

BEVERIDGE EXPLAINED

WHAT THE BEVERIDGE

REPORT ON SOCIAL

SECURITY MEANS

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G. D. H. COLE.

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By

G. D. H. COLE



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P R E F A C E

This pamphlet is meant to explain the Beveridge Report to those who want its main proposals stated briefly and in unofficial language. It is an explanation, and not a criticism of the Report; for, though there are points at which the proposals are open to criticism, these are to my mind all of secondary importance. The essential thing, for the time being, is to get the Report understood and accepted as a whole, in principle, both by public opinion and by the Government, and to get quickly into being the administrative machinery needed for carrying it into effect. I have written this pamphlet in the hope that it may help to get the Report quickly understood among the public, and may contribute to that general expression of public demand for its acceptance which is most likely to be effective in getting it implemented promptly by legislation. No more important social document has been issued for a generation; and it is now for the public to see to it that Sir William Beveridge's notable contribution to reconstruction policy is neither rejected nor pushed aside.

G. D. H. COLE

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What the Beveridge Report on Social Security Means

I

THE IDEA OF SOCIAL SECURITY

Social Security—the phrase and the idea—has run round the world at a great pace in recent years. The reasons are not far to seek. Although States, our own among them, have increased their provision for meeting the contingencies of living, the sense of insecurity has grown much faster than the measures designed to allay it. The main cause of this state of mind has been the prevalence, during the period between the wars, of mass-unemployment in two forms—a “hard core” of permanent unemployment persisting even in years of general prosperity, and a vast mass of “cyclical” unemployment added to the hard core whenever the world’s economic affairs have gone wrong. These two kinds of unemployment—the one concentrated mainly on certain depressed areas, the homes of declining or depressed industries, and the other smiting everywhere, though by no means with an even hand—have bred in men all over the world a demand for security; and this demand is beyond doubt the most heart-felt peace-aim of the mass of the people in all the advanced industrial countries except the Soviet Union, where to a large extent social security already exists.]

Coupled with this anxiety bred of the experience of mass-unemployment, and closely connected with it, is a second fear—(the fear of old age.) When unemployment is widespread a worker in one of the higher age-groups, if he falls out of a job, usually finds it very difficult to get another. This situation stimulates a demand for earlier retiring pensions, in order to take the older workers out of the labour market, and thus make room for others; and this demand is for pensions at an adequate living standard, because on no other condition can the older workers reasonably be asked to retire from the scramble for jobs. Even apart from this, there is another reason why the demand for pensions at a satisfactory living standard has been growing much stronger of late. This reason lies in the changing age-structure of the population. In England and Wales, approximately 13½ per cent. of the total population are over 60 years of age, whereas in the Soviet Union the corresponding proportion is only 6½ per cent. It will be seen from a Table in the Beveridge Report that in Great Britain the men and women over pensionable age (65 for men and 60 for women) accounted for just over 6 per cent. of the total population in 1901, and for over 9½ per cent. in 1931. In 1961, according to the estimates of the Registrars-General, they will account for over 17 per cent., and in 1971 for nearly 21 per cent.

The higher the proportion of older people in the population, the more the question of old age and retiring pensions is calculated to appeal to the electors. Moreover, the greater the fear of unemployment the stronger this appeal is likely to be. If unemployment and business depression are expected to continue on a large scale, there will be a keen desire to push down the retiring age, and, accordingly, to provide pensions as early as possible. If, however, the fears

of mass-unemployment can be dispelled, the feelings of the people are likely to be significantly altered. It will then be seen that in order to make good the ravages of war and to provide the means of raising the general standard of living, there will be need for the services of all who are willing and able to work, including many who are past the retiring age at present regarded as desirable. Given conditions of "full employment"—which means, in brief, fully as many jobs open as there are persons available to take them—the old will no longer be regarded as the competitors of the young in the labour market. Their continued services will be welcomed; and many of them will be happier and healthier working than retired. Sir William Beveridge, in his Social Security Plan, assumes, then, conditions of "full employment"—that is to say, he assumes that the State will take, as it undoubtedly can, the necessary measures to provide enough jobs to go round. This is an absolutely indispensable assumption, without which the Plan cannot be made to work successfully. If we return to conditions of mass-unemployment, the entire financial basis of the Plan will be upset.

I shall come back to this vital point at a later stage. It affects the cost, not only of pensions but also of unemployment benefit; and it also materially affects the real burdens which the proposed scales of contribution will involve. A fixed sum payable every week is a far heavier burden when earnings are restricted by short-time and under-employment than when piecework and overtime are substantially swelling their total for a large proportion of those employed. This must be borne steadily in mind in considering the merits of the Plan, which cannot be judged entirely by itself, but only as an essential first instalment of a much wider plan designed to base Social Security on

comprehensive measures for ensuring a high and steady output of goods and services. Without this, there is no way of giving the whole people a satisfactory minimum standard of living—not even if all the incomes of the rich were to be divided among the poor. If we are to live better as a community, we must produce more; and this means that as a community we cannot afford to allow a continuance of mass-unemployment.

Incomes in Cash

The Social Security men and women want is, first and foremost security of *cash income*. They want to feel secure that through all the vicissitudes of employment and unemployment, health and disability, manhood and old age, they will have enough cash income to provide decently for the needs of themselves and their dependants in the ways they themselves think best. (They do not want to be "kept" by the State, either in institutions or by having more than a small proportion of their incomes doled out to them in kind. They want money, to spend according to their own varying circumstances and ideas.) No doubt, if they are given this, they will spend some of the money unwisely; but to allow a margin for unwise spending is part of the price society has to pay for freedom. A State in which every citizen received his income in kind, with no allowance for personal tastes, would be a Slave State. This is not what people want. (They want Social Security, under conditions compatible with freedom.)

(This idea of Social Security includes security when a man is actively employed, as well as when he is unemployed or sick or disabled.) One objection which has often been made in the past to raising social benefits to a tolerable living standard has been that to do this would in many

cases mean paying people as much, or even more, for idleness than for work, and that the incentive to labour would be fatally undermined. Sir William Beveridge has grasped this nettle firmly by making it a second condition of the success of his Plan that the State shall establish a National Minimum for all employed workers, as well as for those in receipt of public grants. In the past, the main obstacle to such a minimum was the very low level of wages in agriculture. This country is now pledged to secure for the rural worker a standard of living comparable with that of the town-dweller; and this obstacle is therefore due to be removed. There are other occupations in which wages in the past have been abnormally low; and it is a necessary condition of the Beveridge Plan that all such wages shall be scaled up. (Starvation wages anywhere are an intolerable nuisance.) They destroy the workers' efficiency; and they impose heavy burdens on public health services, besides lowering the general standards of the community's life. (A National Minimum for the employed is indispensable if tolerable living conditions are to be assured to the unemployed and the sick without undermining the incentive to work.)

(The achievement of this National Minimum will be made immensely easier by the grant of Children's Allowances for all children below school-leaving age, or still at school, beyond the first child.) Very possibly, Sir William Beveridge would have preferred to go further than he has gone, and to have included the first child as well. But the cost would have been very high; and it is clear throughout his Report that he has been at great pains to keep the total cost of his proposals within manageable limits, in order to give no one a reasonable case for rejecting them. Under his Plan, Children's Allowances will be payable for the first

child whenever the principal earner in the family is out of work or disabled or retired. But for those in work the National Minimum is clearly meant to be reckoned at a level adequate to cover the maintenance of a single dependent child. Ordinarily, the maintenance of the first child will fall on wages, and that of dependent children beyond one on the State.]

These three provisions—a policy of “full employment” guaranteed by the State, a National Minimum for the employed worker, and a system of Children’s Allowances—fall outside the range of Sir William Beveridge’s detailed proposals, because they do not form part of his proposed unified scheme of Social Insurance, but are regarded as necessary conditions of its success. Into two of them he does not enter beyond stating the principle itself. To discuss the steps needed to ensure “full employment” would inevitably have meant covering a wide range of questions that were not submitted to the Beveridge Committee, including the entire problem of “economic planning” and of the relations which are to exist after the war between the State, industry, and the financial system. These are matters which urgently need settling in advance; but it would have been absurd to attempt to deal with them incidentally in the course of a Report concerned mainly with the Social Insurance and allied services. Similarly, the question of a National Minimum for the employed involves complicated problems of wage-adjustment, with which the Beveridge Committee had clearly no mandate to deal.

(Children’s Allowances stand on a different footing; for Sir William Beveridge had to decide whether or not to include them in his unified system of Social Insurance. He decided against this, and in favour of Children’s Allowances financed wholly out of general taxation. But, having done

this, he could not avoid going further ; for the amount of the allowances for children is bound to affect the cash payments which need to be made to adults in unemployment or disability. If the children are adequately provided for in another way, the cash payment to adults can be lower than they would otherwise need to be. Accordingly, it was within Sir William Beveridge's province to make a definite proposal concerning the scale on which Children's Allowances should be paid ; and this he has done, not fixing for this or for any other of the proposed payments a definite figure, but putting forward a figure corresponding to an assumed level of prices. According as prices after the war are higher or lower than this assumed level of 25 per cent. above the prices of 1938, the proposed payments will need to be scaled up or down. At the assumed level of prices, Sir William Beveridge puts the allowance at 8s. per week per child.

There is a fourth matter in respect of which Sir William contents himself with stating a broad principle, without going into any details about the method of applying it. "Medical Benefit"—that is, mainly, treatment by general practitioners under the panel system—at present forms for the insured persons, but not for their dependants, part of the Social Insurance provision, and therefore falls directly within the central field of the Beveridge Committee. Sir William proposes to separate medical treatment from cash benefits for the sick or disabled, and to make it a quite distinct part of his Social Security Plan. On this basis, he proposes to provide an all-round medical service for the entire nation, under public auspices, including specialist and hospital treatment and every necessary service, not omitting rehabilitation, which has been hitherto the outstanding gap in British medical services as a whole. Towards this comprehensive public medical service Sir William proposes that

the Social Insurance Fund shall make a substantial contribution, the balance of the cost being met from the proceeds of general taxation]

On this matter, Sir William's recommendation is quite clear and decisive, but it is not worked out in detail. There are many alternative ways in which a public medical service could be organised; and the British Medical Association has recently propounded a plan of its own. Some favour a salaried State Medical Service; whereas others believe in a continuance of private practice under greatly modified conditions. Sir William evidently did not regard it as his affair to pronounce judgment between the numerous alternatives which are open. He simply proposed that the thing should be done, and done comprehensively, and left it at that.

The Idea Behind the Report

In this opening chapter I have tried to set down in outline the main problems which the idea of Social Security presents for those who are attempting to translate it into legislative fact. (The idea of Social Security, put broadly, is that the State shall make itself responsible for ensuring a minimum standard of material welfare to all its citizens, on a basis wide enough to cover all the main contingencies of life.) Positive welfare for everyone the State is not, of course, in a position to ensure. A public medical service cannot prevent, though it may greatly reduce, illness; accidents will occur, whatever steps are taken to stop them; and people will grow old and need help, whatever the State does. Indeed, the more the State protects the citizens against the contingencies of life during their childhood and working age, the more of them will survive to need help when their working time is over. Nor can the State prevent

people from behaving foolishly, or even wickedly in some cases, in using the means to security which it places at their disposal, and to attempt to prevent this, beyond a certain point, would involve imposing intolerable restrictions on the majority, who are neither foolish nor wicked in spending their incomes.

(Income maintenance is the focal point of a system of Social Security.) It is argued against giving the citizens an assured minimum standard of income that, to do this will undermine their sense of responsibility and their willingness to work. It is no doubt necessary to have safeguards against the abuse of such a concession, even if only a small minority of the people attempt to abuse it; and safeguards will be found at many points in the Beveridge Plan. Indeed, the safeguards are a good deal more extensive than those which exist under the present system of Social Insurance. The most important of them will be referred to in later chapters as they arise.

In general, (the answer to the critics who attack) the Beveridge Report not in detail merely but (in principle,) as calculated to undermine personal and family responsibility, is that modern democratic communities are not prepared to allow vast amounts of unmerited suffering and waste of potential capacity for service to go on, merely on the theoretical ground that parents ought to bring up their children properly (even if they have not the means of doing so, as in many large households they plainly have not), or that everything decent must be sacrificed to the purpose of driving people to work hard by the incentive of fear that they may fall into destitution. The kind of mind that can advance such arguments as these is socially obsolete, and deserves to be disregarded. It is beyond doubt that the main body of the people wants Social Security,

and looks to the State to do its best to provide it. For those who are democrats, that is a conclusive answer to the objection. It means that the thing must be done, and leaves open only the question of the best means of doing it.

