

WILLIAM BEVERIDGE

1879–1963

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In the 18 chapters of her magnificent biography of William Beveridge, Jose Harris devotes one chapter to the making of the Beveridge report and one to its aftermath. In relation to the achievements of a long and varied career, that is a fair allocation of space. But for most people the name of Beveridge is indissolubly linked to the report on *Social Insurance and Allied Services* which, published in the middle of a world war, provided a blueprint for social policy in the years of peace. It is a remarkable fact that, 40 years later, discussion of the strengths and weaknesses of the British social security system is still conducted largely in terms of the principles enunciated by Beveridge. Indeed, it is only in recent years that criticism has turned from the failure of successive governments to implement those principles to the questioning of the principles themselves.

Beveridge's claim to be seen as one of the founding fathers of the British welfare state rests, however, on much more than the *Social Insurance* report. It is arguable that his most original and fundamental contribution to social policy was made in the early years of the century when his energies were largely devoted to the causes and cures of unemployment. And it was to this subject that he returned during the second world war when, in *Full Employment in a Free Society*, he followed up *Social Insurance* with a detailed exposition of the policies required not to cure but to prevent unemployment in postwar Britain. It was a radical document, strongly influenced by Keynesian ideas, and the coalition government was sufficiently alarmed to rush out its own white paper on full employment in an attempt to distract attention from Beveridge's ideas.

On leaving Oxford in 1903, Beveridge became sub-warden of the East End settlement, Toynbee Hall, at a time when unemployment was a major problem. Disillusioned by philanthropic attempts to help the unemployed, he soon became convinced of the need for government action. Within a few years he was the acknowledged expert on the

subject, and his views were expounded in his first book, *Unemployment: a Problem of Industry* (1909). "Everyone," he wrote, "has seen in a window at times the notice, 'Boy Wanted.' No one, it is safe to say, has ever seen in a window the notice 'Boots Wanted'." Labour, unlike boots, was sold by the inefficient method of hawking it from door to door. Unemployment and under-employment were symptoms of the inefficiency of the labour market. The cure he proposed was a system of labour exchanges "to which employers shall send or go when they want workpeople, to which workpeople shall go when they want employment."

In his enthusiasm for labour exchanges, Beveridge certainly exaggerated their efficacy as a means of preventing unemployment. On the other hand, he could not foresee the long-term structural unemployment that was to characterise the interwar period. Labour, like boots, can only be sold if there is someone willing to buy it. In a situation of mass unemployment, the exchanges inevitably degenerated into mere dole offices.

Unemployment insurance was an integral part of Beveridge's proposals. "The Labour Exchange is required to reduce to a minimum the intervals between successive jobs. Insurance is required to tide over the intervals that will still remain." Trade union benefit schemes already existed but the lack of any effective test of willingness to work prevented the unions from paying adequate benefits. Labour exchanges would solve this problem, whether benefits were in future provided by the unions or by the state.

In choosing insurance as the instrument by which financial support for the unemployed was to be provided, Beveridge was no doubt influenced by the trade union schemes. But there was more to it than that. His interest in social insurance went back to 1907 when Asquith, as Chancellor of the Exchequer, promised to introduce old age pensions. Only a year before, Beveridge had commented that compulsory insurance on the German model entailed "an amount of regulation and identification of individuals entirely foreign to British habits." But a visit to Germany converted him into a lifelong advocate of social insurance. By 1942 he was able to write that "benefit in return for contributions, rather than free allowances from the State, is what the people of Britain desire."

Beveridge had left Toynbee Hall in 1905 to write on social questions for the *Morning Post*, a job which enabled him to pursue his studies of the facts and causes of unemployment while giving him a highly respectable platform from which to propound his solutions. But his big opportunity came in July 1908 when Winston Churchill, newly appointed President of the Board of Trade, invited him to become a full-time

official and help to create a system of labour exchanges. A year later the Labour Exchanges Act was passed, and in February 1910 the exchanges opened their doors. Beveridge, meanwhile, was working with the Board of Trade's permanent secretary, Sir Hubert Llewellyn Smith, on the details of the unemployment insurance scheme that was to become part II of the National Insurance Bill, 1911.

Although he played an important role in planning the insurance scheme, labour exchanges were to a much greater extent the result of his personal efforts. To have become, by the age of 30, the main architect of a major piece of social legislation and of the administrative machinery resulting from it was a remarkable achievement, but one which did little to prepare him for the frustrations that are the more usual lot of a social reformer in the British civil service. Although he remained a civil servant until 1919 and had by then reached the rank of permanent secretary, his appointment as director of the London School of Economics – a post he held from 1919 until 1937 – came as a “glorious relief.”

Beveridge was not directly involved in social insurance in the 1920s, but in 1924 he read Eleanor Rathbone's book, *The Disinherited Family*, and was instantly converted to the cause of family allowances. He promptly introduced them for the staff of the LSE. The following year, as a member of the Samuel Commission on the coal industry, he urged the adoption of family allowances as an immediate means of improving the lot of the miners without adding to the wage bill.

