

# BEVERIDGE AT



*The future of welfare 70 years on from the Beveridge Report,  
with Liam Byrne, Jose Harris, Liz Kendall, Estelle Morris,  
Nick Pearce, Nicholas Timmins, Steve Webb and many others*





# “POVERTY IS NOT DUE TO A WEAKNESS OF INDIVIDUAL CHARACTER, BUT IS A PROBLEM OF SOCIAL STRUCTURE AND ECONOMIC MISMANAGEMENT”

These words are as relevant today as they were in 1909 when Beatrice Webb included them as part of her submission to the Minority Report.

Beatrice Webb had a plan of what a good society free from poverty would look like. It took 30 years for her views to be accepted, but they became the basis for Britain’s welfare state, and in the 30 years following the Second World War, British society made good progress on poverty as a result.

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Beatrice Webb House

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3. Who does what to implement a good society without poverty?

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## EDITORIAL

The Beveridge report was published at the high-watermark of British solidarity. In December 1942, its bold social principles – of universal coverage, full employment, family allowances, benefits in return for contributions, a national health service, and the right to citizen welfare – were readily accepted by the public and politicians of all parties as the way to ‘win the peace’ and remake British society following the ravages of war.

Over time the solidarity that underpinned the post-war settlement has been eroded; and the conditions of society which informed Beveridge’s conclusions have fundamentally altered. Public support for our welfare state is often now wretchedly low, and its politics poisonous. As Kate Bell and Declan Gaffney write on page 12, “...people have come increasingly to believe that social security is going to the ‘wrong’ people – extraordinarily, the public believes one in four claimants are committing fraud – and data from the British Social Attitudes Survey suggests that claimants are now seen as significantly more ‘undeserving’ than they were 20 years ago.” We often feel close to returning to distinguishing between the concepts of the ‘deserving’ and ‘undeserving’ poor – whereby destitution was an individual ‘failing of citizen character’ – which early Fabians effectively banished whilst inventing modern social policy.

Beatrice Webb’s 1909 Minority Report to the Royal Commission on the Poor Law was the first appearance of many of the Beveridge principles, as well as some of the specific recommendations. Beveridge himself worked as a researcher for Webb and later wrote that his own report “stemmed from what all of us had imbibed from the Webbs”.

Beveridge was responding to the testing times he had lived through, just as the Webbs’ sought to address the grinding poverty the poor law manifestly failed to address. Following the financial meltdown of 2008, Britain today now faces its own crisis – very different to previous ages’, but no less real. There is now broad agreement that the left needs a new welfare contract based on solidarity, contribution and earned entitlement as part of broader notion of equal citizenship. But what is the institutional and policy design that can make this work, with an aging population and huge fiscal challenges? And how can it be done with public support?

The Beveridge report is an obvious place to start looking for answers. Whilst times have changed, his recommendations speak across the decades in several ways. This report investigates what elements of the Beveridge report endure and what lessons can be learnt for the future of welfare.



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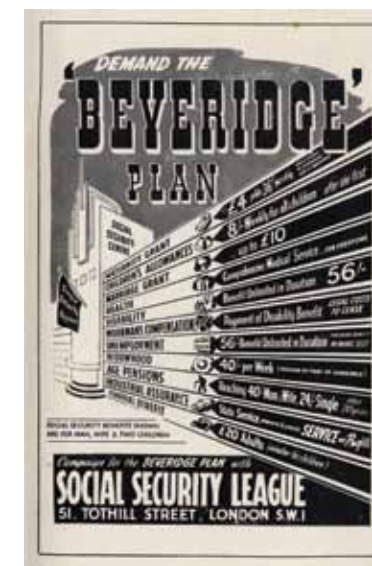
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“Beveridge on Beveridge: recent speeches of Sir William Beveridge”, published by the Social Security League, [1944]. Library of the London School of Economics & Political Science

# The next welfare settlement

The left is correct to celebrate how much of Beveridge's legacy lives on, but should also feel inspired to seek out comprehensive solutions to the giants we face today, writes *Andrew Harrop*



*Andrew Harrop is general secretary of the Fabian Society*

LISTENING TO MOST commentary about the British welfare state might leave you depressed, fearing that the legacy of Sir William Beveridge's 1942 report is all but dead. But in spite of legitimate and troubling concerns, 'follow the money' and you'll see the spirit of Beveridge is alive and well: for the two largest areas of public spending are free healthcare ('provided for all citizens by a national health service') and state pensions, earned by national insurance contributions. Both were recommendations of December 1942, with origins lying in the ideas of early Fabians like Beatrice Webb.

Indeed, for all the short-term pressures of austerity, the NHS and the state pension system are not just alive but thriving: in 1960 the UK spent around six per cent of economic output on health and pensions combined; today it is 14 per cent and on current projections it will be 17 per cent in 2060, assuming no change in policies. What's more the British public strongly supports spending on both pensions and health. Both are on a far firmer footing today than in 1997, following Labour's record investment in the health service and major pension reforms since the 2005 Turner report.

The reason for commentators' melancholy is the state of working-age welfare, which is both a policy disaster area and the subject of deep public hostility. To take one example of hardening attitudes, the British Attitudes Survey reports the number believing that 'unemployment benefits are too low and cause hardship' fell from 55 per cent in 1993 to 19 per cent in 2011. In reality, over the same period, the main benefits for

adults below pension age declined in value by around a quarter, relative to average earnings.

So while many people believe the cost of welfare is out of control, over the next 20 years spending on working-age social security is actually set to halve as a share of national income, due to the falling value of entitlements. As a consequence, just as in the pre-Beveridge era, 'benefits amount to less than subsistence' (unless you are a pensioner or have children) and the system fails to eradicate 'want'.

Beveridge's plan was famously rooted not in means-tested assistance for the poor, but in the principles of universalism and contribution. The two terms should not be confused. Beveridge backed contribution-based social insurance but also recommended non-contributory children's allowances and the small matter of a national health service. Today, while both universalism and the contributory principle are thriving elsewhere, they seem to be on their knees when it comes to working-age social security. Child benefit and disability living allowance (DLA) are being restricted in different ways as part of the cuts, while the coalition's decision to time-limit contributory employment and support allowance (ESA) is just the latest blow to contributory benefits, which have been on the wane for decades.

The arguments in favour of universalism are more or less the same as in Beveridge's day. Universal entitlements reduce stigma, administrative cost, and disincentives to work or save. Counter-intuitively they are also better at reducing poverty and inequality since they bind-in people of

all backgrounds and sustain public consent for redistributive spending. Lastly universal entitlements smooth risks and costs across our lifetimes, which in many instances is a good in itself, regardless of whether we are at risk of poverty. Together these arguments make a compelling case for universalism in areas such as the state pension and the NHS.

But the benefits of universalism will not always outweigh the high costs. Decisions about the scope and targeting of government provision should be based on changing social conditions rather than 'foundation myths', notwithstanding the legacy of figures like Beveridge and the Webbs. For example, when Beveridge proposed children's allowances, few children lived in rich households and national computer databases were science fiction. Today, with modern technology and soaring inequality, it makes sense to prioritise the 'progressive universalism' of child tax credits over child benefit.

But the traffic is not all one way. Beveridge's proposals were grounded in the assumption that unpaid care was the role of married women: in the 21st century that thought is a historic relic and there is a compelling case for a universal support towards the costs of social care and childcare.

When Beveridge wrote about 'contribution' he had a 'funded' insurance scheme in mind, but even in his report hypothecation was a chimera and tax revenues were required alongside national insurance. But even if the 'national insurance fund' has always been a myth the contributory principle still matters. Firstly, it is important when

expanding the boundaries of the welfare state, in order to show that the costs will be borne by the beneficiaries. This pragmatic version of 'soft' hypothecation was important for Beveridge's new social insurance scheme; but it is just as relevant today when thinking about how to win support and raise money for expanded provision in areas such as social care.

Secondly, while most welfare provision is earned and paid for through the taxes we all pay, there are some entitlements where receipt only seems justified when preceded by a sustained and earmarked contribution. In the mid-2000s the Turner commission concluded this was still the case with respect to pensions, and recommended that only people who had spent decades in the UK earning or caring should expect a pension by right.

The same argument could be made by advocates of more generous, contribution-based unemployment and sickness protection. Today people who become unemployed but have savings or a working partner are limited to £1,900 of state support, which does not go far for most families. Restoring a more generous insurance system would be expensive, so could only be a long-term project for after austerity. But if the British people are prepared to move to a flat-rate pension of £140 per week, for those who have contributed long enough, why not unemployment or sickness insurance paid on the same basis?