Moreover, the entire history of British politics for more than a generation bears witness to the increasing acceptance of this idea of Social Security, not by one political party, but by all. The Liberals largely began it, with the Insurance Act of 1911; and since then Labour and Conservatives have vied in making additions to the original measures. The result has been a patchwork, covering many of the contingencies, but by no means all, and covering some much less adequately than others. Finally, the holes in the patchwork have been stopped up provisionally, in part by local Public Assistance, but to an increasing extent by the Assistance Board as a national body meeting residuary needs out of national public funds. Sir William Beveridge's primary task has been to reduce this chaos to some sort of order—to develop the patchwork of specialised schemes into a unified Social Security Plan, and to bring all the different kinds of provision up to a common standard consistent with contemporary social feeling.

This task was bound to be difficult; for it is never easy to bring order out of a chaos which has developed its own sectional forms of order, and to which people have become used. Before we attempt to study in more detail how Sir William Beveridge has accomplished his task, let us glance briefly at the present condition of the Social Services and at the ways in which they have developed to their existing forms. We can then come back to a study of the main provisions of the Beveridge Report, and thereafter to an attempt to set it in its right relation to the wider problems of British reconstruction policy.

II

THE GROWTH AND PRESENT POSITION
OF THE SOCIAL SERVICES

From the time of Queen Elizabeth it has been recognised as a part of the State's duty to make provision against any citizen positively perishing from want. In the Middle Ages the monasteries had been the dispensers of relief to the destitute; with the abolition it became necessary for the State to provide a substitute. The result was the Poor Law, financed out of rates levied locally; and the Poor Law, renamed Public Assistance, still survives as a residuary service, which is in being to prevent destitution not prevented by other agencies. The history of the growth of the Social Services in modern times is mainly the history of the taking over and development of one service after another from the Poor Law, and of the establishment of these transferred services on a different basis, less deterrent, and not subject to the stigma attaching to poor relief, and also differently financed.

Broadly speaking, there have been three ways of financing such of these new services as involve payments in cash to those who benefit by them. The first way is for the cost to be imposed by law on particular persons, as the cost of Workmen's Compensation is imposed by law on employers. The second is for the cost to be borne directly by the State, out of tax revenue, as is the case of the original Old Age Pensions introduced by the Liberal Government in 1908. The third way is for the cost to be met partly by contributions, levied usually upon employers and workers in approximately equal amount, and partly by the State in the form of a subvention to an Insurance Fund. The Health and Unemployment Insurance schemes, both launched in

1911, belong to this third type; and so, in the main, does the scheme of Widows', Orphans' and Old Age Pensions on a contributory basis launched in 1925.

These new services have grown up almost entirely during the present century. Workmen's Compensation began on a small scale in 1897; but in 1900-1 the sum payable under this head was still very small, and almost the whole of the public expenditure on the cash benefit Social Services was accounted for by the £ 3,281,000 spent on outdoor relief under the Poor Law. By 1938-9—that is, the last complete year before the war, the sum expended in cash benefits under public auspices (including contributory schemes) had risen to over £ 236 millions. Of this total Pensions, contributory and non-contributory, accounted for

TABLE I.—Social Services, 1900-1939 Cash Benefits paid in Great Britain (£000's).

Financial Year.	Workmen's Compensation (Calendar Year).	Un-employment Insurance Scheme.	Un-employment Assistance.	Health Insurance Scheme.	Public Assistance (Outdoor Relief).	Pensions.		Blind Persons Assistance.	Total.
						Non-contributory.	Contributory.		
1900-1	?	—	—	—	3,281	—	—	—	c. 3,500
1910-1	2,700	—	—	—	3,743	7,300	—	—	13,743
1914-5	3,405	419	—	8,010	3,246	10,021	—	—	26,101
1921-2	5,509	52,848	—	13,153	17,691	21,940	—	—	111,141
1926-7	8,058	49,549	—	20,482	27,862	27,390	10,814	—	142,153
1931-2	6,114	50,169	30,742*	18,907	16,790	22,197	54,066	—	227,985
1936-7	6,445	35,332	37,428	18,890	25,801	16,661	71,568	—	212,034
1938-9	6,765	55,081	35,331	18,600	24,189	15,302	78,772	2,077	236,117

* Transitional payments.

£ 94 millions, Unemployment Benefit and Unemployment Assistance for £ 90 millions, and Health Insurance Benefits for £ 18½ millions. Workmen's Compensation payments came to £ 6½ millions, special assistance to the Blind to £ 2 millions, and the residue of over £ 24 millions was being paid out of local funds by the Public Assistance Authorities—that is, under the Poor Law. Thus, in spite of the rapid development of new services, mainly on a contributory basis, the expenditure on outdoor relief under the Poor Law had

risen more than sevenfold—a plain sign of the complete transformation which had taken place in the public's conception of its duties to the destitute and the very poor.

Stamp-Licking

Of this total of £ 236 millions, over £ 154 millions was being spent under schemes which involved contributions from the insured population. The number of insured persons had risen, in the Pensions Scheme, which had the widest range, to nearly 21 millions. Nearly 20 millions were covered by Health Insurance, and about 15½ millions by Unemployment Insurance. "Stamp-licking" under all these schemes had been a national habit. Widely resented at its first introduction, it had been accepted by nearly everyone as the only possible basis for working a contributory scheme. With it went the practice of deductions from wages and salaries made by employers, who contributed therewith a payment of their own—in effect, a tax on employment.

It is beyond doubt that the growth of the Social Services would have been very much slower than it has been but for the introduction (from Germany) of this method of deductions from wages. For by this system the employed classes can be made to meet directly a far higher proportion of the cost of the benefits they receive than they could possibly have been made to pay in the form of taxation. Contributory Social Insurance is to a considerable extent a form of lateral redistribution of incomes *within the working classes*; and this goes far to explain its popularity with Governments which would have been horrified at the idea of spending anything like the sum involved out of the proceeds of general taxation. There has, however, been some tendency for a growing proportion of the cost of cer-

tain services to be transferred to the State. This is true mainly of unemployment, which during the inter-war period reached dimensions quite beyond the capacity of the Insurance Scheme. The State had to take over the entire cost of providing for the long-term unemployed, under the Unemployment Assistance Board set up in 1935 (and, in effect, earlier, with the Transitional Payments system of 1931). During the present war the U.A.B. has been enlarged into the Assistance Board, and new benefits unconnected with unemployment have been provided through it at the direct expense of the State.

The general effect of this growth of cash benefit services has been gradually to make available for unemployed persons a cash income on which it is possible for them to live without other resources at a standard of the barest sufficiency without limit of time, provided they are really available for work. This statement needs some qualification in the case of married women; but I am concerned here only with the broadest generalities. This result could not have been achieved but for the introduction in 1921 and the gradual extension thereafter of additional benefits for dependants—the germ of the system of Children's Allowances which is an important feature of the Beveridge Plan.

Whereas the unemployed workman has been granted a bare living income for himself and his family, the sickworkman has been left in a much less favourable position, and for sickness among his dependants no public provision of any sort, beyond the Poor Law, has been made. The workman who is sick receives even now only 18s. a week; with nothing for his dependants; and until the present year he received only 15s. Moreover, if his illness is protracted, his benefit, instead of rising as his other resources become

exhausted, is reduced to 10s. 6d. (7s. 6d. prior to 1942). As against this, under the Unemployment Insurance Scheme a man has received, since 1940, 20s., *plus* 18s. for his wife, *plus* 4s. for each of the first two dependant children, *plus* 3s. for each further child, *plus* 10s. for an adult dependant other than a wife. These are the rates under the general scheme. There are somewhat lower rates, and also lower contributions, for workers insured under the special Agricultural Unemployment Scheme.

The reason for this extraordinary discrepancy is simply that in the field of sickness insurance a large number of persons make provision for a part of their needs under private schemes run by Friendly Societies or Trade Unions or other kinds of insurance agencies. The existence of these forms of voluntary provision has been made the excuse for leaving the State provision at a manifestly inadequate level, even though it is evident that the classes which are nearest to destitution in times of sickness are those which are least likely and least able to make voluntary provision when they are in health. Consequently, the Poor Law supplemented by private charity has remained their resource; and even the better-off and thriftier section of the working class have been driven to these agencies in case of prolonged illness. One result has been that workers have been under the necessity in many cases of pretending to be well when they have been ill, and of either damaging their health by working when they should have been lying up, or of signing on as unemployed and available for work in order to draw the higher payments available under the Unemployment Scheme. Such a situation is plainly indefensible.

There is a place for Friendly Societies and Trade Unions in supplementing State benefits; but the State benefit, as the Beveridge Plan fully recognises, ought to be

adequate at any rate for bare maintenance of the entire household. Nor is there any case for leaving sick persons who are not wage-earners out of the scope of the scheme. The housewife, as Sir William Beveridge points out, is in truth an "unpaid earner"; and if she falls ill the household income needs supplementing if a living standard is to be maintained.

Other "Occupied Persons"

Nor is there any good reason for leaving outside the scope of insurance against sickness or accident the large numbers of persons who work on their own account or as small employers and are in many cases hardly less subject to loss of income than employed persons. In this case, however, Sir William Beveridge has deemed it necessary to propose a compromise. Any contribution made on behalf of the independent worker or the employer will have to be paid entirely by the person concerned, as there will be no separate employer to share in the cost. This would mean a very high rate of contribution unless the State were to make an exceptionally large subvention. Sir William proposes, in order to meet this difficulty, that such occupied persons as are not under a contract of service shall be insured for cash disability benefit only in cases of prolonged disability, extending beyond 13 weeks. Medical services will, of course, be available for them from the beginning of illness; but they will receive cash benefit only if their disability lasts beyond the 13 weeks. Sir William adds, in defence of this compromise, that there would be difficulties in checking up on short illnesses in the case of persons who are not subject to a contract of service; and this would no doubt be true, unless they were members of a Friendly Society paying voluntary sickness benefit—which many of

them, but not the most needy, are likely to be. Incidentally, the provision of disability benefit for this class of occupied persons helps to fill what would otherwise be a very serious gap in the Social Security Plan. Workmen's Compensation is, by its essential character, available only to employees; and the provision of disability benefit thus secures the maintenance of victims of industrial accident or disease who cannot be brought within the range of compensation payments.

Old Age Pensions are a further case in which public provision is, or at any rate was until the wartime introduction of Supplementary Pensions in 1940, on a manifestly inadequate scale. Standard Pension under all the schemes in force in 1939 was only 10s. a week. The Act of 1940 revised these rates, subject to a means test in all cases, to 19s. 6d. for a single applicant and to 32s. for man and wife, when both were pensioners; and in 1942 these amounts were raised to 22s. and 37s. Even these sums are evidently too small for proper maintenance.

The difficulty about making proper provision for Old Age Pensions, from the political and economic point of view, has been from the outset (the rapidly rising annual cost of any scheme.) The increasing average age of the population necessarily means a rapid rise in the numbers of persons entitled to pensions, at whatever level the sum payable and the age of eligibility may be put. Actually, the age varies under different existing schemes. The age for receipt of a non-contributory Old Age Pension, subject to means test, remains where it was fixed in 1908, at 70 years of age. Contributory Pensions begin at 65 for men and at 60 for women, without means test. Blind persons' pensions begin at 40; and Widows' Pensions are paid under varying age conditions to different classes of widows. The cost of intro-

ducing an adequate all-round system of Old Age Pensions for the entire community would be exceedingly high; and this is the main part of the Beveridge Report which shows clear signs of a compromise adopted primarily, though not exclusively, on financial grounds. As we shall see, Sir William does propose a general system of Old Age Pensions on a scale broadly corresponding to the rest of his Social Security Plan. But he proposes to spread the introduction of this system over a period of twenty years, during which the cost will steadily increase, on account both of the rising number of pensioners and of the gradual raising of the pensions to a living standard corresponding to the other benefits included in his Plan.

