

## SOCIAL SECURITY ABROAD

RECENT DEVELOPMENTS of significance in the field of social security are reported for two countries in the notes that follow.\*

### BERMUDA'S NEW SOCIAL SECURITY LAW

The Bermuda Contributory Pensions Act of 1967 became effective on August 5, 1968. Except for the Workmen's Compensation Act of 1965, it is the first social security measure of its kind in Bermuda. Efforts to set up a social security plan date back to 1948, but it was not until 7 years ago in March 1962 that a special committee was established to deliberate the present legislation. The committee's report to the House of Assembly, dated December 14, 1962, unanimously recommended that a contributory pension scheme be adopted as soon as practical and that the necessary legislation be introduced.

The legislation covers almost all persons over the age of compulsory school attendance (16 in 1969) and under the pension age (65) who are gainfully employed (or self-employed) in the islands. Specifically excluded from the provisions of the act are members of any Armed Forces and citizens of the United States (and their dependents) who are present in the islands only because of service in the Armed Forces or employment with the United States Government.

Old-age benefits fall into two categories—contributory and noncontributory. All persons possessing Bermudian status who have been resident in the islands for at least 10 years and were aged 65 or over on August 5, 1968, are eligible for a minimum old-age pension of £2<sup>1</sup> a week for life, even if they have not contributed to the program. Benefits to contributors will be paid as they reach age 65, and eventually they will receive the full rate of £9 a week if they have made at least 260 weekly contributions (about 5 years' worth)

and have maintained a yearly average of 50 contributions. For those whose weekly contributions are below 260 and whose yearly average is less than 50, there are reduced levels of benefits. On the other hand, persons who continue to work and pay more than 260 weekly contributions will have their old-age pension increased by 1 shilling<sup>2</sup> per week for every 26 contributions above 260 that are paid.

Widows are also eligible for benefits ranging from £2 to £4 a week, subject to certain qualifying conditions. A widow receiving this allowance may also be granted a supplement of 10 shillings a week for every dependent child in her care under age 16.

To finance the program, employers and employees must pay weekly contributions of 6 shillings each. Self-employed persons pay 12 shillings weekly.

Employer and employees contributions are made through the purchase of insurance stamps at post offices. It is the responsibility of the employer to see that these stamps are affixed weekly on the employee's insurance card. When an employee changes jobs, he must ask for his insurance card to see that it is up to date and ready to turn over to his next employer before entering on his new job.

Since the new social security program went into effect, over 25,500 insurance cards have been issued to the island population, which totals 50,000. In addition, some 2,700 persons have qualified for noncontributory old-age pensions. The initial response to the program has been encouraging enough that expanded coverage is being contemplated. A hospital insurance bill is also being prepared for presentation to the legislature in the near future.

### POVERTY STUDY IN CANADA

The Economic Council of Canada has devoted a part of its *Fifth Annual Review*,<sup>3</sup> published in September 1968, to the problem of poverty in that country. One of the responsibilities of the Council, which was established by an act of the House

\* Prepared by the International Staff, Office of Research and Statistics.

<sup>1</sup> One pound equals \$2.40.

<sup>2</sup> One shilling equals 12 cents.

<sup>3</sup> See "The Challenge of Growth and Change," *Fifth Annual Review of the Economic Council of Canada*, Queen's Printer, Ottawa, 1968.

of Commons of Canada in 1963 to advise Parliament, is to recommend policies that will help to realize the potential growth of the economy. Previous annual reviews have sought to identify the problem of regional economic imbalance, including the measurement of regional disparities in incomes. The current review examines a further aspect of the goal of a more equitable distribution of rising incomes, the nature and scope of poverty. The Council's findings indicate that poverty is a large and urgent problem in Canada and that a wide variety of remedial steps are required.

The report is based on a special study of the low-income population carried out by the Dominion Bureau of Statistics on the basis of 1961 census data. A sample of some 2,000 families living in urban centers of 15,000 or more was examined in terms of family income and expenditures, geographic distribution, education, race, and age of family earner or earners. It was found that, on the average, families allocated about half of their incomes to basic needs. Thus a family that used substantially more than half its income on essentials was likely to be in straitened circumstances, with little money for drugs, medical care, education, recreation, savings, etc. This was in fact the definition of poverty used. In applying this definition, the Council used two estimates for low-income families and individuals: those using 60 percent or more and those using 70 percent or more of their incomes for essentials. When the latter figure is used, the poverty cut-off is \$1,500 (Canadian) for single persons, \$2,500 for families of two, \$3,000 for families of three, \$3,500 for families of four, and \$4,000 for families of five or more.

