

THE BEVERIDGE REPORT
on the
SOCIAL INSURANCE AND
ALLIED SERVICES

MEMORANDUM

issued by

THE NATIONAL FEDERATION OF
EMPLOYEES' APPROVED SOCIETIES

FEBRUARY, 1943

THE NATIONAL FEDERATION OF EMPLOYEES' APPROVED SOCIETIES

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THE NATIONAL FEDERATION OF EMPLOYEES' APPROVED SOCIETIES

At the Annual General Meeting of the National Federation of Employees' Approved Societies held on January 20th, 1943, the following Resolution was passed:—

“ That this Conference of Representatives of Societies affiliated to the National Federation of Employees' Approved Societies welcomes the Beveridge Report, supports the principle of social security, but approves the points of disagreement with the Beveridge Plan as outlined in the President's Address.”

In pursuance of this Resolution it was agreed that the Federation should prepare and send to the Rt. Hon. Sir William Jowitt, K.C., Minister without Portfolio, a memorandum setting out its views, and that copies be sent to Members of Parliament and the Press.

The following statement is accordingly issued on behalf of this Federation.

PRELIMINARY NOTE

The National Federation of Employees' Approved Societies consists of societies administered by and for the benefit of work-people employed in the same industrial or commercial undertaking. Most of these societies, originally known as “ Works Sick Clubs,” were in existence many years before the advent of National Health Insurance, and on the passing of that measure became “ Approved ” for the purpose of administering the State Insurance Scheme.

At the present time there are altogether about 100 Employees' Approved Societies with an aggregate membership of approximately 300,000 insured persons spread over a large variety of industries throughout the country.

In every type of Employees' Society the intention is the same, namely, that persons who work together for the same employer shall themselves administer National Health Insurance benefits through their own society in order to suit the particular needs of the members concerned.

The members are, as fellow employees, in direct personal touch with the governing body of the society. Facilities provided by employers enable the contribution cards to be collected in bulk and for benefits to be paid to sick members at the pay office of the firm in the same way as wages. In some cases the whole or part of the administration expenses are paid by the employers, thus increasing the sums available for benefits. In many other respects assistance is provided by the employer with a view to the more economical and efficient management of a society's business.

The co-operation of employers and employed persons in the administration of the National Health Insurance scheme fosters the human element in industrial relations and promotes goodwill among all concerned.

POSITION OF THE FEDERATION

It is desirable at the outset to make our position as a Federation quite clear. We are not a political body, nor are we a vested interest. Although we administer National Health Insurance, we are not concerned merely to defend the Approved Society system against the national interest. In the matter of social security, we may fairly say we are among the converters, not the converted—to that our Memorandum of Evidence, which is printed in Appendix G to the Beveridge Report, bears witness. We know, none better, that no price is too much to pay for a healthy, industrious, loyal and united people. Therefore we welcome the Beveridge Report. It brings into focus the inter-relation of the existing social insurance and allied services, and points a way to their co-ordination with a view to securing for every citizen freedom from want. With such an aim, this Federation is in complete agreement. There should be no misunderstanding about that.

But Sir William Beveridge, for whose eminent qualifications we have sincere respect, puts forward his proposals as a basis for discussion. The observations we have to offer are intended as a contribution to that discussion, and we ask no more than that the comments and suggestions which we now make be received and considered in that spirit. We feel that the knowledge and experience we have gained over many years, not

only by close contact with workpeople in industry, but more particularly in the administration of the various social insurance services, entitle us to a hearing by those in authority in the country, before any final decision is made.

THE PLAN

The range of services covered by the Beveridge Report is so vast and complex that it is difficult for anyone not familiar with the subject to see the wood for the trees, so to speak. But essentially, Sir William's Plan comes to this.

(1) The administrative framework. This is intended to secure unification of the social insurance services. Sir William would carve out from the work of certain Government departments and local authorities that part which involves the payment of cash benefits or assistance allowances and transfer the administration of these money payments to a new Ministry to be called the Ministry of Social Security, with local security offices all over the country—very much like the employment exchanges with which we have become familiar.

(2) A provisional scheme of contributions and benefits. The scheme applies in one respect or another to everybody in the country. For a single flat rate contribution according to the class within which you fall (and there are six classes altogether) you may become entitled, subject to certain important conditions, to a whole bundle of different benefits. There is nothing definite about the rates of these contributions and benefits. The underlying idea is to prevent want, and for that purpose the various benefits are intended to cover the needs of bare subsistence on the assumption of a 25 per cent. increase in the cost of living after the war, as compared with that in 1938, and includes an allowance of 10s. a week for rent. That in a word seems to be the essence of the Beveridge proposals.