Beveridge understood that his proposals would only be affordable with a healthy labour market: the maintenance of employment was one of the 'necessary conditions of success in social insurance'. Today returning to full employment is an essential precondition for a successful welfare system as well as a priority for many other reasons, including the nation's tax revenues, public health and demographic sustainability. A future government must ensure that jobs and earnings growth are priorities for regulatory, fiscal and monetary policy. Public spending allocations will also need to be more growth-orientated, so investment-style spending on infrastructure, science and education must not be crowded out by pensions and healthcare.

But achieving high employment alone is not enough. In stark contrast to Beveridge's time, today more than half of the people in poverty under pension age live in a working household, even though we have tax credits

to top-up low earnings. To avoid poverty low-earning families typically need both top-ups from government and two working parents. So the state needs to do more to help second earners stay in work, by improving the incentives in tax credits and offering free or subsidised childcare. At the moment the coalition is going the other way in the way it is designing universal credit and cutting to Sure Start.

**To restore faith, politicians must change tack and explain that it is because the rules are now robust, that people can have confidence in the genuine need of those within the system**

It will only be possible to end in-work poverty, by taking firm action on pay, conditions and job security for low paid workers. Increasing pay, whether through binding sector-wide bargaining or a national living wage, would mean that more of low-earners' incomes would come from their employers rather than tax credits; and better protection and training in the workplace would lead to fewer people cycling between benefits and fragile employment. Such a transformation could free up the money needed to pay for the children's services and in-work credits needed to drive down poverty, make work pay and equalise children's life chances.

We should not forget, however, that Labour's record on employment was positive before the crisis. Alongside tax credits and the minimum wage, Labour's welfare to work programmes were an unsung success story and even after the recession there are half a million fewer lone parents and disabled people on benefits than a decade ago. Setting conditions for receipt of benefit was always part of Beveridge's thinking, whose origins trace back to the mutual insurance fund as much as the poor law. In its dying days the last Labour administration went one step further and created a 'young person's guarantee' where anyone out of work aged under 25 was both guaranteed

and required to accept a job, training or community work.

Robust conditions matter because they help people meet their own long-term aspirations and also because they shrink the pool of people who relying on state support, thereby opening the way to giving those remaining more help in the future. Better popular understanding of the welfare system's robust requirements could also be the route to changing the terms of the public debate. For example, growing media reports of the tough policing of ESA and personal independence payment (PIP) may challenge the unpleasant tabloid narrative of scroungers and shirkers 'on the sick'. And a job guarantee for young people, and perhaps in time lone parents with older children, could help give legitimacy to those who remain on benefits, for what in future might be a time-limited period.

A change in language and attitudes will not happen on its own however, or even just as a result of shifting policy. After all, in office Labour tightened the rules on welfare but also ratcheted up the language, so people thought there was more of a problem not less. To restore faith, politicians must change tack and explain that it is because the rules are now robust, that people can have confidence in the genuine need of those within the system.

A final salutary thought. Beveridge dodged one issue that still bedevils welfare today, what he termed 'the problem of rent'. The cost of housing benefit today is vast and growing, but this is down to our failure to reform the housing market, not the fault of its recipients. For all the harshness of the coalition's cuts, the costs will keep mounting while rents keep on climbing. The solution of the post-war Labour government was of course a vast programme of housebuilding in the social and private sectors. Today we probably need the same to reduce the costs of housing benefit.

We should greet Beveridge at 70 as optimists. The Beveridge report is, after all, a reminder that it is possible to imagine and realise visionary yet practical reforms, even in times of crisis and severe financial constraint. The left should rightly celebrate how much of Beveridge's legacy lives on, especially in pensions and health. But we should also feel inspired by Beveridge's example to seek out comprehensive solutions to the giants we face today. ■





## Who was William Beveridge?

Jose Harris explores Beveridge's underlying ideas and asks if there are any lessons for policymakers today

70 YEARS AGO, at one of the darkest moments of the second world war, an obscure inter-departmental report on Social Insurance and Allied Services, composed by a temporary wartime civil servant, William Beveridge, suddenly shot to fame as what was at the time the best-selling 'blue book' in British history.

The 'Beveridge plan', as it was instantly called, set out a comprehensive agenda for the abolition of poverty in Britain, not as a mirage of utopia, but as what its author claimed was "a practicable post-war aim". Underpinning the plan's proposals were four main strategies that signalled a major development from previous national policies: the extension of existing, limited social-insurance schemes to provide coverage for all citizens; a comprehensive, free national health service; tax-financed family-allowances for all second and further children; and more tentative (and ultimately more controversial) policies to maintain 'high and stable employment', as both a good in itself and to avoid bankrupting the national insurance fund.

As under previous schemes, benefits were to be jointly financed by three-way contributions from workers, employers and the exchequer; but benefit-levels were to be 'scientifically' related to subsistence needs, defined by what was adequate for 'basic healthy living'. Benefits were not, however, to be so generous as to discourage additional voluntary insurance through friendly-societies, trade union benefit schemes, and other forms of mutual aid (which Beveridge saw as essential features of a flourishing civic culture).

Published in November 1942, over 500,000 copies of the report were sold within three days, and Beveridge rapidly became a household name – not just in Britain but in the USA, the British empire, and many parts of occupied Europe. Despite its widespread public acclaim, however, the report provoked much behind-the-scenes consternation among civil servants, entrepreneurs, orthodox economists and coalition ministers of all parties. Some believed its proposals were grossly premature in a war for national survival; others that it would arouse expectations of post-war prosperity that would prove impossible to satisfy; whilst a third group objected on more philosophical grounds that (even if affordable) such policies would be the kiss of death to any hope of return to a competitive market economy.

In the event, public support for the Beveridge plan proved so strong that ministers and Whitehall departments started preparing for post-war reconstruction almost as soon as the report was published. But Beveridge himself was expressly excluded from this process, and even from making contact with officials who were charged with implementing his own social-security proposals. That exclusion may seem, in retrospect, to have been a strange over-reaction to what (beneath its purple passages) was basically a rather dry and technical document. A document which built on policies that had been progressively evolving in British society over the previous half-century, and that was acknowledged even by its critics to be well-costed and economical. But it expressed a feeling (even among some of Beveridge's admirers) that the razzmatazz generated by the report had gone beyond what was constitutionally proper; while to others it seemed that there was no stopping-place between Beveridge's well-meaning social reformism and inexorable descent into an authoritarian state. All of this raises the question of who exactly was the William Beveridge who caused this furore? What were his underlying social, economic and political ideas? And why were they seen in certain quarters as so dangerously controversial?

Beveridge had been born in India in 1879, the son of a judge and apparent pillar of British imperial rule, who had,

nonetheless, severely damaged his career by his outspoken championship of native Indian causes. The elder Beveridge had also been an ardent disciple of the French positivist philosopher, Auguste Comte, and of his teachings on 'altruism', the subordination of private interests to the common good, the basic unity of natural and social science, and a strongly ethical 'religion of humanity'.

Unlike his father, William Beveridge himself was never a member of the organised positivist movement, but powerful traces of this 'positivist' inheritance could nevertheless be detected at many points in his mental outlook and public career. It could be seen, for example, in his belief that 'society' and social institutions could be studied by methods borrowed from the natural sciences. And it could be seen also in Beveridge's lifelong view – by no means shared by all English progressive liberals – that 'good government' and forward planning could override the damaging side-effects of market forces. It also helps to explain Beveridge's surprising admiration for the teachings of John Ruskin (not for Ruskin's philosophical High Toryism, but for his practical involvement in apprentice schemes, working-class higher education, housing programmes, and emphasis on the 'dignity' of public works).

These ideas lay behind Beveridge's role as a pioneer of labour exchanges and statutory social insurance during the 'new liberal' phase of British social policy from 1908-14. And they help also to explain his lifelong association with and admiration for Sidney and Beatrice Webb (even in periods when he deeply disagreed with them over major issues of political theory and high politics).

Such influences suggest that, although Beveridge always identified himself as an 'advanced liberal', his policies cannot be squeezed into any single party ideology or tradition. In all these respects, it is perhaps not hard to imagine that Beveridge might have found much common ground with the Blue Labour and Red Tory movements of the present day. **F**

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## From welfare state to welfare society

Beveridge was furious his proposals were implemented through state rather than voluntary agencies. A new system to eradicate poverty must be owned by the people argues Barry Knight

MENTION THE NAME 'Beveridge' and chances are that your mind will spring to his 1942 report: the blueprint for the post-war welfare state. It set out how the state should take responsibility for the welfare of citizens by providing free health care and secondary and comprehensive social security based on a compulsory system of national insurance.

However, what is less commonly known is that the 1942 report was the first in a trilogy. Subsequent volumes were 'Full Employment in a Free Society' (1944) and 'Voluntary Action' (1948).