Workmen's Compensation

Workmen's Compensation, the oldest of the cash payment Social Services outside the Poor Law, is also on a totally inadequate scale. In its present working it differs from all the other services in two essential respects. The entire cost is borne by employers, either directly or, commonly, by means of some sort of insurance; compensation is payable, not at a fixed scale but either by private agreement or by decision of a law court in each individual case; and there is, in place of a fixed scale, a "ceiling" in the form of a limitation of what may be claimed in cases of total incapacity to a proportion (normally one-half) of previous earnings, with a maximum of 30s. a week, *plus*, since 1940, a wartime addition of 5s. and a wartime children's allowance. Smaller amounts are payable for partial incapacity; and it is one of the worst features of the scheme that it allows settlements to be made for a lump sum in lieu of weekly payments. This often has disastrous consequences; for the injured workman, badly in need of

immediate funds and faced with the probability of long delay before he can get a satisfactory weekly payment, is under strong pressure to accept a lump sum in order to meet his urgent needs, and it is plainly to the interest of insurance companies to persuade him to take a lump sum whenever there is a prospect of his disability being prolonged.

In all other existing Social Services, payment is either at a flat rate or subject to a test of needs. In Workmen's Compensation alone are payments related to previous earnings; for the workman is being compensated for his loss of earning power, which differs from individual to individual. What is plainly necessary is to preserve the variability (without which the principle of compensation would disappear), but at the same time to ensure a basic sufficiency. This is what Sir William Beveridge has attempted to do, by making the injured workman entitled to disability benefit at a fixed rate equal to that of the other security benefits for a limited period of weeks, so as to allow time for the appropriate compensation to be adjusted, and thereafter providing for compensation on a varying scale according to the degree of incapacity and the loss of earnings involved. Sir William, as we shall see, also proposes to take compensation cases out of the ordinary courts of law; and it should be noted that the immediate provision of disability benefits and comprehensive medical service will remove the workman's need to accept a lump sum in place of a continuing weekly income.

(Summing up, we may note that the purpose of the Beveridge Plan is to cover all the main contingencies by means of clear and definite provisions for the maintenance of income, without any test of means, leaving the smallest possible residue to be covered by a system of National

Assistance, subject to a means test. Even this residue is, under the Plan, to be covered nationally and not locally; and the Local Authorities are to cease to have any connection with the administration of cash benefits of any kind. The Beveridge Plan is comprehensively national, and aims at making all the required benefits a matter of right, without means tests, as far as this can possibly be done. As against this, the existing social services are the most extraordinary mixture of contributory services providing benefits as of right for limited periods and often on an inadequate scale, and therefore needing supplementation in both duration and amount by other non-contributory services administered under a test of means. Nor is there any attempt at uniformity either in the benefits provided or in the tests imposed. Unemployment benefit is on one scale, and sickness benefit on a much lower scale. The one includes children's allowances: the other does not. Children's allowances are on different scales under different schemes—for unemployment, for supplementary pensions, and for workmen's compensation, for example. There are different means tests for different purposes—e.g., for non-contributory old-age pensions and for unemployment assistance and supplementary pensions. The existing arrangements are a chaos, resulting from piece-meal legislation and amendment over more than a generation, without the laying down of any guiding principles or the giving of any consideration to the adequacy or coherence of the Social Services as a whole. The idea of Social Security implies unification: it involves a properly co-ordinated system meant to cover all the main contingencies in a rational and humane manner. It is incumbent on those who object to the Beveridge Plan to produce an equally coherent alternative. What is certain is that the existing chaos cannot be allowed to persist.

III

THE PLAN AS A WHOLE

(The outstanding object of the Beveridge Plan is to provide as far as possible a unified system of income maintenance to cover needs arising from a variety of causes. Accordingly, instead of setting out to lay down a number of different rates of benefit, (Sir William bases his Plan on a uniform rate, which can then be supplemented or varied to meet special cases.) In laying down such a rate, he has first of all to decide whether to regard each individual separately or to consider the family as a whole, or to steer some middle course. He decides, in general, to deal separately with the question of children, and also with that of adult dependants, but to treat man and wife together for most purposes, while making special provision for divorce or separation and for widowhood.) Thus, the standard rate of benefit which he proposes is meant to meet the needs of a man and wife living together, and is to be supplemented by allowances for children and other dependants.)

It will be seen that Sir William Beveridge has rejected the policy, embodied in many foreign Social Insurance schemes, of making both contributions and benefits vary with the wages of the workers. In this, I feel sure that he is right. He sets out from the idea of a National Minimum, which the State is to ensure as far as possible to everybody, in all the contingencies of life.) This involves a large contribution from public funds to the cost of the Plan. But the State cannot, in fairness, contribute more to those who have high than to those who have low earning power. To do so would be a contradiction of the National Minimum principle. If the higher-paid earners wish to secure for themselves larger benefits than are provided under the Plan,

as they reasonably may, they should be left to do this, through Friendly Societies and Trade Unions, by the method of voluntary insurance. [The State's concern is to prevent want; and that is best done, save in the exceptional case of Workmen's Compensation, which raises different issues, by keeping both benefits and contributions at a flat rate.]

As we have seen, Sir William is not in a position to lay down in terms of shillings and pence what the standard rate of benefit ought to be. Nobody knows at what level prices will settle down after the war, or when they will settle down at all. [Therefore, all Sir William can do is to put forward a rate related to an assumed price-level,] on the understanding that the actual rate will have to depend on the post-war cost of living. [The rate he proposes is 40/- a week, for man and wife, to cover all requirements, including rent, which, as we shall see later, presents a problem of peculiar difficulty. For single persons the proposed rate is 24/- for adults; 20/- for those between 18 and 20; and 15/- for those under 18 but not covered by Children's Allowances. For the Children's Allowance the rate proposed is 8/- a week, after taking some account of the cash value of school milk and school meals.]

The first thing to notice about these rates is that no distinction is drawn between the sexes. [Sir William in his Report examines carefully the alleged differences between men's and women's income needs, and comes to the conclusion that they are not of any importance except in respect of food, and in relation to the cost of living as a whole are not large enough to make it desirable to pay different benefits. Differences between men and women do remain under the Beveridge Plan, in special cases; and some of these special cases are of great importance. We shall come to

them later. [But the basic rate of benefit in unemployment and disability alike is to be the same for both sexes.]

This will surprise some people. But the truth is that the differences under the existing schemes are mainly due to the wide gap between men's and women's wages, and not to differences of need. Sir William, setting out from the conception of a National Minimum adequate to cover needs, ignores this difference of wages, as he must do if he is not to be false to the principle from which he has set out.

The Six Classes

—To whom are these basic rates to apply? And under what circumstances are they to be paid? [Sir William divides the persons affected by his proposals into the following six classes:—

✓(i) Employees working under contracts of service. (This includes salaried as well as wage-earning employees, without any income limit.)

✓(ii) Other gainfully occupied persons. (This includes all employers, as distinct from salaried managers, and also all persons working on their own.)

✓(iii) Housewives of working age (i.e., housewives not gainfully employed, and below pensionable age.)

✓(iv) Other persons not gainfully occupied of working age. (This includes both persons living without work on independent incomes, and persons disabled from working from any cause.)

✓(v) Persons below working age (i.e., below the school-leaving age, wherever it may be fixed).

✓(vi) Retired persons above working age (i.e., not including persons of pensionable age who continue to work.)]

The Beveridge Plan thus extends far beyond the existing range of the Social Insurance and Assistance Services, and touches at one point or another every man, woman and child in Great Britain. [The six classes just enumerated cover between them the entire population.] No one, however, wealthy, is left out, and the exemptions provided for in the existing social insurance schemes are swept away.

In the accompanying Table II, I have tried to set out as clearly as I can the forms of provision made for each of the six classes under the Beveridge Plan. [The Table omits Medical Treatment, which is made available in all its forms for the whole population without any exception. Funeral benefit is also made available for everybody. Retirement Pensions, too, will, when the Plan has had time to come fully into operation, be available for everyone who reaches the appropriate age, irrespective of income or social category; but in this case, owing to the high cost and to the need not to cancel all advantages to those who have been contributing substantially towards such pensions over a number of years, the full application of the Plan is deferred, and the new Retirement Pensions will not become available at all for ten years after the start of the Plan, or for twenty years at the full rates proposed.] Even thereafter there will remain differences in the rates paid for a further period, according to the dates at which pensions were first drawn by the recipients. On the other hand, for those already insured for pensions, the Plan will come into force at once, and every pension will be gradually scaled up to the full rate over the twenty-year period. In the meantime, all existing rights will be safeguarded: so that, though many may gain, no actual pensioner will lose as a result of the amendments proposed.

✓ The remaining benefit which will in practice apply to

every adolescent or adult is Training Benefit; for though no special provision is made for it under Class i, employed persons, these persons will in practice be able to get training while receiving other benefits, such as Unemployment or Disability Benefit.

These two benefits cover a substantially narrower section of the people. [Unemployment Benefit is, by its very nature, limited to Class i, employed workers; and Sir William Beveridge further proposes to make it voluntary, instead of compulsory, for married women who continue in employment.] The same restriction applies to married women's claims to Disability Benefit. Under the Beveridge Plan, a woman who marries will receive a Marriage Grant based on her compulsory contributions before marriage, and will not thereafter be compelled to pay any contribution, even if she remains at work. She will, however, if she resumes work after marriage, be entitled to contribute voluntarily if she so desires, and such contribution will entitle her to receive benefits, but at a lower rate. [The reason for this differentiation in rate is that the married women's earnings are supposed to be subsidiary to her husband's; and it is argued that, if she falls out of work or ill, the resulting loss of income is less serious to the household, in that the greater part of the rent and running expenses can be assumed to be covered by the husband's earnings.] Even if the married woman decides not to become a voluntary contributor, she will receive, by virtue of her husband's contribution, Maternity Grant, as well as the right to a Widow's or Retirement Pension, whether she continues to be gainfully occupied or not; and housewives who continue to be gainfully occupied will also receive a special Maternity Benefit for 13 weeks. Only Unemployment and Disability Benefit will, in the case of married women whose

TABLE II.—CASH BENEFITS UNDER THE BEVERIDGE PLAN

Funeral Benefit (all classes)	£20 for adult; £15 between 10 and 21; £10 between 3 and 10; £6 under 3.
Disability Benefit (classes i & ii)	24/- for single adult, plus 16/- for wife or adult dependant; 40/- for married couple; 16/- for gainfully occupied woman; 20/- for single person between 18 and 21; 15/- for boys and girls between 16 and 18. Waiting period of 3 days unless disability lasts for at least 4 weeks.
Industrial Disability Pension (class i)	Varying rates, subject to maximum of 60/- a week.
Unemployment Benefit (class i)	Same as Disability Benefit.
Training Benefit (classes ii, iii & iv)	Same as Disability Benefit, but limited to 26 weeks.
Maternity Benefit (classes i & ii)	36/- a week for 13 weeks.
Maternity Grant (classes i—iv)	£4:
Marriage Grant (classes i & ii)	£1 for each 40 contributions paid, up to £10.
Widows' Benefit (for those under 60)	36/- a week for 13 weeks (subject to safeguarding of existing rights).
Guardian Benefit (for widows, etc., under 60 with dependant children)	24/-, subject to deduction for earnings.
Children's Allowance	8/- after first dependent child. For first child also when parent is unable to earn.
Retirement Pensions (after 20 years)	(for men at 65 or women at 60) single persons 24/-, married couple 40/- (irrespective of age of wife) but dependent on her not being gainfully occupied. Rates to be increased by 1/- and 1/- respectively for every year for which retirement is postponed beyond the statutory age.
Retirement Pensions (transitional)	(A) Persons already insured for pension. Rates rising from 14/- (single) and 25/- (joint) in first year to full rates over 20 years by 2-yearly increments of 1/- and 1/6d. (B) Persons not at present insured. No Pensions till 1954. Then at 14/- and 25/- as above, but rising to full rate only after payment of 20 years' contribution.
National Assistance	As required to fill gaps, subject to test of needs.

husbands are gainfully occupied, be dependent on the continuance of contribution on a voluntary basis.)

