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SOCIAL INSURANCE  
AND ALLIED SERVICES

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THE  
BEVERIDGE REPORT  
IN BRIEF

*NOTE.*—The paragraph numbering of the full Report has been maintained in this edition to facilitate reference. The full Report is published as Cmd. 6404, price 2s. od., and the supplementary Volume of Memoranda submitted to the Committee by Organisations as Cmd. 6405, price 2s. od.

LONDON: H.M. STATIONERY OFFICE

1943

Price 3d. net

for 10s. od. net

## 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 GREEN



# 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. . . . 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 piecemeal. 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 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 38s. 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 18s. On the other hand a youth of 17 obtains 9s. when he is unemployed, but should he become sick his insurance income rises to 12s. 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 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—of 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, 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 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.

- (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 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, 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 actual 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 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.

#### 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 per cent. above that of 1938. These rates of benefit, pension and grant are set out in para. 401 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 40s. 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 8s. 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 56s. a week without means test so long as unemployment or disability lasts, as compared with the 33s. in unemployment and the 15s. or 7s. 6d. 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 36s. 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 4s. 3d. a week by an adult man in employment and 3s. 3d. a week from his employer. At this rate, with corresponding rates for other classes, the contribution of insured employees in 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 . . . . . 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.
- (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.
- (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].
- (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.
- (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.

- (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 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.
- (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.
- (8) Provision of training benefit to facilitate change to new occupations of all persons who lose their former livelihood, whether paid or unpaid.
- (9) Assimilation of benefit and pension rates for unemployment, disability other than prolonged disability due to industrial accident or disease, and retirement.
- (10) Assimilation of benefit conditions for unemployment and disability, including disability due to industrial accident or disease, in respect of waiting time.
- (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.
- (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.
- (13) Making of disability benefit at full rate indefinite in duration, subject to imposition of special behaviour conditions.
- (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.
- (15) Amalgamation of the special schemes of unemployment insurance, for agriculture, banking and finance and insurance, with the general scheme of social insurance.
- (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.
- (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.
- (18) Inclusion of universal funeral grant in compulsory insurance.
- (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.



- (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.
- (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.
- (22) Substitution for the Unemployment Insurance Statutory Committee of a Social Insurance Statutory Committee with similar but extended powers.
- [(23) Conversion of the business of industrial assurance into a public service under an Industrial Assurance Board].

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.

*(Paragraphs 33-40 of Part I are concerned with the procedure of the Committee.)*

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## PART II

### THE PRINCIPAL CHANGES PROPOSED AND THEIR REASONS

*Part II contains a discussion of each of the 23 Changes listed in para. 30 of Part I and gives the reasons for each proposal.*

## PART III

### THREE SPECIAL PROBLEMS

#### Section 1

##### BENEFIT RATES AND THE PROBLEM OF RENT

*Section 1 of Part III discusses in terms of 1938 prices, the minimum income required for subsistence. Paragraph 193 states :*

The rates of benefit or pension provided by social insurance should be such as to secure for all normal cases an income adequate for subsistence, on the assumptions :—

- (a) that assistance will be available to meet abnormal subsistence needs :
- (b) that voluntary insurance and saving to provide for standards of life above subsistence minimum will be encouraged and made easy.

*The conclusions of this Section are given in paragraphs 229–232 :—*

229. The foregoing discussion suggests that at 1938 prices and on the assumption of a uniform allowance of 10s. a week for rent of a household the subsistence benefit should be 19s. a week for men of working age and 18s. a week for women of working age, and 32s. for a man and wife together. The corresponding subsistence pensions for retired persons should be 17s. 6d. single and 29s. 6d. for a couple, assuming 6s. for rent in the former case and 8s. 6d. for rent in the latter case. The subsistence needs of children should be put materially higher than has been customary hitherto in discussions of children's allowances.

230. On these estimates of subsistence needs, two practical decisions have to be taken. The first is whether differentiation by sex should be maintained. The strongest reason for giving women, as such, lower rates of benefit than men would be a desire to avoid imposing on women rates of contribution excessive for their wages. Women's contributions will in any case be substantially below those of men, which have to carry provision for housewives. To make any further substantial difference between the contributions of the sexes women's benefit rates would need to differ from men's rates by much more than 1s. a week during unemployment and disability than can be justified by examination of subsistence needs. On balance it seems not worth while to maintain any difference between the rates of single men and of single women. The second question is whether the pensions on retirement should, in accordance with subsistence needs, be put below the working age benefits. The final answer to this depends on the discussion of the problem of old age in the following section. For the reasons given in para. 251 it is suggested that the insurance scheme should provide retirement pensions at the level of working age benefits and above subsistence needs.



231. The rates named above are based on 1938 prices. At the date of this Report (November, 1942) the cost of living is about 30 per cent. above the level of 1938. The level at which prices will tend to settle after the war cannot be foretold; it is unlikely that they will return in any short period to the pre-war level; it is reasonable to hope that they may be kept near the present level. As a basis of discussion, in framing the Social Security Budget, it has been assumed that the cost of living after the war will settle at about 25 per cent. above 1938. This yields in round figures a provisional post-war rate of benefit for a man and wife together of 40s. a week, and for a man or woman alone of 24s. a week, neglecting any difference of sex and rounding the single person's rate up to the nearest 1s. These provisional rates allow for a rise of 25 per cent. or a little more in the cost of all necessities, including rent and including also the margin suggested in para. 221. If rents can be kept at their pre-war level, the provisional rates are sufficient for a rise of about 33 per cent. on the other necessities, including the margin. If, in spite of a rise of materially more than 25 per cent. over all necessities, including rent, the provisional rate of unemployment or disability benefit for a man and wife together is kept at 40s. a week, this means cutting into the margin; if the margin is left out altogether, 40s. a week covers a rise of 33 per cent. in the cost of living, including rent. If retirement pensions are put at the same provisional rate of 40s. joint and 24s. single there is a further margin, because the actual subsistence needs are lower. For young persons of both sexes 18-20 a provisional rate of 20s. a week is suggested and for boys and girls one of 15s. a week.

232. For children's allowances it seems reasonable to take a provisional post-war rate of 9s. a week, covering an increase of nearly 30 per cent. in cost of subsistence above the 7s. required at 1938 prices. This does not include anything for rent or allow any margin. On the other hand, substantial provision in kind is already being made for children through school meals and supply of free or cheap milk. Allowing for this, in framing the Social Security Budget in Part IV the average cost of allowances in addition to existing provision has been put at 8s. per head per week.

\* \* \* \* \*

The provisional rates of benefit based on this examination of the minimum income for subsistence are given in para. 401.

## Section 2

### THE PROBLEM OF AGE

233. The problem of the nature and extent of the provision to be made for old age is the most important, and in some ways the most difficult, of all the problems of social security. It is so for two main reasons.

234. First, age, as a cause of inability to earn after childhood is past, exceeds in importance all the other causes of such inability together. Just before the present war there were at any moment about twice as many people in Britain of pensionable age, that is to say, 65 and upwards for men and 60 and upwards for women, as there were men and women of working age dependent on their earnings who could not earn through unemployment or disability of all kinds. The cost of pensions relatively to the rest of social security will increase inevitably through increase in the proportion of people of pensionable age in the population. This is shown by Table XI based on the White Paper as to Current Trends of Population in Great Britain prepared by the Registrar-General and on further information

supplied by him. The persons of pensionable age (65 for men and 60 for women) at the beginning of the century were about  $2\frac{1}{2}$  millions or 1 in 17 of the whole population; in 1931 they were about  $4\frac{1}{2}$  millions or 1 in 10 of the population; in 1961, less than twenty years from now, they will be more than 8 millions or 1 in 6 of the population, and they will continue to increase proportionately to the rest. On the other side, the Table shows the continuous decline of the child population which, if not arrested, will after 1971 bring about a rapid diminution of the whole population. In 1901 there were more than five children under 15 for every person of pensionable age. In 1961, less than twenty years from now, there will be one child under 15 for every person of pensionable age, and in 1971 the children will be outnumbered by the possible pensioners. These figures depend upon the assumptions made as to the future of birth-rates and death-rates, and the results will be different if these assumptions are not realised. In particular a large increase in the birth-rate would increase the number of children relatively to others.

TABLE XI  
ESTIMATED POPULATION OF GREAT BRITAIN BY AGE GROUPS 1901 TO 1971

Year	Total Population	Under 15	Per cent. of Total	Men 15-64 Women 15-59 (both inclusive)	Per cent. of Total	Men 65 and over Women 60 and over	Per cent. of Total
1901	36,999,946	12,040,841	32.5	22,674,624	61.3	2,284,481	6.2
1911	40,831,396†	12,587,504	30.8	25,495,097	62.4	2,748,416	6.7
1921	42,769,196†	11,940,167	27.9	27,479,043	64.2	3,349,222	7.8
1931	44,795,357†	10,825,072	24.2	29,674,695	66.2	4,295,430	9.6
1941*	46,565,000	9,573,000	20.6	31,421,000	67.5	5,571,000	12.0
1951*	47,501,000	9,054,000	19.1	31,548,000	66.4	6,899,000	14.5
1961*	47,192,000	8,433,000	17.9	30,710,000	65.1	8,049,000	17.1
1971*	45,980,000	7,600,000	16.5	28,804,000	62.6	9,576,000	20.8

\* These estimates are based on the assumptions as to fertility and mortality given in the White Paper on "Current Trend of Population in Great Britain" and depend upon the validity of those assumptions.