(3) But in putting forward his Plan, Sir William says it will not work unless three major assumptions are realised. His assumptions, therefore, are of vital importance. They are:—

- (A) Allowances for children up to the age of 15, or, if in full-time education up to the age of 16;
- (B) Comprehensive health and rehabilitation services for prevention and cure of disease and restoration of capacity for work;
- (C) Maintenance of employment, that is to say, avoidance of mass unemployment.

Our submission is that:—

(1) "Unification"—i.e., the establishment of a new Government Department for the purpose suggested by Sir William Beveridge—is unnecessary and undesirable. It would not result in any substantial administrative economy, nor would it serve the best interests of insured persons.

(2) The time required for the realisation of Assumptions B and C would, having regard to the inherent difficulties of these problems, indefinitely postpone the extension of social insurance benefits.

(3) The conditions governing the title to benefits, in so far as they would restrain the liberty of insured persons, are inconsistent with the insurance principle by which benefits are payable as of right on the happening of the risks insured against. Such restrictive conditions have no direct relation to the contributions of insured persons and belong properly to the principle of communal responsibility as between the State and the citizen.

(4) A Ministry of Social Service be established to administer those social services which cannot effectively be dealt with under an Insurance Scheme.

UNIFICATION

It is with the administrative framework of the scheme that Sir William is most urgently concerned. It is referred to in the Report as "unification," by which apparently is meant the unification of responsibilities for administration through one Government Department. We would examine this proposal then a little more closely, because it seems to us that Sir William rather over-simplifies his problem. Each of the social insurance services—health, unemployment and pensions—represents a distinct body of ideas and involves such a variety of circumstances associated with the individual way of life of millions of insured persons, that a system of administration is required peculiarly suited to that particular service, and the payment of the respective cash benefits is inextricably bound up with the conditions governing the title to them. For example, the payment of unemployment benefit is purely incidental to the work of bringing employers and employed together—of finding the right man for the right job; the payment of disability benefit is incidental to the operation of the health services; maternity benefit—something quite different from the single payment made under the National Health Insurance Scheme—is, we think, properly incidental to the maternity and child welfare

services. To divorce these cash payments from the work of the departments responsible for the administration of the major services, and set up an entirely new Ministry simply to play the part of *cashier* to the Ministry of Health and Ministry of Labour—for that is all it comes to—would inevitably lead to much delay, if not confusion, in the payment of benefits and to the general inefficiency of the service. Sir William appears to apprehend this because he recommends the establishment of a liaison committee between his Ministry of Social Security and the other Government Departments concerned. But why a separate Government Department? Have a supervisory statutory committee by all means to review and co-ordinate the amounts of the cash payments, but such duties would hardly seem to require the setting up of a new Government Department, employing many thousands of officials, to do work which is now being done very well through existing departments. But, says Sir William, if you do it his way you will avoid waste in administration expenditure. The Government Actuary, however, finds it difficult apparently to agree with him. For this is what Sir George Epps says in paragraph 69 of his report:

“ Until the details of the scheme and its administration have been worked out, the amounts which will be required for the expenses of administration under the various heads must be largely speculative. Not only are some of the benefits new and complex in character, calling for the development of new methods of administration, but also it is proposed to reorganise the whole machinery of administration of the Pensions and Health Insurance Schemes, if not of the Unemployment Scheme. On balance it appears *unlikely* that there will be a saving, at any rate for a considerable time to come.”

That, we think, scarcely supports the case for economy.

The Democratic Principle

But even if there were economies in administration, it is submitted that certain advantages would be lost to the “common man,” which, in his opinion, are well worth paying for. For instance, you cannot speak of Health Insurance in the same way as Unemployment Insurance. The incidence of sickness and the visiting of people in their homes, is quite different from the incidence of unemployment and payment of benefit at a registration office. Our people dislike bureaucracy. Government officials, fine public servants though they undoubtedly are in their proper sphere, have a code of their own. Unlike the friendly society or trade union man, or a fellow worker in the same employment, they are united by no personal bond to the insured person in any degree that

would seem to justify their having the right of entry to the home or bedside of a sick man or woman whenever they might think fit.