Disability Benefit in general will be of unlimited duration, but will apply without restriction only to persons in Class i. The employer or independent worker will not

become eligible unless his disability lasts for more than 13 weeks. On the other hand, the workman in Class i who is a victim of industrial accident or disease will draw ordinary Disability Benefit for the first 13 weeks after his accident, and will thereafter be transferred to a special Industrial Disability Benefit or Pension, replacing the present arrangements for Workmen's Compensation, but providing like them for varying rates based on previous earnings, but on a more generous scale. For total disability, the rate will be based on two-thirds of average earnings, subject to a maximum benefit or pension of £3 a week.]

✓ In the case of Children's Allowances, it is to be noted that whereas in general no allowance will be paid for the first dependant child, when the principal earner of the household is in a position to earn his normal income, this restriction does not apply when the earner is out of work, or sick, or disabled in any way. In all such cases, an allowance will be payable for the first child as an addition to the rate of benefit which the parent is entitled to receive. This applies, of course, also in the case of Guardian Benefit, payable to widows with dependent children and to pensioners where they have dependent children under their care.

One benefit which I have omitted from the table is the provision to be made for Blind Persons, who are at present eligible for non-contributory pensions at 40, under the same means test conditions as apply to non-contributory Old Age Pensions, and can also be given cash allowances by Local Authorities under the Blind Persons Act of 1938, again subject to a test of means. In this instance, Sir William Beveridge recommends that the entire responsibility for maintenance of the Blind should be transferred to the proposed Ministry of Social Security; but he does not put

forward any definite scheme, merely advising that a new scheme be worked out between the new Ministry, the Local Authorities, and the voluntary agencies which concern themselves with the welfare of the blind. It is a curious omission in his Report that he makes no parallel recommendation in the case of the Deaf; for though their handicap may be in most cases less, it is undoubtedly serious enough to call for special provision.

In Table II, I have tried to set out, as far as is possible in a few words, the various benefits provided for under the Beveridge Plan, together with a few of the essential conditions. This Table omits any detail about National Assistance, as no definite scales or conditions are laid down for this residuary form of benefit, which is meant merely to fill in the gaps in a Plan designed to cover nearly all the contingencies calling for cash payments.

IV

FAMILY PROBLEMS

It is a commonplace that, under the existing conditions of living, the problem of poverty is much more pressing in the case of the larger families. The wage system pays no regard to the number of a man's or woman's dependants, because it is based on payment for work done and not on the needs of the worker. Social Insurance has been compelled, ever since 1921, to make some provision for dependants in the case of the unemployed; but there are still no children's or other dependant's allowances attached to health benefit, and allowances have been given under Workmen's Compensation only as a special war measure. Even if such provision were to be made under all the existing schemes, the fact would remain that [the normal wages of a large

proportion of the wage-earners and of not a few independent workers and small employers are inadequate to maintain families, even in face of the sharp decline in the birth-rate in recent years.

Children's Allowances

On this ground, the case for a State scheme of Children's Allowances has found wider and wider acceptance. For some time many Trade Unionists opposed the idea, for fear of adverse reactions on wages. This fear, though valid against schemes which would put the cost of Children's Allowances on the employer, by making the allowance part of the wage, was never really valid against a scheme to be financed out of general taxation; and the Trades Union Congress, as well as the Labour Party, has now given support to the project, in this latter form. There is no room, in this pamphlet, to argue the case, which needs no further demonstration than it has received already. Every study of poverty, up to and including Mr. Seebohm Rowntree's latest survey of conditions in York, plainly shows that a very high proportion of all primary poverty would be prevented if the essential costs of maintaining children, instead of falling on the parents, were redistributed by taxation over the community as a whole.

Earlier this year, the Chancellor of the Exchequer issued a White Paper analysing the cost of various alternative State schemes of Family Allowances. This showed clearly that the problem was regarded as having entered the field of practical politics, and that the Government was seriously considering the adoption of a plan. The chief outstanding question was whether allowances should be paid in respect of all children, or only in the case of the larger families. The cost was naturally very much higher, at any

given rate per week, for an inclusive plan than for one limited to the second or third child ; and the idea of limiting payment to the larger families was therefore financially attractive. There was, in addition, the point that a limited scheme might make politically practicable the payment of a more adequate allowance than would be given for all children.

[There was a further question whether Children's Allowances should be at a flat rate per child, or should vary with the number of children in the family.] Some argued that, as the needs were greatest in the bigger families, the rate ought to rise with the number of children ; whereas others said that the cost of maintenance per head actually fell as the number increased. The truth probably is that cost per head does fall, but that the difficulty of meeting even a falling cost becomes greater ; so that, unless Children's Allowances are to be on a scale adequate to cover the entire cost, the advocates of a rising rate have the better of the argument. [Given a just adequate scale, a flat rate is probably best.]

It has, of course, to be borne in mind that, under almost all the plans proposed, allowances will be paid only in respect of dependent children. [This is generally defined as meaning children below the school-leaving age, whatever it may be, as this is the normal age of entry into employment. It is sometimes urged that rates of allowance should vary for children of different ages ; but here again it is impossible to find any agreed principle of variation, and a flat rate seems best.] It is a further question whether allowances should be continued for children remaining at school beyond the leaving age, or whether they should be dealt with entirely by scholarships and maintenance allowances

under the Education Acts, by income tax rebates, and by similar methods.

[The Beveridge Plan envisages a Children's Allowance available for all children except the first dependant child in any family, irrespective of the parents' status or income. Allowance for the first child, as we have seen, will be payable as a supplement to benefit whenever the parent is not in a position to earn a normal income, and is eligible to receive benefit. [The omission of the first dependant child, subject to these exceptions, enables Sir William Beveridge to propose a rate of allowance higher than would otherwise have been likely to prove politically acceptable.] He calculates that a reasonable average for the cost of maintaining a child, at the assumed level of prices, would be 9s. a week. From this he deducts 1s., on account of the assumed provision in kind of school milk and school meals, thus arriving at a suggested allowance of 8s. It should be observed that in laying down this figure Sir William is in effect postulating both that the provision of school meals will continue after the war, and that it will be made universal—which is still far from being the case.

The Housewife

[The children are thus provided for, under the Beveridge Plan, not by insurance, but by a scheme of Children's Allowances financed out of the proceeds of taxation.] The remaining "household" problems which the Plan has to meet are those of the housewife, including maternity, and those arising out of the extraordinary discrepancies between the rents paid by households of approximately the same means. The special problems affecting housewives have been largely dealt with in the preceding chapter. As we have seen, Sir William regards the married women as con-

stituting in effect a separate class, whether they supplement their husbands' earnings or not. Wherever possible, he treats man and wife as a unit for payment of benefits, and he justifies a rate of contribution higher for men than for women (though in general benefits are equal for both sexes) on the ground that a part of the man's contribution is to be regarded as helping to pay for the benefits accruing to women after marriage.)

[The married woman, as such, is not therefore made a contributor to the Social Insurance scheme. If she goes on working, she can become a voluntary contributor if she likes; but the benefits she will get in case of unemployment or disablement will be lower than those paid to single woman] because she is regarded as a member of the household and therefore as sharing in her husband's earnings. On the other hand, she will get, whether she contributes or not, a Maternity Grant, and will be entitled to Widows' or Guardian Benefit or to Pension under the conditions laid down. She will also, if she continues to work after marriage, be entitled without further contribution to Maternity Benefit for 13 weeks, in order to enable her to stay away from work for a reasonable period before and after her child is born.)

The Rent Problem

[The rent difficulty is perhaps the most intractable of all those with which Sir William Beveridge was called upon to deal. On theory, the rents paid by families ought to correspond broadly to their means, modified by the need of the larger families for additional accommodation. In fact they do no such thing.] The large families often live under grossly overcrowded conditions, because they can afford no better. Nor is this all. There has been no free

market in rents ever since the last war, and State policy has oscillated between relaxing and tightening the control of rents imposed by legislation, and also in giving larger or smaller or no subsidies in aid of new houses built by Local Authorities or by private builders. In addition, some areas have rent rebate schemes, which adjust the rents paid on Council estates to the means of the tenants, whereas other areas have no such schemes. Finally, some people, especially agricultural labourers, live in "tied" houses let at definitely non-economic rents; and rural rent levels are generally below an economic level (often for very bad housing) even when the cottages are not tied.

[This situation has continued largely because there has been over a large part of the country a serious shortage of houses, or at all events of houses to let at rents which ordinary working-class tenants can afford to pay. The consequence is that the proportion of their incomes which working-class families spend on rent very often depends not on any choice of their own, but on sheer necessity. Some have the advantage of cheap, but often bad, rent-controlled houses from which they dare not move for fear of having to pay more than they can afford; while others must rent, or even buy by instalments, houses too dear for them because there is no other accommodation to be had.

[In face of these discrepancies, it has been necessary in administering services under the Assistance Board, or Public Assistance, to regard rent as a separate item in the calculation of needs and, subject to certain maxima, to meet the actual rent charges of the claimants. [This has meant giving widely differing sums to households whose needs, apart from rents, have been the same, and even subsidising rents which afford accommodation above the minimum standard on which the allowances given for other purposes

are based. If this had not been done, many claimants would have had to spend on rent the sums needed for food and clothing, and destitution could not have been prevented.]

- [The problem that faced Sir William Beveridge was whether or not to treat rent as an addition to the cash benefits to be provided under his Social Security Plan, and to continue to supply a variable rent allowance, based on
- the actual rents paid. He decided not to do this, though he was very well aware of the difficulties such a decision must involve.] In 1938, of the applicants for Unemployment Assistance, nearly 10 per cent. in England and Wales and over 30 per cent. in Scotland were paying less than 5s. a week in rent, whereas over 7 per cent. in England and Wales and less than 1 per cent. in Scotland were paying over 15s. In London over one-third of all the applicants were paying over 15s., and nearly 11 per cent. over £1. [In face of such differences, how can anyone estimate the sum which ought to be included for rent in a total amount designed to provide a National Minimum of Social Security? Obviously, no one can.]

Nevertheless, Sir William was so determined to procure the advantage of a flat rate of benefit corresponding to a flat rate of contribution that he decided to cut the Gordian knot by fixing [a quite arbitrary figure of 10s. a week for a household and 6s. 6d. for a solitary individual, with merely a recommendation that the possibilities of regional or occupational differentiation in both benefits and contributions should be further examined. The proposal to adjust benefits according to rents actually paid he rejected outright.]

The final reason behind this rejection is that the extreme anomalousness of the rent situation is due to causes

which ought to be removed rather than perpetuated by giving them recognition under the Social Security Plan. In effect, what Sir William is saying is that the State ought, quite apart from questions of cash benefits, to tidy up the rent tangle, so that grossly unequal sums will no longer be payable for accommodation of equal value, and so that tenants will be able to choose their housing with more regard to their incomes as modified by the introduction of Social Security in and out of work. If there are to be rent rebates or subsidies at the public expense, they ought to be more uniform; unreasonable differences for rents of new and old, publicly and privately owned, houses ought to be swept away; in fact, there ought to be a comprehensive measure of rent reform.]

I agree; but is such a settlement of the rent question likely in time to ante-date the coming into operation of the Beveridge Plan? It does not seem likely; but unless this does happen it seems clear that there will have to be at any rate some transitional method of meeting the vast differences in rent which families will be called upon to pay. It must not be forgotten that the poorest families pay out in rent the highest proportion of their total incomes; so that any abnormally high rent presses on them with exceptional severity. Presumably the special payments in aid of rents which will undoubtedly be needed until the whole rent situation is tidied up will have to be made, under the Beveridge Plan, in the form of National Assistance, subject to a test of needs. But this is not a lasting solution. The real solution lies outside the scope of the Beveridge Report, and is involved in the general issue of post-war housing policy.]

V

MEDICAL SERVICES

The provision of a comprehensive public Medical Service for the entire population, including specialist services hospital and other institutional treatment, and thorough rehabilitation whenever it is needed, is what Sir William Beveridge calls "Assumption B" of his Report. That is to say, he regards such a service as essential, and recommends that the necessary steps be taken to bring it into being; but he does not regard it as falling within his province to say how it ought to be organised. Accordingly, he makes no definite proposal either for a continuance of the panel system or for a salaried State Medical Service; nor does he pass judgment on the recent proposals of the Medical Planning Commission of the British Medical Association for local Health Centres, from which would operate groups of co-operating doctors with the aid of laboratory and specialist services, and in close touch with hospitals and medical institutions of all kinds, organised under a regional system. Sir William does not say either that the Voluntary Hospitals should, or that they should not, be taken over by the State; nor does he say in so many words whether either general practitioners or specialists or institutions are still to make charges to any of the patients, either absolutely or subject to any test of means. He leaves all these questions open, with a recommendation that they be promptly investigated by the Government in consultation with the various bodies and persons concerned.