† These figures include a few persons not classified by age and therefore not included in any of the three age groups.

235. Second, the economic and social consequences of old age in the individual case are not uniform. Old age may cause acute poverty and it may cause no poverty at all. Mr. Rowntree in 1936 found that in York the poverty due to old age was more acute than that due to any other single cause. That was before the institution of supplementary pensions in 1940. But even then a great many of the aged were not in want at all. Of all the old age pensioners in York in 1936, only one-third were living below Mr. Rowntree's standard of human needs. For the rest, their pension of 10s. a week, with other resources, of their own or of their families, was enough to keep them above that standard. This conclusion of Mr. Rowntree's accords well with the fact that at the end of 1941 only 37 per cent., just over one-third, of all persons having contributory or non-contributory pensions had claimed and qualified for supplementary pensions; the rest, nearly two-thirds, had either felt able to manage without applying for supplementation or had been disqualified under the means test. Besides these pensioners on 10s. a week who either did not claim or did not qualify for supplement, there are many old people who have no pension at all, yet are not in such need as leads them to apply for public assistance. Of all persons



over 65 in Britain just before the war, nearly a third, and of those over 70 about one-fifth, were not in receipt either of State pensions or of public assistance in any form. Of course, this meant in some cases that they were in want, but would not apply for assistance. It meant in the majority of cases that they were maintained by relations, by their work or savings, by pensions provided otherwise than through the general State scheme, or by a combination of these methods. The first two of these methods are clearly the most important. Superannuation provision is made now for persons in particular occupations by the State, by local authorities, and by many private employers, and it is made by some Trade Unions and Friendly Societies for their members, but it is doubtful if all these forms of superannuation provision, taken together, cover as much as one-tenth of the whole field.

236. The first of the features noted above, namely the scale of the problem of old age, has two implications. On the one hand, the provision made for age must be satisfactory; otherwise great numbers may suffer. On the other hand, every shilling added to pension rates is extremely costly in total; when the number of persons of pensionable age reaches 8 millions, as it will in less than twenty years, every weekly shilling on the pension will mean £20,000,000 a year on the cost of pensions for all; 5s. will mean £100,000,000 a year. It is dangerous to be in any way lavish to old age, until adequate provision has been assured for all other vital needs, such as the prevention of disease and the adequate nutrition of the young.

237. Age at present is dealt with, so far as the State is concerned, by a threefold system of pensions: (a) contributory pensions of 10s. a week given to men at 65 or women at 60 without means test and irrespective of whether they are working or not, but limited practically to persons who have been in employment; (b) non-contributory pensions of 10s. or less at the age of 70 subject to a means test; (c) supplementary pensions confined to persons in receipt of one or other of the two classes of pensions named above, designed to meet needs adequately, subject to a means test different from that applied for non-contributory pensions. These arrangements, in addition to division of authority and unjustifiable differences of means test policy, have two principal defects. First, pensions, both contributory and supplementary, before the age of 70 are limited practically to persons in Class I. They are not generally available to persons who have worked on their own account or the wives or widows of such persons, or to persons or the wives of persons who have not been gainfully occupied. Since 1937 such persons, with others, have been able to enter a special scheme of voluntary insurance for pension, but apart from this no public provision is made for them in old age, except public assistance; recourse to public assistance means recourse to an independent authority applying its own test of means. Second, the contributory pensions given as of right are manifestly inadequate, if there are no other resources; at the same time they are often superfluous, since they may be drawn by people still able to earn a full living.

#### TRANSITION PERIOD OF RISING PENSION RATES

241. These considerations point to the need for a transition period, during which passage from the present combination of inadequate contributory pensions and means pensions to adequate contributory pensions for all can be accomplished. They suggest introduction of contributory pensions not at full subsistence level from the outset, but rising gradually to that level over a period of years, with assistance pensions granted meanwhile, after examination of individual needs and means, to ensure that no old person is in want. In the scheme of social security recently

established in New Zealand there is for pensions a transition period of 28 years; pensions without means test for all citizens over 65 beginning in 1940 at £10 a year rise to £78 a year in 1968; meanwhile an age benefit of 30s. a week subject to reduction for means is available forthwith. For Britain the transition period suggested is one of 20 years from 1945 taken as the first year of the new Plan for Social Security to 1965 as the first year in which contributory pensions will become payable as of right irrespective of means at the full provisional rate of 40s. joint for man and wife or 24s. single. The treatment in the transition period of persons standing in different relations to the present insurance schemes raises difficult questions of both equity and administration. The persons to be considered fall into three main groups: those who at the launching of the new scheme will have complete qualification for contributory pensions under the old scheme in the sense that if they were then of pensionable age they would receive pensions; those who will have no contribution qualification at all for pensions under the old scheme; and those who will have made some contributions for such pensions but not enough to complete their qualification.

242. The persons with complete qualification for contributory pensions under the old scheme are those who are already in receipt of contributory pensions and those who, at 1st July, 1944, have at least five years of continuous insurance for pensions. The proposal made here is that, subject to the retirement condition mentioned below, all these persons should receive contributory pensions at the basic rate of 25s. joint (i.e. for man and wife) or 14s. single in 1945, rising every two years by increments of 1s. 6d. joint or 1s. single up to the full basic rate of 40s. joint or 24s. single in 1965. On this proposal, all persons in this group will at all times have the same rate of basic contributory pension, irrespective of the date on which they reach pensionable age and claim pension. Those who claim in 1945 will get 25s. joint, rising to 26s. 6d. in 1947, to 28s. in 1949 and so on. Those who claim for the first time in 1949 will come in at 28s. joint; they will not get more because they have contributed longer under the new scheme. The second group, i.e. persons with no qualifications for the present pensions, are in the main the new classes proposed to be brought into pension insurance, namely Class II (persons gainfully occupied otherwise than under contract of service), Class IV (persons of working age not occupied) and persons in Class I who hitherto have been excepted from insurance. All these persons will contribute for pensions for the first time under the new scheme. It is proposed that they should be required to contribute for 10 years before being qualified for any pension. Thereafter, i.e., from 1955 onwards, on reaching the minimum pensionable age and retiring, they will receive a basic pension of 25s. joint or 14s. single, rising by 1s. 6d. joint or 1s. single for every further year of contribution thereafter, the full basic rate of 40s. joint, or 24s. single being reached in 1965 for those claiming pension then or thereafter. Since persons in this group who are already within 10 years of pensionable age, that is to say, are over 55 for men or 50 for women at 1st July, 1944, may not be able to qualify for any pension, all such persons will have the option of applying for exemption from contribution for pensions, that is to say, will pay only that part of the insurance contribution which is required for purposes other than pension. As is explained below, many such persons may in fact be able to qualify for full pension by continuing to work and contribute after pensionable age. The third group includes persons who have made some compulsory contributions for pensions under the old scheme before 1st July, 1944, but have not the full qualification of five years' continuous insurance up till then. It includes also the special voluntary contributors for pensions under the Act of 1937 who have subscribed for pensions and under present conditions can obtain them after ten years of contribution.



The precise arrangements in regard to these classes must be defined by Regulations giving them the appropriate intermediate position between the first and second groups in respect of their former contributions. These Regulations will presumably require insured persons to establish their claim to be in the intermediate group by some contributions made before the adoption of the scheme by the Government is announced.

243. The proposals in paragraph 242 make a distinction in the application of the rising scale of contributory pensions as between the first group of persons (with full qualifications under the old scheme) and those in the second group (with no qualifications under the old scheme). For the former group the rate of pensions rises by simple effluxion of time. All persons in this group at any one time will have the same rate of basic contributory pension: they proceed together up the rising scale of pensions, irrespective of the point at which they entered it and irrespective, therefore, of the number of contributions paid under the new scheme. The rate of pension for each individual in the second group depends not merely on effluxion of time, but on the date after 1954 at which he retires on pension, that is to say, on the number of contributions paid by him under the new scheme; for he has made no contributions under the old scheme. A person in this group who claims pension as soon as he has contributed for ten years in 1955 will get 14s. as basic pension for the rest of his life. His pension will not go up in 1956, while a person who does not retire till 1956 will obtain not 14s. but 15s. a week. It is arguable that both classes should be treated alike, either in the direction of making pensions rise by simple effluxion of time in both cases or by fixing pension for each individual according to the date of his first claiming. The case for the procedure proposed in regard to the second group is that, on the whole, the people in this group have a relatively large number for whom pension provision is being made in other ways; it is not unreasonable to enforce a strict contribution condition upon them. The difficulty of applying the same procedure to the first group lies partly in the very differing contribution records before 1945 of those who will be in this group, and partly in the fact that to apply this procedure will mean that all those who retire and claim pension during the transition period will permanently have less than the full basic rate of pension, and thus if they have no other resources may be permanently in need of assistance. As this group includes most of the pensioners, it is important to frame a scheme which, so far as possible, will bring them all to the full basic rate and above need for assistance by the end of the transition period. If on further consideration of the equities as between the two classes it appeared desirable to treat the second group in the same way as the first group, and place all on a general rising scale irrespective of the date of claiming pensions and of the number of contributions old or new, this would increase the expenditure on pensions in 1965 by about £15,000,000 a year. If, on the other hand, it appeared desirable and practicable to treat the first group on the lines proposed for the second group, and make the basic pensions of the first group vary with the date when they claimed pension and the number of contributions paid under the new scheme—this would decrease the expenditure on pensions in 1965 by about £30,000,000.

