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SOCIAL INSURANCE AND ALLIED SERVICES

Report by
SIR WILLIAM BEVERIDGE

*Presented to Parliament by Command of His Majesty
November 1942*

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SOCIAL INSURANCE AND ALLIED SERVICES

On the 10th June, 1941, the Minister without Portfolio (the Rt. Hon. Arthur Greenwood, M.P.) announced in the House of Commons that he had arranged with all the Departments concerned for a comprehensive survey of existing schemes of social insurance and allied services which would be considered in due course by the Committee on Reconstruction Problems of which he was chairman; and that Sir William Beveridge had accepted his invitation to become Chairman of an interdepartmental Committee which would conduct the survey, taking into account representations received from responsible organisations and persons concerned with the problems involved.

The constitution of the Committee was as follows:—

Chairman—Sir William Beveridge, K.C.B.

Departmental Representatives—Mr. R. R. Bannatyne, C.B., Home Office; Mr. P. Y. Blundun, Ministry of Labour and National Service; Miss M. S. Cox, O.B.E., Ministry of Pensions; Sir George Epps, K.B.E., C.B., Government Actuary; Mr. R. Hamilton Farrell, Ministry of Health; Mr. E. Hale, C.B., Treasury; Mrs. M. A. Hamilton, Reconstruction Secretariat; Mr. A. W. McKenzie, Board of Customs and Excise; Sir George Reid, K.B.E., C.B., Assistance Board; Miss M. Ritson, C.B.E., Department of Health for Scotland; Mr. B. K. White, Registry of Friendly Societies and Office of the Industrial Assurance Commissioner.

Secretary—Mr. D. N. Chester.

The terms of reference were:—

To undertake, with special reference to the inter-relation of the schemes, a survey of the existing national schemes of social insurance and allied services, including workmen's compensation, and to make recommendations.

The Minister without Portfolio announced in the House of Commons on 27th January, 1942, that "it will be within the power of the Committee to consider developments of the National Insurance Schemes in the way of adding death benefits with any other risks which are at present not covered by such schemes."

The following letter was sent to the Chairman on the 27th January, 1942, by the Minister without Portfolio.

My dear Beveridge,

I have discussed with the Chancellor of the Exchequer the position of the departmental representatives on the Inter-departmental Committee on Social Insurance and Allied Services. In view of the issues of high policy which will arise, we think that the departmental representatives should henceforward be regarded as your advisers and assessors on the various technical and administrative matters with which they are severally concerned. This means that the Report, when made, will be your own report; it will be signed by you alone, and the departmental representatives will not be associated in any way with the views and recommendations on questions of policy which it contains. It would be well that the Report should contain words to make it clear that this is the position.

Yours sincerely,

(Signed) ARTHUR GREENWOOD.

The estimated gross cost of the preparation of this Report is £4,625 0s. 0d., of which £3,150 0s. 0d. represents the estimated cost of printing and publishing the Report and the Volume of Memoranda from Organisations.

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*The Rt. Hon. Sir William Jowitt, K.C., M.P.,
His Majesty's Paymaster-General.*

SIR,

I have the honour to submit the enclosed Report arising out of the work of the Inter-departmental Committee on Social Insurance and Allied Services appointed by your predecessor as Minister concerned with reconstruction problems, Mr. Arthur Greenwood, in June, 1941. For the reasons set out in the Report itself (paragraph 40), the Report is made by myself alone as Chairman.

It falls to me, therefore, on behalf of the Committee, in transmitting this Report to you, to express with more than conventional appreciation the gratitude of the Committee, as well as of myself, for the work of their Secretary, Mr. D. N. Chester. Without his able and untiring service and his orderly marshalling of our proceedings, the preparation of this Report could not have been accomplished. I take this opportunity of expressing at the same time my gratitude to my colleagues on the Committee who have so unreservedly placed at my disposal, in framing my Report and the recommendations for which I alone am responsible, their information and experience relating to the immense range of problems with which the work of the Committee was concerned.

I have the honour to be, Sir,

Your obedient servant,

W. H. BEVERIDGE,

Chairman.

20th November, 1942.

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REPORT BY SIR WILLIAM BEVERIDGE

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SOCIAL INSURANCE AND ALLIED SERVICES

PART I

INTRODUCTION AND SUMMARY

1. The Inter-departmental Committee on Social Insurance and Allied Services were appointed in June, 1941, by the Minister without Portfolio, then responsible for the consideration of reconstruction problems. The terms of reference required the Committee "to undertake, with special reference to the inter-relation of the schemes, a survey of the existing national schemes of social insurance and allied services, including workmen's compensation and to make recommendations." The first duty of the Committee was to survey, the second to recommend. For the reasons stated below in paragraph 40 the duty of recommendation was confined later to the Chairman of the Committee.

THE COMMITTEE'S SURVEY AND ITS RESULTS

2. The schemes of social insurance and allied services which the Inter-departmental Committee have been called on to survey have grown piece-meal. Apart from the Poor Law, which dates from the time of Elizabeth, the schemes surveyed are the product of the last 45 years beginning with the Workmen's Compensation Act, 1897. That Act, applying in the first instance to a limited number of occupations, was made general in 1906. Compulsory health insurance began in 1912. Unemployment insurance began for a few industries in 1912 and was made general in 1920. The first Pensions Act, giving non-contributory pensions subject to a means test at the age of 70, was passed in 1908. In 1925 came the Act which started contributory pensions for old age, for widows and for orphans. Unemployment insurance, after a troubled history, was put on a fresh basis by the Unemployment Act of 1934, which set up at the same time a new national service of Unemployment Assistance. Meantime, the local machinery for relief of destitution, after having been exhaustively examined by the Royal Commission of 1905-1909, has been changed both by the new treatment of unemployment and in many other ways, including a transfer of the responsibilities of the Boards of Guardians to Local Authorities. Separate provision for special types of disability—such as blindness—has been made from time to time. Together with this growth of social insurance and impinging on it at many points have gone developments of medical treatment, particularly in hospitals and other institutions; developments of services devoted to the welfare of children, in school and before it; and a vast growth of voluntary provision for death and other contingencies, made by persons of the insured classes through Industrial Life Offices, Friendly Societies and Trade Unions.