There could hardly be a better example of the working of the democratic principle in this country than the administration of sickness benefit through the people's own organisations. These are a type of institution which, like the unwritten constitution under which we live, has grown out of the very character and custom of the people. It was a wise decision of the framers of the Insurance Act to utilise the experience of these popular institutions in winning the confidence and co-operation of insured persons generally in the administration of the service, especially when one considers the smooth working of the scheme, notwithstanding the widespread disturbance of social life during the period of the first Great War, and after. On this subject, the tribute of a distinguished statesman is worth recalling:—

“ They had been fortunate in the kind of legislation which they had had in this country with reference to the friendly societies. In that way the Government had very largely left the management and the arranging of the work to the societies themselves. They had had a great amount of licence under legislation. The theory of the legislation had been to advise and help, to provide investments, and to safeguard the savings of the thrifty. That was all to the good; it was a very English way of doing it.”

But Sir William says the Approved Society system must go. He does not and cannot deny that they have done good work, but says that they have “ had their day.” The Royal Commission on National Health Insurance did not think so. Does the demand for the abolition of societies come from insured persons? We certainly have not found it so—quite the contrary. In this part of his case, Sir William doubtless would not wish to be unfair, but he seems to go out of his way to quote a few words used by the Royal Commission (obviously by way of parenthesis) that “ development in the system of social insurance outside the range of present contemplation might perhaps necessitate a reconsideration of the position.” He ignores entirely the splendid tributes paid by the Royal Commission to the work of these societies, and their definite recommendation that that work should be continued in the best interests of the country. The question of “ unification ” was fully considered by the Commissioners, and this is what they said:—

“ We do not ourselves think that the best interests either of the State or of the insured population would be served by a vast amalgamation of all the resources of the scheme in a common fund administered from the centre, and for the reason given we are satisfied that such an amalgamation would create as much discontent as it would allay. From this point of view, therefore, we have come to the conclusion that a system of self-governing bodies is to be preferred and should be retained.”

It is perhaps pertinent to point out that these are the views of a number of eminent persons of wide experience and responsibility, and among the signatories are included two great and distinguished men who to-day hold high office in the State.

The fact that an insured person has free choice of society, like free choice of doctor, is a privilege which is quite definitely prized, even although the insured person may rarely wish to exercise it by way of changing from one society or doctor to another.

Our societies are, by their constitution, under the control of their members. But how much control would insured persons have under a system administered entirely by the State? What effective voice have they, for instance, in the administration of Unemployment Insurance or of the Contributory Pensions Scheme? The point is that the system of administering State Insurance through voluntary organisations has proved to be sound, and if left to themselves, approved societies, though acting as independent units, would of their own accord work towards a common policy and a common ideal.

That there may be shortcomings in the Approved Society system, we should be the last to deny. What human institution is without the defects of its qualities? If it be said that some societies are too large, reduce them. If, on the other hand, the unit is too small, enlarge it. If that is necessary to administrative economy, then, in our opinion, none would co-operate more readily in that effort than the societies themselves. But to abolish them altogether would, in our judgment, be a serious blow to our democratic way of life, for the preservation of which millions of insured persons are to-day ready to make if need be the supreme sacrifice. The decision rests with Parliament, and we as a body representing insured persons, feel sure that no decision will be taken without the fullest recognition of the great responsibility it involves.

THE THREE ASSUMPTIONS

(A) Children's Allowances

The proposal is that Children's Allowances should be provided at the cost of the National Exchequer in respect of all children other than the first child when the parent is earning, and of the first child in addition during interruption of earning, i.e., during sickness or unemployment. Administratively the proposal involves no more than the payment of cash allowances by the State, and represents the interest of the community as a whole to-day in the citizen of the future.

With the social and economic implications of this assumption we as a Federation are not directly concerned. In the evidence which we submitted to the Interdepartmental Committee we supported the proposal on the ground that if it did not in fact encourage larger families, it would at least be a step in the right direction in the matter of child welfare.

(B) Comprehensive Health Service

To this assumption there are two sides. Sir William Beveridge says (paragraph 427):—

“ The first part of Assumption B is that a comprehensive national health service will ensure that for every citizen there is available **whatever medical treatment** he requires, in **whatever form** he requires it, domiciliary or institutional, general, specialist or consultant, and will ensure also the provision of dental, ophthalmic, and surgical appliances, nursing and midwifery and rehabilitation after accidents.”

Nothing could be more comprehensive than that.

The second part of the assumption covers post-medical rehabilitation. Sir William says:—

“ Rehabilitation is a continuous process by which disabled persons should be transferred from the state of being incapable under full medical care to the state of being producers and earners.”

Now it should be remembered that the establishment of this comprehensive service is, according to Sir William, essential to the successful working of his scheme. This problem covers so wide a field and is so inherently difficult that he discusses but does not attempt to solve it.