#### PENSIONS CONDITIONAL ON RETIREMENT

244. Pensions have been spoken of above as provision for people who are past work. Pensions adequate for subsistence without other means should be given only to people who, after reaching a minimum age for retirement, have in fact retired from work. To give a full subsistence income to every citizen on his or her reaching the age of 65 or 60 would impose an unjustifiable and harmful burden on all citizens below that age. The practical problems of making pensions conditional upon retirement are

considered below. They are certainly not insoluble, nor can imposition of a retirement condition for receipt of pension be described as a means test, any more than imposition of a condition that a man should be unable to obtain work, in order to obtain unemployment benefit, can be described as a means test. 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, 65 for men and 60 for women, at or after which each individual has the option of retiring and claiming pension. Till he does so, contributions by or on behalf of him have to be paid in the same way as for all other persons.

245. Making receipt of pension conditional on retirement is not intended to encourage or hasten retirement. On the contrary, the conditions governing pension should be such as to encourage every person who can go on working after reaching pensionable age, to go on working and to postpone retirement and the claiming of pension. The large and growing proportion of the total population who will be above the pensionable ages of 65 for men and 60 for women, makes it essential to raise the average age of retirement, if possible, and in any case to avoid doing anything which may bring about earlier retirement than at present. It is neither politically feasible nor would it be right to raise the statutory minimum age for pensions. The capacity of different people for work late in life varies from individual to individual. To attempt to force people to retire before their powers and desire for work fail, and to compel them by a rise in the minimum age of pensions to struggle on after their powers have failed, are two errors and injustices which should be avoided by any system of social insurance designed to increase human happiness. The right way of encouraging postponement of retirement is to make it attractive for people who can remain at work after they have reached the minimum pension age to do so: such people should be allowed, by continuing to contribute, and postponing claim to pension, to qualify for an addition to the basic rate which is given if pension is claimed at the minimum age. The object of encouraging continuance of work in later life will not be attained by granting pensions without a retirement condition. If these pensions are adequate for subsistence they will obviously encourage retirement. Even inadequate unconditional pensions will encourage early retirement in many cases. 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.

246. The rates of pension named in the preceding paragraphs have been described accordingly as basic pensions; they are the rates for those who retire and claim pension as soon as they reach the minimum pensionable age. Any person who on reaching this age postpones claiming pension will have his pension increased in respect of each year of postponement. It is suggested that this increase should be at the rate of 2s. a week on a joint pension or 1s. a week on a single pension for each year of postponement, added to whatever would have been the basic pension for that individual, if he had reached minimum pensionable age in the year in which he claims pension. The effect of this can be illustrated by considering particular cases of persons in the first and second groups respectively. A married man in the first group (i.e. qualified for contributory pension under the present scheme) who reaches the age of 65 in 1949, if he then retires will receive a basic pension of 28s. a week, which by 1953 will rise to 31s.; if instead of retiring he goes on working to 1953, he will be able to retire in 1953 on a pension of 39s. and will always have 8s. more a week than he would have had by retiring at 65. A married man in the second group (i.e. one outside



the present contributory class) who reaches the age of 65 in 1955 and retires then will have a pension of 25s. and will remain always at that figure; if he postpones retirement for four years to 1959, his basic pension will be 31s. and he will have an additional 8s. in respect of continuing to work after the minimum pensionable age, making his pension 39s. The increases for postponement after minimum pensionable age are designed to give to the individual some, though not all, of the saving in pension expenditure resulting through his postponement and are related, therefore, to the amount of the basic pension which is postponed. When the basic pension reaches its full rate in 1965 for both groups it would be appropriate to make the increase for each year of postponement greater. The question may also arise of imposing a maximum upon the amount of total pension.

\* \* \* \* \*

#### SAFEGUARDING OF EXISTING PENSIONERS

250. In the application of the new scheme the position of all persons who at the beginning of the scheme, taken as 1st July, 1944, have pensions under the old scheme will be safeguarded. Those already in receipt of contributory pensions of 10s. a week without retirement condition will be allowed to retain their present pensions so long as they like continuing to work and to contribute; when they retire, will enter the scale at the appropriate point. The same principle of safeguarding existing pensioners will apply also to non-contributory means test pensions. If, as is possible, the means test for the larger assistance pensions proposed is in some way more stringent than that for the non-contributory pensions now given at the age of 70, existing pensioners will keep the benefit of their present means test. The same principle will safeguard other special cases, such as that of women who were widowed before the Act of 1926.

251. The final rate suggested for basic pension (40s. joint and 24s. single) is the same as that suggested for unemployment and disability benefit. On strict subsistence arguments, it is possible to justify putting the rate of basic pension below the rate of working age benefit, say 37s. joint and 22s. 6d. single. But there is strong public opinion in favour of securing for the aged something more than bare subsistence, and apart from this there is convenience in keeping pensions at least equal to working age benefits in order to avoid stepping down from benefit to pension on reaching a particular birthday. To keep the ultimate rate of contributory pensions to 37s. joint and 22s. 6d. single will effect a saving only in 1965; by that time it is reasonable to hope that such a saving will not appear necessary.

252. There is nothing sacred about the number of years suggested here for the transition period; it is possible to argue for more or for less than 20 years. But the case for anything less than 20 years is not strong. A male employee who pays for 20 years from the age of 45 to 65 will have provided personally less than one-sixth of the value of his pension, having paid five-twelfths of the full actuarial contribution for the last 20 years of his working life in place of 49 years; an independent worker paying both the employer's and the employee's share will have provided less than one-third. Employees who contribute under the new scheme for the full 49 years—people reaching the age of 16 after the appointed day in 1944—will provide 42 per cent. of their own pensions; the compensation to them is that the State takes off them, largely by assistance pensions at once and wholly by contributory pensions in 20 years at latest, the burden of providing for their parents. From another point of view—that of giving time for re-adjustment of existing voluntary schemes of superannuation—a substantial transitional period is necessary. Given a sufficient provision of assistance pensions to those who need them the transition involves no hardship.

\* \* \* \* \*

## CONCLUSION

254. There is no valid objection, either on the ground of equity or on the ground that a means test may discourage thrift, to postponing introduction of adequate contributory pensions for a substantial period of transition, during which needs are met by pensions subject to means test. As regards equity, the people who reach pensionable age during the transition period will not have paid contributions at the new rates for any substantial time. As regards thrift, only those who are now so old that they may expect to require pensions before the transition period ends can be affected at all, and of these only a small proportion can be affected substantially. The rising scale of contributory pensions will make it possible for everyone except people who are already close to pension age, by a very moderate additional provision of their own, to secure income adequate for subsistence and have no need for any means pension. There is all the difference in the world between a permanent system of pensions subject to means test and a transitional system of supplementation of rising contributory pensions, such as is suggested here. The first must be rejected; the second is not open to serious objection.

\* \* \* \* \*

256. The main proposals in regard to pensions in old age may be summed up as follows :—

- (1) The Plan for Social Security includes the provision of pensions at basic rates equivalent to those for unemployment and disability benefit, that is to say, 40s. a week joint for man and wife and 24s. for a single pensioner, for all citizens without means test in virtue of contributions.
- (2) These contributory pensions will be introduced gradually over a transition period of a suggested length of twenty years, during which the rate of basic pension will rise from 25s. for man and wife and 14s. for a single pensioner to the full rate.
- (3) Assistance pensions will be available for all persons of pensionable age (65 for men and 60 for women) requiring them, on a uniform means test based on the Determination of Needs Act, both in supplementation of contributory pensions and for persons not qualified for any contributory pension.
- (4) All contributory pensions under the plan will be retirement pensions, that is to say will be given only to people who have retired from work and will be subject to reduction of part of any earnings made after retirement.
- (5) The basic rate of pension is that which can be obtained by people retiring at the minimum pensionable age of 65 for men or 60 for women. Any individual postponing retirement after reaching the pensionable age will be able to qualify for additions to the basic pension according to the length of the postponement.
- (6) The position of all persons now in receipt of pensions will be safeguarded, that is to say such persons will be able to draw contributory pensions at the present rate without retirement until they decide to retire from work and take pensions at the larger new rate.
- (7) The application of the rising scale of contributory pensions may differ as between persons within the scope of the present contributory pensions and persons outside their scope (mainly Classes II and IV and persons in Class I now excepted from insurance), in view of the fact that the former will and the latter will not have paid contributions under the present scheme.

257. The transition period of twenty years will not affect any man under the age of 45 at the beginning of the scheme. Every such man, whether



working under contract of service or on his own account or as an employer, whatever his occupation, will be able to qualify for pension for himself and for his wife at the full basic rate, equivalent to unemployment or disability benefit, and to add to this by postponing his retirement. Every single woman under 40 will be equally unaffected by the transition period; whether working under contract of service or independently or living at home and giving unpaid help to her family, she will be able to qualify for full basic pension and to add to it. A married woman who also undertakes gainful occupation will be able to qualify for full pension in respect of her own contributions and to draw pension when she reaches 60 irrespective of her husband's age. The proportion of the population affected by the transition period in any way will be small. Most of them will be able to get substantial contributory pensions, if not up to the full basic rate. Whether they do so or not, all of them will have security against want in a system of transitional assistance pensions. . . .