As of 1961, some 916,000 nonfarm families and 416,000 individuals were found to be living below these levels. The total number of persons involved was about 4.2 million, including 1.7 million children under age 16. In all they accounted for some 25 percent of the total nonfarm population of Canada.

If the second, less conservative estimate is used, the cut-off is raised somewhat by assuming that the expenditure of 60 percent or more of income goes for food, clothing, and shelter. The cut-off then becomes \$2,000 for a single person, \$3,500 for a family of two, \$4,000 for families of three and four, and \$5,000 for families of five or more. Applied to the 1961 nonfarm population, these

changes raise the proportion of low-income persons to 41 percent.

### **Characteristics of the Poor**

Certain characteristics were found to be associated with the incidence of low income, and therefore significant in forming policy guidelines:

1. The head of the family had no formal education beyond elementary school. A particularly strong association was found to exist between low income and a low level of education. Of the families whose heads had less than secondary education, 37 percent were poor in 1961, and they accounted for two-thirds of all low-income families.
2. The family lived in a rural area. Nearly one-half the families living in rural areas were found to be poor.
3. The family lived in the Atlantic Provinces (Nova Scotia, Prince Edward Island, New Brunswick, Newfoundland). In the Atlantic Provinces, primarily a rural region, 45 percent of all families were classified as within the poverty group.
4. The head of the family was not in the labor force. In this category 55 percent of the families were classified as poor. However, if the head of the family had worked at some time during the year, the poverty incidence was reduced to 49 percent.
5. No member of the family worked during the year. A total of 81 percent of families in this category were considered poor.
6. The head of the family was aged 65 or over. Of these families, 44 percent were poor, twice the poverty incidence of families headed by persons in the 25-54 age group.
7. The head of the family was a woman. Most low-income families headed by women under age 65 had two or more children under age 16, a circumstance that often permitted her to work only on a part-time basis or not at all. The incidence of low income in these families approached 50 percent.

The report hastens to point out that these findings, based mainly on the characteristics of the family head, tend to lead to a distorted picture of the distribution of the poverty-stricken. The rates of poverty incidence among certain groups form an inadequate pattern for policy purposes because of other demographic considerations.

For example, among all low-income nonfarm families in Canada:

- (1) 62 percent lived in urban areas;
- (2) 83 percent lived outside the Atlantic Provinces;
- (3) 68 percent of the breadwinners worked at least part of the year;
- (4) 76 percent had one or more wage earners;

- (5) 77 percent of family heads were younger than 65 years of age; and
- (6) 87 percent of the families in the group were headed by men.

These data indicate the difficulty of developing specific antipoverty policies for specific groups. A set of antipoverty policies directed toward major groups or geographic areas showing a very high incidence of low incomes would almost certainly fail to deal adequately with poverty. It would, for example, tend to miss the many pockets of poverty scattered through relatively high-income regions that account for a large proportion of the poverty in Canada.

On the other hand, poverty in certain large areas or subregions is so extensive that it must be considered an area problem and approached accordingly. The plight of some minority groups also presents problems different from those that apply to the population in general.

An example of the former is the Gaspé and Lower St. Lawrence Region of Quebec. Largely rural, with an economy based on agriculture, forestry, and fishing, this area has a per capita income that is little more than half that of the Province of Quebec as a whole. A current long-range development plan envisions a regrouping of the region's population in a few well-equipped urban centers, with improved occupational and geographical mobility of the labor force.

With respect to groups of people, the Council reports that the circumstances of the Eskimo, Indian, and Métis (mixed race) populations are such that common measures are necessary to alleviate the situation. Until now they have been treated too much as special groups, according to the report, sometimes falling between jurisdictional boundaries created by federal and provincial legislation. Legislation is recommended to make public services in education, individual

development, and organization within the community available on an equal basis with the rest of the population.

### General Program

In outlining a general antipoverty policy, the Council cites a program of adequate education, including adult retraining, as having particular importance. In the past, however, the tendency in Canada has been to provide income support. Such a measure tends to perpetuate the condition as it exists, rather than getting to the root of the problem. Self-help through training and manpower mobility programs (during which the government would sponsor an income support program or furnish relocating expenses) is believed to offer a better solution. The argument for more and better education is supported by the strong association between low income and lack of education. Educational levels also tend to be self-perpetuating, such that a child's level of education will approximate that of his parents. For this reason special efforts are recommended to encourage education in families where circumstances tend to discourage it.

The report also stresses the following needs in developing a program to fight poverty:

- to maintain a strong and stable economic growth and a high level of employment
- to make the population, and especially the poor, aware of the public commitment to eliminate poverty, and to involve them in designing programs to accomplish this end
- to orient antipoverty policies strongly toward people rather than physical resources
- to employ the most modern techniques in project evaluation so that the highest possible benefits may be obtained from available scarce resources.