

Offprint 35

An introduction to the Beveridge Report

John Jacobs

Why Beveridge?

The impetus for what was to become the Beveridge Report came from the TUC, who had for some time been pressing the Government for a comprehensive review of social insurance. In February 1941 they sent a deputation to the Minister of Health to draw attention to the existing anomalies in health insurance and the response was to set up a committee of civil servants to consider the problems. In June the Minister for Reconstruction, Arthur Greenwood, invited Sir William Beveridge to chair the committee and the Beveridge Report was under way.

Beveridge was an obvious choice. He was eminently suited to the task by virtue of his long association with the world of national insurance and the problems of unemployment, and because he combined the skills of the social investigator with those of the practical administrator.

After Charterhouse and Oxford, Beveridge gave up the prospect of a career at the bar and for two years took on the unlikely post of sub-warden of Toynbee Hall, a university Settlement in Whitechapel, in 1903. Here he encountered the realities of the effects of unemployment in London's East End and became actively involved in both investigating the problems and administering the schemes to deal with them. As a result of his experiences there he was to write in 1909 *Unemployment, A Problem of Industry*, an influential book which helped to create the system of labour exchanges as a means of combating unemployment. He then spent three years as a leader-writer on social issues at the *Morning Post*, where he continued to involve himself in matters to do with social security. From here he moved directly into a civil service post in the Board of Trade in 1908 to implement his ideas about labour exchanges and to assist in framing legislation for unemployment insurance which reached the statute book in 1911. During the First World War he continued to work in various departments and chaired a committee on unemployment insurance.

Beveridge had made a favourable impression on the Webbs when they were working on the review of the Poor Laws which culminated in the *Minority Report* of 1909. When they needed a full-time Director for their brainchild, the London School of Economics, they offered the job to him. In 1919 he took up his post there where he stayed until 1937. During that time he continued to write on social security issues and for ten years from 1934 he chaired the Unemployment Insurance Statutory Committee, which strengthened his contacts in the TUC, which were to be invaluable when he came to write his Report, and kept him involved in insurance matters. He left the LSE for the mastership of University College, Oxford where he was when called upon to chair the committee

From: Jacobs, J. (1992) *Beveridge 1942-1992*, Whiting and Birch, London, pp. 5-19.

on social insurance and allied services. By that time he had had almost forty years of more or less continuous experience with the problems of poverty and unemployment.

The Report: 'a momentous document'

When it was published on December 1st 1942 *Social Insurance and Allied Services*, or as it was universally called, the Beveridge Report, was an instant and phenomenal success. Legend has it that a queue a mile long formed outside the Government Stationery Office in Kingsway; it sold over 635,000 copies, and the press and public were nothing short of ecstatic in its praise. *The Times* called it 'a momentous document which should and must exercise a profound and immediate influence on the direction of social change in Britain' (Beveridge, 1954, p. 117); it pushed the war news off the front pages, and hundreds of clubs, groups, and associations of all kinds met to discuss the Report and to send resolutions to their MPs demanding its immediate implementation. Cartoonists and sub-editors had a field day referring to this 'rare and refreshing Beveridge' and invoking images of a brave new world to come. Beveridge himself became an overnight celebrity.

On the face of it, a report about social insurance is an unlikely candidate for such adulation; it is 300 pages of closely argued discussion about the complexities of the administration of benefits and the knotty problems of the principles of social security policy, full of historical references and statistical tables. Tommy Handley, referring to the Report on ITMA, said 'I've been up the last three days and nights reading the first chapter of a book called 'Gone with the Want' by that stout fellow Beveridge' (Calder, 1971, p. 609) and indeed one could see that it might have taken him three days and nights to get to grips with it. What was it about this unpromising material that so spectacularly caught the imagination of the people?

To answer this question we have to see both what the Report promised in respect of social security and what it symbolised to a beleaguered nation in the middle of a terrible war for survival.

Freedom from want

First, the Report was a plan for a better system of social security. Beveridge promised nothing less than freedom from want for everyone from the cradle to the grave. Compulsory insurance for all would bring benefits for all, and because these benefits were to be set at a level which would provide for basic needs there would be no need for anyone ever again to be in want. As the scheme relied upon insurance benefits there would be no need for reliance on means tests except for a few and diminishing number of people who fell outside the scheme. The days of the inter-war years, where many had gone hungry and had been forced to suffer the indignities of the household means test, were to go for ever. For a weekly contribution of 4/3d all one's needs would be taken care of, whether in unemployment, sickness or old age.

The combination of the comprehensiveness of the scheme, its simplicity and the contrast it offered to what for millions of people was a very recent memory of humiliating poverty during the long depression of the thirties ensured its success. On December 2nd *The Daily Mirror's* front page headline could catch the essence of the plan in a few words: 'Beveridge tells how to banish want; Cradle to Grave plan; all pay – all benefit'. It was a promise that was easy to understand and went to the heart of what for many people had been their deepest fears.

Of course, the plan was much more complicated than the headlines suggested. In essence it tidied up many anomalies under the existing schemes, proposed a simple system of compulsory insurance against all the main events which lead to loss of income, and added in some new features. It built upon the existing pattern of benefits which it rationalised and extended to include almost everyone.