### Section 3

#### THE PROBLEM OF ALTERNATIVE REMEDIES

*This Section of Part III (paras. 258-264) is concerned with cases where benefit or assistance is payable to persons who may have a legal claim against another person, e.g., in respect of a road accident.*

### PART IV

#### THE SOCIAL SECURITY BUDGET

##### EXPENDITURE IN 1945 AND 1965

268. On the basis of the provisional rates of benefit and pension suggested in para. 401, the estimated total expenditure to be included in the Security Budget is set out in Table XII as for the first full year of the scheme, assumed to be 1945, and twenty years thereafter, that is to say, 1965.

TABLE XII

ESTIMATED SOCIAL SECURITY EXPENDITURE 1945 AND 1965

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

The basis of the estimates is explained briefly in paras. 269-70 and more fully in the Memorandum by the Government Actuary. It will be seen that the total Security Budget both on purposes covered by the present scheme and on new purposes is put at £697 million in 1945, and £858 million in 1965. Of these totals £367 million in 1945 and £553 million in 1965 are in respect of social insurance, and will be met from the Social Insurance Fund, with self-contained finance subject to review by the Social Insurance Statutory Committee proposed in Change 22.

\* \* \* \* \*

271. Table XII shows the total expenditure involved in the Plan for Social Security. This is not, of course, new expenditure; a great deal of it is already being incurred. The extent to which additional charges will be imposed on the various parties to social insurance can be considered best after examining the method proposed for distributing the total cost. How are the sums shown in Table XII to be provided? Three main sources have to be considered:—

- (a) the National Exchequer, that is to say, the citizens in their capacity as tax-payers;
- (b) the prospective recipients of payments under the scheme, that is to say, the citizens in their capacity as insured persons;
- (c) the employers of insured persons where these are employed under contract of service.

Local Authorities will also have important functions, in relation to security, mainly though not wholly in the provision of institutions, bringing in a fourth possible source—the citizens in their capacity as rate-payers. In framing the Security Budget, expenditure from local rates has been brought into account only in so far as it is concerned either with medical treatment in institutions or with public or blind assistance. This expenditure is shown in Table XIII (p. 112) combined with that falling directly on the National Exchequer, since the ultimate division of these costs between national taxation and local rates cannot yet be finally determined. The many other expenditures of local authorities on allied social services, including housing, education, and welfare of mothers and children, though closely related to social security, have not been covered by the previous discussion and are not reckoned in the Social Security Budget.

\* \* \* \* \*

*In paras. 272-276 Sir William Beveridge discusses the question whether the Plan should be contributory or financed out of general taxation and decides in favour of the contributory principle.*

\* \* \* \* \*

#### TRIPARTITE SCHEME OF CONTRIBUTION

277. The finance of the Plan for Social Security is based accordingly on a continuance of the tripartite scheme of contributions established in 1911. That scheme has been in force for thirty years and has won general acceptance. The plan includes the setting up of a Social Insurance Fund from which all the benefits secured in virtue of contribution will be paid and into which money will flow in two main streams: one springing from the sale of insurance stamps, and representing the joint contributions of insured persons and their employers in Class I or of insured persons alone in Classes II and IV; the other coming as a contribution from the National Exchequer out of monies raised by general taxation. The industrial levy in hazardous industries (para. 89) will provide a third lesser stream. Most, if not all, citizens of working age will pay in two ways; an insurance contribution which for equal rates of benefit will be the same for all regardless of means, and a share of national taxation, direct or indirect, adjusted to their means,



Those who are employers will pay in a third capacity as well. The Social Insurance Fund will be one, but will have separate accounts for different purposes.

\* \* \* \* \*

279. The considerations leading to the contributions suggested for various classes of persons are explained in the Memorandum by the Government Actuary. The main points may be summarised as follows:—

- (i) The joint contributions of employers and insured persons in Class I are designed to provide two-thirds of the cost of unemployment and five-sixths of the cost of retirement pensions, of maternity and of disability (other than that covered by the industrial disability levy) in the case of new entrants to the scheme at sixteen; the whole cost of marriage and funeral grant; five-sixths of the cost of other benefits, including widows' and guardian benefit; and a payment towards the cost of health and rehabilitation services. The division of the joint contribution in Class I, between insured persons and their employers, is explained in para. 280; reference should be made also to paras. 96 and 291.
- (ii) The contributions of insured persons in Classes II and IV, where there is no employer, are designed to provide for the benefits given in Classes II and IV respectively the same share of the total cost as is covered in Class I by the insured person and his employer together.
- (iii) Employers in industries scheduled as hazardous, in addition to their share of the joint contribution, pay an industrial levy. The levy is designed to cover two-thirds of the cost of accident and disease in such industries above the average for all other industries, the remaining third being shared between the employees and employers in all industries and the Exchequer.
- (iv) Of the joint contribution in Class I named in para. 278, 10d. a week in the case of an adult man and 8d. a week in the case of an adult woman is assigned for the health and rehabilitation services, including free hospital treatment, with appropriate lower contributions for non-adults. Insured persons in Classes II and IV will contribute for these services the amount of the joint contribution in Class I.
- (v) The National Exchequer provides one-third of the total cost of unemployment benefit, one-sixth of the cost of pensions and of disability and maternity benefits for new entrants at age 16, together with the cost of bringing in the existing population of all ages for the ordinary benefits at the flat rate of contribution, one-sixth of the cost of industrial disability not covered by industrial levy and the whole cost of children's allowances and national assistance.
- (vi) The National Exchequer and the local rates meet the cost of the health and rehabilitation services with the help of a grant from the Social Insurance Fund representing the receipts from the contributions assigned to these services. Division of costs between the National Exchequer and the local rates depends upon the further investigation of the finance and organisation of these services, suggested in para. 437.
- (vii) The accumulated reserves in hand from the existing pensions, health and unemployment schemes are assumed to be transferred to the Social Insurance Fund and invested.

280. As regards division of the joint contribution in Class I, between insured persons and their employers, the view taken here is that it is reasonable for the cost of unemployment, of disability other than that covered by industrial levy in industries scheduled as hazardous, and of retirement pensions and widowhood to be divided equally between the two parties, for employers to continue to make a contribution towards the cost of medical treatment for their employees, for the insured persons to be charged with funeral, marriage and maternity grant and the bulk of the insurance contributions for medical treatment.

#### SHARES OF THE THREE PARTIES

281. On the basis of the contributions suggested for different parties to the tripartite scheme of social insurance, the actual or estimated cost of the Plan for Social Security to each of the three parties at various dates is shown in Table XIII. . . . .

TABLE XIII  
ESTIMATED COST OF SOCIAL SECURITY TO EXCHEQUER, INSURED PERSONS  
AND EMPLOYERS AT VARIOUS DATES

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

#### CONTRIBUTIONS IN RELATION TO BENEFIT AND CAPACITY

283. The rate of contribution from an adult man in Class I that emerges from the Memorandum of the Government Actuary on the assumptions made there is 4s. 3d. a week. Is that a reasonable sum to ask the individual to pay for security irrespective of his means? Is it likely to be within his capacity? An answer to these questions can be given from three standpoints: first, of looking at what the individual will get in virtue of his payment; second, of looking at what he has shown himself capable of paying and willing to pay in the past; third, by comparing his share of the total with that of the other parties.

284. For an answer from the first standpoint material is provided by Table XIV, comparing in summary the benefits to which a contributor with family responsibilities, within the present unemployment insurance scheme, would have been entitled before the war and would be entitled under the plan of the Report in virtue of contributions and without enquiry as to his means. It does not mean, of course, that no provision of any kind, other than that shown in the Table, was made for any of the various needs before the war; both public and private hospitals, for instance, were available, subject to examination of means or by voluntary contribution. Nor does it mean that the whole of the provision shown as proposed will be paid for out



TABLE XIV.—SECURITY PROVISION FOR MAN, WIFE AND TWO CHILDREN (PRESENT CONTRIBUTORY CLASSES)

	Pre-War*		Proposed in Plan for Social Security	
	Amount	Period and Conditions	Amount	Period and Conditions
Unemployment .. .. .	33s. per week.	26 weeks (followed by assistance on means test):	56s. per week.	Unlimited in time without means test at any time. Subject to attendance at a training centre if unemployment is prolonged.
Disability other than industrial	15s. per week.	26 weeks, followed by 7s. 6d. per week in disablement. Additional benefit in some cases.	56s. per week.	Unlimited in time without means test at any time.
Old Age .. .. .	20s. per week.	—	40s. per week.	On retirement. 2s. a week increase for each year of postponement of retirement. (Full rate only after transition period. Assistance pensions on means test meanwhile.)
Widowhood .. .. .	18s. per week.	—	40s. per week.	Reduced by part of any earnings. 52s. per week for first 13 weeks without reduction.
Maternity .. .. .	£2.	—	£4.	—
Maternity if wife gainfully occupied.	£2 additional.	—	36s. per week for 13 weeks additional.	—
Funeral .. .. .	Nil.	—	£20.	With smaller sums for children.
Industrial Disability .. .. .	Half earnings up to maximum of 30s. per week.	Subject to compounding for lump sums.	56s. per week for 13 weeks followed by pension of two-thirds earnings up to maximum of 76s. per week but not less than 56s. per week. No compounding for total disability.	—
Medical Treatment .. .. .	General Practitioner for man, with additional treatment benefits in some cases.	—	Comprehensive medical treatment, including hospital, dental and ophthalmic, nursing and convalescent homes for whole family. Post-medical rehabilitation.	—