3. In all this change and development, each problem has been dealt with separately, with little or no reference to allied problems. The first task of the Committee has been to attempt for the first time a comprehensive survey of the whole field of social insurance and allied services, to show just what provision is now made and how it is made for many different forms of need. The results of this survey are set out in Appendix B describing social insurance and the allied services as they exist today in Britain. The picture presented is impressive in two ways. First, it shows that provision for most of the many varieties of need through interruption of earnings and other causes that may arise in modern industrial communities has already been made in Britain on a scale not surpassed and hardly rivalled in any other country of the world. In one respect only of the first importance, namely limitation of medical service, both in the range of treatment which is provided as of right and in respect of the classes of persons for whom it is provided, does Britain's achievement fall seriously short of what has been accomplished elsewhere; it falls

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short also in its provision for cash benefit for maternity and funerals and through the defects of its system for workmen's compensation. In all other fields British provision for security, in adequacy of amount and in comprehensiveness, will stand comparison with that of any other country; few countries will stand comparison with Britain. Second, social insurance and the allied services, as they exist today, are conducted by a complex of disconnected administrative organs, proceeding on different principles, doing invaluable service but at a cost in money and trouble and anomalous treatment of identical problems for which there is no justification. In a system of social security better on the whole than can be found in almost any other country there are serious deficiencies which call for remedy.

4. Thus limitation of compulsory insurance to persons under contract of service and below a certain remuneration if engaged on non-manual work is a serious gap. Many persons working on their own account are poorer and more in need of State insurance than employees; the remuneration limit for non-manual employees is arbitrary and takes no account of family responsibility. There is, again, no real difference between the income needs of persons who are sick and those who are unemployed, but they get different rates of benefit involving different contribution conditions and with meaningless distinctions between persons of different ages. An adult insured man with a wife and two children receives 38/- per week should he become unemployed; if after some weeks of unemployment he becomes sick and not available for work, his insurance income falls to 18/-. On the other hand a youth of 17 obtains 9/- when he is unemployed, but should he become sick his insurance income rises to 12/- per week. There are, to take another example, three different means tests for non-contributory pensions, for supplementary pensions and for public assistance, with a fourth test—for unemployment assistance—differing from that for supplementary pensions in some particulars.

5. Many other such examples could be given; they are the natural result of the way in which social security has grown in Britain. It is not open to question that, by closer co-ordination, the existing social services could be made at once more beneficial and more intelligible to those whom they serve and more economical in their administration.

THREE GUIDING PRINCIPLES OF RECOMMENDATIONS

6. In proceeding from this first comprehensive survey of social insurance to the next task—of making recommendations—three guiding principles may be laid down at the outset.

7. The first principle is that any proposals for the future, while they should use to the full the experience gathered in the past, should not be restricted by consideration of sectional interests established in the obtaining of that experience. Now, when the war is abolishing landmarks of every kind, is the opportunity for using experience in a clear field. A revolutionary moment in the world's history is a time for revolutions, not for patching.

8. The second principle is that organisation of social insurance should be treated as one part only of a comprehensive policy of social progress. Social insurance fully developed may provide income security; it is an attack upon Want. But Want is one only of five giants on the road of reconstruction and in some ways the easiest to attack. The others are Disease, Ignorance, Squalor and Idleness.

9. The third principle is that social security must be achieved by co-operation between the State and the individual. The State should offer security for service and contribution. The State in organising security should

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not stifle incentive, opportunity, responsibility; in establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family.

10. The Plan for Social Security set out in this Report is built upon these principles. It uses experience but is not tied by experience. It is put forward as a limited contribution to a wider social policy, though as something that could be achieved now without waiting for the whole of that policy. It is, first and foremost, a plan of insurance—of giving in return for contributions benefits up to subsistence level, as of right and without means test, so that individuals may build freely upon it.

THE WAY TO FREEDOM FROM WANT

11. The work of the Inter-departmental Committee began with a review of existing schemes of social insurance and allied services. The Plan for Social Security, with which that work ends, starts from a diagnosis of want—the circumstances in which, in the years just preceding the present war, families and individuals in Britain might lack the means of healthy subsistence. During those years impartial scientific authorities made social surveys of the conditions of life in a number of principal towns in Britain, including London, Liverpool, Sheffield, Plymouth, Southampton, York and Bristol. They determined the proportions of the people in each town whose means were below the standard assumed to be necessary for subsistence, and they analysed the extent and causes of that deficiency. From each of these social surveys the same broad result emerges. Of all the want shown by the surveys, from three-quarters to five-sixths, according to the precise standard chosen for want, was due to interruption or loss of earning power. Practically the whole of the remaining one-quarter to one-sixth was due to failure to relate income during earning to the size of the family. These surveys were made before the introduction of supplementary pensions had reduced the amount of poverty amongst old persons. But this does not affect the main conclusion to be drawn from these surveys: abolition of want requires a double re-distribution of income, through social insurance and by family needs.

12. Abolition of want requires, first, improvement of State insurance, that is to say provision against interruption and loss of earning power. All the principal causes of interruption or loss of earnings are now the subject of schemes of social insurance. If, in spite of these schemes, so many persons unemployed or sick or old or widowed are found to be without adequate income for subsistence according to the standards adopted in the social surveys, this means that the benefits amount to less than subsistence by those standards or do not last as long as the need, and that the assistance which supplements insurance is either insufficient in amount or available only on terms which make men unwilling to have recourse to it. None of the insurance benefits provided before the war were in fact designed with reference to the standards of the social surveys. Though unemployment benefit was not altogether out of relation to those standards, sickness and disablement benefit, old age pensions and widows' pensions were far below them, while workmen's compensation was below subsistence level for anyone who had family responsibilities or whose earnings in work were less than twice the amount needed for subsistence. To prevent interruption or destruction of earning power from leading to want, it is necessary to improve the present schemes of social insurance in three directions: by extension of scope to cover persons now excluded, by extension of purposes to cover risks now excluded, and by raising the rates of benefit.