The existing schemes of benefits had grown up piecemeal since the turn of the century. Appendix B of the Report sets out the history of the existing schemes of insurance and other cash benefits from which it can be seen that by 1942 there were major anomalies and gaps in the schemes. For example, while unemployment benefit could include additional payments for the wife and children of the unemployed insured man, sickness benefit could not. (It was this kind of anomaly which had led the TUC to ask for a review of social security in the first place.) The rates of benefit differed between unemployment benefit and sickness benefit even though the needs of the man and his dependants were much the same, and between these and old age pensions. There were six different central government departments involved in the administration of the various benefits and many different local agencies involved in making the payments. Beveridge aimed to sweep most of these agencies away and replace them with a single Ministry of Social Security, and to clear away as many of the different rates of benefit as possible and replace them with uniform rates based solely on his assessment of what was needed for a minimum income.

There were three crucial elements to his Plan. The first was that everyone was included; second, they were covered 'from the cradle to the grave' and third was the promise that the benefits would be at a level which enabled a family to live without recourse to other means. He divided the population into six different groups classified according to age, marital status and place in the workforce and set out the contribution conditions and the benefits for each group. These six groups included almost everyone, the notable exceptions being single parents (a relatively small group at that time) unmarried women not in work and caring for dependants, and divorced or separated wives. Those normally employed, in whatever occupations, were all to be compulsorily insured against unemployment and sickness and were to contribute to their retirement pension. Married women were given the option of being insured on their husbands' contributions or, if they were in work, of paying contributions and earning entitlement to benefits, which would then be at a higher rate, on their own account. The 'cradle to grave' promise was to be met by the introduction of maternity benefits, children's allowances and funeral grants, all of which were new departures in social security payments.

Whereas it could be said that these measures were for the most part simply a rationalisation and extension of existing benefits Beveridge's insistence that the benefits should be at a high enough level to ensure that an individual or a family could live on them without recourse to other means was a crucial break with existing policy. He wanted to establish a national minimum income level, and devoted fourteen pages in his Report to an explanation of how he came to arrive at the figure he proposed. He claimed that 'social insurance should aim at guaranteeing the minimum income needed for subsistence' (SIAS, 1942, para. 27) and '... the scheme of social insurance outlined in this Report provides insurance benefit adequate to all normal needs, in duration and in amount' (SIAS, 1942, para. 29).

The reference to the duration of benefit is also important; Beveridge wanted benefits to continue in payment for as long as was necessary,

without limit of time, though he did expect that anyone who was in receipt of unemployment or sickness benefit for any length of time would be prepared to undergo training or other tests of their willingness to work as he said that prolonged dependence on benefits was demoralising and not to be encouraged.

[...]

The insurance principle

Beveridge was adamant that his scheme must be based on the principle of insurance, as opposed to payments out of general taxation. 'Benefit in return for contributions, rather than free allowances from the State, is what the people of Britain desire' (SIAS, para. 21). He believed it was wrong in principle to relieve the insured from the burden of contributions so that they 'should not feel that income for idleness, however caused, can come from a bottomless purse' (SIAS, 1942, para. 22). This meant that benefits could only be set as high as the poorest members of the community could pay for with their contributions, which meant that while benefits should not be set any lower than was needed for subsistence they should not be set any higher, otherwise the poorest would not be able to afford the contributions. But he wanted benefits to be set at the minimum level for another reason; he believed that the State should not remove from individuals the will to improve their lot by hard work and thrift, so he deliberately set the benefits at the minimum to allow individuals to provide for themselves above this if they so wished. Thus he decided that his Plan would be based upon a system of one flat-rate benefit for everyone which would be financed by flat-rate contributions. In deciding this he decided against the schemes, which were common abroad, of relating the benefits and therefore the contributions to the previous earnings of the insured.

His insistence on sticking to the insurance principle also meant that he was in some difficulties when it came to retirement pensions. If pensions were paid at the new higher rate immediately then many pensioners would benefit without having made the contributions. He therefore proposed that the full pension should be phased in over a period of twenty years and that in the meantime only part of the subsistence level benefit would be paid. For millions of pensioners, however, having seen the promised jam, twenty years seemed far too long to wait for it, even if in the case of sound insurance, and this was the one proposal in the Plan which met with general condemnation.

[...]

National assistance

While most people would be insured under his comprehensive scheme, either on their own account or as dependants of the insured worker, Beveridge recognised that some people would inevitably fall through the holes in the system and would not be eligible for insurance benefits. For those people Beveridge proposed that the existing scheme of national assistance, paid for out of general taxation, as opposed to insurance benefits, should continue. As with all other benefits, he proposed that this assistance should also be paid at subsistence level, the difference being that assistance would be subject to a means test.