Beveridge's support for family allowances was consistent with his whole approach to social policy. As early as 1905 he had rejected the view that poverty was an unalterable economic fact. The problem was to find ways of redistributing resources in favour of the poor. Family allowances were a singularly attractive, because wholly rational, way of doing this. They were consistent, also, with his view that the right way to abolish poverty was to give people an adequate income and leave them to spend it. After a Toynbee Hall conference on free school meals in 1904, he wrote, “Granted that many parents have now the responsibility of feeding their children without the power of doing so (through low wages) the remedy is not to remove the responsibility but to give the power.” And in the 1942 Beveridge report he wrote, “Management of one's income is an essential element of a citizen's freedom.”

His belief in family allowances as a necessary element in a rational distribution of incomes was strongly reinforced by his experience from 1934 on as chairman of the Unemployment Insurance Statutory Committee. This body was set up as part of the process of restoring the financial basis of unemployment insurance after the 1931 collapse. Its job was to keep a watch on the scheme's solvency and advise on changes in

contributions and benefits. In 1935, the committee recommended an increase in the allowance for the child of an unemployed man from 2 to 3 shillings a week. It pointed out that this would bring the total benefit for a man with a wife and five children up to 41 shillings a week, while a man with eight or ten children would get 50 or 56 shillings a week, at a time when many unskilled workers earned about 40 shillings. They therefore proposed a benefit ceiling of 41 shillings, which would mean that no further additions would be payable after the fifth child.

The government decided to implement the increase in the children's allowance but not the benefit ceiling. The committee did not pursue the question of a benefit ceiling, but remarked in its next report: “The growing direct provision for families, under unemployment insurance and assistance, is beginning to raise acutely the general problem of dependency, under a wage system which makes no similar provision.” Thus Beveridge became convinced of the need for family allowances as a pre-condition of adequate social insurance benefits, and their introduction was to be one of the three “assumptions” on which the proposals of the Beveridge report rested. The other two were full employment and a national health service.

By 1941, when Beveridge was asked to chair an inquiry into the various existing schemes of social insurance, he was again, as he had been 30 years earlier, an acknowledged expert on unemployment insurance. His knowledge of health insurance, pensions and workmen's compensation was less detailed, but the new committee of which he was to be chairman consisted entirely of officials from the government departments concerned, and was therefore of a highly expert character. And as well as his own knowledge and experience, Beveridge brought to the job a growing belief in the need for, and the possibility of, a degree of social and economic planning unknown in prewar (or, in fact, postwar) Britain.

The background to his new assignment was a curious one. He had been brought into the Ministry of Labour by Ernest Bevin in 1940, but the arrangement was not a happy one. Jose Harris records that Bevin at first opposed the social insurance inquiry but “changed his mind when he saw that it was a chance of ridding himself of Beveridge.” As for Beveridge, though at first bitterly disappointed at being “kicked upstairs” in this way, he gradually came to realise that he had been presented with a golden opportunity to produce a comprehensive plan for social reform. He seized it with both hands. It soon became apparent that the kind of report Beveridge intended to produce could not be signed by a committee of officials. The other members of the committee therefore became “advisers and assessors,” and the report was signed by Beveridge alone. Its impact, both at the time of

publication and subsequently, was so great that even now, like the Bible, it is difficult to read and assess it dispassionately.

Most of the report consists of very detailed proposals about the benefits to be provided, the means of financing them, the machinery of administration, and so on. But they are presented in a manner which is far removed from the sober style of most official reports. To quote just the last sentence of Beveridge's peroration, in which he urges that action to implement his plan should not be deferred until after the war:

"The Plan for Social Security in this Report is submitted by one who believes that in this supreme crisis the British people will not be found wanting, of courage and faith and national unity, of material and spiritual power to play their part in achieving both social security and the victory of justice among nations upon which security depends."

Behind the rhetoric, what did the report amount to? A mere tidying-up operation, as some have suggested, or something more?

To talk of "mere" tidying-up in this context is misleading. Historical accident had given no less than seven government departments an interest in one or more cash benefits. And it was not just the administrative machinery that needed tidying. The benefits themselves varied widely, and the variations bore little relation to the needs of the recipients. For example, a married man with two children was entitled to more than twice as much in unemployment as in sickness. In the health insurance scheme, administration of benefits by "approved societies" which could spend their surpluses on additional benefits created further inequalities. Bringing some order into this chaos was a long overdue task.

There were also glaring gaps in the scope of existing schemes. Higher paid non-manual workers were not insured; nor were the self-employed. Some important areas were covered only by commercial insurance: funeral benefits and workmen's compensation for industrial accidents fell in this category and both were in urgent need of reform.