13. Abolition of want requires, second, adjustment of incomes, in periods of earning as well as in interruption of earning, to family needs, that is to say,

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in one form or another it requires allowances for children. Without such allowances as part of benefit or added to it, to make provision for large families, no social insurance against interruption of earnings can be adequate. But, if children's allowances are given only when earnings are interrupted and are not given during earning also, two evils are unavoidable. First, a substantial measure of acute want will remain among the lower paid workers as the accompaniment of large families. Second, in all such cases, income will be greater during unemployment or other interruptions of work than during work.

14. By a double re-distribution of income through social insurance and children's allowances, want, as defined in the social surveys, could have been abolished in Britain before the present war. As is shown in para. 445, the income available to the British people was ample for such a purpose. The Plan for Social Security set out in Part V of this Report takes abolition of want after this war as its aim. It includes as its main method compulsory social insurance, with national assistance and voluntary insurance as subsidiary methods. It assumes allowances for dependent children, as part of its background. The plan assumes also establishment of comprehensive health and rehabilitation services and maintenance of employment, that is to say avoidance of mass unemployment, as necessary conditions of success in social insurance. These three measures—of children's allowances, health and rehabilitation services, and maintenance of employment—are described as assumptions A, B and C of the plan; they fall partly within and partly without the plan itself, extending into other fields of social policy. They are discussed, therefore, not in the detailed exposition of the plan in Part V of the Report, but in Part VI, which is concerned with social security in relation to wider issues.

15. The plan is based on a diagnosis of want. It starts from facts, from the condition of the people as revealed by social surveys between the two wars. It takes account of two other facts about the British community, arising out of past movements of the birth rate and the death rate, which should dominate planning for its future; the main effects of these movements in determining the present and future of the British people are shown by Table XI in para. 234. The first of the two facts is the age constitution of the population, making it certain that persons past the age that is now regarded as the end of working life will be a much larger proportion of the whole community than at any time in the past. The second fact is the low reproduction rate of the British community today: unless this rate is raised very materially in the near future, a rapid and continuous decline of the population cannot be prevented. The first fact makes it necessary to seek ways of postponing the age of retirement from work rather than of hastening it. The second fact makes it imperative to give first place in social expenditure to the care of childhood and to the safeguarding of maternity.

16. The provision to be made for old age represents the largest and most rapidly growing element in any social insurance scheme. The problem of age is discussed accordingly in Part III of the Report as one of three special problems; the measures proposed for dealing with this problem are summarised in paras. 254-257. Briefly, the proposal is to introduce for all citizens adequate pensions without means test by stages over a transition period of twenty years, while providing immediate assistance pensions for persons requiring them. In adopting a transition period for pensions as of right, while meeting immediate needs subject to consideration of means, the Plan for Social Security in Britain follows the precedent of New Zealand. The final rate of pensions in New Zealand is higher than that proposed in this Plan, but is reached only after a transition period of

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twenty-eight years as compared with twenty years suggested here; after twenty years, the New Zealand rate is not very materially different from the basic rate proposed for Britain. The New Zealand pensions are not conditional upon retirement from work; for Britain it is proposed that they should be retirement pensions and that persons who continue at work and postpone retirement should be able to increase their pensions above the basic rate. The New Zealand scheme is less favourable than the plan for Britain in starting at a lower level; it is more favourable in some other respects. Broadly the two schemes for two communities of the British race are plans on the same lines to solve the same problem of passage from pensions based on need to pensions paid as of right to all citizens in virtue of contribution.

SUMMARY OF PLAN FOR SOCIAL SECURITY

17. The main feature of the Plan for Social Security is a scheme of social insurance against interruption and destruction of earning power and for special expenditure arising at birth, marriage or death. The scheme embodies six fundamental principles: flat rate of subsistence benefit; flat rate of contribution; unification of administrative responsibility; adequacy of benefit; comprehensiveness; and classification. These principles are explained in paras. 303-309. Based on them and in combination with national assistance and voluntary insurance as subsidiary methods, the aim of the Plan for Social Security is to make want under any circumstances unnecessary.

18. A plan which is designed to cover so many varieties of human circumstance must be long and detailed. It must contain proposals of differing orders of certainty and importance. In preparing the Report, the question arose naturally as to how far it was necessary at this stage to enter into details, and whether it might not be preferable to deal with principles only. For two reasons it has appeared desirable, in place of giving an outline only, to set the proposals out in as much detail as the time allowed. The first reason is that the principles underlying any practical reform can be judged only by seeing how they would work in practice. The second reason is that if a Plan for Social Security is to come into operation when the war ends or soon after, there is no time to lose in getting the plan prepared as fully as possible. The many details set forth in Part V are neither exhaustive nor final; they are put forward as a basis of discussion, but their formulation will, it is hoped, shorten subsequent discussion. Even among the major proposals of the Report there are differences of importance and of relevance to the scheme as a whole. There are some proposals which, though important and desirable in themselves, could be omitted without changing anything else in the scheme. Three in particular in the list of major changes in para. 30 have this character and are placed in square brackets to indicate it. This does not mean that everything not bracketed is essential and must be taken or left as a whole. The six principles named above and all that is implied in them are fundamental; the rest of the scheme can be adjusted without changing its character; all rates of benefit and all details are by nature subject to amendment.

19. The main provisions of the plan may be summarised as follows:

- (i) The plan covers all citizens without upper income limit, but has regard to their different ways of life; it is a plan all-embracing in scope of persons and of needs, but is classified in application.

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(ii) In relation to social security the population falls into four main classes of working age and two others below and above working age respectively, as follows :

- I. Employees, that is, persons whose normal occupation is employment under contract of service.
- II. Others gainfully occupied, including employers, traders and independent workers of all kinds.
- III. Housewives, that is married women of working age.
- IV. Others of working age not gainfully occupied.
- V. Below working age.
- VI. Retired above working age.