The later reports are important because Beveridge saw himself as laying the groundwork of a 'welfare society', not a 'welfare state'. Social advance depended on everyone, with business and civil society playing their part. Indeed, Beveridge was furious that the Labour government implemented his proposals through state agencies rather than friendly societies. In his 1948 report, he complained about the 'damage' that the welfare state was doing to what people do for themselves. He suggested that the government should "encourage voluntary action of all kinds" and "remove difficulties in the way of friendly societies and other forms of mutuality". The system, he felt, should be owned by the people and not the state.

Beveridge's pleas were ignored. Despite this, the decades after the second world war saw significant improvements in education, health, life expectancy, social mobility, employment opportunities, and

prosperity. However, whilst not wanting to detract from these achievements, we have a tendency to look back on the high points of the welfare state uncritically, seeing only the great social advances, while forgetting an equally important narrative.

The roots of this narrative lie in what Hilary Rose has called the myth of 'the affluent society' in which both the Labour party and the Conservative party sought to gain all possible credit for setting up the welfare state. This myth obscured the fact that the system failed to eradicate poverty, as Abel Smith and Townsend so graphically demonstrated in their 1965 study *The Poor and the Poorest*. Reviewing the social service system in 1972 book 'Poverty and Taxation', Jim Kincaid noted that it "does nothing effective to iron out inequality, and that the services are far less egalitarian and more punitive than is generally supposed."

Things could have been so much better had Beveridge's advice been heeded. He foresaw that cold bureaucracies would dominate the system. This led to the formation of 'claimants unions' in the 1960s, which saw the Department of Health and Social Security as an agent of social control, operating with its own internal culture and rules largely outside parliamentary accountability. The Claimants Union Federation demanded a four-point plan:

1. The right to adequate income without means test for all people.
2. A free welfare state for all with services controlled by people who use it.
3. No secrets and the right to full information.
4. No distinction between the deserving and undeserving poor.

The lack of public ownership of the welfare system meant that when the right came to attack it, they were in a stronger position than they otherwise might have been. Following changes to social attitudes in the 1970s, when people increasingly became unwilling to pay to support the welfare of others, the 1979 Conservative government developed an 'enterprise culture' that involved tax cuts, privatisation of government services, deregulation, and public expenditure cuts. This led to the erosion of the principles behind the welfare state.

This decline appears set to continue. According to the latest British Social Attitudes survey public support for state



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intervention to help the poor is falling rapidly, which could eventually bring an end to all that Beveridge achieved. So, as we commemorate the 70-year anniversary of Beveridge, we should perhaps look to Beveridge's dream of a welfare society rather than a welfare state. It is vital that we involve the public in this devising a new system that builds on the groundswell of community activism, which is finding expression in new people-based movements such as Transition Towns, London Citizens, 38 Degrees, and UK Uncut, which signify a new desire to step forward to help to build a better society. We should be going back to the tradition set out in E. P. Thompson's *Making of the English Working Class*. As the recent Fabian pamphlet *Letting Go* puts it, it is important to see that: "The state can't deliver. People do."

The Webb Memorial Trust has embarked on an ambitious programme to develop a model of what a good society without poverty would look like. The work will move outside the rarefied world of the policy elite to find out what people would be prepared to do to deliver it. **F**

Barry Knight is principal adviser to the Webb Memorial Trust

# The spirit of give and take

Rehabilitating the welfare state must rest on the pursuit of full employment, the creation of universal care services and the ideal of reciprocity, writes *Nick Pearce*



*Nick Pearce is director of the Institute for Public Policy Research*

FOR A TECHNICAL report of a government committee, the popularity and influence of the Beveridge Report has probably never been exceeded in British history. It sold 100,000 copies within weeks of publication, and racked up over 600,000 sales in total, an astonishing number by any stretch of the imagination. Beveridge took to the airwaves to promote its arguments and a summary version was distributed to the troops. By early 1943, almost everybody had heard about it.

It was this runaway success that has endowed the report with the status of a founding document for the post-war British welfare state, but in reality it rested on earlier achievements, notably those of the Edwardian Liberal administrations. Indeed, it was for Churchill at the Board of Trade that Beveridge first cut his teeth as a public administrator, directing the national system of labour exchanges while helping shape the landmark 1911 National Insurance Act. These Edwardian reforms – the creation of a state pension and an embryonic national insurance system – were the direct antecedents of the plan upon which the Attlee government built the new welfare state. Beveridge himself described his report as a particularly “British revolution” that was a “natural development from the past.” Indeed, he went further: it gave expression, he believed, to the deep instincts and popular sentiments of the British people.

Beveridge was a liberal but his genius was social democratic. He universalised social security, taking the pre-war patchwork of entitlements and creating a national system for the population as a whole.

Benefits would be paid at a flat-rate as a right of citizenship, on the basis of contribution from all. This universality of social citizenship was the common basis of post-war welfare states built throughout Europe, despite the different institutional and practical forms they took. Universality was perfectly compatible, in Beveridge’s view, with a continued role for friendly societies and trade unions in the administration and provision of insurance benefits, and a “vital place for local authorities”, as the report put it. Only with hindsight would its critics attack the post-Beveridge settlement for bureaucratic centralisation and, although the core role of the contributory principle would wane, the majoritarian nature of social security would not be dismantled – at least until now.

The report was replete with gendered assumptions, however. Beveridge’s archetypal household has a male full-time worker, with a wife and children at home. Women mostly appear as dependants or widows, not workers. Consequently, post-war economic and social developments cut away the ground from the report’s foundations. The rise of female employment, the breakdown of nuclear families and the growth of older people’s care needs, all drew women into the worlds of work and care without providing the requisite public services and social insurance reforms for either. At the same time, the rise of mass unemployment and structural labour market change in the 1980s pulled the golden thread of work out of the social fabric on which Beveridge rested.

Other northern European welfare states responded to these social changes more rapidly than in the UK. In the Nordic

countries, social democratic governments proved more pervious to the demands of nascent feminist movements in the 1960s and 1970s, creating high quality, universal childcare services and expanding care of the elderly to enable women to participate fully in the labour market and reconcile the demands of work and family life. High standard pre-school education also underpinned a new wave of social mobility in these countries, while aggressive retraining for workers displaced by industrial restructuring ensured that intergenerational disadvantage did not become deeply entrenched.

Two significant political achievements flowed from these reforms. First, the middle classes remained firmly committed to the welfare state, as they benefited directly from high quality services for their families; and second, the employment rate of women reached consistently high levels, underpinning the tax base upon which the fiscal sustainability of Scandinavian welfare states still rests.

A contemporary rethinking of Beveridge must therefore take as its starting point the twin goals of restoring full employment and completing the feminist revolution in welfare services. The affordability and consent of the post-war welfare system rested on consistently low levels of (male) unemployment. This generated the revenue to finance social security and minimised people’s dependency on it, while keeping the contemporary disease of widespread fears of ‘free-riding’ in check. The UK labour market has proved remarkably resilient despite the economic convulsions of the last few years, at least in terms of headline numbers.

However, employment rates for certain groups – particularly young people, mothers and older men – remain low by international standards. This increases the scale of need with which the welfare system has to deal and reduces the resources on which it can draw, through national insurance contributions and tax. It is hard to have a generous, protective social security system when well over four million people were reliant on it to replace an earned income even after 15 years of uninterrupted growth and strong employment performance. Conversely, the fact that we lack a generous, protective welfare system, which reaches across low and middle income households, undercuts its majoritarian foundations. The contrast with the NHS – well funded and wildly popular – is stark.

Any project for rehabilitating a strategic role for the welfare state in a centre-left governing project must rest on the pursuit of full employment. In the first instance, this is about running a fiscal policy with the goal of higher and stable rates of employment. This imperative must be balanced against the considerable pressures on the public finances, which are only set to intensify. We have been deficit spending – sensibly – for a number of years, but this can’t continue indefinitely. The priority, therefore, should be to shift public expenditure towards areas that are most pro-jobs. This would certainly include higher capital spending, for instance by switching money overtime from housing benefit in to house building. Re-profiling of this kind – towards employment rich expenditure – should be a key test for the next spending review.

The Bank of England could take employment into account in decisions about monetary policy (as the Federal Reserve does in the US), aligned to a pro-jobs fiscal policy. It might also think about ways to use the tax system to tilt the balance of employer’s hiring decisions in favour of those who face disadvantages in the labour market (such as the long-term unemployed and disabled people). This would complement on-going measures that expect those in receipt of benefits to take active steps towards employment. In this vein, society could decide to put a limit on the length of time we were prepared to allow someone to be unemployed, at which point they would be guaranteed a paid job but required to take it up. Finally, to shield workers from the impact of capitalism’s inherent tendency

towards instability, the ‘automatic stabilisers’ could be strengthened, such that an employer national insurance contribution cut kicks in whenever unemployment tops a certain level.