Nevertheless, the Beveridge Report does, to a certain extent, pre-judge some, though by no means all, of these issues. In laying down that there must be a completely comprehensive Medical Service available for every citizen,

and that no one must be prevented from making full use of this service for lack of means, Sir William is postulating a unified system designed to serve everybody,] irrespective of class, and not only the 90 per cent. of those occupied covered by the panel system or the ten million or so wage-earners covered by contributory Hospital Schemes on a voluntary footing. [Moreover, in proposing that a substantial contribution towards the cost of this comprehensive Medical Service shall be included in the unified Social Insurance contribution, Sir William is going a long way towards laying down that the entire service ought to be open to everybody without any further payment.] He does, no doubt, suggest that, as Disability Benefit has been fixed to include the cost of food, the patient in an institution *might* (not "should") be called upon to pay a boarding fee of not more than 10/- a week towards the expenses of his maintenance. He does also say that he does not exclude the payment of fees to private practitioners in the same way as well-to-do people pay fees for education instead of sending their children to State schools. [But he is manifestly doubtful whether there would be room for private medical practice under his Plan] and it seems clear that the Voluntary Hospitals could not maintain themselves without a State subvention if the £6,500,000 they at present derive from voluntary Hospital Scheme contributions were absorbed into the general Social Security Fund. Of course, it might be thought desirable, even so, to pay for the preservation of the Voluntary Hospitals. On that, Sir William expresses no opinion. Nor does he discuss the vexed question of "choice of doctor": he leaves all such matters over for subsequent investigation. [His Plan is, however, unequivocally a plan for a comprehensive service open to all; [and it seems clear that, as everyone is to contribute compulsorily towards the cost, it

will be impracticable to exact any further charge, except perhaps a small boarding fee and payment for "extras," if such luxuries as private wards are permitted to survive. He is emphatic on the point that the comprehensive service which he recommends must include dental and ophthalmic treatment—the former as a plain necessity in the interests of the nation's health, and the latter as a service highly desirable in the interests alike of industrial efficiency and of private well-being. He argues, however, that in the case of appliances needed in connection with these and with surgical services, the recipients can reasonably be called upon to meet a part of the cost. This is proposed mainly on the ground that a charge is necessary in order to ensure careful use. But Sir William goes on to say that "it would be anomalous to require compulsory contributions for special and subsidiary purposes, if the main services were non-contributory." Beyond this, he does not explain his meaning. In effect, he leaves the matter open.

The extent to which dental and to a smaller extent ophthalmic treatment have been demanded and supplied by the richer Approved Societies under the Health Insurance Scheme shows that Sir William is right in believing that the public wants these services included in a unified Medical Service. Appliances also are sometimes included; but the supply of surgical aids, largely organised through a number of voluntary bodies, is one of the most unsatisfactory parts of existing medical provisions. It is of great importance that the whole problem of the supply of appliances should be dealt with on a comprehensive national basis.

Rehabilitation Service

Rehabilitation is partly a medical, and partly a post-medical, problem. (Sir William Beveridge deals with it

only in passing because, as he says, it was being considered simultaneously by the Ministries of Health and Labour in connection with the problem of disabilities arising out of war service. He is, however, insistent on the need for a thorough provision [continuing from the medical through the post-medical stage till the maximum of earning capacity is restored," and for making such a service available to every disabled person irrespective of the causes of his disability.] In this connection he recommends the payment of Rehabilitation Benefit, at the same rate as the Training Benefit already described, but does not include this in his main Plan because he regards it as a matter to be worked out in co-operation with the departments responsible for the Rehabilitation Service as a whole. He does, however, add that both Training and Rehabilitation Benefits should be accompanied where necessary by allowances for removal expenses and by lodging allowances for those having to live away from home during treatment. He also suggests that a part of the cost of the Rehabilitation Service might reasonably be levied on the specially hazardous industries, as an addition to the special levy in aid of Industrial Disability Benefit, proposed elsewhere in his Report.]

We have seen already that the Beveridge Plan does not make detailed proposals for the care of the Blind, and makes no special proposals to deal with the Deaf. These two questions, which are closely allied to the question of Medical Services discussed in this chapter, must therefore be regarded as referred, together with the other matters which the Report leaves unsettled, to the further enquiries which Sir William advocates. It is plainly of the first importance to ensure that these enquiries, which are essential to the Plan, shall be set on foot with full Government authority without any delay.

VI

PENSIONS AND COMPENSATION

Old Age Pensions are already by far the most expensive of all the Social Services, and bound to grow much more expensive as the number of old persons in the population rises. Taking the pensionable age at 65 for men and 60 for women, we have this situation or something not far off it to face. In 1901 only just over 6 per cent. of the population was above these ages; in 1941 the proportion had risen to 12 per cent.; and by 1971 it looks like being nearly 21 per cent. We have thus to face the prospect in the not very distant future of needing to pension off one person out of every five, even after making some allowance for those who go on working past the normal retiring age. This is a serious prospect, which in the short run nothing can materially alter. In the long run, it may of course be changed very greatly, if the birth rate rises again to a consistently higher level. But in the meantime, we have to deal with the facts as they are.

The position is aggravated by the inadequacy of the pensions which are being paid under the existing scheme. It is necessary to reckon, not only with a rapidly rising number of pensioners, but also with a greatly increased pension per head. We have seen already how Sir William Beveridge proposes to cope with this intractable problem by spreading the charges which he thinks necessary over a period of twenty years, during which pensions will be gradually raised in amount for those already eligible for them, and introduced at lower rates for those who are not at present provided for. Opinions will differ about the desirability of this long spread-over in the face of the immediacy of the need; but in all probability the financial argument will carry the day, reinforced as it will be by the claim that those who have been

contributing for pensions in the past ought to be substantially better treated in the future than those who have not contributed.

It must, however, be realised that a considerable part of the proposed difference in treatment is bound to be illusory. Acceptance of the idea of a National Security Minimum involves that individuals cannot be left in want, merely because to relieve their wants will put them more on a parity with others who, voluntarily or compulsorily, have put something by for their old age. (Sir William Beveridge recognises that the gradualness with which his full pension plan is to come into force involves that during the period of transition pensions will have to be granted or supplemented on a large scale out of National Assistance, which will take over in this respect the functions hitherto performed by the Assistance Board and the Public Assistance Authorities. These grants will differ from the pensions provided in the full Social Security Plan in that they will be subject to a Means Test. But it will be impracticable to make this test very onerous, or to differentiate substantially in most cases between the amount of pension granted to those who have qualified by contributions and the amount to be allowed to those who have not.) The effect will be that the uninsured who have other sources of income will not get pensions till the full scheme comes into force; but the money-saving is not likely to be nearly so large as appears on the surface of what is proposed.

The question of Widows' Pensions raises somewhat different issues. Perhaps the one instance in which the existing Social Insurance Scheme is unduly generous is in the treatment of those who are left widows fairly early in life without dependent children. There is really no good reason why a youngish woman who finds herself in this posi-

tion should be pensioned off largely at the public expense : for the State needs her services as a producer, and she ought to be ready to work for her living as much as anybody else. It is not sound sense or good economy to provide her with a public dowry for the endowment of her second household, or to enable her to live by merely eking out her pension with casual work. There is a strong case for providing pensions at any age for widows with dependent children to support, for as long as the need continues, and for providing all widows with a temporary pension immediately upon their husband's decease, supplemented where desirable by Training Benefit for long enough to enable them to equip themselves for earning their own living.

All these things, we have seen, the Beveridge Plan includes. Every widow will be entitled to benefit for 13 weeks, not merely at the standard rate, but at 50 per cent. more. Every widow will, as long as she has dependent children, be entitled to Guardian Benefit at the standard rate, subject to adjustments for her own earnings. Every widow will be able to draw Training Benefit for a long enough period to fit herself for a resumption of earning. Every widow who is disabled from working will be entitled to Disability Benefit. Beyond this, Sir William argues, it is not for the State to go, until the widow reaches the normal retiring age. More than this is a matter for voluntary, not for compulsory, insurance. But, of course, when the State has already gone further, by granting unconditional pensions to widows, it is necessary to safeguard existing rights.

2 Apart from old age and widowhood, the two causes giving rise to pension claims are disablement by disease, and disablement by accident. Actually, in the Social Security plan the line of distinction has run not between disease and accident, but between diseases and accidents of industrial

origin, at present merely covered by Workmen's Compensation, and other diseases and accidents. Both grants, when they involve prolonged or permanent disablement, clearly call for public provision on an adequate scale.] But, both for historical and for other reasons, the methods of making this provision differ. At present, in case of accident or scheduled industrial disease, the onus of payment is on the employer, where there is one: in other cases, and where there is no employer, the only resource at present is to the Public Assistance Authority.

[The Beveridge Plan, as we have seen, makes available for every occupied person a Disability Benefit or Pension to cover all cases of prolonged or permanent disablement. Where there is no employer, or where the disease or accident is not recognised as occupational, this benefit or pension will be payable at the standard rate out of the general Social Security Fund. Where, however, the disablement is of occupational origin and the sufferer has been in employment up to its onset, a different principle applies, as pension or benefit is no longer payable at a flat rate (except during a preliminary period of 13 weeks) but at a rate dependent on previous earnings.] In effect, as under the existing law, but more generously, the sufferer is to be compensated for his loss of earnings, not in full, but up to certain limits—two-thirds of earnings, up to a maximum pension of £ 3 per week. Moreover, as certain industries are much more liable than the great majority to be responsible for accident or occupational disease, firms in these industries are to be made subject to a special levy to meet, not the whole, but a considerable part of the excess cost of compensating those employed in them.] The Government Actuary, in the note which he appends to the Report, puts the cost of compensation in the hazardous industries (especially mining and sea-

faring) at over £ 10 millions a year under the Beveridge Plan, whereas he puts the cost for all other industries and occupations at less than £ 5 millions. He goes on to show that under the Plan the non-hazardous industries will be paying a subvention of over £ 1½ millions in aid of compensation in the hazardous industries, while the employers in these industries will be called on for a special contribution of over £ 5 millions. This special contribution raises no new principle. At present most employers cover their workmen's compensation risks by insurance, either on a mutual basis or through ordinary Insurance Companies. Naturally, the premiums are higher in the hazardous industries than elsewhere. If, [under the Beveridge Plan, the employers' contribution will rise to some extent, that is because the benefits and pensions proposed will be on a less niggardly scale than hitherto.]

No Lump-Sum Payments

[A vitally important feature of the Beveridge Plan for dealing with Workmen's Compensation is the total abolition of lump-sum payments,] which have been hitherto a frequent means of depriving the workman of his rights. [Only when Medical Treatment in all its forms is available without special charge and when, in addition, disability benefit is payable promptly week by week from the date of the accident, can the injured workman be in a position to resist pressure to accept a lump-sum payment] very possibly before the full extent of his injury is known. But, as soon as he is placed in this more favourable position, the need for lump-sum payments disappears. Social Security provides him, not with a capital sum, but with an assured income for as long as his disability lasts. It is true that he can no longer have a lump-sum wherewith to set himself

up in a shop, or in some other trade he can hope to practise despite his disability] But is not that a thoroughly good thing? Too many people have sunk their lump-sum payments in a stock-in-trade, only to fail in business and be flung back into destitution. [If the State wishes to provide disabled men with the means of setting up on their own, it should do this as part of its Rehabilitation Service, and quite apart from any compensation due to them for industrial accident or disease.]

[Finally, Sir William Beveridge proposes to take compensation cases out of the ordinary law courts, and to have them dealt with by special machinery.] He proposes that there shall be a special enquiry into the question of amending the existing common law liability of employers in cases of accident due to negligence of the employer or his agent. [an important matter, because there is not under the Common Law, as there is under the Workmen's Compensation Acts, a limit to the amount that can be recovered by or on behalf of the victim. It is of course, to be understood that, under the new Plan, as at present, compensation payments will be available in case of death to the dependants of the victim.]