(iii) The sixth of these classes will receive retirement pensions and the fifth will be covered by children's allowances, which will be paid from the National Exchequer in respect of all children when the responsible parent is in receipt of insurance benefit or pension, and in respect of all children except one in other cases. The four other classes will be insured for security appropriate to their circumstances. All classes will be covered for comprehensive medical treatment and rehabilitation and for funeral expenses.

(iv) Every person in Class I, II or IV will pay a single security contribution by a stamp on a single insurance document each week or combination of weeks. In Class I the employer also will contribute, affixing the insurance stamp and deducting the employee's share from wages or salary. The contribution will differ from one class to another, according to the benefits provided, and will be higher for men than for women, so as to secure benefits for Class III.

(v) Subject to simple contribution conditions, every person in Class I will receive benefit for unemployment and disability, pension on retirement, medical treatment and funeral expenses. Persons in Class II will receive all these except unemployment benefit and disability benefit during the first 13 weeks of disability. Persons in Class IV will receive all these except unemployment and disability benefit. As a substitute for unemployment benefit, training benefit will be available to persons in all classes other than Class I, to assist them to find new livelihoods if their present ones fail. Maternity grant, provision for widowhood and separation and qualification for retirement pensions will be secured to all persons in Class III by virtue of their husbands' contributions; in addition to maternity grant, housewives who take paid work will receive maternity benefit for thirteen weeks to enable them to give up working before and after childbirth.

(vi) Unemployment benefit, disability benefit, basic retirement pension after a transition period, and training benefit will be at the same rate, irrespective of previous earnings. This rate will provide by itself the income necessary for subsistence in all normal cases. There will be a joint rate for a man and wife who is not gainfully occupied. Where there is no wife or she is gainfully occupied, there will be a lower single rate; where there is no wife but a dependant above the age for children's allowance, there will be a dependant allowance. Maternity benefit for housewives who work also for gain will be at a higher rate than the single rate in unemployment or disability, while their unemployment and disability benefit will be at a lower rate; there are special rates also for widowhood as described below. With these exceptions all rates of benefit will be the same for men and for women. Disability due to industrial accident or disease will be treated like all other

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disability for the first thirteen weeks ; if disability continues thereafter, disability benefit at a flat rate will be replaced by an industrial pension related to the earnings of the individual subject to a minimum and a maximum.

- (vii) Unemployment benefit will continue at the same rate without means test so long as unemployment lasts, but will normally be subject to a condition of attendance at a work or training centre after a certain period. Disability benefit will continue at the same rate without means test, so long as disability lasts or till it is replaced by industrial pension, subject to acceptance of suitable medical treatment or vocational training.
- (viii) Pensions (other than industrial) will be paid only on retirement from work. They may be claimed at any time after the minimum age of retirement, that is 65 for men and 60 for women. The rate of pension will be increased above the basic rate if retirement is postponed. Contributory pensions as of right will be raised to the full basic rate gradually during a transition period of twenty years, in which adequate pensions according to needs will be paid to all persons requiring them. The position of existing pensioners will be safeguarded.
- (ix) While permanent pensions will no longer be granted to widows of working age without dependent children, there will be for all widows a temporary benefit at a higher rate than unemployment or disability benefit, followed by training benefit where necessary. For widows with the care of dependent children there will be guardian benefit, in addition to the children's allowances, adequate for subsistence without other means. The position of existing widows on pension will be safeguarded.
- (x) For the limited number of cases of need not covered by social insurance, national assistance subject to a uniform means test will be available.
- (xi) Medical treatment covering all requirements will be provided for all citizens by a national health service organised under the health departments and post-medical rehabilitation treatment will be provided for all persons capable of profiting by it.
- (xii) A Ministry of Social Security will be established, responsible for social insurance, national assistance and encouragement and supervision of voluntary insurance and will take over, so far as necessary for these purposes, the present work of other Government Departments and of Local Authorities in these fields.

THE NATURE OF SOCIAL INSURANCE

20. Under the scheme of social insurance, which forms the main feature of this plan, every citizen of working age will contribute in his appropriate class according to the security that he needs, or as a married woman will have contributions made by the husband. Each will be covered for all his needs by a single weekly contribution on one insurance document. All the principal cash payments—for unemployment, disability and retirement will continue so long as the need lasts, without means test, and will be paid from a Social Insurance Fund built up by contributions from the insured persons, from their employers, if any, and from the State. This is in accord with two views as to the lines on which the problem of income maintenance should be approached.

21. The first view is that benefit in return for contributions, rather than free allowances from the State, is what the people of Britain desire. This desire is shown both by the established popularity of compulsory insurance,

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and by the phenomenal growth of voluntary insurance against sickness, against death and for endowment, and most recently for hospital treatment. It is shown in another way by the strength of popular objection to any kind of means test. This objection springs not so much from a desire to get everything for nothing, as from resentment at a provision which appears to penalise what people have come to regard as the duty and pleasure of thrift, of putting pennies away for a rainy day. Management of one's income is an essential element of a citizen's freedom. Payment of a substantial part of the cost of benefit as a contribution irrespective of the means of the contributor is the firm basis of a claim to benefit irrespective of means.

22. The second view is that whatever money is required for provision of insurance benefits, so long as they are needed, should come from a Fund to which the recipients have contributed and to which they may be required to make larger contributions if the Fund proves inadequate. The plan adopted since 1930 in regard to prolonged unemployment and sometimes suggested for prolonged disability, that the State should take this burden off insurance, in order to keep the contribution down, is wrong in principle. The insured persons should not feel that income for idleness, however caused, can come from a bottomless purse. The Government should not feel that by paying doles it can avoid the major responsibility of seeing that unemployment and disease are reduced to the minimum. The place for direct expenditure and organisation by the State is in maintaining employment of the labour and other productive resources of the country, and in preventing and combating disease, not in patching an incomplete scheme of insurance.