## A contemporary rethinking of Beveridge must take as its starting point the twin goals of restoring full employment and completing the feminist revolution in welfare services

Advancing high quality, affordable childcare is also vital for repairing the consent and affordability of the welfare state. There is strong and consistent evidence that the cost and availability of childcare is a major barrier to higher levels of female employment. An extra million women in work – an increase that would bring the UK up to the best performers in Europe – would help to secure the financing of the welfare state (not to mention public services). Perhaps even more importantly, an offer of better, cheaper childcare, which is open to all parents – free for some, very affordable for others – would go some way to broadening support for welfare. If this were embodied in community institutions – like nurseries, schools and children’s centres – they would also play a role in helping families of different backgrounds to overcome isolation and build a common life together. Making progress in this area will not be cheap however, requiring resources to be found from elsewhere, such as holding down future increases in cash benefits for children.

And what of Beveridge’s contributory principle? Popular attachment to the idea of putting in what you take out is still very strong (indeed there is good evidence from the social sciences that co-operative reciprocity is a recurrent feature of all stable human societies). Conversely, public hostility to ‘unearned’ welfare is high and rising. This makes restoring the contributory basis of social security entitlements an attractive one for political strategists. But the rise in means-testing and the growth of social

needs not met through work have combined to reduce the role of the contributory principle to a residual one in the British welfare state (outside of the basic state pension). Meanwhile, tax-funded universal services, most notably the NHS, have proved more politically durable than universal benefits.

Nonetheless, consideration should be given to new ways of animating the instincts of the contributory principle in the current welfare system, reflecting the major shifts in the worlds of work and family life since Lloyd-George and Beveridge. There are perhaps three possible areas to explore.

The first would be to provide greater protection to people who have contributed into the system, most closely reflecting the traditional model of social insurance. This could take the form of a higher rate of job seekers allowance (JSA)/employment support allowance (ESA) (or universal credit, in time) for those who have recently worked. Given the cost implications of such a move, an alternative would be to offer significantly greater financial support on a short-term basis for people who have paid in, but with the money recouped once they are back in work (such as IPPR’s proposal for national salary insurance).

The second direction would be to expect greater contributions from people in receipt of support. There have been a number of extensions of such ‘conditionality’ over the last 15 years, but entrenching a job guarantee in the welfare system to be both more protective and more demanding. For those who are not ready for paid work yet, benefit conditionality could focus on ways to counter the isolation and loneliness of unemployment.

The third area for developing the notion of contribution would be in the relationships and acts of reciprocity among those involved in delivering or experiencing the welfare system. For example, thinking about the social connections of unemployed people, not just their CV, is vital given how many job opportunities never get registered with Jobcentre Plus.

Options such as these suggest it may be possible to re-graft the spirit of give and take – on which Beveridge’s enduring legacy was founded – in ways that are consistent with the major economic and social shifts since the 1940s, as part of a strategy of turning the welfare state into a strategic political asset, not something to be merely defended against financial and popular attacks. ■



# The five giants

For Beveridge, the 1942 report was not just about organisation of insurance but about social progress.

Beveridge famously identified “five giant evils”: want, disease, ignorance, squalor and idleness. Here, *Kate Green, Liz Kendall, Estelle Morris, Vidhya Alakeson* and *Steve Webb* assess how far we have travelled in defeating them and challenges they still pose for policymakers today



## Want

Ed Miliband’s ‘one nation’ must be one that is free of poverty writes *Kate Green*

Ending poverty should be seen as an integral part of economic policy, not the enemy of or disconnected from it.

The coalition’s policies are set to cause terrible hardship. Already, there’s a shameful rise in the number of people having to access food banks, and cuts to benefits, including housing benefit and benefits for children, will put families under tremendous pressure. A combination of massive job losses in the public sector and a lack of business confidence, which is deterring investment in our economy, mean that many struggle to get a job, or when they do, find themselves in stop-go, poorly paid employment. Yet the narrative is all of ‘benefits scroungers’ and ‘welfare dependency’; there is little recognition of the structural drivers of poverty and inequality.

To be sure, there is much to be done to flesh out a policy programme that invests in the drivers of prosperity and growth, and creates an equal and lasting recovery. Labour has already begun to redirect the debate on poverty and

inequality, framing it around the Beveridge principle of full employment. Ed Balls’s proposals to tax bankers’ bonuses and use windfall profits from the sale of 4G are focused on driving the economic recovery and, crucially, creating jobs. Liam Byrne’s interest in a reformed social security system recognises the need to move beyond a *de minimis* safety net, acknowledging the need to recognise contribution as a prerequisite for more generous benefit levels when people fall out of employment.

The Labour governments between 1997 and 2010 made tremendous progress in reducing poverty. Pensioner poverty halved, and more than a million children were taken out of poverty. Yet, despite this achievement, the present government accuses Labour of having failed on poverty, at the same time as its own austerity measures undo all the good that was done. That it’s been possible simultaneously to trash Labour’s record, put progress into reverse, and question the very concept of poverty, as Iain Duncan Smith and his cronies repeatedly do, is testament to perhaps Labour’s greatest mistake – we didn’t do enough to cement and trumpet our own achievements.

The policy solutions lie not just with social security, but also in our industrial policy, education and skills, and infrastructure investment. Ed Miliband’s ‘one nation’ must be one that is free of poverty. Full employment is fundamental to achieving that.

*Kate Green is MP for Stretford and Urmston and shadow equalities minister*



## Disease

We must, as Beveridge did, inspire a revolution in health and social care, says *Liz Kendall*

In his 1942 report William Beveridge said: “A revolutionary moment in the world’s history is a time for revolutions, not patching”. The challenges presented by our ageing population require as great a revolution in our health and care system today as Beveridge called for 70 years ago.

The NHS remains one of our best loved institutions, an organisation that binds us together, whatever our background, income or needs; the embodiment of ‘one nation’ Britain. However, the health and care challenges we now face are very different from those in Beveridge’s day.

When the NHS was created, average life expectancy was 66 years for men and 71 for women. It is now over 78 years for men and 82 for women. The period between cradle and grave will continue to expand in future, with one in four babies born this year set to live to 100 years old.

70 years ago, the main causes of death and illness were infectious diseases and accidents and many disabled children died at a very young age. Now, the major diseases are long-term conditions like

diabetes, heart disease and obesity, which are strongly influenced by people’s own health behaviour, and life expectancy for disabled people has increased.

Some health conditions that are now common amongst very old people, like dementia, were virtually unknown in the immediate post-war period. Mental health problems are also more prevalent and widely acknowledged.

Social attitudes have changed too. People are far less deferential, it can no longer automatically be assumed that women will stay at home to look after their families, and disabled people have more rights.

Despite the many reforms and real improvements in the NHS over the last 70 years, our health and care system still hasn’t kept pace with the scale and nature of demographic and social change. But it must if it is to retain support in future.

There are four key challenges ahead.

First, health and care services must address people’s physical, mental and social care needs together, rather than treating them in separate silos as is still too often the case. Delivering ‘whole person’ care is vital to improving health, helping people work, and reducing waste and inefficiency.

Second, the focus of care and support must shift out of hospitals, into the community and more towards prevention. Beveridge himself talked about the importance of domiciliary care and rehabilitation services, but these have historically been neglected compared to institutional or hospital based care. Tackling this issue is crucial to reducing health inequalities and ensuring the extra years of life people live are spent in good health.

Third, the contributory principle that was so central Beveridge’s original report needs to evolve beyond people’s financial contribution alone. An effective 21st century care system would see individuals and their families as genuine partners, giving them more say, greater control and greater responsibility for their health and care, and better support to look after their elderly or disabled loved ones.

Fourth, achieving security in the ageing society means finally tackling the crisis in social care. Social care was excluded from the initial creation of the NHS. Yet three quarters of us will now need some form of social care when we get older and one in 10 of us will face care costs of over £100,000.

The failure to grasp the nettle of reforming social care is hurting us all. As councils face increasing demand with ever tighter budgets, fewer people are getting their care for free, quality is suffering, and care charges are soaring, affecting those on low and middle incomes alike.

Beveridge believed genuine social security could only be achieved through co-operation between individuals and the state. This partnership must now be at the heart of a new settlement for funding social care, so people can effectively plan for their future and be confident of security in their old age.

*Liz Kendall is MP for Leicester West and shadow minister for care and older people*



## Ignorance

Easy politics is not the answer in education policy. Labour must champion the potential of every citizen, says *Estelle Morris*

The terminology is different but 70 years after the Beveridge report, ‘ignorance’ is still a giant to be slain. In the decades since the report the lives of hundreds of thousands of people have been transformed by the opportunities that came from the post-war education and welfare reforms. Despite this, we have never broken the link between poverty and educational underachievement and in a knowledge-rich society the consequences of low education standards are even greater.

Over those years of reform, the state has been a major force in education. For half a century, following the Beveridge report, it provided school-level education for more than nine out of 10 children. Now, its role as a provider is curtailed but it retains a key role on funding, curriculum, assessment and strategic direction. In further and higher education the state still exercises considerable influence

despite the autonomous nature of these institutions.