\* Some of the pre-war rates of benefit shown above have been revised in the course of the present war. At the date of the Report the benefit in unemployment was 5s. higher than that shown, and that for disability was 3s. higher. For industrial disability, the pre-war maximum of 30s. has been raised to 35s., and children's allowances of 4s. for each of the first two children and 3s. for subsequent children have been added. For pensions the pensionable age in the case of women has been lowered from 65 to 60. With these changes the contributions for unemployment, health and pensions were raised, so that the total contribution by an adult man in 1942 was 1s. 10d. a week in place of 1s. 7d. in 1938.

of the Social Insurance Fund, built up by insurance contributions; children's allowances, for instance, included in the weekly amounts of benefit will be paid for wholly and medical treatment will be paid for mainly out of general taxation, national or local, and not from the Fund. But children's allowances and treatment are part of the Plan for Social Security and will be received by every citizen requiring them without further payment or enquiry as to means. The comparison is between what a contributor of 1s. 7d. a week could obtain as of right before the war and what a contributor of 4s. 3d. a week will obtain as of right under the plan. The rates of benefit per week in most cases are doubled (as with pensions) or more than doubled (widowhood, maternity, disability, both industrial and other). But the difference is not only or mainly in the rates per week, it is also in the duration of benefit, and its extension of scope. Needs hitherto uncovered by compulsory insurance, like funerals, are included, as well as an immense extension of medical treatment.

\* \* \* \* \*

*Paragraphs 285-286 show that according to the Family Budget enquiry made by the Ministry of Labour in 1937-38, the average actual expenditure on purposes falling wholly or partly within the Plan to have been 6s. a week exclusive of trade union subscriptions.*

287..... The rates of benefit proposed in the Report are provisional in so far as they depend on assumptions as to the level of prices; the rates of contribution proposed are even more provisional, for they depend on views of financial policy and social equity as to which reasonable men may differ. All that is claimed is that the proposals made here are a fair basis for discussion, and that if the Security Budget is looked at as a whole the division proposed between the three parties is not on the face of it unreasonable. As appears from Table XII, at the end of the transition period, the total expenditure on insurance and assistance and children's allowances and on the comprehensive health and rehabilitation services will be in the neighbourhood of £858 million a year, of which £553 million will represent cash insurance benefits and their administration. As appears from Table XIII, the total contribution by insured persons will amount to about £192 million, of which about £33 million is assigned as payment for medical treatment. If the total contribution by insured persons of all classes is compared with the total Security Budget, it represents about 22 per cent. If their contribution for cash insurance benefits is compared with the total of these benefits it amounts to 29 per cent. If their contribution for medical treatment and rehabilitation is compared with the estimated total cost of these services it amounts to about 19 per cent. These proportions include the contributions made by independent workers, employers and others in Classes II and IV. The contribution of the employees themselves will be about one-quarter of the cash benefits which they receive exclusive of children's allowances and assistance. In terms of the debate which introduced national health insurance, the Plan for Social Security for the employee represents not 9d. for 4d., but 1s. for 3d. But this only means that citizens paying these contributions, irrespective of their earnings, will have to pay in addition as tax-payers according to capacity.

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*Paras. 289-291 deal with the finance of industrial disability and the change in the proportions of the three parties between 1945 and 1965.*

\* \* \* \* \*



## SOCIAL SECURITY WORTH ITS MONEY PRICE

296. In this part of the Report the price of social security has been shown, so far as it can now be shown, in terms of money. Is it worth the price to each of the three parties concerned in paying—insured person, employer and the State? For the insured person the answer is clear. . . . The popularity of compulsory social insurance today is established, and for good reason; by compulsory insurance, so long as it is confined to meeting essential needs, the individual can feel assured that those needs will be met with the minimum of administrative cost; by paying, not, indeed, the whole cost, but a substantial part of it as a contribution, he can feel that he is getting security not as a charity but as a right.

297. For the employer, the answer should also be clear. What he pays as insurance contribution is part of the cost of his labour—from his point of view an addition to wages. At whatever reasonable point the employer's insurance contribution is fixed, it is a small part of his total bill for labour and of his costs of production; it is the sign of an interest which he should feel and does feel in the men whose work comes under his control.

298. For the State, the initial burden of the Social Security Budget is at most £86 million a year above that involved in the existing schemes. The main burden on the State comes not now, but twenty years later, through provision for the large and growing part of the population that will be past the normal age of productive service. That is a burden which cannot be escaped; the facts are inexorable; the older people will be here and will be maintained—if not by pensions in their own right, then at the cost of their individual families, by charity, or by pensions subject to a means test. The plan of this Report ensures that this inevitable burden shall be foreseen and shall be made as light as possible, by encouraging those who can work to go on working, and shall be borne fairly by the community as a whole.

299. The Social Security Budget presents figures large in relation to budgets of former time. They are not large in relation to the total national income and the Plan for Social Security is only a means of redistributing national income, so as to meet openly needs which must be met in one way or another. For reasons given in paras. 445–447 it does not seem open to question that just before the war, the British community was rich enough in real things to have avoided real want. It would be wrong not to hope that the British community can so organise itself as to be as rich again. The Social Security Budget is merely a way of translating this fact and this hope into money terms.

## PART V

### PLAN FOR SOCIAL SECURITY

*Part V outlines in some detail the Plan for Social Security. It defines the six classes of insured person, indicates the main benefits and deals with such matters as the contribution conditions, the organisation of the Ministry of Social Security, the place of Assistance in the Plan and the important part to be played by voluntary insurance. It also contains a reference to provision for loss of office and loss of business.*

*The following extract from Part V explains the assumptions, methods and principles of the Plan.*

#### ASSUMPTIONS, METHODS AND PRINCIPLES

300. *Scope of Social Security* : The term "social security" is used here to denote the securing of an income to take the place of earnings when they are interrupted by unemployment, sickness or accident, to provide for retirement through age, to provide against loss of support by the death of another person, and to meet exceptional expenditures, such as those connected with birth, death and marriage. Primarily social security means security of income up to a minimum, but the provision of an income should be associated with treatment designed to bring the interruption of earnings to an end as soon as possible.

301. *Three Assumptions* : No satisfactory scheme of social security can be devised except on the following assumptions :—

- (A) Children's 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, available to all members of the community ;
- (C) Maintenance of employment, that is to say avoidance of mass unemployment.

The grounds for making these three assumptions, the methods of satisfying them and their relation to the social security scheme are discussed in Part VI. Children's allowances will be added to all the insurance benefits and pensions described below in paras. 320-349.

302. *Three Methods of Security* : On these three assumptions, a Plan for Social Security is outlined below, combining three distinct methods : social insurance for basic needs ; national assistance for special cases ; voluntary insurance for additions to the basic provision. Social insurance means the providing of cash payments conditional upon compulsory contributions previously made by, or on behalf of, the insured persons, irrespective of the resources of the individual at the time of the claim. Social insurance is much the most important of the three methods, and is proposed here in a form as comprehensive as possible. But while social insurance can, and should, be the main instrument for guaranteeing income security, it cannot be the only one. It needs to be supplemented both by national assistance and by voluntary insurance. National assistance means the giving of cash payments conditional upon proved need at the time of the claim, irrespective of previous contributions but adjusted by consideration of individual circumstances and paid from the national exchequer. Assistance is an indispensable supplement to social insurance, however the scope of the latter may be widened. In addition to both of these there is place for voluntary insurance. Social insurance and national assistance organised by the State are designed to guarantee, on condition of service, a basic income for subsistence. The actual incomes and by consequence the normal standards of expenditure of different sections of the population differ greatly. Making provision for these higher standards is primarily the function of the individual, that is to say, it is a matter for free choice and voluntary insurance. But the State should make sure that its measures leave room and encouragement for such voluntary insurance. The social insurance scheme is the greater part of the Plan for Social Security and its description occupies most of this Part of the Report. But the plan includes national assistance and voluntary insurance as well.



303. *Six Principles of Social Insurance* : The social insurance scheme set out below as the chief method of social security embodies six fundamental principles :

- Flat rate of subsistence benefit
- Flat rate of contribution
- Unification of administrative responsibility
- Adequacy of benefit
- Comprehensiveness
- Classification

304. *Flat Rate of Subsistence Benefit* : The first fundamental principle of the social insurance scheme is provision of a flat rate of insurance benefit, irrespective of the amount of the earnings which have been interrupted by unemployment or disability or ended by retirement ; exception is made only where prolonged disability has resulted from an industrial accident or disease. This principle, follows from the recognition of the place and importance of voluntary insurance in social security and distinguishes the scheme proposed for Britain from the security schemes of Germany, the Soviet Union, the United States and most other countries with the exception of New Zealand. The flat rate is the same for all the principal forms of cessation of earning—unemployment, disability, retirement ; for maternity and for widowhood there is a temporary benefit at a higher rate.