23. The State cannot be excluded altogether from giving direct assistance to individuals in need, after examination of their means. However comprehensive an insurance scheme, some, through physical infirmity, can never contribute at all and some will fall through the meshes of any insurance. The making of insurance benefit without means test unlimited in duration involves of itself that conditions must be imposed at some stage or another as to how men in receipt of benefit shall use their time, so as to fit themselves or to keep themselves fit for service; imposition of any condition means that the condition may not be fulfilled and that a case of assistance may arise. Moreover for one of the main purposes of social insurance—provision for old age or retirement—the contributory principle implies contribution for a substantial number of years; in the introduction of adequate contributory pensions there must be a period of transition during which those who have not qualified for pension by contribution but are in need have their needs met by assistance pensions. National assistance is an essential subsidiary method in the whole Plan for Social Security, and the work of the Assistance Board shows that assistance subject to means test can be administered with sympathetic justice and discretion taking full account of individual circumstances. But the scope of assistance will be narrowed from the beginning and will diminish throughout the transition period for pensions. The scheme of social insurance is designed of itself when in full operation to guarantee the income needed for subsistence in all normal cases.

24. The scheme is described as a scheme of insurance, because it preserves the contributory principle. It is described as social insurance to mark important distinctions from voluntary insurance. In the first place, while adjustment of premiums to risks is of the essence of voluntary insurance, since without this individuals would not of their own will insure, this adjustment is not essential in insurance which is made compulsory by the power of the State. In the second place, in providing for actuarial risks such as those of death, old age or sickness, it is necessary in voluntary insurance to fund contributions paid in early life in order to provide for the increasing risks of

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later life and to accumulate reserves against individual liabilities. The State with its power of compelling successive generations of citizens to become insured and its power of taxation is not under the necessity of accumulating reserves for actuarial risks and has not, in fact, adopted this method in the past. The second of these two distinctions is one of financial practice only; the first raises important questions of policy and equity. Though the State, in conducting compulsory insurance, is not under the necessity of varying the premium according to the risk, it may decide as a matter of policy to do so.

25. When State insurance began in Britain, it was felt that compulsory insurance should be like voluntary insurance in adjusting premiums to risks. This was secured in health insurance by the system of Approved Societies. It was intended to be secured in unemployment insurance by variation of contribution rates between industries as soon as accurate valuation became possible, by encouragement of special schemes of insurance by industry, and by return of contributions to individuals who made no claims. In the still earlier institution of workmen's compensation, adjustment of premiums to industrial risks was a necessary consequence of the form in which provision for industrial accidents was made, by placing liability on employers individually and leaving them to insure voluntarily against their liability. In the thirty years since 1912, there has been an unmistakable movement of public opinion away from these original ideas, that is to say, away from the principle of adjusting premiums to risks in compulsory insurance and in favour of pooling risks. This change has been most marked and most complete in regard to unemployment, where, in the general scheme, insurance by industry, in place of covering a large part of the field, has been reduced to historical exceptions; today the common argument is that the volume of unemployment in an industry is not to any effective extent within its control; that all industries depend upon one another, and that those which are fortunate in being regular should share the cost of unemployment in those which are less regular. The same tendency of opinion in favour of pooling of social risks has shown itself in the views expressed by the great majority of witnesses to the present Committee in regard to health insurance. In regard to workmen's compensation, the same argument has been put by the Mineworkers' Federation to the Royal Commission on Workmen's Compensation; as other industries cannot exist without coalmining, they have proposed that employers in all industries should bear equally the cost of industrial accidents and disease, in coalmining as elsewhere.

26. There is here an issue of principle and practice on which strong arguments can be advanced on each side by reasonable men. But the general tendency of public opinion seems clear. After trial of a different principle, it has been found to accord best with the sentiments of the British people that in insurance organised by the community by use of compulsory powers each individual should stand in on the same terms; none should claim to pay less because he is healthier or has more regular employment. In accord with that view, the proposals of the Report mark another step forward to the development of State insurance as a new type of human institution, differing both from the former methods of preventing or alleviating distress and from voluntary insurance. The term "social insurance" to describe this institution implies both that it is compulsory and that men stand together with their fellows. The term implies a pooling of risks except so far as separation of risks serves a social purpose. There may be reasons of social policy for adjusting premiums to risks, in order to give a stimulus for avoidance of danger, as in the case of industrial accident and disease. There is no longer an admitted claim of the individual citizen to share in national insurance and yet to stand outside it, keeping the advantage of his individual lower risk whether of unemployment or of disease or accident.

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PROVISIONAL RATES OF BENEFIT AND CONTRIBUTION

27. Social insurance should aim at guaranteeing the minimum income needed for subsistence. What the actual rates of benefit and contribution should be in terms of money cannot be settled now, and that for two reasons. First, it is impossible today to forecast with assurance the level of prices after the war. Second, determination of what is required for reasonable human subsistence is to some extent a matter of judgment; estimates on this point change with time, and generally, in a progressive community, change upwards. The procedure adopted to deal with this problem has been: first, from consideration of subsistence needs, as given by impartial expert authorities, to determine the weekly incomes which would have been sufficient for subsistence in normal cases at prices ruling in 1938; second, to derive from these the rates appropriate to a cost of living about 25% above that of 1938. These rates of benefit, pension and grant are set out in para. 403 as provisional post-war rates; by reference to them it is possible to set forth simply what appears to be the most appropriate relation between different benefits and what would be the cost of each benefit and of all benefits together; it is possible to show benefits in relation to contributions and taxation. But the provisional rates themselves are not essential. If the value of money when the scheme comes into operation differs materially from the assumptions on which the provisional rates are based, the rates could be changed without affecting the scheme in any important particular. If social policy should demand benefits on a higher scale than subsistence, the whole level of benefit and contribution rates could be raised without affecting the structure of the scheme. If social policy or financial stringency should dictate benefits on a lower scale, benefits and contributions could be lowered, though not perhaps so readily or without some adjustments within the scheme.