He envisaged that there would be a number of people in the first years after the introduction of his scheme who would still need assistance because he anticipated that his higher level of benefits for pensioners

would be phased in over time and until they reached their full amount pensioners might need their income supplemented by national assistance, but he expected that as his higher level of benefits came in so the need for assistance would diminish. Other groups of people who might need assistance because they would be outside the scope of his insurance scheme were some disabled people who would never be able to pay sufficient contributions to qualify for benefits, some of the unemployed who had been disqualified from benefit for failing to take jobs offered to them or who had left their last job without good cause or who had refused to attend a training centre after six months without work, and deserted or separated wives.

Given that this group consisted largely of pensioners, the disabled and deserted wives it is curious to find Beveridge in punitive mood in his proposals for national assistance. While accepting that it must be at subsistence level he goes on to say:

It must be felt to be something less desirable than insurance benefit; otherwise the insured persons get nothing for their contributions. Assistance therefore will be given always subject to proof of needs and examination of means; it will be subject also to any conditions as to behaviour which may seem likely to hasten restoration of earning capacity.

(SIAS, 1942, para. 369).

It is reasonable that assistance has to be given on proof of need and after examination of means, but why he should want to make the receipt of assistance 'less desirable' and subject to more conditions than insurance benefit is hard to explain given that it is not the fault of the pensioners that he set their pension below subsistence level for the first twenty years, nor the fault of the disabled that they are unable to work to pay the insurance contributions, nor that he decided not to include deserted and separated wives in his scheme for insurance, as he could have done. One can only assume that he was too steeped in the traditions of the prevailing poor law orthodoxy, where assistance was often deliberately given under degrading conditions, to see that there was no need to treat these groups of claimants any differently from the insured population.

These then were the main proposals of Beveridge's Plan. He summarised them at the beginning of the Report in one paragraph as follows:

The main feature of the Plan for Social Security is a scheme of social insurance against interruption and destruction of earning power and for special expenditure arising at birth, marriage or death. The scheme embodies six fundamental principles; flat rate of contribution; unification of administrative responsibility; adequacy of benefit; comprehensiveness; and classification. Based on them and in combination with national assistance and voluntary insurance as subsidiary methods, the aim of the Plan for Social security is to make want under any circumstances unnecessary.

(SIAS, 1942, para. 17).

It was this promise of comprehensive coverage and adequate benefits that created the vision that after the war there would be no return to the bad old days of the Depression and that no-one need ever be poor again. This was the 'rare and refreshing Beveridge' that intoxicated press and public.

The brave new world

The promise to abolish poverty once and for all was a message which by itself might have ensured the Beveridge Report the public acclaim it received, but the Report was much more than just a scheme of social security. In Beveridge's mind it was merely a part of a grand scheme of reconstruction that he foresaw after the war was over, and it came to symbolise for millions of people their hopes for a better Britain. It was this symbolic content, superimposed on the reform of social security, that gave the Report its electrifying power.

The Report came at a time when Britain was just beginning to believe that the war could be won. November 1942 was the month when the allies had their first major strategic victories of the war when Monty's Eighth Army routed Rommel at El Alamein and a combined force of British and Americans regained control of North Africa. The Russians had surrounded the German army at Stalingrad and were about to win a decisive victory which turned the tide of the war on the eastern front. Into this mood of optimism came Beveridge's message about the kind of society we should look to have once the war was over. And his message had the smack of revolution about it.

Now, when the war is abolishing landmarks of every kind, is the opportunity for using experience in a clear field. A revolutionary moment in the world's history is a time for revolutions, not for patching.

(SIAS, 1942, para. 7).

True he later qualified this by calling it a 'British revolution', by which he meant a 'natural development from the past' (SIAS, 1942, para. 31), but it was stirring stuff nevertheless, and a far cry from the merely technical tidying up job the Minister had expected when setting him to work eighteen months before.

In the most quoted paragraph in the Report he made it clear that his Plan was only one part of a comprehensive set of plans that would need to be ready when the war ended if society was to be refashioned on new lines:

Organisation of social insurance should be treated as one part only of a comprehensive policy of social progress. Social insurance fully developed may provide income security; it is an attack upon Want. But Want is only one of five giants on the road of reconstruction and in some ways the easiest to attack. The others are Disease, Ignorance, Squalor and Idleness (by which he meant unemployment).

(SIAS, 1942, para. 8).

To this apocalyptic vision of a society where all these giants would be slain he added some very real and tangible policy proposals which he said would have to be implemented if his Plan was to work. His three assumptions, as he called them, were that there would have to be a system of family allowances for all children apart from the first in each family; that there would have to be a comprehensive health service for everyone, and that the Government should take steps to intervene in the economy to ensure the avoidance of mass unemployment. Taken together, all these measures held out the promise of a world free from not just want but from the terrifying fear of old age and ill health that haunted millions of people before the war, and where unemployment would be abolished. It was this grand vision of a brave new world that

articulated the deeply felt needs of the vast majority of the population and to which they responded with such enthusiasm. It made the war almost seem worth it, if after it, the old order could be swept away and a world free from poverty, fear and unemployment, could take its place.

Bibliography

Calder, A. (1971) *The People's War*, Granada.

Social Insurance and Allied Services (The Beveridge Report) (1942), Cmnd 6404, HMSO.