305. *Flat Rate of Contribution* : The second fundamental principles of the scheme is that the compulsory contribution required of each insured person or his employer is at a flat rate, irrespective of his means. All insured persons, rich or poor, will pay the same contributions for the same security ; those with larger means will pay more only to the extent that as tax-payers they pay more to the National Exchequer and so to the State share of the Social Insurance Fund. This feature distinguishes the scheme proposed for Britain from the scheme recently established in New Zealand under which the contributions are graduated by income, and are in effect an income-tax assigned to a particular service. Subject moreover to one exception, the contribution will be the same irrespective of the assumed degree of risk affecting particular individuals or forms of employment. The exception is the raising of a proportion of the special cost of benefits and pensions for industrial disability in occupations of high risk by a levy on employers proportionate to risk and pay-roll (paras. 86-90 and 360).

306. *Unification of Administrative Responsibility* : The third fundamental principle is unification of administrative responsibility in the interests of efficiency and economy. For each insured person there will be a single weekly contribution, in respect of all his benefits. There will be in each locality a Security Office able to deal with claims of every kind and all sides of security. The methods of paying different kinds of cash benefit will be different and will take account of the circumstances of insured persons, providing for payment at the home or elsewhere, as is necessary. All contributions will be paid into a single Social Insurance Fund and all benefits and other insurance payments will be paid from that fund.

307. *Adequacy of Benefit* : The fourth fundamental principle is adequacy of benefit in amount and in time. The flat rate of benefit proposed is intended in itself to be sufficient without further resources to provide the minimum income needed for subsistence in all normal cases. It gives room and a basis for additional voluntary provision, but does not assume that in any case. The benefits are adequate also in time, that is to say except for contingencies of a temporary nature, they will continue indefinitely

without means test, so long as the need continues, though subject to any change of conditions and treatment required by prolongation of the interruption in earning and occupation.

308. *Comprehensiveness* : The fifth fundamental principle is that social insurance should be comprehensive, in respect both of the persons covered and of their needs. It should not leave either to national assistance or to voluntary insurance any risk so general or so uniform that social insurance can be justified. For national assistance involves a means test which may discourage voluntary insurance or personal saving. And voluntary insurance can never be sure of covering the ground. For any need moreover which, like direct funeral expenses, is so general and so uniform as to be a fit subject for insurance by compulsion, social insurance is much cheaper to administer than voluntary insurance.

309. *Classification* : The sixth fundamental principle is that social insurance, while unified and comprehensive, must take account of the different ways of life of different sections of the community ; of those dependent on earnings by employment under contract of service, of those earning in other ways, of those rendering vital unpaid service as housewives, of those not yet of age to earn and of those past earning. The term "classification" is used here to denote adjustment of insurance to the differing circumstances of each of these classes and to many varieties of need and circumstance within each insurance class. But the insurance classes are not economic or social classes in the ordinary sense ; the insurance scheme is one for all citizens irrespective of their means.

#### THE PEOPLE AND THEIR NEEDS

310. *Six Population Classes* : The Plan for Social Security starts with consideration of the people and of their needs. From the point of view of social security the people of Britain fall into six main classes described briefly as I—Employees ; II—Others gainfully occupied ; III—Housewives ; IV—Others of working age ; V—Below working age ; VI—Retired above working age. The precise definitions of each of these classes, the boundaries between them and the provision for passage from one to another are discussed in detail in paragraphs 314–319. The approximate numbers in each class and their relation to security needs, as listed in the following paragraph, are given in Table XVI. Some needs, for medical treatment and for burial, are common to all classes. In addition to this, those in Class V (Below working age) need children's allowances, and those in Class VI (Retired above working age) need pensions ; neither of these classes can be called on to contribute for social insurance. The other four classes all have different needs for which they will be insured by contributions made by or in respect of them. Class I (Employees), in addition to medical treatment, funeral expenses and pension, need security against interruption of earnings by unemployment and disability, however caused. Class II, i.e. persons gainfully occupied otherwise than as employees, cannot be insured against loss of employment, but in addition to medical treatment, funeral expenses and pension they need provision for loss of earnings through disability and they need some provision for loss of livelihood. Class III (Housewives) not being gainfully occupied do not need compensation for loss of earnings through disability or otherwise, but, in addition to the common needs of treatment, funeral expenses and pension, they have a variety of special needs arising out of marriage. Class IV (Others of working age) is a heterogeneous class in which relatively few people remain for any large part of their lives : they all need provision for medical treatment, funeral expenses and retirement, and also for the risk of having to find a new means of livelihood.



TABLE XVI  
POPULATION BY SECURITY CLASSES  
*Approximate Numbers in Great Britain, July 1939*

Class	Number Million	Relation to Security Scheme								
		Contribution Provisions	Security Provisions							
			Medical Treatment	Funeral grant	Retirement pension	Disability benefit	Unemployment benefit	Training benefit (f)	Industrial pension	Other Provisions
I. Employees ... ..	18.4	Insured by weekly contribution on Employment Book.	x	x	x	x	x	—	x	Removal and lodging grant: Industrial grant
II. Others gainfully occupied.	2.5	Insured by contributions on Occupation Card.	x	x	x	x (b)	—	x	—	
III. Housewives ... ..	5.3(a)	Insured on marriage through Housewife's Policy.	x	x	x	—(c)	—(c)	x	—(c)	Marriage grant, maternity benefit (d) and grant, widows' benefit, guardian benefit, separation benefit.
IV. Others of working age	2.4	Insured by contributions on Security Card.	x	x	x	—	—	x	—	
V. Below working age ...	5.6(g)	None ... ..	x	x	—	—	—	—	—	
VI. Retired above working age.	4.3	Insured by contributions made during working age.	x	x	x	—	—	—	x (e)	
	46.5									

(a) Married women gainfully occupied estimated at 1.4 million are included in the numbers shown for Class III and excluded from the numbers shown for Classes I and II.

(b) After 13 weeks of sickness.

(c) If gainfully occupied and not exempt.

(d) If gainfully occupied even though exempt.

(e) If granted before reaching the age of retirement and if higher than the retirement pension.

(f) Includes removal and lodging grant where needed.

(g) The numbers shown in Class V are on the basis of the present minimum school leaving age, viz. 14. In the Report it is assumed for the purpose of children's allowances that the minimum school leaving age is 15.

311. *Eight Primary Causes of Need* : The primary needs for social security are of eight kinds, reckoning the composite needs of a married woman as one and including also the needs of childhood (Assumption A) and the need for universal comprehensive medical treatment and rehabilitation (Assumption B). These needs are set out below ; to each there is attached in the security scheme a distinct insurance benefit or benefits. Assistance may enter to deal with any kind of need, where insurance benefit for any reason is inadequate or absent.

*Unemployment* : that is to say, inability to obtain employment by a person dependent on it and physically fit for it, met by unemployment benefit with removal and lodging grants.

*Disability* : that is to say, inability of a person of working age, through illness or accident, to pursue a gainful occupation, met by disability benefit and industrial pension.

*Loss of Livelihood* by person not dependent on paid employment, met by training benefit.

*Retirement* from occupation, paid or unpaid, through age, met by retirement pension.

*Marriage needs* of a woman, met by Housewife's Policy including provision for :—

- (1) Marriage, met by marriage grant.
- (2) Maternity, met by maternity grant in all cases, and, in the case of a married woman in gainful occupation, also by maternity benefit for a period before and after confinement.
- (3) Interruption or cessation of husband's earnings by his unemployment, disability or retirement, met by share of benefit or pension with husband.
- (4) Widowhood, met by provision varying according to circumstances including temporary widow's benefit for readjustment, guardian benefit while caring for children and training benefit if and when there are no children in need of care.
- (5) Separation, i.e. end of husband's maintenance by legal separation, or established desertion, met by adaptation of widowhood provisions, including separation benefit, guardian benefit and training benefit.
- (6) Incapacity for household duties, met by provision of paid help in illness as part of treatment.

*Funeral Expenses* of self or any person for whom responsible, met by funeral grant.

*Childhood*, provided for by children's allowances if in full-time education, till sixteen.

*Physical Disease or Incapacity*, met by medical treatment, domiciliary and institutional, for self and dependants in comprehensive health service and by post-medical rehabilitation.

312. *Other Needs* : The needs listed in para. 311 are the only ones so general and so uniform as to be clearly fit subjects for compulsory insurance. There is, partly for historical reasons, a problem as to the provision to be made for fatal accidents and diseases arising out of employment, by means of an industrial grant. There are many other needs and risks which are sufficiently common to be suited for voluntary insurance, and to a varying extent are already covered by that method. They include a great variety



of contingencies for which provision is made by life and endowment insurance ; there are risks of fire, theft, or accident ; there are exceptional expenditures such as those on holidays and education.

**313. Explanation of Terms :** Before defining more closely the classes into which the people must be divided for purposes of social security, it is necessary to explain three terms. "Exception" means that certain types of persons are not within a particular class, though apart from the exception they would be ; exception is general, not individual, altering the definition of a class. "Exemption" means that a person though within a particular class is exempted individually from paying the contributions of that class ; his employer, if he has one, remains liable for contributions, but these contributions are not counted in judging of the insured person's claim to benefit. "Excusal" means that contributions for which an insured person and his employer, if he has one, would otherwise be liable, are not required, but for the purpose of satisfying contribution conditions for benefit are deemed to have been paid ; excusal is normally conditional on the insured person proving that he is unemployed or incapable of work. Exemption and excusal are dealt with more fully in paras. 363-364.