28. The most important of the provisional rates is the rate of 40/- a week for a man and wife in unemployment and disability and after the transition period as retirement pension, in addition to allowances for children at an average of 8/- per head per week. These amounts represent a large addition to existing benefits. They will mean that in unemployment and disability a man and wife, if she is not working, with two children, will receive 56/- a week without means test so long as unemployment or disability lasts, as compared with the 33/- in unemployment and the 15/- or 7/6 in sickness, with additional benefit in some Approved Societies, which they were getting before the war. For married women gainfully occupied, there will be a maternity benefit at the rate of 36/- a week for 13 weeks, in addition to the maternity grant of £4 available for all married women. Other rates, as for widowhood and for industrial disability, show similar increases, as set out in detail in para. 284, in dealing with the Social Security Budget. There will be new benefits for funerals, marriage and other needs, as well as comprehensive medical treatment, both domiciliary and institutional, for all citizens and their dependants which, subject to further enquiry suggested in para. 437, will be without a charge on treatment at any point. At these provisional rates, the total Security Budget, including children's allowances and free health and rehabilitation services, is estimated to amount to £697,000,000 in 1945 as the first year of the plan, and £858,000,000 twenty years after, in 1965. The extent to which these sums represent new expenditure which is not now being incurred and the division of the total cost between insured persons, their employers and the Exchequer are discussed in Part IV of the Report and provisional rates of contribution are suggested in para. 403. The most important of these is the contribution of 4/3 a week by an adult man in employment and 3/3 a week from his employer. At this rate, with corresponding rates for other classes, the contribution of insured employees in

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Class I for cash benefits, when the plan, including contributory pensions, is in full operation, is estimated to amount to about 25 per cent. of the cost of their cash benefits exclusive of allowances for children; the balance will be provided by the employers' contributions and by taxation based on capacity to pay. At the outset, the contributions of insured persons will represent a larger proportion of the total cost; the net addition to the burden on the National Exchequer in the first year, as compared with expenditure under the existing arrangements, will be about £86,000,000.

29. The attempt to fix rates of insurance benefit and pension on a scientific basis with regard to subsistence needs has brought to notice a serious difficulty in doing so in the conditions of modern Britain. This is the problem of rent discussed in paras. 197-216. In this as in other respects, the framing of a satisfactory scheme of social security depends on the solution of other problems of economic and social organisation. But subject to unavoidable difficulties in giving a numerical value to the conception of a subsistence minimum, the scheme of social insurance outlined in this Report provides insurance benefit adequate to all normal needs, in duration and in amount. It is at the same time a scheme from which the anomalies and overlapping, the multiplicity of agencies and the needless administrative cost which mark the British Social Services today, have been removed and have been replaced by co-ordination, simplicity and economy.

UNIFIED SOCIAL SECURITY AND THE CHANGES INVOLVED

30. The advantages of unified social security are great and unquestionable. They can be obtained only at the cost of changes in the present administrative machinery whose necessity needs to be proved and can be proved case by case. The principal changes from present practice that are involved in the plan are set out below. The reasons for each of these changes are given in Part II; in one or two cases they are set out there only briefly, in anticipation of fuller discussion.

1. Unification of social insurance in respect of contributions, that is to say, enabling each insured person to obtain all benefits by a single weekly contribution on a single document (paras. 41-43).
2. Unification of social insurance and assistance in respect of administration in a Ministry of Social Security with local Security Offices within reach of all insured persons (paras. 44-47).
3. Supersession of the present system of Approved Societies giving unequal benefits for equal compulsory contributions [combined with retention of Friendly Societies and Trade Unions giving sickness benefit as responsible agents for the administration of State benefit as well as voluntary benefit for their members] (paras. 48-76).
4. Supersession of the present scheme of workmen's compensation and inclusion of provision for industrial accident or disease within the unified social insurance scheme, subject to (a) a special method of meeting the cost of this provision, and (b) special pensions for prolonged disability and grants to dependants in cases of death due to such causes (paras. 77-105).
5. Separation of medical treatment from the administration of cash benefits and the setting up of a comprehensive medical service for every citizen, covering all treatment and every form of disability under the supervision of the Health Departments (para. 106).
6. Recognition of housewives as a distinct insurance class of occupied persons with benefits adjusted to their special needs, including (a) in all cases [marriage grant], maternity grant, widowhood and separation

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provisions and retirement pensions; (b) if not gainfully occupied, benefit during husband's unemployment or disability; (c) if gainfully occupied, special maternity benefit in addition to grant, and lower unemployment and disability benefits, accompanied by abolition of the Anomalies Regulations for Married Women (paras. 107-117).

7. Extension of insurance against prolonged disability to all persons gainfully occupied and of insurance for retirement pensions to all persons of working age, whether gainfully occupied or not (paras. 118-121).
8. Provision of training benefit to facilitate change to new occupations of all persons who lose their former livelihood, whether paid or unpaid (para. 122).
9. Assimilation of benefit and pension rates for unemployment, disability other than prolonged disability due to industrial accident or disease, and retirement (para. 123).
10. Assimilation of benefit conditions for unemployment and disability, including disability due to industrial accident or disease, in respect of waiting time (paras. 124-126).
11. Assimilation of contribution conditions for unemployment and disability benefit, except where disability is due to industrial accident or disease, and revision of contribution conditions for pension (paras. 127-128).
12. Making of unemployment benefit at full rate indefinite in duration, subject to requirement of attendance at a work or training centre after a limited period of unemployment (paras. 129-132).
13. Making of disability benefit at full rate indefinite in duration, subject to imposition of special behaviour conditions (paras. 129-132).
14. Making of pensions, other than industrial, conditional on retirement from work and rising in value with each year of continued contribution after the minimum age of retirement, that is to say, after 65 for men and 60 for women (paras. 133-136).
15. Amalgamation of the special schemes of unemployment insurance, for agriculture, banking and finance and insurance, with the general scheme of social insurance (paras. 137-148).
16. Abolition of the exceptions from insurance
 - (a) of persons in particular occupations, such as the civil service, local government service, police, nursing, railways, and other pensionable employments, and, in respect of unemployment insurance, private indoor domestic service;
 - (b) of persons remunerated above £420 a year in non-manual occupations (paras. 149-152).
17. Replacement of unconditional inadequate widows' pensions by provision suited to the varied needs of widows, including temporary widows' benefit at a special rate in all cases, training benefit when required and guardian benefit so long as there are dependent children (paras. 153-156).
18. Inclusion of universal funeral grant in compulsory insurance (paras. 157-160).
19. Transfer to the Ministry of Social Security of the remaining functions of Local Authorities in respect of public assistance, other than treatment and services of an institutional character (paras. 161-165).
20. Transfer to the Ministry of Social Security of responsibility for the maintenance of blind persons and the framing of a new scheme for maintenance and welfare by co-operation between the Ministry, Local Authorities and voluntary agencies (paras. 166-170).

