). It is also important to realize that unilateral exchange will always be stigmatizing, no matter how it is made. There is no way of repaying the social security system. The client will always have to assume the humble and grateful role that the benefactor expects of the beneficiary.

Built-in Queues as a Rationing Mechanism

There are no price mechanisms in the welfare system that regulate demand and supply. In principle all consumers are equal, and ideally it is the need that should determine the form and size of the grants. Need, however, is an extremely variable phenomenon that grows parallel to services offered and a rising standard of living. As was said at the outset, new interest groups continually present their needs, and new needs are recognized and incorporated into the system. However, the welfare system does not develop as quickly as needs are recognized, and therefore queues form at many points within the system.

Formation of queues acts as a rationing process, because queues contribute to restricting demand (Bramness and Christiansen 1976). Position in the queue is not decided purely by chance; neither are dropouts in the queue random. Those who are active, know the rules of the game, are able to organize interest groups, and arouse public opinion will, in all probability, move forward in the queue, while those who are passive and not able to mobilize either themselves or others will remain in the queue longest. Individuals or groups who can procure the same benefits through other channels will obviously do so and leave the queue. As always, those who have many resources will have the most choices, while those with few resources stay longest in the queue and are repeatedly pushed back. Moreover, many individuals will never make any demands because they know about the length of the queues and therefore give up beforehand.

There are at least two types of queue within the social security system—those created within the system and those created in social service agencies located outside the system but hooked up with the social security system through funding and organizational arrangements. The first type of queue is usually considered to be a result of inadequate staffing in the offices that handle applications. Statistics

of this kind of delay are carefully kept and used as an argument for expanding the staff. However, the most important cause for delay is ignored—namely, the complicated regulations that make detailed investigation necessary before a decision can be made. It is likely that the number of experts within the system could be increased considerably without appreciably shortening the queues.

The social security system has less control over the queues formed in social service agencies outside the system. Many of the delays and queues are caused by the organization of refunding, however. Underconsumption is probably large, but is hidden because no systematic information is provided about how slowly the queues move, how long they are, and how many clients are referred to other institutions. Clinics and rehabilitation institutions have long queues that are not regulated by antecedents. These institutions have inadequate capacity, and their choice of clients is influenced by their goals of showing successful treatment. Within the rehabilitation sector, for example, services are more or less reserved for the most adaptable clients and those having the best prognoses for getting back to work. Other services, such as physiotherapy, treatment by specialists, and psychiatric counseling, are also examples of scarce commodities that people queue up for. Economic compensation for time spent in the queue is no substitute for treatment, since problems increase as the months roll by. And the longer the clients have to wait in line, the further their resources become reduced.

The Passive Bureaucracy as a Rationing Mechanism

The bureaucracy is in many ways an effective form of organization. It assumes, however, certain qualities in its clients that make it less suited for handling certain problems in the social service sector. The public is heterogeneous, without common interests and mostly unaware of its rights. The traditional clientele also is recruited from the lower class and often stigmatized before entering the system. Their demands are socially not fully legitimized and cannot be enforced as they have no services or production of importance to society to withhold. As a result, the individual client as well as the group is in a weak position when dealing with the bureaucracy. It is hardly an exaggeration to say that the social security bureaucracy has little need to pay much attention to its clients because they cannot retaliate. Only through intensive pressure group activity or when surveys and research throw light on the way the system works can the bureaucracy be forced to change its course.

The rationing mechanisms described above prevent a large number

of individuals from receiving welfare benefits to which they are entitled. We can only guess how many people are involved and who they are. It is not considered the duty of the social security bureaucracy to ask these questions or to initiate research into the problem. Its duty is only to inform the public when asked. It has no obligation to go out and try to find potential clients.

The social security system pays no attention to research showing underconsumption; it does not publicize the results, nor does it use them in the education of future bureaucrats or try to estimate the size of the underconsumption.

The philosophy of much of the social security system is based on the premise that active individuals, who know their rights, should present a clearly formulated application, preferably in writing. When the client does not come to the social security office, this is interpreted as a defect in the client and not in the system. Automatic registration of new clients who are summoned for information exists only for old age pensions and some family allowances. The underconsumption for these benefits is minimal.