**314. Employees (Class I) :** These are, in general, persons depending for their maintenance upon remuneration received under a contract of service, including apprenticeship. The exact boundaries of this class will be adjusted by certain exceptions and inclusions. There will also be provision for exemption, that is to say, for allowing persons who take work falling within Class I to escape payment of their contributions while still requiring contributions by the employer. Insured persons in this class will hold an employment book which they will present to the employer for stamping.

The principal exception suggested is for family employment, that is to say, employment of one member of a family by another forming part of the same household. This is a development of the existing exception of fathers, sons, daughters etc., under Agricultural Unemployment Insurance, and is designed to prevent fictitious claims for benefit. Persons excluded from Class I by this exception will fall into Class II.

Persons in Class II or IV taking work temporarily under a contract of service will be allowed to claim exemption from their own contributions, and persons in Class III undertaking such work will be allowed to obtain exemption so long as they desire it. Exempt persons will present to the employer a special card to be stamped by him with the employer's contribution.

On the other hand, certain exceptions and exemptions under the present scheme will no longer apply. In particular :—

- (i) There will be no exception of employees on the ground of the regularity of their employment or that it entitles them to pension. The basis of the security scheme is that all should contribute compulsorily irrespective of their personal risk. For men in the Armed Forces special arrangements for contribution will secure their rights to the benefits of the scheme when they return to civil life. For men in the merchant service there will be special arrangements for contribution adjusted to the conditions of their employment.
- (ii) There will be no exception of any employees by a remuneration limit.
- (iii) The right of persons above normal working age to claim exemption will cease on the introduction of the principle that pension is

payable only on retirement from work and that men and women reaching the ages of 65 and 60 respectively, will have the option either of continuing to work and contribute or of retiring on pension at any time thereafter.

The possibility of either including in Class I and so insuring against unemployment certain classes of persons who are not technically under a contract of service but work in effect for employers (e.g. manual labour contractors, out-workers and private nurses) or of insuring such classes by special schemes, taking account of their special circumstances, needs further exploration. In one of these classes for instance, namely nurses, in addition to the fact that nurses work sometimes under contract of service and sometimes not, there are special needs arising out of their exposure to infection and out of the urgency of their duties, rendering necessary the possibility of intervals for rest and recuperation. The problem of giving some income security under a special scheme to share fishermen should also be explored. As stated above, apprentices generally will be included in Class I, but special arrangements may be made in regard to their rate of contribution (see para. 408).

**315. Others Gainfully Occupied (Class II) :** These are, in general, all persons working for gain who are not in Class I. Most of these will be persons working on their own account as employers or by themselves, including shopkeepers and hawkers, farmers, small holders and crofters, share fishermen, entertainers and renderers of professional and personal service and out-workers. They will include also persons who, though technically under contract of service, are excepted from Class I on the ground of family employment. Apart from the possibilities whose exploration is proposed above, persons gainfully occupied otherwise than under contract of service will not be insured against unemployment. Persons in Class II will pay contributions upon an occupation card. If a person in Class II gives up his independent occupation and takes insurable employment he will pass into Class I and will in due course acquire a claim to unemployment benefit in addition to the other benefits of Class II. If he takes insurable employment temporarily he will be allowed to work as an exempt person, i.e. only the employer's contribution will be paid and he will neither contribute for unemployment nor acquire a right to unemployment benefit. Conversely, a person whose main occupation is employment under a contract of service but who also works regularly or occasionally at some other gainful occupation, will be able to obtain exemption from Class II contributions. Persons in Class II will be able to apply for exemption on the ground that their income is below a certain minimum, say £75 a year (para. 363).

**316. Housewives (Class III) :** These are married women of working age living with their husbands. Any housewife who undertakes paid work as well, either under a contract of service or otherwise, will have the choice either of contributing in the ordinary way in Class I or Class II as the case may be, or of working as an exempt person, paying no contributions of her own.

**317. Others of Working Age (Class IV) :** These are in the main students above 16, unmarried women engaged in domestic duties not for pay, persons of private means, and persons incapacitated by blindness or other physical infirmity without being qualified for benefits under the social



insurance scheme. The last of these groups will be a diminishing one. Blindness and other physical infirmities will occur in most cases after people have had a chance of contributing under the scheme and qualifying for disability benefit. At the outset there will be a number of people who became incapacitated before the scheme began. After the scheme has been established, persons in receipt of any benefit or pension in respect of contributions in other classes will be treated as still belonging to those classes and not as in Class IV. Those incapacitated or in institutions will be subject to the special arrangements appropriate in each case. All the others in Class IV will be required to hold security cards and to pay contributions thereon unless and until they pass into another class. This security card must be produced to obtain an employment book or occupation card. Persons in Class IV will be able to apply for exemption from contributions on the ground that their total income is below a certain minimum, say £75 a year (para. 363).

318. *Below Working Age (Class V)* : This class will include all persons below 16 who are in full-time education, whether compulsorily or voluntarily.

319. *Retired Above Working Age (Class VI)* : The minimum pensionable age for retirement on social insurance pension will be 65 for men and 60 for women, but persons who continue to work after these ages will pay contributions in the ordinary way and will be treated as belonging to Class I or Class II.

\* \* \* \* \*

*The following extract from Part V deals with the application to existing cases of the rates of benefit listed in para. 401.*

\* \* \* \* \*

353. *Application to Existing Cases* : The application of the new rates of insurance payment to existing cases of disability, unemployment and widowhood raises questions which may be answered differently for different forms of payment as follows :—

- (1) In regard to industrial disability, it is proposed that all persons who, at the beginning of the scheme, are in receipt of weekly payments less than the industrial pension which they would have received under the scheme shall, if and when their disability has exceeded thirteen weeks in length, be granted the new rates (paras. 101–105). No contributions have been required for industrial disability benefit and pension in the past and no contribution conditions are proposed in future.
- (2) In regard to pensions it is proposed that existing pensioners, if and when they retire and give up work, shall receive contributory pensions according to the rising scale (para. 242). These pensioners will get pension above the rate for which they have contributed but subject to a new condition.
- (3) In regard to unemployment, which is assumed to be of a temporary character, the new rates will apply as from the beginning of the scheme to all persons who are unemployed thereafter. For persons whose unemployment is prolonged the benefit will be conditional on attendance at a training centre.
- (4) In regard to widows, the temporary widow's benefit will apply only to deaths occurring after the beginning of the scheme. The guardian benefit will be available for persons widowed before the beginning of the scheme. Existing widows without children will retain their present pensions.

- (5) The treatment of disability other than industrial raises questions which are both important and difficult. The numbers involved are large. In February, 1942, there were about 425,000 persons in receipt of sickness benefit and 375,000 persons in receipt of disablement benefit under the present scheme. The right line for treating these people in relation to the rest of the Social Insurance Scheme is not clear. In the past, when contributions and benefits have been raised, the new rates have been applied automatically to all the existing cases, but the increases of benefit were small, whereas in regard to sickness and disablement the difference of levels between the present scheme and the proposed scheme is great. Moreover, new classes are being brought into insurance. Finally the pension rates are being raised, not at once, but over a period of years. To apply the new rates or disability automatically to all existing cases of sickness and disablement at the beginning of the scheme would have two effects which might cause criticism: (a) the new rates could not well be limited to the present contributory classes, so that it might become necessary to give high disability benefits to permanent invalids who have hitherto been outside any insurance scheme; (b) many of the prolonged disability cases would be persons advanced in years and nearing the pension age. Under the proposals for pension when they reach that age they will receive during the transition period not the full pension of 40s. joint or 24s. single, *i.e.*, the same as disability benefit, but something which may be much less. Thus if a permanent invalid with a wife, now receiving 10s. 6d. a week as disablement benefit were raised to 40s. in 1945 at the age of 63, he would come back to 26s. 6d. in 1947. It would obviously cause great trouble to put permanent invalids up for one or two years to the new rates, only to take them down again as soon as they reached pensionable age. These considerations suggest that the new scales of disability benefit unlimited in time should apply only to people who pay the initial qualifying contributions under the new scheme, and that persons who fail to qualify through being permanent invalids should be treated as prematurely pensioned, their disability benefit at any time being kept to the level of what they would get as persons retired on pension. The question, however, is difficult and calls for further examination of the numbers and classes of persons concerned, and of the method of distinguishing between those who are to be treated as permanent invalids on pension and those who may qualify for disability benefit.



The following extract from Part V contains the provisional post-war rates of benefit, allowance and grant based on the examination of the minimum income subsistence in Section 1 of Part III.