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21. Transfer to the Ministry of Social Security of the functions of the Assistance Board, of the work of the Customs and Excise Department in respect of non-contributory pensions, and probably of the employment service of the Ministry of Labour and National Service, in addition to unemployment insurance, and the work of other departments in connection with the administration of cash benefits of all kinds, including workmen's compensation (paras. 171-175).
22. Substitution for the Unemployment Insurance Statutory Committee of a Social Insurance Statutory Committee with similar but extended powers (paras. 176-180).
- [23. Conversion of the business of industrial assurance into a public service under an Industrial Assurance Board.] (paras. 181-192).
31. This considerable list of changes does not mean that, in the proposals of the Report, either the experience or the achievements of the past are forgotten. What is proposed today for unified social security springs out of what has been accomplished in building up security piece by piece. It retains the contributory principle of sharing the cost of security between three parties—the insured person himself, his employer, if he has an employer, and the State. It retains and extends the principle that compulsory insurance should provide a flat rate of benefit, irrespective of earnings, in return for a flat contribution from all. It retains as the best method of contribution the system of insurance documents and insurance stamps. It builds upon the experience gained in the administration of unemployment insurance and later of unemployment assistance, of a national administration which is not centralised at Whitehall but is carried out through responsible regional and local officers, acting at all points in close co-operation with representatives of the communities which they serve. It provides for retaining on a new basis the association of Friendly Societies with national health insurance. It provides for retaining within the general framework of a unified scheme some of the special features of workmen's compensation and for converting the associations for mutual indemnity in the industries chiefly concerned into new organs of industrial co-operation and self-government. While completing the transfer from local to national government of assistance by cash payments, it retains a vital place for Local Authorities in the provision of institutions and in the organisation and maintenance of services connected with social welfare. The scheme proposed here is in some ways a revolution, but in more important ways it is a natural development from the past. It is a British revolution.

32. The Plan for Social Security is put forward as something that could be in operation in the immediate aftermath of the war. In the Memorandum by the Government Actuary on the financial aspects of the plan, which is printed as Appendix A to the Report, it is assumed, for the purpose of relating the estimates of expenditure to the numbers of the population, that the plan will begin to operate on 1st July, 1944, so that the first full year of benefit will be the calendar year 1945. But in view of the legislative and administrative work involved in bringing the plan into force, so early a date as this will be possible only if a decision of principle on the plan is taken in the near future by the Government and by Parliament.

PROCEDURE OF COMMITTEE

33. Before concluding the Introduction, it is necessary to say something as to the procedure of the Committee. They were appointed in June, 1941, held their first meeting on 8th July, 1941, and gave immediate notice of their terms of reference to the principal organisations concerned with the various insurance schemes and allied services and invited the submission of memoranda

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of evidence. They gave general notice through the press and in other ways of their activities. While organisations outside the Government departments should be preparing their evidence, the Committee asked the departments themselves to furnish detailed memoranda describing each of the insurance schemes and allied services as it stood today and from this constructed the survey to which reference has been made and which is set out in detail in Appendix B. The first of the interested organisations to appear before the Committee gave evidence on 26th November, 1941, and from then till the end of September, 1942, the Committee received memoranda from more than a hundred representative organisations whose names are given in Appendix C. The Minister without Portfolio (Mr. Arthur Greenwood) announced in the House of Commons on the 27th January, 1942, that "it will be within the power of the Committee to consider developments of the national insurance schemes in the way of adding death benefits or dealing with any other risks which are at present not covered by such schemes." In accord with this announcement, the Committee discussed problems affecting insurance for funeral benefit with the Industrial Life Offices which are concerned with such matters.

34. Those memoranda which appear to be of most general interest are given in Appendix G,* with any alterations made by their authors after submission: certain other memoranda are summarised briefly. While Appendix B presents a general picture of the insurance schemes and allied services as they stand after forty years of piece-meal growth, Appendix G shows how those schemes and services and their problems are viewed by the persons outside Government departments who are most deeply concerned in their administration or interested in their results. A large number of those who presented written memoranda attended the Committee for oral examination. The minutes of these meetings will not be published as it was desired to make discussion on these occasions as informal and as informative as possible. In the case of several organisations whose interest in social insurance was of a general character the Committee have held more than one meeting with their representatives. In addition the Chairman has either individually or with particular members of the Committee directly interested in the particular aspect had many discussions with individuals and representatives of organisations. On two occasions, accompanied by members of the Committee, the Chairman held meetings in Edinburgh to hear oral evidence from Scottish organisations. Altogether the full Committee met on forty-eight occasions.

35. Social security is first and foremost an interest of the individual citizen, of the consumer of social insurance and allied services even more than of the administrator. With a view to obtaining, so far as possible, through persons engaged in forms of public and citizen service making them familiar with the working of the existing schemes, indications of the views, experiences and difficulties of the consumers of insurance, the Nuffield College Social Reconstruction Survey were invited to make an investigation of such matters and collected material for this purpose from many quarters.

