1. Introduction

Periods of reduced or non-existent working capability (childhood, old age, illness) are experienced by all. Moreover, situations have to be faced when capabilities cannot be used to their fullest (lack of demand, unemployment); or when the return from work is unexpectedly low (for example, because of crop failure); or when consumption needs are exceptionally large, for example in connection with a fire or an illness. Solving these kinds of problems is one of society’s major functions, perhaps the most fundamental function. Under normal conditions, where life actually requires a great deal of labour, these problems must be solved through cooperation. The solution is to create pools enabling several persons to share the fruits of each other’s labour. How these pools are organized is of fundamental importance for the character of a society and its possibilities for development. We refer to arrangements serving this purpose by the term social protection. An extreme case is the pure socialist model where all earnings are placed in a common ‘pot’ and shared according to need. Another case, no less extreme, is the pure market model where all resources are allocated through different financial arrangements (banks, insurance companies, and so on) to the extent that individuals decide through mutual agreements. Between these extremes are models with differing degrees of cooperation. One of the most important organizations for the pooling of resources is the family.

Arrangements for social protection may be studied from a long-term or a short-term perspective. From a short-term point of view (which dominates in the general debate) it is natural to emphasize people’s differences and view the pooling of resources as a means to change the distribution of income in society. It seems, then, that the aged, sick and unemployed receive benefits at the expense of people who are young, healthy and employed. From a long-term point of view, however, things look different. Nobody may count on being healthy, employed, and so on, for an entire lifetime. In the long run the pooling of resources is clearly a mutual concern, where the objective is not mainly to redistribute incomes among individuals but to render more effective the use of each individual’s earnings in society. The idea, then, is that one should have access to consumption possibilities when they are most needed.
AGENTS OF SOCIAL PROTECTION

The Family

A resource pool may be arranged as a common household for individuals belonging to several generations. Members of the household do not have to be related to each other, but family ties certainly contribute to strengthening the household. This is the family model where transfers take the form of gifts. Children and the aged are supported by the middle-aged who voluntarily refrain from consuming all incomes themselves. This does not mean that these persons are motivated by altruistic reasons. As mentioned above, everyone may expect to become dependent on the support of others. By being generous today, the middle-aged may hope to meet generosity from others tomorrow. This probability increases if children are brought up to regard giving as a duty. The importance of transfers within families and other groups has been eloquently stated by Oded Stark (1995).

For a biological family it would seem natural to use transfers in kind. For example, children and the aged may be given shelter, food, clothes and other necessities to the extent deemed suitable. For a family living in a monetary economy, an alternative would be that transfers are given in cash, either as a lump sum or as a voucher for certain consumption. Different types of transfers can be mixed. For a child one can supplement food, housing and other benefits in kind with special accounts for the purchase of items such as clothing, as well as a lump sum to be used freely. In this way the receiver is given discretion over the content as well as the timing of at least some consumption. Whether this is a positive or a negative feature of supporting grants will now be left as an open question.

Benefit Societies, Insurance Companies and Banks

Other private associations for mutual assistance are common among occupational groups or neighbours. The usual arrangement is to form a benefit society (sometimes called a friendly society) such as a sickness or an unemployment benefit society. Members of the society commit themselves, subject to certain regulations, to contribute towards the formation of a common fund from which they are entitled, subject to certain conditions, to receive benefits either in cash or in kind, for example medical care that is partly or wholly paid for by the benefit society. Benefit societies typically supplement the family as a source of security.

The distinction that is made here between benefit societies and normal insurance companies is simply that the latter are more clearly commercial in their operations. They sell security and are not normally confined to a
particular occupational category or neighbourhood. Otherwise, insurance companies operate in the same way as benefit societies. The insured pay a premium that entitles them to receive benefits, subject to certain conditions, from a common fund.

It should be noted that benefit societies and insurance companies provide only the basic framework for private security arrangements in society. Access to good banking facilities and so on, and the willingness of other individuals to take part in charitable work provide additional sources of security.

Are family members able to obtain a better standard of living for themselves through the market system? To clarify this alternative, let us imagine an economy without any private real capital. Real assets are limited to stores of foodstuff, and so on, for immediate consumption. It is easiest to imagine this example as an economy where all real capital is owned by the state, but one may also think of an economy with practically no real capital at all, for example a nomadic society where people survive by hunting, fishing, picking fruits, and so on.