Workmen's Compensation is one of the cases in which the Beveridge Plan will involve large-scale revision of settlements already made. The Report does not enter fully into these problems; and it is impossible to discuss them here. But clearly workmen in receipt of disability payments on account of past accident or incidence of industrial disease need the higher scale of benefit and pension fully as much as those whose suffering is still to come. There ought also clearly to be means of reopening settlements made in the past by means of lump sums. These are exceedingly thorny

questions; but Sir William recognises that a solution of them will have to be found.

VII

THE APPROVED SOCIETIES AND INDUSTRIAL ASSURANCE

One of the most vital proposals of the Beveridge Report is that the system of administering Health Insurance through Approved Societies should be given up, and that the task of administration should be taken over directly by the State. There are two main reasons for this change. In the first place, the indirect system of administration is unduly expensive, and it is obviously uneconomic to run one part of a unified plan of Social Insurance through separate Approved Societies while the rest of the Plan is being run directly by the State. Secondly, the system of Approved Societies as Sir William Beveridge points out, is inconsistent with the policy of the National Minimum on which his Report is based. The essence of the Approved Society system is that benefits differ from society to society, despite the uniformity of contributions. Some societies are able to afford to pay considerable additional benefits over and above the statutory minimum, whereas others pay few or none. It may be said that the insured persons have only themselves to blame if they do not transfer to the better societies; but the evidence is overwhelming that only a tiny proportion of the insured public exercises any real judgment in deciding what society to join, and it is a fact that the public officials are precluded, by the relations between the societies and the State, from recommending one society as preferable to another. It is an incontrovertible fact that the State, by doing away with the

Approved Societies, can give the insured persons a greatly improved, as well as a uniform, return for what they pay.

✓ [This is not because the Approved Societies are run for profit ; for they are, by law, non-profit-making bodies. It is because their expenses are too high. [The State, directly administering a unified scheme, will be in a position to keep expenses down to the lowest possible point, to deal with all claimants on the same terms, and to run the whole system more humanely as well as with greater efficiency.]

✓ [The case for doing away with the Approved Societies is conclusive in itself. But the question is closely bound up with another—the future of Industrial Assurance as a whole.

[There were in 1939 no fewer than 103 million industrial assurance policies actually in force in this country—nearly two and a half per head of total population. The greater number of these policies were policies of funeral insurance or small life insurance policies ; the rest were mainly endowment policies under which small payments were made in return for a deferred lump sum.] There has been an enormous growth of both types of business in recent years—especially of endowment policies, which have been actively pushed by the insurance companies and collecting societies as funeral insurance has come nearer saturation point. In 1939 the industrial assurance industry employed 65,000 full-time house-to-house collectors, as well as several thousand part-time agents. It had a premium income of over £ 74 millions, and its costs of administration amounted to £ 24 millions, *plus* £ 1½ millions dividends to shareholders, and over £ 1½ millions paid in taxes to the State. The sum raised in premiums was equal to that which would have been raised by a weekly contribution from every insured person of 1s. 10d. a week for a man and 1s. 9d. for a woman.

✓ [The costs of this system were ridiculously high. Of •

every £1 paid in by the insured, only 12s. 6d. on the average came back to them in benefits, the rest being absorbed in the expenses. Again and again, the monstrous iniquity of this extortion has been exposed; but nothing has been done about it, partly because of the strength of the profit-making interests involved, and partly because the 65,000 collecting agents are feared, rightly or wrongly, as a formidable body of canvassers whose hostility might be fatal to any Government that dared to provoke their resentment.

The work of Industrial Assurance is mainly in the hands of two kinds of bodies—profit-making Insurance Companies and Collecting Societies. The latter, which are nominally non-profit-making bodies, are in effect owned by their agents, mainly under a system of "purchase of books" which makes the right to collect premiums a form of property-ownership. Neither type of body is in any respect under any real control by the persons insured.

An Industrial Assurance Board

Sir William Beveridge proposes to deal with this abominable scandal in two ways. In the first place, he proposes to include Funeral Benefit for all among the regular benefits provided in his unified Social Security Plan. Secondly, he proposes that the State shall transfer the entire business of Industrial Assurance (and therewith the exclusive right to employ collecting agents) to a public Industrial Assurance Board, which will be able to run the whole business much more cheaply and fairly in the depositors' interests. This body, taking over existing policies and as many of the agents as are needed (and compensating or finding alternative jobs for the rest), will afford ample scope for all the voluntary assurances the public may wish to effect by way of supplementing the Social Security Plan, but will steer clear of the scandal of pushing insurance

on ignorant people merely in order to make business. This "pushing" of industrial assurance policies has its inevitable effect in the existing enormous proportion of lapses, or of policies which in one way or another fail to reach maturity. On the average of the years 1937-39 more than two-thirds of all the policies issued were subject to such failure. [Nearly 40 per cent. actually lapsed and over 14 per cent. were made free of further contributions for reduced sums; and more than 13 per cent. were surrendered for cash before maturity. This is a sheerly lunatic system; and the case for putting Industrial Assurance in the hands of a body which has no interest save that of the insured, and no motive for "pushing" business for its own sake, is absolutely overwhelming.]

This matter is closely connected with that of the Approved Societies, because a large proportion of the Approved Societies are controlled by the same agencies as conduct Industrial Assurance. [There are, however, other agencies of a more reputable character in the Approved Society field. These are the great Friendly Societies with branches all over the country, and the Trade Unions. These bodies are distinguished from the Insurance Companies and the Collecting Societies in that they do not employ agents, and further in that they conduct a large amount of fully legitimate sickness insurance. They were in this field long before the State entered it in 1911, and they continue to provide sickness benefits both in supplement of benefits under the Insurance Acts, and, in the case of Friendly Societies, on behalf of persons, such as shopkeepers, who are not compulsorily insured.] There is every reason for preserving intact these desirable forms of voluntary insurance; and Sir William Beveridge proposes not only to leave them full freedom of action, but also that the State should enter into arrangements for them to share in

the administration of Disability Benefit under the Social Security Plan, on condition that they provide supplementary benefits of their own beyond those available under the general scheme.

Thus, the Beveridge proposals give full protection to voluntary social insurance, where it is run, as it is in these Friendly Societies and Trade Unions, on a truly democratic and non-profit-making basis. His Report makes war only on those who prey on the ignorance and gullibility of the poor by pushing insurance on their doorsteps. I doubt if one in a thousand of those who hold the 103 million industrial assurance policies has any real idea of his rights under them; or has made any calculation of their value worthy of the name. This is not meant as an attack on the honesty of insurance agents as a class. They are no worse than other men; and many of them become the friends and confidants of the housewives to whom they pay their weekly visits. But their livelihoods depend on pushing a form of insurance which is of its nature grossly wasteful, and therefore, in fact, a swindle on the poor. Anyone who is not prepared to take my word for this had better read the crushing exposure of the system by Sir Arnold Wilson and Professor Levy in their masterly books on the subject—especially their *Industrial Assurance*. There is no part of the Beveridge Report on which it is so important for public opinion to take a firm stand as on this. For at this point Sir William Beveridge comes right up against a powerful vested interest, which will wreck his proposals if it can, as it has wrecked the projects of one Committee after another that has reported on the system. The Approved Societies and the private Industrial Assurance concerns will have to go: there is no legitimate place for profit-making interests in the business of providing either compulsory or

voluntary assurance for poor people with the aid of house-to-house collecting agents.)

VIII

COSTS AND CONTRIBUTIONS

[The gross cost of the Social Security Plan is estimated at £ 697 millions in 1945 and £ 858 millions in 1965, when the new Pensions Plan will have come fully into force.] These are, of course, the figures corresponding to the assumption of a price-level 25 per cent. above that of 1938. If the actual price-level is higher or lower, they will need scaling up or down.

These totals compare with an actual expenditure of £ 342 millions on Social Security under State schemes in 1938-9, and with a prospective expenditure of £ 432 millions under these same schemes on the assumption that there are no further changes in the law. The immediate additional cost of the Beveridge Plan thus appears to be £ 265 millions. But the figures just quoted for existing and prospective expenditure do not include a number of services which are at present provided for by voluntary insurance. Hospital contribution schemes, as we have seen, brought in over £ 6 millions in 1939; and a substantial proportion of the £ 74 millions contributed for Industrial Assurance, including Funeral Insurance, is for services which will be covered by the Beveridge Plan. The real addition to cost is, therefore, much less than appears; and a very large proportion of it is accounted for by two items—Children's Allowances and the proposed comprehensive Medical Service. Under existing schemes, the various Children's Allowances now payable are estimated to cost £ 11 millions in 1945, whereas the Beveridge allowances will

cost £ 110 millions. The cost of medical services to be met from public funds in 1945 under existing schemes is £ 79 millions : under the Beveridge Plan the cost will be £ 170 millions. These two items thus account for £ 190 millions out of the £ 265 millions.*

All the figures given so far are for gross costs, not for costs falling on public funds. According to Sir William Beveridge's estimates, the cost of the Social Security Plan to public funds, including local rates, will be £ 351 millions in 1945 and £ 519 millions in 1965, the difference being due overwhelmingly to the rising cost of Pensions. These totals compare with an expenditure on the Social Services from public funds of £ 212 millions in 1938-9, and with an estimated expenditure of £ 265 millions in 1945 under existing schemes. The immediate Beveridge increase in public expenditure is thus only £ 86 millions, or substantially less than the addition accounted for by Children's Allowances alone. This is because, in the early years, contributions accruing on account of deferred pensions will be available for meeting other charges which are more immediate. Correspondingly, the charge on public funds will rise later, as these "loans" have to be replaced by the State assuming the increased cost of the pensions part of the Plan.

Under the Beveridge Plan, insured persons will be called upon to contribute £ 194 millions in 1945 and £ 192 millions in 1965 (when they will be fewer owing to population changes), as against £ 55 millions in 1938-9 and £ 69

* These figures do not quite tally, because Sir W. Beveridge puts expenditure in 1945 under existing schemes at £ 432 millions, whereas the Government Actuary, from whose Note the later figures here cited are taken, puts it at only £ 415 millions. It is a question of what to include.

millions in 1945 under existing schemes. (This increase is due partly to the extension of insurance to cover the whole population, but mainly to a deliberate policy of making the insured contribute a fairly high proportion of the total costs of insurance, as distinct from services such as Children's Allowances, not on an insurance basis.) It has, however, to be borne in mind that the increase will not be *net*, from the standpoint of the insured themselves. The State will be taking over the entire cost of funeral insurance, which is at present paid wholly by the insured on an extravagantly wasteful basis; the cost of hospital service and of other medical services not covered under the National Insurance Acts; and an appreciable part of the services now covered by voluntary insurances without any contribution from public funds. It is not known accurately how much the average working-class household at present pays out weekly for these forms of voluntary insurance. But the returns

TABLE III.

Rents and Voluntary Insurance Payments of Applicants for War Service Grants in Relation to Income, 1939-42.

Income* shillings per week.	Average rent per household.		Average Voluntary Insurance Payments	
	Shillings.	Per cent. of Income.	Shillings.	Per cent of Income.
Under 40	10.2	33.5	2.29	7.5
40-60	10.2	20.4	2.41	4.8
60-80	11.2	16.0	2.49	3.6
80-100	11.9	13.2	2.84	3.1
100-120	12.4	11.3	3.16	2.9
120-140	14.0	10.7	3.73	2.9
140 or over	15.3	8.4	4.55	2.5
All households ...	11.3	15.1	2.64	3.5

* Pre-service income.

of applicants for War Service Grants for 1939 to 1942—a fairly representative sample—show that the average household was paying out in voluntary insurance payments nearly 2s. 8d. a week, quite apart from compulsory contributions under the Insurance Acts. Moreover, the poorest groups of households, with incomes of less than 40s. and 60s., were paying out respectively 2s. 3½d. and 2s. 4d. a week. A large proportion of this will be taken over by the State, and included in the unified Social Security Contribution. The household which is content with the National Minimum, and does not desire voluntarily to insure for something over the minimum, will be paying little, if anything, more than a reasonably thrifty household in the same economic position is paying to-day, or was paying before the outbreak of war.