36. The main problems of social security are common to all nations. In order to be sure that, in making their survey, the Committee had the benefit of the experience of other nations, so far as it could be made available in the abnormal circumstances of the time, they sought the help of the International Labour Office, which arranged for Dr. Oswald Stein, Head of the Social Insurance Section, and one of his chief assistants, Mr. Maurice Stack, to visit Britain for the purpose of conferring with the Committee. This visit was stimulating and informing in the highest degree. It is appropriate that the Committee should express in warm terms their gratitude for the help thus afforded by the International Labour Office. Some comparisons between the present British schemes, the proposals of this Report and the practice of other nations are given in Appendix F.

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37. In regard to physical needs for subsistence, the Committee invited an independent Sub-Committee including Professor A. L. Bowley, Mr. Seeborn Rowntree, Mr. R. F. George and Dr. H. E. Magee to advise them. The results of this Sub-Committee's work are discussed in paras. 193-232 dealing with Benefit Rates and the Problem of Rent.

38. In regard to workmen's compensation, a Royal Commission on this subject, under the Chairmanship of Sir Hector Hetherington was appointed on 22nd December, 1938, and between February, 1939, and June, 1940, received a good deal of evidence which has been published. Some of the bodies most deeply interested, on the side of the employers, expressed their inability through pre-occupation with urgent war problems to give time to the preparation of evidence, and the Royal Commission suspended its sittings in July, 1940. Workmen's compensation, however, was expressly included in the reference to the Inter-departmental Committee, and it has been the duty of the Committee to deal with this question in their survey. The Report, with its wider reference, approaches the question from a different standpoint from that open to the Royal Commission, but taking into account both the printed evidence before the Commission and further evidence tendered to the Committee. It is recognised that, in this field particularly, there are many technical problems for which it would be premature now to suggest detailed final solutions. As to the general lines on which the results of industrial accident and disease should be treated in future, the Report is clear.

39. There will, it may be hoped, come a season when it is profitable to consider the practical relations of social insurance in Britain and of schemes for the same purpose in the Dominions, in the Colonies and in other countries of the world. On the assumption that once again it will be possible for men to move from one country to another to find the best use for their powers, it will be desirable to consider the making of reciprocal arrangements between the schemes of different countries facilitating transfer from one to the other, that is to say, arrangements enabling men on migration to avoid forfeiting security and allowing them to carry with them some of the rights that they have acquired in their former country. That should, in due course, become a practical problem. It is not possible today to do more than mention the problem to show that it has not been forgotten.

SIGNATURE OF REPORT

40. The Report is made by the Chairman alone. This calls for explanation and can be explained briefly. All the members of the Committee other than the Chairman are civil servants. Many of the matters dealt with in the Report raise questions of policy, on which it would be inappropriate for any civil servant to express an opinion except on behalf of the Minister to whom he is responsible; some of these matters are so important as to call for decision by the Government as a whole. When the nature of the issues that would be raised before the Committee became apparent, the following letters were exchanged between the Minister without Portfolio who had appointed the Committee and the Chairman of the Committee.

27th January, 1942.

" My dear Beveridge,

" I have discussed with the Chancellor of the Exchequer the position of the departmental representatives on the Inter-departmental Committee on Social Insurance and Allied Services. In view of the issues of high policy which will arise, we think that the departmental representatives should henceforward be regarded as your advisers and assessors on the various technical and administrative matters with which they are severally concerned. This means that the Report, when made, will be your own report; it will be signed by you alone, and the departmental representatives will not be associated in any way with the views and recommendations on questions of policy which it contains. It would be well that the Report should contain words to make it clear that this is the position.

Yours sincerely,
(Signed) ARTHUR GREENWOOD."

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28th January, 1942.

My dear Greenwood,

"Many thanks for your letter as to the work of the Committee on Social Insurance and Allied Services and the position of departmental representatives thereon. I had already communicated the substance of what you write to the Committee at their last meeting and will now circulate your letter.

"Needless to say I entirely accept the view taken by the Chancellor of the Exchequer and yourself. I believe that in this way the departmental representatives will be even more useful than if they had to sign the Report and I shall encourage them within the Committee itself to express their views with complete frankness to me so that whatever I may say I shall say after getting the best possible advice.

Yours sincerely,

(Signed) W. H. BEVERIDGE."

In accord with the last sentence of the Chairman's letter, the departmental representatives have given their views within the Committee and have placed at the disposal of the Chairman their expert knowledge of the problems with which the Committee was concerned. In discussion and in examination of witnesses the Committee has functioned as a Committee. Through their representatives and otherwise the various Departments have been able to express views on questions arising in the course of the enquiry, but they have done so, if at all, without associating themselves or any Minister or the Government in any way whatever with anything that is written here. For every recommendation and every word in the Report and in Appendices D, E and F the Chairman alone is responsible. The Report stands or falls on its merits and its argument, with no authority behind it except that of a sincere attempt, with expert guidance from the departments and after consideration of views presented by interested bodies, to understand the innumerable problems of social security, to balance arguments and equities, to compare desires and resources, and to devise methods of making all the immense good that has been accomplished into something better still.

PART II

THE PRINCIPAL CHANGES PROPOSED AND THEIR REASONS

Change 1. Unification of social insurance in respect of contributions, that is to say, enabling each insured person to obtain all benefits by a single weekly contribution on a single document.

41. The advantages of this are obvious. It means having one insurance document in place of two documents a year with stamps to correspond, for each of about 20,000,000 persons. This is a saving of paper, a saving of trouble to the insured persons and a saving of administration to the employers. The administrative costs of compulsory insurance, as they are usually reckoned, are not the whole costs. They show what the Government Departments or Local Authorities or Approved Societies spend on administration. They do not show the cost to employers of affixing insurance stamps, calculating and making deductions from wages, and dealing with insurance documents. The estimate made in Appendix E suggests that the employers' costs for the administration of the present schemes of compulsory social insurance are of the order of magnitude of about £1,200,000 a year, and that unification of insurance documents or stamps would reduce this by about £400,000 a year. Neither of these amounts is large in relation to the total sums involved in social insurance but the saving is worth making. The advantages of a single contribution on a single insurance document are so clear that the only question

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