A conceivable possibility in this case is that transfers take the form of loans. One borrows during childhood, saves by paying back the loan and by issuing new loans to younger persons during middle age, and dissaves (has loans paid back) during old age. A typical situation in such a model would be that middle-aged people give loans to children. As children grow up and earn an income, they can repay the loans and thereby provide the older generation with a ‘pension’.

It is worth noting that borrowing conditions may be rather poor. Take as an example the case where children are cared for by their parents and therefore do not demand any loans for themselves. The only possibility of obtaining a ‘pension’ is then that older workers give loans to younger workers. Of course, there is no guarantee that the latter have an immediate interest in consuming more than they earn. They may have enough earnings to cover their own consumption as well as the consumption of their children. For older workers the situation may clearly become very stressful. At the same time as they need to give loans in order to secure support for their own old age, presumptive borrowers are far from willing to get into debt. The outcome might be that older workers have to pay younger workers to accept a loan, which would imply a negative rate of interest.

Giving loans to younger generations is not necessarily an individual’s only form of savings. If there are other possibilities, for example to buy gold, the situation might be less problematic. Gold may be bought by both younger and older workers, and then sold in old age. Should the distribution of income be unequal in favour of younger workers, then older workers might also be sellers of gold. In this case an individual may buy a large amount of
gold as a young worker, sell some as an old worker and the rest during old age. There is no guarantee, however, that gold holdings will be profitable, since the price of gold must be increasing over time for this to be the case. With a given stock of gold, this will not be the case unless the economy itself is growing. In the opposite case there will probably be an excess supply of gold and, therefore, a gradual downward pressure on the price of gold. A falling price of gold is equivalent to a negative rate of interest.

The State

There are, roughly speaking, three ways in which the government might supplement and improve private security arrangements in society. First, government authorities may make an effort to promote conditions of general stability. Policies to reduce cyclical fluctuations and to facilitate structural adaptations in the economy would come under this heading. At a more fundamental level, government policies seeking to improve law and order within the country or to reduce the risk of foreign aggression or natural disasters are also an essential part of the stabilization policy. It goes without saying that a failure of either of these types of preventative measures might have very serious consequences for individual security. Consequently, government policies in this field are of major importance.

Second, the government may encourage the growth of private security arrangements. The promotion of stable family conditions and the establishment of associations or companies providing insurance services would be appropriate measures under this heading. An incentive might be provided in the form of a subsidy that might be used to influence the pattern of security arrangements. An early example of this type of social security is the German legislation implemented in the 1880s on the initiative of Otto von Bismarck. With regard to benefit societies, the subsidy may be conditional on the degree of access to membership, meaning that the society cannot be confined to members of a particular labour union, political party, or religious group.

As previously indicated, people have a special interest in obtaining ‘child loans’ in one form or another. In the market model, children are potentially the most important group of borrowers. In the family-only model, no loans exist but it is not difficult to imagine a mixed model where parents take loans for the purpose of supporting children. Such loans, more or less subsidized by the state, would be an alternative to the kind of child allowances (or tax deductions) used in many countries. Note how the burden of bringing up children changes in these cases. In the pure family model without any external support, or when parents are borrowers, parents carry the entire cost of their children. To the extent that bequests are reduced,
however, certain parts of the cost will be passed on to the children themselves. When children are supported out of public funds, the cost is borne by the population at large. In the case of formal child loans the responsibility for repayments rests with each child. Depending on which model is used, an individual is faced with three quite different prospects: (1) to pay the cost of one’s own children, no matter how many, (2) to pay a higher tax in order to finance subsidies to children in general, and (3) to pay back one’s own child loan. In the two latter cases the expense is independent of the number of one’s own children.

Third, the government may itself administer different types of social security schemes, such as on a normal insurance basis by means of premiums, funds and benefits. However, the government is able to offer a wide range of other opportunities. For instance, the insurance may be arranged as a general, tax-financed, basic income guarantee. As in the case of private social security schemes, a public system may take the form of both cash payments and benefits in kind such as medical care and labour market training.

The two latter categories of government measures – the provision of incentives to private schemes and the government’s own insurance schemes – come under the common designation of social policy. Far-reaching ambitions in this area of policy, particularly when these aspirations are expressed in terms of government administered insurance schemes are characteristic of the welfare state. The principal idea of the welfare state is to guarantee that all citizens can satisfy basic needs. It is typical of the welfare state that (1) entitlements to benefits like child care, schooling, health care and nursing homes are given by virtue of citizenship, refugee status and the like and not merit based; (2) benefits are produced by public agencies, provided in kind and distributed according to egalitarian ideals; and (3) benefits/subsidies are financed by progressive taxation.