“ Most of the problems of organisation of such a service fall outside the scope of the Report. . . . Once it is accepted that the administration of medical treatment shall be lifted out of social insurance to become part of a comprehensive health service, the questions that remain for answer in this Report are, in the main, financial. . . . But though that question is mainly financial, the answer to it may affect the organisation of the service and may, therefore, depend in part upon views as to organisation.” (Para. 428).

Medical Services

What are Sir William's views? Frankly, they are rather vague, and, to be fair, excusably so. But the question arises: Are we to have a State medical service? Sir William cannot say. He does, however, drop a hint.

“ The possible scope of private general practice may be so restricted that it may not appear to be worth while to preserve it.”

That is as far as he is prepared to go, at present at all events. He claims:—

“ It is not necessary to express an opinion on such questions as free choice of doctor, group or individual practice, or the place of voluntary and public hospitals respectively in a national scheme. It is not necessary to express an opinion on the terms of service and remuneration of doctors of various kinds, of dentists and of nurses.” (Para. 428).

We can, of course, appreciate Sir William's difficulty, but is it not of his own creating? He makes a very large assumption, but feels unable to give to it any element of reality.

One thing however is clear, that if this very comprehensive health and rehabilitation service is to be given as an *insurance* benefit, that is as of right, it must be guaranteed. In other words, the Government must deliver the goods. The doctors, surgeons, consultants, specialists, hospitals, nurses, midwives, dentists and opticians must be brought to places where the insured persons can use them. It is difficult at the moment to see how this can be done unless the State as the guarantor can in one form or another control these services. That is the administrative problem.

But what about the financial side? The Government Actuary says that “ the cost cannot be estimated with precision until the proposals have taken more definite shape.” (Para. 61). Therefore, he goes on.

“ it is necessary to have regard to the existing charges on the national and local exchequers in regard to analogous services.” (Para. 64).

If we may venture with respect to say so, it is difficult to see what adequate data the Government Actuary can have for estimating with any degree of confidence the cost of these services when he is not told what are to be the terms of service and remuneration of he knows not how many doctors, how many nurses, how many dentists, and others. Nevertheless, he puts the cost at £170 millions a year, towards which the Social Insurance Fund would make a grant in aid of about £40 millions, the balance being a charge on public funds. All we would say is that it is not usual for the Treasury to spend even £130 millions of the taxpayer's money without some voice in the control of it. Sir William frankly promises “ a mass of detailed regulations ”—to use his own words. Doctors, dentists, and opticians know what regulations mean already under the National Health Insurance service where the restraint on their private practices is reasonably limited, but in a service where, as Sir William admits, “ the scope of private general practice may be so restricted that it may not appear worth while to preserve it,” there is little room for doubt, we think, that the control would need to be rather extensive. The difficulties of the problem become obvious. Is there then any evidence that the members of the various professions concerned are to any large extent willing to become the salaried servants of the State? The report of the Medical Planning Commission appointed by the British Medical Association certainly shows no signs of it.

Hospital Services

Again, take the Hospital Services. It is clear that if every citizen (and it is to be a hundred per cent. service) is to be entitled to treatment as of right without charge, all hospital institutions, voluntary and municipal, must for that purpose be placed on the same footing. The present voluntary contributory schemes such as the Hospital Saving Association, would disappear. The voluntary hospitals would have to comply with the State regulations in return for the Government grant, very much as they do at present under the war-time Emergency Hospital Service though under a much more comprehensive scheme. The municipal hospitals would likewise lose their present statutory powers of charge by way of assessment according to individual means. This doubtless would be a good thing and should be welcomed. Of course, it may not necessarily follow that all the hospitals need be *municipalised* or all the workers be salaried; but it is at least important that the wide

implications of Sir William's proposals should be clearly understood. We put our comment in the form of a question: Is this what the people want, and if so are there sufficient hospitals, doctors, dentists and nurses and others available now or in the near future?

Allied Services

Some of us have had experience of the Dental Benefit Council and Ophthalmic Benefit Approved Committee, and what has been said about State regulations in regard to doctors would apply equally to the dentists and opticians. Are these practitioners also to be State salaried servants—or to continue in private practice with fees guaranteed? In a recent letter in "The Times" it was pointed out by a competent authority that there are only about 15,000 dentists at present available, whereas 30,000 would be needed under the Beveridge Plan, and the writer urges that training arrangements should be made immediately. The same thing would apply to doctors, nurses and other professional bodies and institutions. This is a matter no doubt to which the respective professions will give serious consideration, and it would be presumptuous for us to do more than to call attention to some of the problems which will require solution before Sir William's Assumption B can be realised.