The state must be a continuing force in the nation’s education system but we should regret the declining influence of those other social institutions that were great educators at the time of Beveridge – trade unions, guilds, the co-operative society, faith groups and organisations like the Workers’ Education Society. At their height these were powerful engines of aspiration and social mobility and we need their like again.

The vision and ambition of Beveridge can still motivate the Labour party but it is a different time and the party needs different levers of reform.

First, we should resist the political headline grabbing initiatives. Politicians always turn to large scale structural reform – as we can see with Michael Gove – but academies, free schools or any one of the dozens of school structures we’ve seen in the last 70 years cannot deliver by themselves. They are easy politics but they are not the answer.

Our vastly increased knowledge of teaching and learning is the large scale change that could make a difference and Labour needs to build a raft of policies to make sure that all schools embody this best practice.

Second, if Labour believes that education is key to its political ambition, the teaching profession must have greater status and more training than is currently the case. Past Labour governments made a good start but there is still some way to go.

These policies may not make easy political slogans but they are what will make the difference and Labour must give them political leadership.

Underpinning these education initiatives must be a very clear political message. Some believe that we’ve reached the limit of the number of young people who could benefit from higher education or that standards can only improve if exams are made easier. Labour’s passionate belief in the potential of every citizen, no matter what their background, is core to the party’s values – and it needs to renew this message and inspire the nation that it is a cause for which it is worth working – and voting.

*Estelle Morris is a Labour peer and former education secretary*



## Squalor

There are no quick fixes when it comes to housing but the government can do more to support those in need of affordable accommodation, says *Vidhya Alakeson*

70 years on from Beveridge, housing is once again in crisis. We are just not building enough homes of any kind. Inadequate supply is keeping prices high even during the recent downturn, creating a generational divide between older households who own their homes outright and younger households whose only option is relatively insecure accommodation in the private rented sector.

For the very poorest, the situation is one of overcrowding, temporary accommodation and rising homelessness. All of this comes at a high price to government, which spent £24.4bn in 2011–12 to subsidise unaffordable rents through housing benefit.

The challenge of addressing the housing crisis is perhaps greater than the one Britain faced 70 years ago. Then, a major programme of council house building created a new supply of affordable homes. Today, with the public sector deficit continuing to grow, it is not a simple matter of launching a major government building programme. More creative solutions are needed in three areas.

First, we need to change the incentives for the house building industry to make it more profitable to build houses at scale, rather than to constrain supply and hold onto land that could be developed so that its value rises. It is unacceptable that the UK's large house builders are posting huge profits at a time when the country has a serious housing shortage.

Second, national and local governments need to work closely with institutional investors to get private capital flowing into the rented sector. Large housing as-

sociations have already attracted billions in bond finance into the development of affordable homes. Local authorities such as Manchester city council and Barking and Dagenham are increasing the supply of market rent and affordable rent homes through intuitional investment. Other government entities need to follow suit and make this a priority.

Third, there is a strong case for government investment to stimulate the growth of part-ownership. Shared equity and shared ownership products offer people the chance to build assets and have a stable home, whether or not they eventually become fuller owners. In many cases there would be no long-term cost to government because the initial investment would be recouped through growth in capital values.

There is no quick fix for housing. The scale of supply we need cannot be delivered in a couple of years and the wider economic impacts of a dramatic fall in house prices would be severe. But addressing today's housing crisis on these three fronts would pay dividends over the next 70 years.

*Vidhya Alakeson is deputy chief executive of the Resolution Foundation*



## Idleness

The old divisions between the experiences of those on benefit and those in work are being broken down, says *Steve Webb*

The Beveridge model of social insurance against loss of earnings worked well when poverty was synonymous with lack of earnings and not having a job was the main reason for working age poverty.

Today, having a job is no longer enough to ensure that a family is lifted out of poverty. Perhaps surprisingly, there are more children living in poverty in households

where there is someone in work than there are in unwaged households.

Since Beveridge, the response to this problem has been a progressive expansion of wage top-up schemes, from family income supplement in the 1970s through to the coalition's new universal credit – the most comprehensive response yet to the scourge of in-work poverty.

As well as providing a single integrated system of support – combining benefits currently paid by the Department for Work and Pensions, local authorities and HMRC – the universal credit makes work pay and makes working more pay more. People get to keep more of what they earn when they first take a job and then, as they increase their hours, their universal credit is withdrawn more slowly.

The universal credit tries to bring benefit recipients into the mainstream. It is based around the model of a wage where payments are made monthly, direct to the claimant, and where claiming is 'digital by default'. Whilst not everyone finds it easy to budget and not everyone is able to claim online, the system is built on the idea that moving from benefit to work should be as painless as possible. If people in work mostly get paid monthly and have to budget, then as many people on benefit as possible should get used to this experience so that taking a job is less of an alien experience. The system will have provision for those who can't manage budgeting or online application, but the old divisions between the experiences of those on benefit and those in work are being broken down.

Under universal credit, simply being in work is only a start. Where people are only in part-time work or are in unremunerative self-employment, there is a growing conditionality, which prompts people to do all that they can to become self-sustaining – to earn enough to support themselves and their family.

Whilst Beveridge envisaged that social insurance was the best response to income poverty, the coalition is using income-related in-work support as a modern response to the same problem. ■

*Steve Webb is minister of state for pensions and Lib Dem MP for Thornbury and Yate*



## Perverse incentives

The government's welfare reforms are in danger of creating another forgotten generation, writes *Anne Begg*

IT IS VERY easy to say that everyone who can work should work. It is also something that most people would agree with, including those who are out of work. However, finding and keeping a job is not always easy, especially for those who have a chronic illness or disability.

It is not so easy to find employers willing to take on someone with a history of mental illness, someone who has a poor health record, or someone who has just received a diagnosis saying they have cancer or a degenerative disease. Yet many of the people who are 'failing' the discredited work capability assessment (WCA) and are being found fully fit for work still have significant health problems.

Much of the coalition government's rhetoric suggests there are the people who work and the people who don't work. However, the reality is that most people who are out of work at any one time have been in work for a large part of their working life. For some, it may have been the revolving door of short-term low paid work, followed by periods out of work. If such a person develops a problem with their health and is unable to take on the low paid, physical work available then it becomes very hard for them to find anything else.

The main criticism of incapacity benefit (IB), and invalidity benefit before it, was that many of the people who were long-term unemployed with a health problem were merely shifted on to IB and then forgotten. Unemployment was kept artificially low, while claimants got their money every week and weren't expected to do anything in return. No signing on, no obligations to prepare or look for work. Labour did try to engage with people on IB, to give



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those who were interested in getting back to work a helping hand through a variety of incentives and employment support schemes, the most successful of which was pathways to work. This provided support to help people with disabilities to overcome the barriers they faced in re-entering the work place. As a result until the economic downturn in 2008 the numbers on IB were slowly beginning to come down for the first time.

Based on what has been happening over the past year, as those on IB are moved to the new employment support allowance (ESA), figures are likely to show that the numbers on an out of work disability benefit are coming down more rapidly than ever before. This is because around a third of those presently on IB are being found fit for work when they go through their WCA and so are being placed on job seekers allowance (JSA) instead of ESA.

I am fairly sure the coalition government will hail this drop as a huge success, proving that people who were perfectly able to work were languishing on benefits. This is the group who have come in for so much criticism in the tabloid press, being called 'scroungers', 'work-shy' or 'on the fiddle'. However, just because people have been moved on to JSA doesn't mean they have found work. Nor does it mean that people who have come off benefit completely have gone into work either. Some will have found work, but by no means all and it will be some time before we have any figures to know how many.

The coalition government is in danger of creating yet another forgotten generation. This is because, due to the Welfare Reform Act, which passed last year, contributory

ESA is stopped after a year for those who have been placed in the work-related activity group (WRAG) of ESA. These are people who are not deemed so ill or disabled never to be expected to work again, but are not well enough to be expected to find a job in the short-term, and who live in a household whose income is above income support levels. Contributory ESA can be stopped even if a personal adviser doesn't think you are well enough to be referred to one of the work programme providers to undertake work related activity.

With the loss of benefit, there is no incentive for the individual to engage with Jobcentre Plus, especially if they feel they are unlikely to get a job. As they are receiving no benefits, there are no sanctions the jobcentre can impose and there is no incentive for the government to spend money on trying to get them into work.