Compared with the traditional family model, the welfare state has a clear advantage and a just as clear disadvantage. The advantage is that everyone is included. For example, individuals are not required to have children of their own to get provisions for old age. Furthermore, there is no risk that defectors might cause a setback in the standard of living for those remaining in a family. Defection may also happen in a welfare state – as in the case of emigration – but the effect from a social security point of view is likely to be small. (This is not to say that the brain drain, which is a result of people moving out of a country, would lack economic meaning.)

A disadvantage of the welfare state is that it generates disincentives of various kinds. Since benefits are more or less independent of each individual’s own efforts, these benefits tend to be forgotten in one’s decisions on the scope and direction of work, savings, and so on. Hence, people behave
as if their jobs and savings are worth less than they actually are. This will most likely lessen people’s interest in economic virtues, and be harmful to the economy at large.

Another disadvantage with the welfare state lies in the fact that benefits are provided uniformly, for example the same amount of schooling and the same elderly care for all. Differentiation with respect to individual needs and interests would make it possible to reach a higher level of utility with the same amount of resources. Such differentiation is easier to obtain in the family. Since people in a family live near each other it should be quite easy to take individual differences in tastes and interests into account.

We have so far been referring to an extreme welfare state. In reality, the state’s involvement in social security has a less extreme design, one of the reasons being to keep costs down. One modification is that certain benefits are given as a voucher or in cash. This allows beneficiaries to influence the content of the benefit, especially when the state does not have a monopoly in producing child care, housing and so on. Another deviation from the extreme welfare state is that certain benefits are paid according to merit, making them appear as a wage component. For example, old age pensions might be differentiated, at least partly, according to earnings earlier in life. Through such modifications the welfare state takes on a somewhat different character. Eventually, the role of the state might be reduced to administrating transfers based on the principle of *quid pro quo*. As in the market model, this means that each person directly pays for his or her own welfare.

**THE CORE OF SOCIAL POLICY**

There is no simple answer to the question of what the state should do in the area of social policy. But we may try to find out what a social policy serving the interest of all citizens would look like. For the sake of argument we assume that this must be implemented with unanimity among those concerned.

For obvious reasons it would be difficult to assemble unanimous support for public policies in a world where private solutions do exist and are effective. There would then be nothing to gain from collective actions. Hence, market failures are a prerequisite for such actions. We now limit the discussion to market failures with respect to private provision against *risks* of income losses and excessive expenditures. The provisions under discussion include some kind of insurance scheme organized by friendly societies, other cooperatives or insurance companies. Each individual (or family) would then pay an amount that covers his or her expected benefit from the insurance (*actuarial fees*) plus a contribution towards the costs of
administration as well and, in the case of commercial insurance, an additional amount that reflects the organization's planned profit.

The question of interest here is the extent to which these schemes require state involvement to provide a satisfactory level of social protection. This question will now be examined with respect to the following problems: (1) exclusion and free riding; (2) adverse selection; (3) moral hazard; and (4) collective risks.

**Exclusion and Free Riding**

In a system where insurance premiums are charged on an actuarial basis, different categories of risk will pay different premiums. For certain individuals, this system may be prohibitively expensive. For example, for an individual in need of kidney dialysis the actuarial premium for health insurance including dialysis could exceed the individual's annual income. As a result, this individual would be forced to rely on charity. There are two ways in which charity may be administered. The traditional method is to offer free medical care to those in need. This arrangement may, for example, be organized by a religious group. The other method is to allow the individual to receive regular insurance on particularly favourable terms. This would mean that other individuals covered by the same insurance scheme would have to be willing to pay premiums that are higher than would be justified on purely actuarial grounds.

Both of these methods give rise to free riding. In the first case, individuals are given an incentive to evade responsibility for the costs of insurance provision by assuming that they will still be able to receive the benefits they require. A suspicion that people will play this game might make potential donors less enthusiastic about charity. In the second case, free riding could mean that individuals may avoid cooperatives or insurance companies subsidizing premiums for certain individuals. In either case the outcome will be unfavourable for those who are in real need of charity.