Sir William's review suggests, he says—(para. 437)—

"the need for a further immediate investigation in which the finance and the organisation of medical services can be considered together, in consultation with the professions concerned and with the public and voluntary organisations which have established hospitals and other institutions."

Thus, in regard to this assumption, Sir William Beveridge offers a framework, but no definite scheme. We do not say that such a comprehensive health service is impossible of attainment, but at least it must be conceded that this ideal state of affairs could only be worked out on a long range policy. In fact, in this sense it may be said that the Beveridge proposals would not merely revolutionise the social insurance and allied services, but would involve in no small measure a social revolution. As to that we take no sides, but we would only say that so radical a change could not effectively be brought about for a long time to come.

(C) Maintenance of Employment

This assumption, as Sir William explains, involves the avoidance of mass unemployment. In the solution of that problem lies the very essence of social security in the true sense of the term. Social security, as we would all wish to see it,

certainly does not merely lie in providing a man with income at the subsistence level. Social security to the average man means work and wages, and living above the bare subsistence level. It is indisputably the duty of the State, as it is the desire of every citizen of goodwill, employer and employed, to do everything possible to make these conditions attainable. But memories of what happened after the last war naturally make us cautious of accepting any guarantee of reasonably regular employment within a transition period of, say, the next 20 to 30 years; especially as employment in this and other countries must depend on world economic conditions. Sir William himself is foremost in appreciating the uncertainties of the future in this respect. It is assumed that in the industries now subject to insurance the average rate of unemployment will be no more than about 10 per cent., and that over the whole body of insured employees it will average about $8\frac{1}{2}$ per cent. The Plan, therefore, envisages a substantial reduction in the volume of unemployment which existed on the average for many years before the war. But only in one year, 1927, during the fourteen years before 1939, was the average unemployment below 10 per cent. In the worst year of the world depression, 1932, it was over 22 per cent. We can only trust that whatever decision Parliament may reach, it will not place too speculative a risk on an insurance scheme, bearing in mind the experience of the Unemployment Insurance Fund which culminated in the financial crisis of 1931. In the circumstances all that Sir William can do is to assume that the problem will somehow be solved, and, of course, it was not within his terms of reference to provide the answer to it. But it is no unfair comment to say once again that it is on the realisation of that assumption that the successful working of his Plan depends.

VITAL IMPORTANCE OF ASSUMPTIONS

Now why do we lay such importance on these assumptions? Let Sir William supply the answer.

Dealing with Assumption B—the establishment of a comprehensive health and rehabilitation service—Sir William Beveridge says (para. 426):—

“ The case for regarding Assumption B as necessary for a satisfactory system of social security needs little emphasis. It is a logical corollary to the payment of high benefits in disability that determined efforts should be made by the State to reduce the number of cases for which benefit is needed.”

It is well known that the question of determining incapacity for normal occupation is not always an easy matter in

cases of temporary illness; but when you have to decide the question of permanent incapacity for *any* work as a qualification for the payment of benefits for an indefinite period of a weekly amount of 56s. (including children's allowances) for the average case of a married couple with two children, the responsibility is vastly greater because of the very serious financial repercussions on the benefit funds.

Even at the old disability benefit rate of 7s. 6d. per week the rising cost reached a figure substantially in excess of the provision made, and was described by the Government Actuary on the Fourth Valuation of Approved Societies as a "disquieting tendency." If rates of benefit little short of the wage level are to be paid for an indefinite period, the tendency in the future may become very much more disquieting, and this fear is reflected in the Government Actuary's report. He allows for an increase of $12\frac{1}{2}$ per cent. in the sickness claims, and then goes on to say in paragraph 22—

"the position is definitely speculative but it is clear to me that the realisation of a level of incapacity **as low as that which I have adopted** can only be achieved with a full appreciation of their responsibilities on the part of all concerned, that is to say, the active co-operation of the insured persons together with a high standard both of medical certification and of administrative supervision."

But under the Beveridge scheme insured persons would have no such direct incentive actively to co-operate with the Government to save money as they have under the present system of approved societies in which they share in the benefit of successful administration.

The same reasoning applies to Assumption (C)—the avoidance of mass unemployment. Sir William says in paragraph 440 that—

"in time of mass unemployment those who are in receipt of disability benefit feel no urge to get well for idleness. . . . The cost of the Plan is heavy, and if, to the necessary cost waste is added, it may become insupportable."

To sum up, these assumptions are so far-reaching involving, as they do, considerations which touch the foundations of the social and economic life of this country, that those in authority will doubtless weigh them well.