Under the existing Social Insurance schemes, a man insured against sickness and unemployment (under the industrial scheme) and for pension pays 1s. 10d. a week, and a woman 1s. 7d. Under the Beveridge Plan the contribution for an employed man will be 4s. 3d. a week, and for an employed woman 3s. 6d. Occupied persons, other than employees, now brought for the first time within the range of insurance, will pay 4s. 3d. (men) and 3s. 9d. (women). Unoccupied persons of working age will pay 3s. 9d. (men) and 3s. (women). In all cases there will be lower rates for juveniles and for persons between 18 and 21. Of these total contributions, 10d. for each man and 8d. for each woman is an assignment towards the cost of the comprehensive public Medical Service (including Rehabilitation), leaving the balance to go towards the cost of the cash benefit services.

In addition to the State and the insured person, the employers will, as at present, be called upon to make a contribution to the cost of the scheme, in respect of those

they employ. The employers' contribution under the existing scheme is 1s. 10d. for a man and 1s. 5d. for a woman. Under the Beveridge Plan it will be 3s. 3d. for a man and 2s. 6d. for a woman. The total cost to employers will rise from £66 millions in 1938-9 and £83 millions in 1945 under existing schemes to £137 millions in 1945 and £132 millions in 1965. Meanwhile, total contributions from public funds will rise from £212 millions in 1938-9 and £265 millions in 1945 under existing schemes to £351 millions in 1945 and £519 millions in 1965. In 1945 under existing schemes public funds would be bearing 61 per cent. of the total cost of schemes administered under public auspices; under the Beveridge Plan they will be bearing 50 per cent. in 1945 and 61 per cent. in 1965, for a greatly extended range of services. But this comparison is misleading; for under the existing law the State contributes nothing in aid of funeral benefit, hospital insurance, and a number of other services which are to be taken over under the Social Security Plan.

Three questions arise. | Can the insured persons afford the proposed rates of contribution? | Can the employers? And can the State afford what falls to its share?

[That the insured can afford what they are asked to pay, much better than they can afford to go without what they are offered in return for it, seems to me self-evident. The guarantee of a minimum standard of income at all times, irrespective of the state of employment or of the individual's health and fitness; the taking over of a large part of the services now covered by voluntary insurance; and the payment of Children's Allowances afford relief enough to enable the insured to bear the additional weekly cost, if additional cost there be. The Family Budgets col-

lected by the Ministry of Labour in 1937-38 showed the average expenditure of industrial households on Social Security services to have been more than 6s. a week, exclusive of Trade Union contributions of about 1s. 4d. At this rate, allowing for expenditure on services not covered by the Plan, there looks like being no increase at all, for the average household, which stands to get much better all-round service for less money. We need not begin worrying about the ability of the insured persons to foot their part of the bill unless the organisations which represent them begin to squeal—and I see no sign of their doing so.

TABLE IV
THE SOCIAL SECURITY PLAN*
Estimated Social Security Expenditure 1945 and 1965

	1945 £ millions	1965 £ millions
Social Insurance :—		
Unemployment Benefit (including training benefit)	110	107
Disability Benefit other than industrial ...	57	71
Industrial Disability Benefit, Pensions and Grants	15	15
Retirement Pensions	126	300
Widows' and Guardian Benefit	29	21
Maternity Grant and Benefit	7	6
Marriage Grant	1	3
Funeral Grant	4	12
Cost of Administration	18	18
Total Social Insurance	367	553
National Assistance :—		
Assistance Pensions	39	25
Other Assistance	5	5
Cost of Administration	3	2
Children's Allowances	110	100
Cost of Administration	3	3
Health and Rehabilitation Services.	170	170
TOTAL	697	858

* From the Beveridge Report, page 104.

TABLE V*

Estimated Cost of Social Security to Exchequer, Insured Persons and Employers at Various Dates.

	£ millions.			
	1938-39 (1)	1945		1965 Proposed. (4)
		Present Schemes. (2)	Proposed. (3)	
National Exchequer (and Local Rates for hospitals and public assistance)	212	265	351	519
Insured persons ...	55	69	194	192
Employers ...	66	83	137	132
Other (mainly interest)	9	15	15	15
Total ...	<u>342</u>	<u>432</u>	<u>697</u>	<u>858</u>

Some employers will no doubt argue that the employers' contribution is a tax on the cost of production, and will hamper British trade in international competition after the war. It is such a tax, but it is a very small one, even if we assume that it is not passed on to the workers through its effect on wages—as part of it undoubtedly is. The employers, it will be observed, get off under the Beveridge Plan with a lighter increase than the insured persons. I do not think they have anything to grumble at, or that most of them will seriously grumble, even if some of them make premonitory noises. They are probably much relieved at having been let off more lightly than they expected.

Can We Afford It?

What, then, of the State—or rather of the taxpayers, from whom the State will collect the money? I imagine the Chancellor of the Exchequer was much relieved when

* From the Beveridge Report, page 112.

he found that Sir William had given him an immediate bill of only £86 millions to foot. I do not deny that post-war budget conditions will be difficult, at all events if Chancellors continue to budget along orthodox lines. But it is sheer nonsense to say that the British State cannot afford to re-distribute an additional £86 millions of the national income by way of taxes. For, please bear in mind, taxes do not fall exclusively on the rich; and a large part of the exchequer cost of the Beveridge Plan, as well as of the contributory cost, is likely to take the form of *lateral* redistribution among the relatively poor, and not of transfers from the richer to the poorer classes. Most indirect taxation falls on the relatively poor; and so, nowadays, does a good deal of direct taxation. How much of the £86 millions will be taken from the rich and given to the poor will depend on the system of taxation in force when the Plan comes into operation. Perhaps there will be no net transfer; for the new Social Security Plan confers Medical Services, Pensions, and Children's Allowances on the rich as well as on the poor. The richer classes have certainly nothing to grumble at, though they will probably grumble all the same. Finally, it is argued that the Beveridge Plan will absorb so large a proportion of the National Income as to leave nothing available for other desirable reforms. Rubbish! In the words of *The Economist*, "the additional charge on the national exchequer in 1945 is less than one-seventieth of what the national income may be expected to be in that year; and the total expenditure on the plan... will be less than one-ninth of the national income."]

What is true, as *The Economist* goes on to urge, is that the real extent of the burden will depend on the extent to which reasonable expectations of the prospective National Income are fulfilled. In other words, Great Britain can

easily afford the Beveridge Plan, and plenty more besides, if we prevent a recurrence of mass-unemployment and take measures to make proper use of our national productive capacity. The Beveridge Plan postulates a policy of "Full Employment." Sir William himself has tried to make that plain; and, if we decide to press the Government to adopt the Plan in full, we must press them at the same time to adopt the measures of Economic Planning which are essential to full employment.]

IX

THE FIVE GIANTS

["Want," writes Sir William Beveridge near the beginning of his Report, "is only one of five giants on the road of reconstruction, and in some ways the easiest to attack. The others are Disease, Ignorance, Squalor and Idleness."]

✓ The Beveridge Report is primarily an attack on Giant Want; but it is also in large measure an attack on Giant Disease, and indirectly on Giant Squalor. Giant Ignorance remains to be dealt with by educational and political reforms, and also by giving the children of the people such freedom from want, disease and squalor as will make them better able and more eager to learn. Giant Idleness needs a different method of attack—that which has been called in earlier chapters a policy of Full Employment. And, as we have seen, Sir William is well aware that the success of the onslaught on the other four giants must depend largely on the valour with which Giant Idleness is combated, and overcome.

Sir William shows, in the course of his final summing up, that there were, before the war, ample resources in the possession of the British people for making an end of want.

if that had been what they were minded to do. Every Social Survey of the period between the wars showed that in the areas surveyed there was a great deal more income, in the working-class households alone, than would have been needed to bring everybody up to a tolerable minimum standard of living, if it had been evenly shared out. It is not, of course, suggested that the redistribution of incomes could or should take this purely lateral form; but the point is the stronger if the incomes of other classes are taken into account. It is clear beyond a doubt that the elimination of sheer want is perfectly practicable, and will be so after the war—unless we are to assume that the British people will be a great deal poorer after the war than it was before.

Why should we make any such assumption? There will be, doubtless, some loss of income from foreign investments; but it cannot be large in relation to the national income as a whole; for this source certainly did not account for nearly so much as 5 per cent. of the total national income, and not all of it is likely to be lost.

Sir William Beveridge writes: "Want could have been abolished in Britain just before the present war. It can be abolished after the war, unless the British people are and remain very much poorer than they were before; that is to say, unless they remain less productive than they and their fathers were. There is no sense in believing, contrary to experience, that they will and must be less productive." Then he goes on to say that the answer to the question whether freedom from want should be regarded as a post-war aim capable of early attainment depends on four conditions, and to state what these conditions are, in the following terms:—

The Four Conditions

of the Freedom from

(1) That the world after the war is a world in which the nations set themselves to co-operate for production in peace, rather than to plotting for mutual destruction by war, whether open or concealed.

(2) That the readjustments of British economic policy and structure that will be required by changed conditions after the war should be made, so that productive employment is maintained.

(3) That a Plan for Social Security, that is to say for income maintenance, should be adopted, free from unnecessary costs of administration and other waste of resources.

(4) That decisions as to the nature of the plan, that is to say as to the organisation of social insurance and allied services, should be taken during the war."

The first of these conditions is not of course wholly, or even mainly, under Great Britain's control; though the action taken by our statesmen both in the conduct of the war and in the settlement of the terms of Peace will have a great influence upon its realisation. It is of the first importance to understand that the British people's prospect of Social Security depends not only upon what the British Government does in the regulation of home affairs, but also on its success in the arts of peace-making and in creating throughout the world a spirit of hope for the future. This is peculiarly important to Great Britain because of the necessary dependance of British prosperity on a high level of international exchange. If we are to live well, we must import largely; and we cannot do this unless we are also able to sell abroad a large quantity of our own products. International co-operation in the economic field is therefore

an essential British war-aim) and it will be far easier to assure a satisfactory standard of living to the British people if other countries also are putting first the needs of their own peoples for improved conditions of life, instead of wasting their substance in international rivalries or plots for mutual destruction.

Nor should it be forgotten (that the ✓ Beveridge Report is in itself a substantial contribution towards the establishment of a right frame of mind among the peoples of the world. The acceptance of it by the British Government would have an immense moral value not only among the British people, but all over the world—among the peoples now oppressed under the Nazi tyranny, among our Allies, and even among the Germans themselves. There could be no better earnest of the sincerity of our democratic war aims than a prompt endorsement of the measures of Social Security which Sir William Beveridge has advanced; for all over the world Social Security is very near to the hearts of the people, and nothing would be better calculated to stimulate their will to victory in the democratic cause than the assurance that in one country at least the needs of the people are being put first.)

Sir William's second condition raises the entire issue of economic progress, to which I have made reference again and again in this Summary of his Plan. It is plain that neither we nor any other people can hope to live as well as we ought to do, as long as we allow anything to stand in the way of making the fullest possible use of our productive resources, up to the point at which we set more store by additional leisure than by a further addition to our supplies of material goods and services. (The waste of ✓ available productive resources may arise, and has arisen hitherto, from more than one cause. It may be the result

of sheer muddle in our methods of organising production, or of slackness on the part of one section or another of those responsible for the productive effort. Again, it may be the result of vested interest, of groups which see their own profit or advantage not in raising output to the highest possible point, but rather in damping it down in order to hold up prices and profits or, under the spell of the fear of unemployment, in "spreading the work." Or, again, it may be the outcome of forces in the world as a whole which our statesmen and our business men have not yet learnt to master, or even to understand. Such a force, in the past, has been that of the so-called "Trade Cycle," which has doomed millions to unemployment through periods of business depression which, until lately, the majority of people, and even the majority of those who ought to have known better, deemed to be past cure. Like Sir William Beveridge, I believe that we now know enough about the "Trade Cycle" and its workings to be able to master it if we are prepared to take the necessary steps. We cannot indeed master it altogether except on a basis of real international co-operation; for the "Trade Cycle" is a world-wide phenomenon and will be mastered completely only when the united nations of the world march side by side against it. But, even short of such international co-operation, we now know enough to reduce the amplitude of trade fluctuations within our own frontiers to comparatively modest proportions. Whenever employment falls off, or threatens to fall off, it is within the State's power, provided that it effectively controls the banking system, to take steps to stimulate investment and employment so as to prevent the calamity which will otherwise fall upon the people. The State can do this, not merely by making available the necessary finance—for finance alone may

achieve nothing—but also by setting on foot public works of national economic development in such a way as not merely to prevent immediate impoverishment, but also to raise for the future the productive power of the nation. This is not the place for working out in detail the implications of such a policy. That would require a separate pamphlet fully as long as this one, and would mean travelling far beyond the limits of Sir William Beveridge's present Report. It is, however, indispensable to make plain that Sir William, in making his Report, is *assuming* that the British Government will, in fact, follow an expansionist policy of the type that I have just outlined.