Beveridge was too much of a realist to imagine that the existing schemes could simply be swept away. But he was enough of a visionary to see that, if the anomalies were to be removed, there must be a grand new scheme into which the best of what already existed could be fitted. And if his proposals were to stand any chance of being carried against the powerful vested interests involved, and of gaining the necessary resources from a reluctant Treasury, they must be presented in a way which would mobilise public opinion behind a few simple and idealistic principles.

The report brilliantly succeeded in doing that. It is here that its true greatness lies. But it would be wrong to under-estimate it as a straightforward and business-like investigation of an extremely complex area of

social policy. Behind the rhetoric is to be found most of the National Insurance Act of 1946 and much of the social security scheme which, for better or for worse, we still have.

The report has been criticised as backward-looking. In a sense it was. It set out to correct the errors of the past, and to remedy the inadequacies of existing provision, rather than to create something totally new. Thus the system of flat-rate benefits was to be retained. But the levels of benefit were to be based on the subsistence needs of the family. Whether Beveridge's estimates of subsistence needs were adequate is another question. But they were certainly believed to be so at the time.

To go beyond subsistence would have meant either recommending a higher level of flat-rate benefits, or abandoning the flat-rate approach in favour of benefits related to individual earnings. Flat-rate benefits above subsistence were not, in the circumstances, a realistic option. Even at the levels proposed, Beveridge had to concede a 20 year phasing-in of full subsistence pensions as the price of grudging acceptance of his plan by the Treasury. And although that concession was rejected by the Attlee government, the postwar benefit rates still fell short of the subsistence target represented by the national assistance scale.

As for earnings-related benefits, Beveridge realised that his proposals were out of harmony with the development of social security elsewhere. He also realised that flat-rate benefits by themselves were not enough. The system of flat-rate benefits, he explained, "follows from the recognition of the place and importance of voluntary insurance in social security and distinguishes the scheme proposed for Britain from the security schemes of Germany, the Soviet Union, the United States and most other countries with the exception of New Zealand." Yet he was well aware of the limitations of voluntary (mainly commercial) insurance, and it is a major weakness of the report that he seems to have given no thought to the reforms that would be needed in order to justify reliance on voluntary insurance as a supplement to subsistence benefits. He dismissed private superannuation schemes in one short paragraph, concluding that "no special action by the State is called for." Yet he had himself suffered from the non-transferability of civil service pensions on moving to the LSE in 1919.

Would it have been better, therefore, to break away from the flat-rate basis of the 1911 act, and recommend a system of earnings-related social security? Perhaps it would, though the difficulty of selling such a novel and apparently inegalitarian concept would have been formidable. But what would then have become of the subsistence aim? Would pensions have been raised from 10 shillings (50p) to 26 shillings

(£1.30p) a week in 1946, as they were, if the government had at the same time been preparing for the introduction of an earnings-related scheme which, as is the way with such schemes, would have given nothing to the existing generation of pensioners? And how attractive would earnings-related unemployment benefit have seemed when the earnings of most of the prospective unemployed consisted of army pay?

If Beveridge was right to stick to flat-rate subsistence benefits, was he also right to stick to social insurance, with rights based on contributions paid, as the framework of his plan? Again, the question must be put in context. He believed that the quasi-contractual basis of social insurance offered greater security than a system financed by taxes. Tax-financing, on the other hand, was more likely to bring an extension of means testing of which he was a life-long opponent.

The fact that these beliefs may no longer hold good 40 years later does not mean that they were wrong in 1942. Where Beveridge was wrong was in allowing the insurance principle to become not just a protection but a straitjacket. One of the main potential advantages of flat-rate benefits is that the link between the individual's contribution record and his benefit rights can be extremely tenuous or even, where the circumstances demand it, non-existent. For example, Beveridge's insistence that sickness benefit should be earned by a minimum number of contributions actually paid meant that permanently disabled people who had never worked could not, and still cannot, claim insurance benefits.

Less defensible than the contributory principle itself was the decision that flat-rate benefits must be financed by flat-rate contributions. Some of those giving evidence to the Beveridge committee favoured graduated contributions for flat-rate benefits. But Beveridge had no time for such ideas: "The tradition of the fixed price is very strong in this country. You do not like having to pay more than your neighbours." Yet in the report itself he wrote, "The Plan for Social Security is first and foremost a method of redistributing income." Moreover, his proposals for financing the plan included a large and growing contribution paid by the Exchequer out of general taxation. The idea that everybody was to pay the same for equal benefits was a pure fiction, which would have been better abandoned from the outset.

Many other criticisms have been levelled at Beveridge's proposals in the past 40 years. His views about the status of married women were archaic. He failed to recognise the needs of one-parent families. His plan did not provide for the costs of disablement. But if Beveridge made mistakes, we have had 40 years to put them right. Perhaps it is time we stopped blaming Beveridge for our own failures, and gave him the

recognition he deserves for transforming the rickety structure of prewar social security into a building whose foundations have proved remarkably solid.