BENEFITS

Let us now look at the benefits suggested in the Report. They are neatly listed in paragraph 401. It is not proposed to deal with them here in detail. They are provisional only. It is the underlying policy of the scheme that really matters, that is to say, the conditions on which they are payable. Sir William says in paragraph 129—

“ that the rates both for unemployment and for disability should continue without diminution so long as unemployment or disability lasts.”

But that is subject to certain new conditions—conditions which involve some sacrifice by insured persons of their personal liberty, for, as he goes on to say (paragraph 130)—

“ getting work or getting well may involve a change of habits, doing something that is unfamiliar, or leaving one's friends, or making a painful effort of some other kind.”

Again, in paragraph 130 he points out that insured persons must be forced to fulfil their obligations to seek and accept all reasonable opportunities for work in return for the State's undertaking to ensure adequate benefit for unavoidable interruption of earnings however long.

And so on this principle he arrives at the following conclusions:—

- (i) Men and women in receipt of unemployment benefit cannot be allowed to hold out indefinitely for work of the type to which they are used or in their present places of residence, if there is work which they could do available at the standard wage for that work.
- (ii) Six months would be a reasonable average period of benefit without conditions, but for young persons the period should be shorter.
- (iii) Measures for control of claims to disability benefit would need to be strengthened, and
- (iv) **Conditions imposed on benefit must be enforced where necessary by suitable penalties.**

Sir William does not say what these penalties are.

Here, again, we would make our position clear. During the period of reconstruction after the war, it may well be considered necessary for citizens to surrender to some extent their personal liberty for the sake of the common good. This is a matter for Parliament to determine; we as a Federation express

no opinion. What we are concerned to point out is this: The duty a man owes to the community as an obligation of citizenship is one thing; the benefits to which he is entitled under an insurance scheme by virtue of his contributions is another. To merge these two distinct principles into one service under the name of insurance, as Sir William suggests, would, in our opinion, lead inevitably to misunderstanding and a sense of unfairness among insured persons.

Take, for example, unemployment insurance. The Beveridge proposal is that, as a general rule, benefit shall be payable for six months. After that the insured person must attend a Training Centre. The question arises: For what work is he to be trained, and where? The answer is—for any work and anywhere a Government official considers reasonable. That apparently is what Sir William means by—

“doing something unfamiliar or leaving one’s friends, or making a painful effort of some other kind.”

And if the insured person (man or woman) is unwilling to leave home and family and friends, is unemployment benefit to cease—benefit which was promised “so long as unemployment lasts?” The answer seems to be—Yes. Then, presumably, having forfeited his insurance rights, the insured person would have to apply for national assistance, subject to a needs test. The only comment we would make is: Are these conditions proper to a social insurance scheme, in which the benefits are said to be payable as of right on the happening of the risks insured against; and in consideration of the payment of a specified premium?

Take Widow’s Benefit. At present a widow gets 10s. a week payable for life or until re-marriage, with allowances for children up to 14 years of age, or the date they leave school. If she finds work she still gets her pension. Under the Beveridge proposal a widow without children would get a weekly allowance of 36s. for 13 weeks only. After that the allowance stops. She must be trained for work, and would receive Training Benefit for 26 weeks at 24s. a week. And this applies, of course, not merely to young women in their 20’s or 30’s, but to widows in their 40’s and 50’s—yes, up to 60 years of age when, if the widow retires from work, she may take her pension. If a widow has dependent children she will, after 13 weeks, receive Guardian Benefit of 24s. a week so long as she has the care of them. If she goes out to work, however, a reduction of full Guardian Benefit will be made of a proportion of her earnings. And then follows the provision that the widow will be entitled to funeral grant in respect of herself and any dependent children.

Our comment on this provision could not be better stated than in the words of the late Mr. Neville Chamberlain:—

“ You ought to consider in this matter not merely the woman, you should consider in the first place the man. It is the man who is going to make the contribution, it is the man who is effecting the insurance; and surely the first thing a man thinks about is that you should make provision for his widow. He may have no children, he may never have any children, all the children may have died. The young man has had no time to save up money for his wife if anything should happen to him. Surely the first thing he wants to know is that something will be there for her when he is no longer there to look after her.” (House of Commons Debates, 18th May, 1925—Col. 89).

There was the human touch. Parliament accepted it in 1925—will Parliament reject it to-day?