Each client is dealt with individually, and at no time are clients with similar problems brought together. While this is advantageous for the system, since it needs only to bargain with one individual at a time, it is disadvantageous for the clients, who do not have a chance to learn from each other, act jointly, and back each other up against the bureaucracy. Welfare clients are mostly unorganized, and in the well-organized Norwegian society, unorganized groups are politically weak and without influence. It seems important to construct an organizational structure that furthers the formation of interest groups among clients with similar problems. At present, it is primarily clients with greater resources and nonstigmatized problems who manage to form interest groups and achieve advantageous reforms. However, since the welfare public is heterogeneous, interest groups would have to be organized in such a way that different groups do not damage each other's interests while competing for limited resources.

In cases of disagreement between the client and the social security system the client is more or less left on his or her own. The staff are assigned the dual role of helping the client appeal the decision and being loyal to the system whose decision is being appealed. An independent board of helpers within the social security system would be a better support for the client in appeal cases. At present, it seems likely that many rejections are not appealed because the staff do not believe that an appeal will be successful. Therefore dissatisfaction is not registered, and we have no statistics on how many cases are involved. In this connection it is interesting to note that nearly a

quarter of the appeals made to the court of appeal were decided in favor of the clients while they were being processed and before coming to court (NOU 1976). This means that when given a chance the system corrects its own mistakes. Elsewhere the social security system is responsible for providing free legal help for some of the clients who appeal a decision. (This is a new statute in Israeli Social Security Law, which was enacted in the fall of 1977.)

IS RATIONING NECESSARY?

It seems to be important to ask what the functions are of these rationing mechanisms. Are they unintentional or intentional, and what would happen, in our society and in our welfare system, if they were removed?

Norway is a welfare state whose social security system is considered worthy of imitation by other countries. The National Insurance Act is a banner of considerable pride, because it contributes to increasing the standard of living and quality of life of many Norwegians. Our pride has, however, prevented us from admitting the existence of flaws in the system and has encouraged us to conceal a tendency to favor high resource groups and to discriminate against low resource groups. This is perhaps not surprising. The social security system operates within the society that created it; and Norwegian society being a class system, goods are unequally distributed and mechanisms are at work to preserve and even increase the inequalities (Φ yen 1976).

The hierarchical pecking order is closely connected with the distribution of power within the society, and the social security system does not try to challenge the power hierarchy as it might if it strengthened the position of the poor, organized them, and ensured that they received all the benefits to which they were entitled. It remains "neutral," though its neutrality is tinged with middle class sympathies and flawed because it has greater loyalty to other bureaucracies than to its lower status clients. The rationing mechanisms become another tool to reinforce the existent inequalities in our society, although the National Insurance Act is designed as a tool to promote our beliefs in equality and just distribution of common goods.

The rationing mechanisms also have economic consequences that should not be ignored. If these mechanisms were to be eliminated, and everyone received benefits due under the law, it would have drastic consequences for the social security budget. Expenditures would rise so sharply that an extraordinary parliamentary grant would

be necessary. Opposition to the increased social security expenses would surely grow among the general public and demands would be set forward that no further increases should occur and that transfer of benefits to new groups should imply deductions in benefits for other recipients within the system. It is difficult to guess what principles would be used to decide priorities if the welfare budget should be reduced, but an explicit priority system, which we do not now have, would undoubtedly be introduced. A reevaluation of the social security system would be painful and disruptive, because it would involve defining our views on the future position of the poor in our society and would stress the concept of class in the social policy discussion. On the whole, there has been political agreement about our present social policy, and it is unlikely that the reform we can realistically expect will primarily deal with the rationing mechanisms that have been discussed above. It is more likely that resources available to the system will be spread thinly and that the social security bureaucracy, with its 6000 employees, has so much momentum that it will continue in its present path with very few changes.

Since this was written, a government-appointed committee concerned with welfare benefits has delivered its report. It suggests that the minimum pension should be raised by 40 percent in the course of five years. It will be interesting to see whether or not this interest group, mobilized to represent a low resource group, will be successful and even more interesting to see which demands from high resource groups will be presented to compete with this increase.