It is sad to think that the people in this group are those who, until their ill health or disability made it difficult for them to find work, worked all their lives, paid their national insurance contributions and either have some savings or a partner who is still in work. They have done everything the government has said is the right thing to do, but at the point when they expect the state to step in to help, that help runs out after either six months (if they are on contributory JSA) or a year. It is little wonder many think the incentives in our welfare system are perverse and seem to punish those who did work and did save – not what Beveridge envisaged at all. ■

*Dame Anne Begg is MP for Aberdeen South and chair of the work and pensions select committee*



# Social security for everyone

Kate Bell and Declan Gaffney look at how the contributory principle can help us build a stigma-free welfare state equipped for an ageing population



Kate Bell is London campaign co-ordinator at Child Poverty Action Group. Declan Gaffney is an independent policy consultant

WITHIN THE MYRIAD of reflections on the Beveridge report published this anniversary year, there have been two recurring themes. Firstly, what has happened to support for the welfare state? And secondly, could a return to the principles which he set out in that report, in particular the ‘contributory principle’, provide the basis for a revival of welfare state popularity?

Beveridge aimed to build a maximally inclusive system with broad popular support, which would be free of the stigma associated with earlier forms of social assistance. It is hard to argue that these ambitions are met by the system as it stands. Many do not see social security as offering them anything; public support is, in many ways, fragile; and in an irony that would surely have horrified Beveridge, stigma remains a potent force in public perceptions, political debate and media coverage.

Nonetheless reports of the death of social security have been exaggerated. And while a more contributory welfare system might help to increase popular legitimacy for social security, its real potential is to address the less talked about ‘crisis’ of welfare: that posed by an ageing population. Regardless of their potential impact on public opinion, proposals for a more contributory approach need to be firmly grounded in employment objectives.

So, what has happened to support for social security and why has it declined? British Social Attitudes (BSA) research published earlier this year suggested a pretty gloomy prognosis for our patient, concluding that “the public is becoming less supportive of the government taking a lead role in providing welfare to the unemployed, and even to

the elderly in retirement. There is less enthusiasm about public spending on all types of benefits, and an increasing belief that the welfare system encourages dependence.”<sup>1</sup> Researchers found, for example, that the proportion of those agreeing that ‘If benefits were less generous, people would stand on their own two feet’ had risen from 26 per cent in 1991 to 54 per cent in 2011.

In recent research on stigma, for the charity Elizabeth Finn Care,<sup>2</sup> we sought to examine these beliefs further and their links to attitudes towards claimants. What we found (in focus groups and secondary analysis) was not hostility to the idea of a social security system per se. Most people don’t believe that claiming benefit should be stigmatised (68–72 per cent disagree) – although more believe that claiming is stigmatised by the public at large (51–54 per cent disagree). Rather, people have come increasingly to believe that social security is going to the ‘wrong’ people – extraordinarily, the public believes one in four claimants are committing fraud – and data from the British Social Attitudes Survey suggests that claimants are now seen as significantly more ‘undeserving’ than they were 20 years ago.

Why has this shift taken place? We can be fairly confident that it doesn’t reflect real-world developments in terms of the number of people claiming benefits, or the number of those managing to ‘play the system’. Fraud stands at 2 per cent of all benefit claims, a historically low level. The out-of-work caseload was some 1.6m lower in 2008 than in 1995, and remained more than a million lower in 2011, reflecting not just lower unemployment, but major increases in employment for lone

parents and people with disabilities. However a generally better functioning labour market may paradoxically have contributed to negative public views. From 1995 to the onset of recession, the risk of unemployment for employed workers was at the lowest level on record (starting from 1975) – about 2 per cent over the course of a year. Aware that their own risks were low, employed workers may have been more likely to query the legitimacy of claims by others.

A major factor, we argue, is that public views on the benefit system are strongly influenced by information from the media, which in turn tends to reflect political discourse. Debate about social security has become trapped in a vicious circle. Politicians believe that attitudes towards claimants are hardening, and respond with ‘tough’ language and policies. These serve to endorse rather than allay existing suspicions. Perhaps the strongest evidence for this circular process lies in newspaper coverage of benefit fraud. Some 30 per cent of all stories on working age benefits between 1995–2011 referred to fraud, an extraordinary figure given the scale of the problem, and most of these stories originated from the Westminster policy process rather than the magistrates’ courts. It is hard to see this disproportionate coverage as unrelated to the public’s overestimation of fraud. As the BSA research suggests “this shift of opinion was nurtured by a tougher stance towards welfare under the previous Labour government.” It’s all too obvious that this ‘tough’ stance is one that is being continued under the coalition.

How does this all relate to debate about the contributory principle? It has been

suggested, by the likes of Graeme Cooke for IPPR,<sup>3</sup> that a return to Beveridge’s key argument that “benefits in return for contributions rather than free allowances from the state” might be one way to reverse the decline in the number of benefit claimants who are seen as ‘undeserving’. In our report on benefit stigma we argue that claimants are seen as deserving of support either when they are seen as in need due to no fault of their own, or when they are seen as having an entitlement to a benefit. Contributions provide one form of securing this entitlement, and international evidence suggests that countries with more contributory systems are less likely to see high levels of benefits stigma.

However, drawing a border between ‘contributors’ and others could simply reinforce public suspicion in exactly the same way as previous efforts. What risks getting lost in the debate on contribution is the other dimension of ‘deservingness’: need. Continuing strong public support for disability and carers’ benefits indicates that this criterion remains important, but support is vulnerable to exaggerated beliefs that people are playing the system. A more successful approach might be one that reminds people of the reasons why Beveridge suggested the establishment of a welfare state in the first place: the risks of unemployment, ill health or disability that many of us are still likely to face, and the fact that these remain the primary drivers of changes in the amount of people who claim benefits (witness the increase in housing

benefit claims among working claimants as the recession has kicked in, for example). Labour’s recent interest in a rights-based approach to disability suggests the sort of counterpart that a more contributory approach would require.

But there’s another good reason why we should look to the contributory principle in assessing the health of the Beveridge system today. The major challenge that the social security system will face in the medium-term is an ageing population. At present, there are 1.4 working people to every one child or pensioner that needs looking after. Based on current patterns of employment, that will fall to 1.1 working people by 2031, and by 2051 there will only be one worker to each one person who needs our support, leaving the welfare state with a crisis of affordability. The clearest way to address this is by an increase in employment rates, and promotion of employment should be a major test of any proposals for social security reform. Maximising employment is not the same aim as reducing benefit caseloads: much of the potential for growth is among people who are not receiving out of work benefits. We believe that there are ways that the contributory principle could help achieve this aim, because well-designed contributory benefits can help maintain labour market attachment and raise the value of employment while facilitating temporary labour market exit.

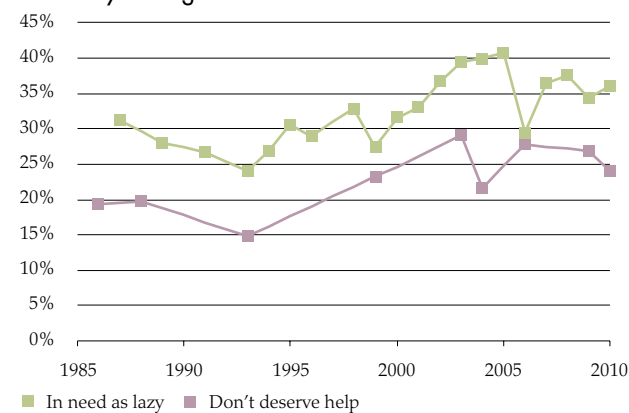
As the Resolution Foundation and others have highlighted, the major employment gap in Britain is amongst women, and particularly among women with children. Designing a

system that enables women to take time out of, and crucially return to, the labour market is critical to address this. At present, the UK system offers over-rigid choices between work and caring. Enabling people to use the contributory system to build up entitlement to take time off work (in much the same way as the Belgian ‘time credit’ system operates) might be one way to address this. As a step towards this parents’ current entitlement to a period of unpaid parental leave could be supported through a contributions-related payment – enabling parents to actually use what remains only a right in principle for many low paid workers.<sup>4</sup>

There is therefore a strong policy rationale for looking at how contributory benefits could address contemporary issues which were far from Beveridge’s mind when he wrote his revolutionary report. If this helps rebuild public support through the sense that social security is for everyone, that would be a good thing. But that is more likely to happen if policy is based on employment objectives rather than symbolism. ■

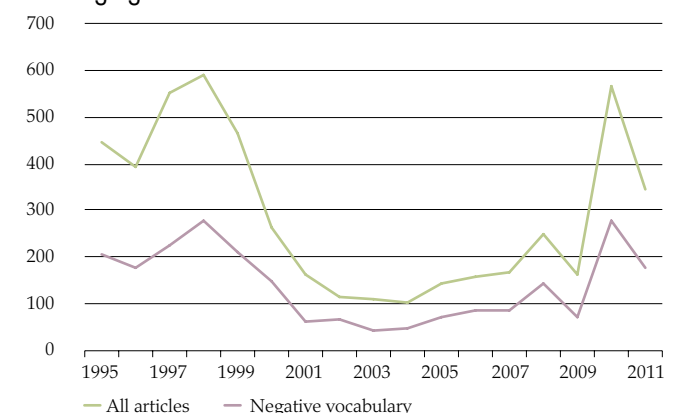
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2. Baumberg B, Bell, K and Gaffney D (2012) *Benefits Stigma in Britain*, Elizabeth Finn Care.
3. For example, in Cooke, G (2011) *National Salary Insurance: Reforming the welfare state to provide real protection* IPPR.
4. We discuss this further in Bell K and Gaffney D (2012) *Making a contribution: social security for the future* TUC.