RETIREMENT PENSIONS

Another innovation proposed by Sir William is the provision of retirement pensions. It is unnecessary at this stage to discuss the scheme in detail. For the majority of insured persons the suggestion is, at the beginning of the scheme to pay a pension of 25s. a week to a married couple, and 14s. to a single person, rising by 1s. 6d. and 1s. per week respectively every two years until the maximum is reached of 40s. joint and 24s. single. Sir William says quite plainly (para. 244)—

“ The pensions proposed in the Plan for social security are retirement pensions, not old age pensions. There is no fixed age for retirement, but only a *minimum* pension age of 65 for men and 60 for women, at or after which each individual has the option of retiring and claiming pension.”

Until he does so, contributions by or on behalf of him have to be paid in the same way as for all other persons.

Sir William, for reasons which appear to him good and sufficient, would have the veterans go on working, or, to put it another way, would compel them to give up work if they want the State pension. The encouragement he offers is an addition to the basic provision of 2s. a week joint, or 1s. single for each whole year of postponement, subject to a time limit to be fixed by regulations. But how about people who are entitled to pensions through voluntary funds? This is what Sir William says—

“ There are other superannuation schemes for some of which pension can be drawn only on retirement which

may be earlier or later according to the choice of the individual; provision of universal unconditional pensions by the State will lead many people to take this with their other superannuation provision and retire." (Para. 245).

And that he is rather afraid of. He suggests that women of 60 and men of 65 should not retire, but should go on working, if they can. His reason is that as time goes on there will be more older people in proportion to the younger than there are now, and it will be in the national interest that they should continue to work. Now it is obvious that at the beginning of the scheme, and for some years afterwards, 14s. for a single person and 25s. for married couples will be scarcely sufficient for them to live on. These persons, says Sir William, must have recourse to national assistance and submit to a means test.

That briefly appears to be Sir William's suggestion for a post-war pension scheme. He is apparently not too easy in his mind about it because he says in paragraph 249 that—

"it may be argued that it is unreasonable to require retirement as a condition of pension unless and until the pension is adequate for subsistence. . . . This might be so if the object in view was to encourage retirement. That, however, is not the policy underlying these proposals."

In other words, if you want to live above the bare subsistence level you must go on working. Sir William does not believe in old age. In his laudable desire to keep people at work, Sir William hardly seems to realise how keenly the average workman looks forward to a period of rest from his labours, free from financial worry, free from the discipline and restraints of service even with the best of employers, and free to be his own master in the few years that may remain to him before the normal span of life is run. What, we may ask, is the value of freedom from want if it does not give a man this freedom in his declining years? While, therefore, on Sir William's showing his proposal may be sound economics, does he have sufficient regard to the human element in industry? In this connection it is interesting to observe that the Government Actuary in paragraph 54 of his report expresses the opinion that—

"on balance it appears likely that in the case of employed persons, the tendency to retire will be somewhat stronger than under the present scheme."

THE FEDERATION'S PROPOSALS

It will be seen from our examination of the Beveridge proposals that conditions are imposed which, it is submitted, are inconsistent with an insurance scheme where the benefits payable should be related to the contributions; that after a limited period, the insured person can only get benefit if he is ill or unemployed on condition that he sacrifices his right to decide for himself what work he will do and what treatment he will undergo. We have seen that he may have to go to work where he is directed, even though it be different from the work he is accustomed to, or far away from the place where he and his family reside; that he cannot get his pension unless he retires from work; that during the transition period of 20 years if he has no other means he must apply for national assistance subject to a needs test. Our contention is, therefore, that whatever justification there may be for imposing these conditions—and, as we have indicated, it is not denied that in certain circumstances they may well be justified—they are not conditions which are appropriate to an insurance scheme, whether compulsory or not.

Let us explain what we mean. Firstly, the insurance principle is one whereby in return for a fixed premium, paid by or in respect of an insured person, he becomes entitled to certain benefits on the happening of the risks insured against. Those benefits he should obtain as of right without any further obligation on his part—social or otherwise. He is a free man.

Secondly, there is the principle of communal responsibility, i.e., the duty of the State to provide for the well-being of any member of it. In this case the community is clearly entitled to lay down the conditions to be complied with in return for any payment or other service which it renders to the person needing it. That is not insurance, but in the Beveridge Plan it is concealed under the name of insurance and gives an entirely false value to what purports to be an insurance contract. The advantage of a social insurance scheme lies in the fact that the liabilities and benefits of all the parties to it are ascertainable and definite. But under the Beveridge scheme, the liability of the State as *guarantor* (and that is what Sir William says) is unascertainable and unlimited. If that were not so, then on any actuarial review of the scheme, the specific contributions of insured persons and their employers might have to be increased or the benefits reduced. But how could the contributions be increased, if to begin with, they are as high as the insured persons can reasonably afford or the benefits reduced if they are to be maintained at the subsistence level?