**Adverse Selection**

The problem of exclusion arises because it is possible to identify those individuals who have substantial expectations regarding insurance benefits. The problem confronting dialysis patients would have been less difficult if their situation had remained unknown to the insurer. However, a different problem then arises, namely that of adverse selection. This problem is caused by the fact that the insurer’s information regarding the policy-holders’ anticipated benefits (risks) diverges from that actually held by the policy-holders themselves (asymmetric information). Adverse selection also arises where
there is a lack of adequate differentiation of premiums. As a result, premiums diverge from the policy-holders’ expected benefit from the insurance.

In essence, adverse selection means that an insurer is unable to allocate people into different risk categories (for example, with respect to longevity) and therefore offers everyone the same premium, corresponding to an average risk. This is considered unfavourable by low-risk policy-holders who become increasingly reluctant to take out insurance cover. As a result, the average risk among those insured, and therefore the average insurance premium, may gradually increase until only those with the highest risk find it worthwhile buying the insurance.

As a result of adverse selection, individuals belonging to low- or medium-risk categories cannot be offered the insurance policies that would meet their requirements. An insurer introducing a low-risk alternative onto the market would soon be subject to losses unless he or she could find some way to prevent high-risk categories from purchasing this alternative. The low-risk alternative must therefore contain certain provisos that make it unattractive for high-risk categories, for example a maximum limit on the level of protection.

From the standpoint of social policy, the problem with adverse selection is that low-risk individuals are confronted by a situation where they either have no insurance at all or are required to pay a premium that is appropriate only for high-risk individuals. A tax-financed subsidy might be viewed as a more satisfactory alternative.

**Moral Hazard**

The imposition of a maximum limit on the level of protection may be motivated by reasons other than adverse selection. One such reason might be a desire to limit the administrative costs of the insurance. The non-payment of sickness benefits for one or several days following the start of a period of illness is an example. As a consequence, there will be fewer claims for insurance benefits.

Another motive for less than 100 per cent insurance cover is the problem of moral hazard, which is a particularly severe problem in, for example, unemployment insurance. The fact that work involves a degree of sacrifice means that an unemployment insurance that does not contain an element of co-insurance will provide strong incentives to be unemployed. Such a tendency will be held back when benefits are lower than the loss of income, because of an initial period of non-payment of benefits, limitations in the duration of the payment of benefits, or a less than 100 per cent ratio between the daily benefit and the income loss. An optimal arrangement would depend on the circumstances. We return to these issues in Chapter 7.
Collective Risks

A further reason for restricting the insurance cover available to individuals on the insurance market is that certain risks affect a large number of individuals at the same time. The inclusion of such collective risks in insurance contracts may endanger the financial viability of friendly societies and private insurance companies, as well as call into question the overall economic security of policy-holders. Even today, a common influenza epidemic may give rise to considerable financial problems for a local sickness benefit pool. However, the problem of collective risks is less severe when insurers take the opportunity to buy reinsurance, whereby insurers all over the world may compel themselves to compensate for (a small part of) the damage caused by, for example, infectious diseases, earthquakes or heavy storms wherever they occur.

Most cases of collective risks may be covered by reinsurance arrangements but, of course, there are also some collective risks of a global character that may not be included in reinsurance contracts, such as the discovery (in the future) of an inexpensive medicine that effectively prevents heart attacks. If such a medicine came into use, everyone’s life expectancy would increase and insurers all over the world would be faced with a dramatic increase in justified health insurance claims and pension benefits.

The normal method of avoiding the problem of collective risks is to exclude them from individual insurance contracts. However, it is difficult to see how this could be carried out in the above example. In this and similar cases, the only apparent option available for the insurer would be to charge a higher premium that allows him or her to set up a buffer fund serving as a precautionary measure for the future. The problem is that some insurers might be tempted to run their business without such a fund, and try to increase their market share by offering insurance policies without the extra charge. This would tend to raise questions about the financial viability of the insurance system.

The above arguments point towards government intervention on the market, either by a law stating that a premium surcharge must be levied or by an offer to act as ‘insurer of last resort’. When necessary, this would permit the government to use tax revenues to meet obligations laid down in private insurance contracts.

IMPLICATIONS FOR SOCIAL POLICY

Given this picture of the problems confronting private insurance arrangements, what role would be decided unanimously for the government? We
shall return to this question many times in later chapters. For now it will suffice to give a few hints.