FIGURE 1  
Benefit claimants are seen as significantly more ‘undeserving’ than 20 years ago



Source: British Social Attitudes

FIGURE 2  
Negative vocabulary in newspaper articles on working age benefits



Source: Elizabeth Finn Care



# A prize worth fighting for

The lesson of history is clear: even in the toughest times our country can afford to put ambition into action. So let's build a country that works harder, earns more and is more equal, says *Liam Byrne*



*Liam Byrne is MP for Birmingham Hodge Hill and shadow work and pensions secretary*

EXACTLY 70 YEARS ago, William Beveridge published the white paper that would revolutionise Britain. The story of the report is one of high principles. Principles that are simple and strong remain to this day. Principles inspired by old British values like ambition and compassion, dignity and duty. And crucially for us in the Labour movement, the pride and the possibilities of work.

Legend has it that the great man did not get off to an auspicious start. Desperate to organise manpower on the home front, it is said that Beveridge burst into tears when told he was instead to lead an inquiry into the small matter of social insurance.

It didn't take Beveridge long to rebound. In the first nine months of 1942, he took evidence from 127 individuals, pressure-groups and lobbyists. In July, he unveiled his five giants. By summer, he had struck a 'deal' with Keynes on the money. Finally as the winter drew in on 1 December 1942, the BBC began broadcasting from dawn, details of the plan in 22 different languages. The report leapt off the shelves: it became the most popular government white paper until the Profumo scandal. Sex and spying versus social security was never going to be a fair contest.

By the end of 1944, a white paper and then a bill and then a Ministry of National Insurance were produced and crucially Ernie Bevin, Herbert Morrison and Clement Attlee had perfected the alchemy that would turn theory into reality: marrying social security with the new goal of full employment that would pay for it.

So Labour's 1945 manifesto declared a policy of 'jobs for all' and 'social insurance against the rainy day'. "There is no good reason why Britain should not afford such programmes but she will need full employment and the highest possible industrial efficiency in order to do so."<sup>1</sup>

Once upon a time, social security was all about 'minimising disruption to earnings'. Now it must be about something more: maximising potential of earnings

Finally on the afternoon of 6 February 1946, the minister of national insurance, Jim Griffiths got to his feet to move the national insurance bill be read a second time. After years of preparation, a nation battered by war passed the Beveridge report into law.

The lesson of history is clear: even in the toughest times our country can afford to put ambition into action when we act to put people into jobs.

The challenge now for Labour is not to abandon the principles of Beveridge and Bevin; it is to renew them for new times, against a Tory party that has learned nothing from their history.

We believed then what we believe today, that the bedrock of social security is full employment. We believe that an equal society demands an equal measure of dignity for all. And we believe that responsibility is expected and should have its reward.

Full employment, universalism, and contribution. For us these words are not a slogan. They're an expression of decency.

The Tories have never believed, or fought for the idea of full employment. They basically believe that you're on your own. They can't even be bothered to make their work programme work, and it shows. The latest figures reveal monthly referrals to the flagship welfare-to-work scheme has halved at a time when long-term unemployment is still rising. Their cuts to councils are deepest where jobs are fewest. Their plan to cut too far and too fast has throttled the recovery.

The result is unemployment that is higher than in May 2010, with long-term unemployment and long-term youth unemployment still rising. All of this means that the welfare bill is rising through the roof: £24bn higher than forecast. We were promised a revolution but the work programme doesn't work and universal credit is becoming universal chaos.

This unchecked and uncontrolled cost of failure now drives the Tories to short-change Britain's strivers. Rewards for work are being decimated. Tax credits are being cut so hard that thousands would actually be £728 better off on benefits than in a job. Cuts to childcare are forcing women out of work. And for

millions of families universal credit will make things worse; a couple with kids working full time could lose £1,200 a year.

The result is stark. Today British workers are producing more and earning less. For the first time we are set to become a country where social mobility goes into reverse.

Under this government the contributory benefits attacked by Macmillan and Thatcher are set to become nothing more than a rounding error. Excluding pensions they will total just 4 per cent by 2016-17. It is now five minutes to midnight for Beveridge.

Our job in the Labour party is to turn this tide. But let's be honest, the politics of this are tough. Support for the welfare state isn't rising, it's falling.

I think there is a simple explanation. Britain has changed since Beveridge. Think about the world of work today.

Work has changed fundamentally. The idea of having a job for life is a distant memory and more than 40 per cent of people now work part-time, in temporary jobs, or are self-employed. There are more women in work now than ever before and our society is ageing. Prices are rising and living standards

for ordinary families are being squeezed – in just the last four years, low to middle incomes have fallen by 7 per cent.

These changes mean that working people need new things to help them get on in life. They pay in, but feel they get little out. People feel short-changed. They want a better deal.

Once upon a time, social security was all about 'minimising disruption to earnings'. Now it must be about something more: maximising potential of earnings.

So our job is to turn 'short-changed' Britain back into a 'something for something' Britain. Where people see, once more, that the way to get ahead in life is to earn it. Where we restore the rewards for work and, crucially, we help people with the things they need to get ahead in life.

People who have paid in and worked hard for decades rightly wonder why they don't get more support to retrain. Those who have saved for the future need to know that their pension won't be eaten away by hidden costs and charges. And parents who want the freedom to work need a childcare system that is fit for the 21st century.

Our task in the year ahead is to show how playing by the rules, working, caring and saving becomes the key to unlock the new things Britain's workers need, such as earned entitlements like tax credits, childcare, rewards for savings and a bigger pensions pot.

We will never forget our history. We can only put ambition into action if we put people into jobs. That's why we believe one nation social security is built on full employment. This is a goal that demands government take responsibility for creating opportunities and individuals have a responsibility to take them.

That's why we must insist on a simple starting point: a tax on bankers' bonuses to create a fund for 100,000 jobs for young people: on the proviso that young people have to take those jobs.

I believe we can win on social security. If we get this right, the prize is great. We get a country that works harder, earns more and is more equal. It's a prize well worth fighting for. It's a prize of which Bevin and Beveridge would be very proud. **F**

1. Labour Party, Let Us Face the Future, 1945

# Something for something

Beveridge would be dismayed by the state of national insurance. Could the principle be revitalised to pay for health and social care, asks *Nicholas Timmins*?



*Nicholas Timmins is author of The Five Giants: A Biography of the Welfare State, Senior Fellow at the Institute for Government and at The King's Fund, and former Public Policy Editor of the Financial Times*

SO MUCH HAS changed since 1942 – the role of women, the nature of families and longevity, to name but a few – that it is impossible to know what Beveridge would have made of the welfare state today. It is also impossible to know because Beveridge was far from entirely consistent in his views. So you'd have to ask: to which period of Beveridge does the question apply?

The one thing that can be said with some certainty, however, is that he would not recognise, and would be dismayed by, the state of national insurance. After all, it was national insurance that underpinned his report. It was "first and foremost, a plan of insurance". Benefits would be paid in return for contributions. They should be given "as of right and without means test", although

Beveridge did recognise that some residual level of means-tested benefits was inevitable.

Britons, he declared, did not want a "Santa Claus state" that provided "free allowances". Rather they wanted a "something for something" approach.

70 years on, national insurance is now virtually unrecognisable from either Beveridge's conception or the scheme that

Labour implemented in 1948. It is not just that national insurance benefits were set too low in 1948 to avoid an appreciable level of means-testing. It is also that national insurance has a history of losing battles. As John Hills of the LSE pointed out in his masterly review of national insurance in 2003, national insurance as envisaged by Beveridge has lost repeated battles since 1948.

To name just a few, it has moved from being flat-rate contributions for flat-rate benefits to earnings-related contributions for flat-rate benefits. There is no longer an upper earnings limit for employer contributions. Unemployment benefit – now job seeker’s allowance (JSA) – has been cut from 12 months to six and has had its value cut so that it is paid at the same rate as means-tested JSA, but without the ‘passport’ benefits, such as free prescriptions. The value of the old invalidity benefit was cut, and incapacity benefit is now partially means-tested. Contributory employment and support allowance is now paid only for a year, when the predecessor benefit was paid indefinitely.