Under the Beveridge plan, the State must guarantee all the benefits, whether in cash or kind, and is, therefore, compelled to impose restrictive conditions which by impinging on the personal liberty of the insured person robs the scheme of its true insurance character. On this matter we cannot resist quoting Sir William Beveridge himself, for this is what he said in his statement of evidence submitted to the Royal Commission on Unemployment Insurance on 31st March, 1931:—

“ The appropriate provision for the first class (i.e., the temporarily unemployed) is unemployment insurance, as conceived in the scheme of 1911 and 1920— **a weekly payment given as of right, for a limited period, in respect of contributions**, from a fund required to be self-supporting. All these people need is a spreading of their wages over good and bad times, “ tiding over ” till work returns to them on substantially their former terms. So long as the principle is maintained that the insurance fund, with a fixed contribution from the State, must be self-supporting, the rate and period of benefit and the terms on which it is drawn can all be generous. The rules defining continuity of unemployment, however, must be such as to prevent benefit from becoming a subsidy to chronic under-employment or short time. Moreover, though insurance in one form or another should cover all industrial occupations at least, and so far as possible with uniform benefits, there should be some means of adjusting premium to risks, not only in the scheme as a whole (which will be secured by making it self-supporting as a whole) but among industries and individuals. Something will be done in this direction, **if the maximum benefit that can be drawn by any individual is limited by reference to his contributions.**”

Now that is as true to-day as it was then. Why, then, does Sir William abandon this very sound principle?

Ministry of Social Service

In our view there are limits to what a social insurance scheme can do—and those limits depend on what the insured person, his employer (if any) and the State can afford to contribute to it. They certainly can afford to pay a rate of contribution to cover temporary sickness and unemployment—say, for a period of one, or it might be two years. That would cover the industrial hazards applicable to the overwhelming majority of insured persons during interruption of earning. But in the case of chronic illness or unemployment, the problem changes. It is at that stage that the State through the appropriate department should take control and make the

necessary provision, subject to suitable safeguards, for the well-being of the sick man or the unemployed person, as the case may be. Remedial or preventive treatment, rehabilitation and training for new work together with a host of other needs fall logically to be dealt with under the heading of welfare or social service—and leads to the suggestion for the establishment not of what Sir William calls a Ministry of Social Security (which as we have shown is merely a sort of Cashier's Department) but of, say, a Ministry of Social Service. So that you would have—

(1) An Insurance Scheme proper whereby benefits can be obtained as of right without any infringement of personal liberty, and

(2) A Ministry of Social Service which, when the insurance benefits were exhausted, would take charge of the case, whether in relation to the health service or the unemployment service and authorise the payment of suitable allowances on an agreed scale out of moneys to be provided by the National Exchequer.

The country needs a welfare service in the true sense of the word and the establishment of a Ministry of Social Service would breathe a new spirit of fellowship and kindness into the administration of our social services. It would gain a wealth of experience of social conditions and human needs which would fall quite outside the scope of the insurance scheme and would unite the people with the State as members of one great family. If, as Sir William Beveridge says, life is to be hard for us all after the war, how much greater will be the need for a sympathetic understanding of our communal responsibilities over as wide a field as possible through a department charged with that specific duty.

That we respectfully submit would be a much finer gesture of humanity in public administration than the setting up of a department with the primary purpose of making cash payments, with, as Sir William suggests, a Citizens' Advice Bureau attached to it. There would be no need of a separate National Assistance Department or of Municipal Public Assistance Committees. There would be no confusion with an Insurance Scheme and the line of demarcation would be clearly drawn between what a man could do for himself with the limited co-operation of his employer and the State, and that which his fellow-countrymen could do for him when his own efforts were exhausted. After all, "social security" should connote something more than a legal right to receive cash payments at the subsistence level. What matters almost as much is the spirit in which these benefits are administered, and in the light

of experience it would be difficult to associate that spirit with local security offices charged with the duty only of making cash payments.

It is unnecessary for the moment to elaborate these proposals any further. We would only say that this war has taught us many lessons. The perils we have shared in common have drawn our people closer together. The havoc wrought in our homes by the enemy has revealed great qualities of kindly feeling and devoted service among our neighbours, so that in a very special sense we are proud to be members of such a people. Let us then remember this, and organise that spirit of goodwill through the agency of the Government in a new Ministry to which the common man may look for advice, guidance and support, if need be, in an age when free men, having conquered tyranny, will achieve and deserve a happier life.

HENRY LESSER,

President.

27, Barry Road,
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