✓ The third condition laid down by Sir William Beveridge is, in effect, that the Government shall adopt his own plan practically in its entirety. His point is that, if any attempt is made to whittle down his proposals or to lop pieces off, the effect will be both to complicate immensely the tasks of social administration and to involve a perpetuation of the extraordinary wastes which are part and parcel of the existing chaos of compulsory and voluntary social insurance methods. If, for example, an attempt is made to leave the Approved Societies in existence for the administration of sickness insurance, the advantages of Sir William's unified system of Social Security will be lost; it will be impossible to establish a uniform National Minimum of Social Security for the whole people; and wastefulness and disunity in the management of the scheme will be unavoidable. Again, if it is attempted, in order to preserve the vested interest of the Insurance Companies and Collecting Societies, either to remove Funeral Insurance from the scope of the Social Security Plan or to prevent the transference of Industrial Assurance to a statutory public Board, the public will find itself compelled to go on paying

vast amounts for services which could be rendered much more cheaply under a system of statutory provision.

One and Indivisible

✓ [The Beveridge Plan should be regarded as one and indivisible, not in the sense that none of its details need further investigation or may have to be modified before it becomes law, but in the sense that nothing can be taken away from it without mutilating its essential idea and robbing it of a substantial part of its value. For this value consists not least in its comprehensiveness—in the highly successful attempt which Sir William Beveridge has made to cover *all* the main contingencies of living and to ensure a real National Minimum for the entire British population.]

No doubt, in time to come, it will be possible to look back on the Beveridge Plan as merely a great landmark in the course of social progress. No doubt, in the future our conception of the National Minimum will advance much further than it is politically possible for it to be advanced at present. No doubt there are some who would wish to go immediately further than Sir William Beveridge has gone—for it is clear that throughout he has kept his ear to the ground and that he has deliberately refrained from asking for more than he thought a coalition Government, such as now holds office, could be reasonably expected to endorse. To consider such issues would carry me far beyond the modest limits which I have set myself in this pamphlet; for I am acting here, not as the exponent of the most advanced policies that I believe to be both practicable and desirable, but simply as an explainer of Sir William Beveridge's proposals and of their implications as I understand them. (What I am satisfied of is that the Beveridge Plan, taken as a whole, furnishes a firm and satisfactory

foundation for the structure of Social Security which I, like him, and I hope like every decent citizen, desire to see built.

We desire to see this system of Social Security built, but when? Sir William's fourth condition bears directly upon this point; for in it he insists that the decisions which are vital to the work of building must be taken now, and not deferred. What this means is that the Government must be pressed immediately, not only to accept the substance of the Beveridge Report in all its essential features, but also to establish without delay the Ministry of Social Security which is to take charge of its execution. There are a number of matters which, as Sir William Beveridge himself makes clear, need further investigation: there are a vast number of secondary points and matters of administrative machinery to be worked out; and even when this has been done it will take time to get the machinery into working order so that the operation of the Plan can actually begin. There is no time to be lost. Even if the war lasts for a long time yet, there is all too little time before us to get social changes as vast and complicated as are here involved into full working order in time for them to come into force at the restoration of peace.

Nor is it desirable that all these changes, or even the greater part of them, should remain inoperative until peace comes. Many of the social hardships and grievances dealt with in the Report are pressing on people now, and pressing the more hardily because of war conditions. This is true, for example, of Workmen's Compensation, of the position of dependants under Health Insurance, of the extortions practised on the poor in the name of Industrial Assurance, and last, but not least, of the troubles of large households, in the absence of any system of Children's Allowances. These and many other pressing hardships need to be put

right as soon as may be, and not merely when the war is over ; and there is accordingly every reason for exercising the utmost possible pressure upon the Government, through public opinion, both to establish the Ministry of Social Security without any delay and to get on at once with those parts of the Plan which can be put into force without extensive administrative changes, or at any rate without changes so great as to be really impracticable under the pressing conditions of war.]

— Finally, it is necessary to insist that the Ministry of Social Security, when it is established, shall be given adequate powers. There must be no repetition of the farce of setting up a Ministry of Planning which is not really a Ministry of Planning at all, but only an impotent substitute calculated to deceive the public into believing that something is really being done. [The Ministry of Social Security must be empowered to cover the whole field of the Report and must have transferred to it the requisite powers now in the hands of other Ministries or authorities, in addition to being endowed with such new powers as the Plan demands.] I am not simpleton enough to think that all this can be done without a struggle ; but I am confident that, if the British people can be persuaded to understand the Plan, there will be no doubt about their desire for it, or about their power to bring the necessary pressure to bear. The matter is now at the bar of public opinion : the next step lies with the people themselves.

X

HOW WILL IT WORK ?

It is obviously impracticable, in such a summary as this, to describe how the Social Security Plan will affect all

the various classes of persons to whom it will apply. It has, therefore, seemed best to select from the Report itself, a single example, which has been worked out in tabular form. The accompanying Table, though modelled on a Table given in the Beveridge Report, is reproduced, not from the Report itself, but from *The Economist* of December 5th, 1942. In the Report the comparison is made between pre-war conditions and conditions as they will be under the Beveridge Plan, wartime changes being described in a footnote to the Table. *The Economist* has conveniently rearranged the Table so as to compare the Beveridge conditions with conditions as they now are; and I have copied the Table from *The Economist*, giving an additional line, showing the rates of contribution for an adult man under the two schemes.

Similar Tables could, of course, be prepared showing the position of families of different sizes or of individuals or householders belonging to other classes affected by the Beveridge Plan. The materials for compiling such Tables are contained in the present summary as well as in the Report itself; and anyone can readily work out for himself how he, or any person in whom he is interested, will be affected by the adoption of the Plan. Rather than make further calculations of this type, I propose to use my brief remaining space in dealing with certain questions which, I am sure, will be very much in the minds of a large number of those whose fortunes are bound up with the acceptance or rejection of the Plan.

For instance, a large number of people must be asking themselves how the acceptance of the Plan will affect the voluntary insurances into which they have entered through Insurance Companies or Collecting Societies or similar

bodies. Will the provision they have already made be cancelled or swept away; and will they lose the money which they have spent upon it? The answer is, emphatically, No. Anyone will have the option of continuing to maturity any policy into which he has already entered, or of surrendering it in return for a lump sum payment fairly calculated so as to represent its value. Indeed, those who have existing policies, whether for life insurance or of the endowment type, stand to gain considerably by the assumption of the obligations of the existing agencies by the proposed Industrial Assurance Board. They will be sure, under the new conditions, of a square deal, and sure that it will be to nobody's interest to persuade them to surrender a policy for less than it is worth, or to exchange from one policy to another against their own interests. The collectors, in becoming the servants of the public and no longer of private bodies in search of profits or of high "book values," will have lost all incentive to "push" insurance beyond the point up to which it is in the real interests of the insured. They will have become, wholly and not by halves, the real friends of the insured persons; for they will no longer be compelled to serve two masters, as they so often are to-day. Under the Beveridge Plan there is opened up for the insurance agent a sphere of far more honourable service than has been accessible to him hitherto; and as most insurance agents would far sooner be the friends of the insured than their enemies, there can be no doubt about the beneficial consequences of the change for the insured as well as for the professional agents. My advice to all those who hold policies of one sort or another to-day—and that means, to by far the greater part of the population—is to take no notice of persons who threaten them with the loss of the money they have saved, or suggest that there is any ques-

TABLE VI

Security provision for Man, Wife and Two Children (Present Contributory Classes)

	Present		Proposed in Plan for Social Security	
	Amount	Period and Conditions	Amount	Period and Conditions
Unemployment	38/- per week	26 weeks (followed by assistance on means test).	60/- per week	Unlimited in time without means test at any time. Subject to attendance at a training centre if unemployment is prolonged.
Disability other than industrial	18/- per week	26 weeks, followed by 10/6 per week in disablement. Additional benefit in some cases.	60/- per week	Unlimited in time without means test at any time.
Old Age	20/- per week	Supplemented by Assistance Board according to needs.	60/- per week	On retirement, 2/- a week increase for each year of postponement of retirement. (Full rate only after transition period of 20 years. Assistance pensions on means test meanwhile.)
Widowhood	18/- per week	—	60/- per week	Reduced by part of any earnings. 82/- per week for first 13 weeks without reduction
Maternity	£2	—	£4	—
Maternity if wife gainfully occupied	£2 additional	—	86/- per week for 13 weeks additional	—
Funeral	Nil	—	£20	With smaller sums for children.
Industrial Disability	Half earnings up to maximum of 35/- per week. (Plus 8/- for the two children.)	Subject to compounding for lump sums.	60/- per week for 13 weeks followed by pensions of two-thirds earnings up to maximum of 76/- per week, but not less than 56/- per week. No compounding for total disability.	—
Medical Treatment	General Practitioner for man, with additional treatment benefits in some cases.	—	Comprehensive medical treatment including hospital, dental, and ophthalmic, nursing and convalescent homes for whole family. Post-medical rehabilitation.	—
Contribution (Adult Man)	1/10 per week		4/8 per week	

tion of their existing policies forfeiting any part of their value.

Furthermore, I advise them, in reckoning up what they will have to pay under the Beveridge Plan, to take carefully into account not only what they are paying at present by way of compulsory insurance but also such voluntary payments as they are making for funeral, hospital or other services which will be covered free of additional charge under the Social Security Plan, and to consider further what benefits that they are not now receiving at all will accrue to them when the Plan is brought into effect. I feel sure that if this calculation is fairly made they will be in no doubt concerning the balance of advantage. They will see that they have a great deal to gain under the Plan, and nothing to lose—or at all events, everyone will see this who is not so thriftless as to take no care at all for to-morrow or for the welfare of those who depend upon him.

Will it be Done ?

At the same time, I am by no means asking anyone to count his chickens before they are hatched. The Beveridge Plan is not in force yet—or even on the way to being in force. The Government has not yet accepted it; and there are already influential voices raised against it. True, most of these opponents do not dare to reject the Report outright. Their line is rather to plead for delay and to urge the necessity of further enquiry. They would like to refer the Report of the Beveridge Committee to a further committee, or perhaps even better to refer it to a whole string of committees, between which it would be broken up into meaningless fragments and its essential unity destroyed. They would like to lose it in a maze of departmental and

administrative complications—to have years spent in reflecting and refining upon it, picking holes in it, whittling it down, finding reasons why this or that bit of it would not fit in with something or other that is part of the existing administrative system—anything sooner than have the issue faced outright, in a manner intelligible to ordinary men and women. This way of dealing with inconvenient proposals—inconvenient, that is, to influential interests—is very familiar: it has been practised over and over again. It was used to delay and to defeat the abolition of the Poor Law after the famous Report of the Poor Law Commission of 1909; and it has been used more recently to push aside the conclusions of committees which have enquired into such matters as Industrial Assurance and Workmen's Compensation. It is being used very extensively, just now, in order to set aside reconstruction policies in other fields besides that covered in the Beveridge Report; and we may be certain that an attempt will be made to use it not only in relation to the Report but even more when any onslaught is proposed upon Giant Idleness.

As soon as any vested interest with social or economic power behind it is at stake, all these devices are called in to prevent change; but the people is well armoured against them, or would be, if it but knew its power. There are indeed matters arising out of the Beveridge Report that need further enquiry and deliberation. But this does not apply to the essential principles of the Report, nor should this excuse be allowed for one moment to delay its acceptance. I hope that, wherever men or women gather together in clubs or societies of any sort, they will send up from these gatherings to the War Cabinet an unequivocal demand for immediate action. There is no need for detailed resolutions; all that need be asked of the Government is (a)

that it accept without reservation the principles embodied in the Beveridge Plan, and (b) that, as an earnest of its intentions, it establish immediately a Ministry of Social Security, armed with all the powers necessary for making full preparation to carry the Report into effect.