1. Of the various methods available for smoothing out fluctuations in expenditures over an individual’s life cycle, bank loans would appear to be quite non-controversial. Government obligations are then limited to the provision of the requisite guarantees for such loans. A further step in this direction would be to force adult citizens to have a savings account in proportion to annual earnings or at least covering basic expenditures for a certain period of time, for example three months. Singapore, just to give one example, illustrates how such an arrangement may be implemented.

2. Bank loans do not serve the purpose of pooling risks and are therefore not sufficient as a social policy device; they must be supplemented by arrangements providing basic insurance cover. Let us assume that there is a legal requirement to have a certain level of insurance cover. This would force individuals who are tempted to become free riders to take on the responsibility for their own insurance provision, at the same time as they support those who are unable to pay an actuarial premium for themselves.

Still, for the latter category, which may include many old individuals, any premium might be too high. In this case some supplementary form of assistance must be made available, either as a voucher to the individuals concerned, entitling them to buy the insurance they need, or as a subsidy to those insurance policies being offered under particularly favourable conditions. These measures are available in the case of competing private insurance schemes. Another possibility is to introduce a social insurance scheme financed by taxes instead of premiums.

At first sight it may seem paradoxical that unanimous agreement may be reached on a compulsory basic cover, as potential free riders, at the very least, should be opposed to this idea. However, it should be borne in mind that individuals find themselves here in the situation known as the ‘prisoner’s dilemma’; each individual has an opportunity to establish a private advantage by means of free riding, but only on the condition that an overwhelming majority of individuals refrain from free riding. If this condition did not hold, everyone would suffer. An awareness of this risk tends to make the idea of compulsory basic cover more acceptable.

For the sake of argument, let us assume that the basic cover relates to (1) essential medical expenditures; (2) a basic minimum standard of living after retirement or in the event of a permanent loss of income; and (3) sickness or unemployment benefits to compensate for temporary losses of income.
3. In principle the basic insurance cover would be financed by means of premiums representing its actuarial value. However, the size of these premiums presents a practical problem because of fluctuations in people’s ability to pay. Some individuals will never be able to pay an actuarial premium, and many would have occasional difficulties in doing so as a result of illness, unemployment, parental obligations to pay for school fees, and so on. Hence, to be acceptable to everyone, it is essential for a payments model to take ability to pay into account. A possible solution would be a model with the following characteristics.

Each individual is assigned an account. A certain fraction of the individual’s income, for example 40 per cent of income from employment, is paid into this account annually. These payments appear on the credit side of the account. Each year, the account is also debited by an amount corresponding to the individual’s annual premiums for basic insurance cover and possibly also other insurance benefits. The idea is that payments credited to the account will balance, in due time, debited premiums. Any remaining surplus at the time of retirement may be used by the individual as a pension fund. In the opposite case with a deficit, the debt will have to be either totally or partially written off. The resultant loss may be shared by the insurer via a fund that is financed jointly by policy-holders, or by the government acting as insurer of last resort.

As we will see, in relatively advanced welfare states, like Sweden, most taxes are used to finance benefits of a social policy nature for the tax-payer’s own benefit. In Sweden, transfers between individuals account for less than 20 per cent of all transfers. Hence, a payments model of the kind under discussion might cover over 80 per cent of social expenditures. Of the remaining transfers, only a fraction would refer to the basic insurance cover and therefore constitute a possible debt that might be written off.

Note that this kind of account is different from a so-called forced savings account, where the amounts credited are used directly to pay for social policy benefits, such as sickness benefits. The important difference is that savings accounts lack the insurance element, and therefore will run out for individuals with relatively large needs, for example because of bad health. In the payments model described above, ‘savings’ are transformed into premiums for insurance, securing benefits according to need in line with what is stipulated for the insurance policy in question.

4. The problems of exclusion from the market for insurance, adverse selection and collective risks provide a justification for the use of tax revenues to finance social insurance grants and subsidies. Together
with government loan guarantees these grants and subsidies may easily fit into the above payment model. In the case of a debt that has to be written off, a grant could conveniently be awarded in conjunction with the final adjustment of the individual's account. In this way decisions on grants may be delayed until one has obtained a good overall view of the ability of the individual to pay for his or her own social benefits.

5. For the sake of argument, we may assume that individual policyholders make the following payments for their basic insurance cover: (1) a fixed basic premium with regard to health insurance and old age pension, (2) a variable premium related to the impact of a loss of income from employment, and (3) a variable risk surcharge related to gender, choice of occupation, and so on. Long-run changes in average life expectancy, medical costs, and so on may be reflected via a differentiation of premiums among different cohorts.