Up to 1980, pensions rose in line with whichever was higher, earnings or prices. But the earnings link was then removed, leading to the value of the basic state pension withering away against average living standards. Now the earnings link has been restored with the coalition government delivering rises in line with the better of prices, earnings or 2.5 per cent. But contribution conditions have changed – whereas women used to need 39 years of contributions and men 44 years, you now only need 30 years’ contributions to receive a basic state pension. This change was aimed at ensuring it was near impossible for any resident of the UK not to get the basic state pension. Meaning that, particularly if the coalition goes ahead with its plans for a ‘single’ state pension of £140 a week, the basic state pension will have returned to something that Beveridge would recognise: a guaranteed platform on which to build private saving for old age.

It means, nonetheless, that people pay in for 30 years to qualify and then pay in for many more years up to a (rising) state retirement age, for no extra benefit.

This change is an extension of another trend, which has seen far more people ‘credited in’ to national insurance benefits without actually contributing, which includes those caring for a child or a disabled person, for example, or for some low earners for maternity allowance. In other words, the

direct link between what people actually pay in and what they get out has become weaker and weaker to the point where it is vanishingly small.

As John Hills noted, there have been two main drivers behind this. Governments of the left tended to favour ‘inclusion’ – crediting more people in to national insurance benefits to ensure that those who play important roles in society such as bringing up children or caring for people with disabilities do not lose pension as a result. Governments of the right tended to focus limited resources on means-tested benefits for the poor. And New Labour from 2001 did some of both – increasing crediting in but also focussing means-tested benefits on the working poor through tax credits, the laudable aim being to support people in low paid work rather than pay them benefit for being out of it.

The result has been a fairly remorseless rise in means-tested benefits of one sort or another, in work as well as out of work, at the expense of contributory benefits for which individuals have actually paid in cash.

There is still a difference between national insurance benefits and means-tested ones. Non-means tested JSA is still paid as of right on an individual’s contribution record, regardless of a partner’s income. National insurance still entitles people to contributory based employment and support allowance (where the same applies), to maternity allowance and bereavement benefits (though the value of these has been cut over the years) and of course to the state pension. But these feel like the last remnants of a fast disappearing system.

In reality, there is no real ‘national insurance fund’. And while a small part of national insurance does go towards the NHS, the proportion of NHS spending met by national insurance has varied widely, and more or less randomly, over the years – making up as little as 9 per cent of NHS expenditure to over 21 per cent. It currently it accounts for about 17 per cent of NHS expenditure.

The erosion of the contributory principle has been such that it has led not just politicians or political thinktanks, but genuinely independent bodies like the Institute for Fiscal Studies, to argue that national insurance has effectively become just another tax on income and that it should be combined with income tax. Although national insurance and income tax operate on different

bases, time periods and bases of charge, the two taxes combined mean that on much of taxable income the real rates of tax are 32, 42 and 52 per cent once employee national insurance is added to the the income tax bands of 20, 40 and 50 per cent. While that might be the reality, it would, however, be a brave politician who exposed it by combining the two.

Nonetheless, polling tends to support Beveridge’s firm assumption that, when asked, people still support the ‘something for something’ for principle. Perhaps unsurprisingly, that has seen calls from politicians chiefly, although not entirely, from the left for national insurance and the contributory system to be somehow rebuilt. Given the scale of the erosion, it is hard to see how that can be done in the benefit system.

There might, however, be another area to which it could be applied. The Dilnot report on long-term funding for social care suggested that at least part of the extra cost of his proposals should be met by those who stand to benefit the most – namely those past state retirement age. One obvious way to do that would be to apply an element of national insurance to either or both of the earnings and savings of this group.

All of which prompts one other thought: if the huge spending squeeze that is on its way leads to a poorer performance from the NHS and thus to the usual debate, every time that happens, about whether the funding system should be changed, then one way to do it might be to use national insurance to pay for the whole of health and social care. In effect, national insurance would be turned into a sort of hypothecated tax for both parts of the care system.

The ‘something for something’ approach would then apply to the services of the NHS and to state support in the social care system, rather than to benefits.

Hypothecated taxes have many problems, not least that the income from them tends to decline in periods of recession when demand is likely to rise. Some sort of buffer fund would be needed. And difficult decisions would need to be made over the role that national insurance does still play in the benefit system.

While such a change would require a lot of thought and analysis, it might be worth exploring a different way to restore the contributory principle to one part of the welfare state, even if it would play a very different role to the one that Beveridge envisaged. ■



## Winning on welfare

Like so much in politics, welfare is a gut issue argues *Nick Pecorelli*

OF ALL THE elements of Beveridge’s original settlement, welfare for people of working age poses Labour’s greatest challenge. Electorally Labour often struggles to espouse a vision and set of coherent welfare policies that command widespread support. And governments of all persuasions get ground down by the intricacies and intractableness of our welfare system.

Like so much in politics, welfare is a gut issue: the moral or ethical beliefs underpinning an argument are more powerful than the sums that appear to make it stack up. On welfare the fundamental fault line is between those who emphasise justice and those who emphasise responsibility.

Justice seekers embrace an all-encompassing notion of fairness. They are universalists, who care about the rights of all and are more likely to see the world as borderless. They have a forgiving view of human nature and tend to believe that the fate of an individual is determined not by their actions alone, but by those of society as a whole.

Responsibility seekers hold a tougher view of human nature. They emphasise that our fate is in our own hands, and that, if we are able-bodied, whatever our circumstances we can and must better ourselves. For responsibility seekers, society is an intangible notion but government welfare is likely to be taken advantage of by ‘shirkers.’

Within this group there are nuanced but important differences. There are those who are more individualistic and focus on endeavour and the responsibility of others to them as a taxpayer. They work hard and pay their taxes, why should others be able to get away with idleness? The Tories are targeting this group assiduously. They call them the ‘strivers.’

A second cluster of responsibility seekers emphasise that Britain has lost its

moral fibre and that idleness is the product of parents who no longer teach right from wrong, as they used to in the days when we all knew our neighbours and worked together in the same factories. They place less stress on their own endeavour and more on the rules and social mores that anchor us all.

The recession, burgeoning national debt, and a prolonged squeeze on living standards, have hardened beliefs among both main groups, and swelled the ranks of the responsibility seekers. Our collective financial melancholy has led each camp to return to its citadel and pull up the drawbridge.

## Labour should be bold and seek to engage the whole country in debate

The 2012 British Values Survey by Cultural Dynamics shows how visceral views can be. 42.8 per cent of the population agree to various degrees with statement ‘I believe that people can be divided into two classes – the weak and the strong. I think that issues of societal disadvantage are spurious.’ And 30 per cent agree to various degrees with the statement ‘I feel that people who meet with misfortune have brought it on themselves. I see no reason why rich people should feel obliged to help poor people.’ These responses to values-based statements suggest that that the irreducible core of the responsibility seekers, who will support almost any benefit cut, is around one third of the population.

Given this evidence base, what is the Tory welfare strategy? Having initially made the case for bold reform (e.g universal credit), they are now engaged in a piecemeal approach to cuts, picking off targets one-by-one. On each occasion their message – prefaced by the need for deficit reduction – is targeted at responsibility seekers. If they pick their targets carefully they can win each skirmish (a recent YouGov poll found 72 per cent support the withdrawal of child benefit for those earning over £50,000).

This strategy is not without risk. It may bolster Tory support among strivers but it is also contributing to the re-toxicification of the Tory brand.

So how can Labour win the welfare debate? Quite simply it should focus on the war not the skirmishes, and to do this it must return to first principles and find the common ground between responsibility and justice seekers.

Two principles underpinning Beveridge’s case have been lost in the mists of time. The first is the contributory principle. If someone contributes more they should get more out in times of need than those who have not.

A second Beveridge principle is the subsistence principle. Beveridge was very clear that unemployment benefit should be set at a subsistence level. To pay more is not only unaffordable in the current climate, but it prevents governments’ shaping a welfare system that makes work pay.

To these principles Labour should add the moral equivalence principle. Tax evasion may involve far greater sums than cheating the benefit system but that does not make it more abhorrent. Labour too often vocalises the case against the former, whilst meekly stating the case against the latter. By simply stating these three principles Labour can begin to re-engage responsibility seekers in a debate about the future of welfare.

More fundamentally, the failure of welfare is based on a failure to deliver outcomes, particularly on housing and employment. The arguments about how the world has changed since Beveridge’s day are well-rehearsed but what is only now beginning to be discussed is the over-centralisation of welfare in Britain. By pursuing a welfare devolution revolution Labour can simultaneously avoid the skirmishes, reshape the welfare debate, and answer the Tory charges of profligacy.

Finally, the biggest lesson of all from the Beveridge report is that the best way to build support for reform is to appoint someone who is above the fray to look anew at the whole system, without restraint. This approach has been used many times since Beveridge, but typically tactically rather than genuinely. Labour should be bold and seek to engage the whole country in debate. Only by building bridges between responsibility seekers and justice seekers can Labour hope to be successful, in opposition, and in government too. ■

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