The variable risk surcharge permits a differentiation of premiums to reflect the anticipated level of benefits for each individual. In addition to this differentiation of premiums being considered to be fair per se, it also produces certain efficiency gains since the private costs of individual choices of action now provide a better reflection of the social costs of such actions. The existence of special charges for, say, motorcycling or working in a slaughterhouse, provides individuals with an incentive to avoid these ‘dangerous’ activities – or to take proper precautions. Hence the function of risk surcharges is to cover the insurance benefits that are directly related to occupational accidents and illness and also to the unemployment that affects particular occupations. In practice, however, risk surcharges are not fully applied, which means that certain individuals receive subsidized insurance cover, at the same time as others pay relatively more.

6. It is implicitly understood that individuals do not need to restrict their insurance cover to the basic cover alone. The latter does not represent any kind of norm for the level of protection that may be considered desirable. It should be seen as a social obligation rather than as a social right. This also implies that social policy does not have to restrict its operations to questions of compulsory basic cover. Subsidies and other measures justified on the grounds of, for instance, adverse selection may also be assumed to apply to parts of the voluntary insurance cover.

In later chapters we have an opportunity to discuss how social protection devices might be improved with respect to efficiency, and thereby also adapted to better serve certain notions of social justice. But we must be wary of the economist’s habit of using the mere existence of market failures
as an argument in favour of government intervention. As stressed by Herman B. Leonard and Richard J. Zeckhauser (1983) and others, market failures should be seen as a necessary, but not sufficient, argument for government intervention. There is another side of the coin, which they call non-market failures.

Leonard and Zeckhauser note three sources of non-market failures: (1) public provision often escapes the useful discipline of the private market in balancing the budget of the provider; (2) some features of the information and incentive structure that make it difficult to provide private insurance perfectly are inherent in the nature of the insurance itself, and so apply to public provision as well; (3) state involvement in the provision of social protection sets in motion dynamic political processes that substantially change the focus of the original programme. They refer to this evolutionary pattern as the ‘political sociology’ of public efforts to provide social protection (p. 150).

One component of the political sociology is that participants gradually come to view their risk-reduction benefits as entitlements and eventually as rights, and ultimately become dependent on the programme. Income support programmes for farmers may be used as an example. These programmes typically include subsidies, whose value tends to be capitalized in farm prices. The first generation of farmers can reap a capital gain when they sell the farm, but those who start farming would make a capital loss, and even be ruined, the day a programme is cancelled. Hence, these farmers use political influence for the preservation, and possibly even enlargement, of the programme. For similar reasons health care workers and other professional groups are eager to preserve public provisions in their respective fields.

Another component of the political sociology is a result of the fact that the tenure of political officials is relatively short. Thus, programmes having current benefits but deferred costs may be particularly attractive. From this point of view, obfuscation of costs is not seen as a too serious problem in the management of public provisions, and indirect financing by taxes and loans is preferred to direct financing by user charges. As a consequence, these parts of the social protection system will be managed without the useful information one can get from market prices, such as insurance premiums that reflect differences in risk.

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In the following discussion we start with issues of inequality. Some statistical aspects of the distribution of income and the anatomy of inequalities in wealth, income and consumption are presented in Chapter 2. We then go on, in Chapter 3, to discuss how inequality is viewed from the point of view of social justice. We look at some visionary notions of social justice as well
as popular views on the subject. Swedish data are used to illuminate the kind of redistribution one can expect to find in an advanced welfare state.

In the rest of the book we focus on efficiency issues. We start, in Chapters 4 and 5, with a discussion of various aspects of pension schemes. The purpose of these chapters is to build a theoretical basis for the discussion of the virtues of alternative pension schemes. Then, in Chapter 6, we turn to issues of social protection for non-pensioners, starting with the fact that especially younger individuals are faced with liquidity constraints that might have a negative effect on human capital investments, in children as well as schooling. We look at some of the measures used to ease the situation for parents and students. Chapter 7 addresses the problem of income insecurity for working adults because of unemployment and illness. Permanent as well as temporary income losses will be discussed. In Chapter 8, finally, we look at an important benefit in kind, namely health care. This is done with a focus on the financing aspects, but a few words will also be said about the remuneration of care producers.