### Extract from Part V.

#### PROVISIONAL RATES OF BENEFIT AND CONTRIBUTION

401. The provisional post-war rates of benefit, allowance and grant, suggested on the assumptions as to level of prices stated in para. 231 are as follows :—

	Shillings per week.
<i>Unemployment, Disability and Training Benefit.</i>	
Man and not gainfully occupied wife (joint benefit)	40
Man with gainfully occupied wife not on benefit ..	24
Single man or woman, aged 21 and upwards ..	24
Single man or woman aged 18-20 .. .. .	20
Boys or girls 16-17 .. .. .	15
Married woman gainfully occupied when herself on benefit .. .. .	16
<i>Retirement Pension (after transition period).*</i>	
Man and not gainfully occupied wife (joint pension) .. .. .	40 basic
Single man or woman, man with gainfully occupied wife, woman contributor with husband below pensionable age (single pension) ..	24 basic
Addition to basic pension for postponement, in respect of each year of postponement—	
On joint pension .. .. .	2
On single pension .. .. .	1
<i>Maternity Benefit (13 weeks).</i>	
Married woman gainfully occupied whether paying contributions or exempt, in addition to maternity grant .. .. .	36
<i>Widow's Benefit (13 weeks)</i> .. .. .	36
<i>Guardian Benefit*</i> .. .. .	24
<i>Dependant Allowance.</i>	
Dependant above age for children's allowance of person receiving unemployment, disability or training benefit .. .. .	16
<i>Children's Allowance.</i>	
For each child when responsible parent is in receipt of any benefit or pension, and for each child after the first in other cases, allowances graded by age averaging over all children in addition to existing provision in kind .. ..	8
<i>Industrial Pension.</i>	
For total disability .. .. .	Two-thirds of assessed weekly earnings, but not more than £3 a week and not less than would have been paid as disability benefit and dependant allowance if any.
For partial disability .. .. .	Pension proportionate to loss of earning power.

\* Retirement Pension and Guardian Benefit are subject to partial reduction for earnings.

							Grants
<i>Marriage</i>	..	..	..	..	..	..	Up to £10 according to number of contributions.
<i>Maternity</i>	..	..	..	..	..	..	£ 4
<i>Funeral*</i>							
Adults	..	..	..	..	..	..	20
Age 10-20 years	..	..	..	..	..	..	15
Age 3-9 years	..	..	..	..	..	..	10
Under 3 years	..	..	..	..	..	..	6
<i>Industrial</i>	..	..	..	..	..	..	To be determined in accord with Regulations (para. 334).

402. The rates for particular benefits are based on the following considerations:—

- (a) There should be a uniform rate, joint and single respectively, for unemployment, disability and training and the basic rate for retirement pension should be the same as this. The joint rate should apply irrespective of age; the single rate should be lower for persons below 21 years of age than for adults.
- (b) For married women gainfully occupied, maternity benefit should be at a rate, materially higher than the single rate for unemployment or disability, while unemployment and disability benefit should be materially below the single rate. These special rates should apply to all married women irrespective of age.
- (c) Widows' benefit during the period of re-adjustment should be materially above the single rate for unemployment or disability.
- (d) Guardian benefit should be such as to enable the widow, with allowances for every child, to have sufficient for subsistence without earning, and should be subject to reduction of a proportion of any earnings made by her.
- (e) The addition to basic pension where retirement is postponed should be less than the full actuarial value of postponement, so that the advantage of postponement is shared between the contributor and the Social Insurance Fund.
- (f) The unemployment and disability benefit for boys and girls is put 1s. below the rate of dependant allowance. This will mean that 1s. less is paid when boys and girls are themselves unemployed or sick than if they are dependants and the person upon whom they depend is unemployed or sick. The difference is not a matter of great importance, but is probably right, in view of the fact that boys and girls of this age will be living with older people and while those older people have earnings can be maintained in part from those earnings. When those earnings cease, there must be subsistence both for the dependent boy or girl and for the adult.

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\* Funeral grant is not payable in respect of any person above age of 60 at beginning of scheme.



403. The provisional rates of weekly contribution suggested to secure the provisional scale of benefits are as follows :—

	Male			Female		
	Insured Person	Em- ployers	Joint	Insured Person	Em- ployers	Joint
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
<i>Class I</i>						
Age 21 and upwards ..	4 3	3 3	7 6	3 6	2 6	6 0
18-20 .. ..	3 6	2 9	6 3	3 0	2 0	5 0
16-17 .. ..	2 6	2 6	5 0	2 0	2 0	4 0
<i>Class II</i>						
Age 21 and upwards ..	4 3	—	—	3 9	—	—
18-20 .. ..	3 6	—	—	3 0	—	—
16-17 .. ..	2 0	—	—	2 0	—	—
<i>Class IV</i>						
Age 21 and upwards ..	3 9	—	—	3 0	—	—
18-20 .. ..	3 0	—	—	2 6	—	—
16-17 .. ..	1 6	—	—	1 6	—	—

*Note.*—If the marriage grant is omitted, the contributions of insured females aged 21 and upwards and 18-20 in Classes I and II can be reduced in each case by 3d.

404. Determination of the relative contributions for men and for women depends on considerations explained by the Government Actuary in regard to the several benefits in paras. 18, 21 and 29 of his Memorandum. In respect of unemployment a change has been made from present practice, by charging the difference between the joint rate for man and wife and the single rate for a man wholly to the man's contribution so as to increase the man's contribution relatively to that of the woman; this principle has been applied also to disability on the introduction of joint benefit and dependant allowance. The general result is that, in spite of the equalisation of benefit rates for single men and single women, the total contributions proposed for men in the new scheme show a greater increase on present rates than the contributions for women. Thus the joint contribution for an adult man, which is now 44d., is raised to 90d., that is to say to slightly more than double, while the joint contribution for an adult woman, which is now 37d., is raised to 72d., that is to say to rather less than double. The employee's own contribution in the case of a man is raised as from 22d. to 51d.; in the case of a woman from 19d. to 42d.

405. The contributions shown in para. 403 include contributions assigned for health and rehabilitation services as follows :—

		Male	Female
Age 21 and upwards	..	10d.	8d.
18-21	.. ..	8d.	6d.
16-18	.. ..	6d.	6d.

In Class I these contributions are divided approximately as to 1½d. by the employer and the balance of 8½d. or 6½d. by the employee in the case of adults. In Classes II and IV the whole contribution is paid by the insured persons. It is contemplated that in virtue of these contributions insured persons will receive for themselves and their dependants comprehensive medical treatment and post-medical rehabilitation services, including general, specialist, domiciliary and hospital treatment, and nursing and subsidiary services without a charge for treatment. This, as stated, is subject to the further enquiry as to the finance and organisation of the health service suggested in para. 437. If, as a result of that enquiry, it were decided to require some additional payment for hospital treatment, either by way of voluntary contributions or by a charge on treatment, the question would arise of amending the proposed contributions.

406. The rates of contribution suggested for boys and girls, particularly in Classes II and IV, may need further consideration in the light of educational policy. It is desirable that boys and girls should at an early stage be brought into the Social Security Scheme, and become familiar with it, but exactly how they should be treated depends upon development of educational policy.

407. The benefits and contributions suggested above relate to persons aged 16 and upwards. No specific proposals can be made in regard to boys and girls under 16 until educational policy is decided. The general principle is that up to 16 at least boys and girls should be considered from the educational standpoint. In so far as they work for gain, insurance contributions should be paid by them and their employers. Any payment of cash benefit to them should be combined with continued supervision and education.

408. The general rates of benefit and contribution set out in paras. 401 and 403 should be regarded as subject to investigation of the desirability and practicability of adjustment to special circumstances in the following cases:—

- (a) Provision of a lower rate of benefits (other than retirement and industrial pensions) and corresponding lower contribution in particular regions or occupations (paras. 214–215).
- (b) Provision of a higher rate of benefits (other than retirement and industrial pension) and corresponding higher contribution in London and in other regions where costs of living are exceptionally high (paras. 214–215).
- (c) Different distribution of the joint contribution between employers and insured persons, increasing the employer's share where either (a) a weekly rate of wage is below a certain level, or (b) the sum paid as wages from which deduction of the insured person's contribution has to be made is below a certain point.
- (d) Provision of a reduced contribution for a short period of employment, e.g. for 2 days or 3 days only.
- (e) Provision of reduced contributions for persons working under contracts of apprenticeship.

Practical examination of all these possibilities depends very largely upon the general level of benefit and contribution that may be determined finally. They are appropriate matters for investigation by a Committee analogous to the suggested Social Insurance Statutory Committee.



## PART VI

### SOCIAL SECURITY AND SOCIAL POLICY

409. Social security as used in this Report means assurance of a certain income. The Plan for Social Security set out in the Report is a plan to win freedom from want by maintaining incomes. But sufficiency of income is not sufficient in itself. Freedom from want is only one of the essential freedoms of mankind. Any Plan for Social Security in the narrow sense assumes a concerted social policy in many fields, most of which it would be inappropriate to discuss in this Report. The plan proposed here involves three particular assumptions so closely related to it that brief discussion is essential for understanding of the plan itself. These are the assumptions of children's allowances, of comprehensive health and rehabilitation services, and of maintenance of employment. After these three assumptions have been examined, general questions are raised as to the practicability of taking freedom from want as an immediate post-war aim and as to the desirability of planning reconstruction of the social services even in war.

#### ASSUMPTION A. CHILDREN'S ALLOWANCES

410. The first of three assumptions underlying the Plan for Social Security is a general scheme of children's allowances. This means that direct provision for the maintenance of dependent children will be made by payment of allowances to those responsible for the care of those children. The assumption rests on two connected arguments.

411. First, it is unreasonable to seek to guarantee an income sufficient for subsistence, while earnings are interrupted by unemployment or disability, without ensuring sufficient income during earning. Social insurance should be part of a policy of a national minimum. But a national minimum for families of every size cannot in practice be secured by a wage system, which must be based on the product of a man's labour and not on the size of his family. The social surveys of Britain between the two wars show that in the first thirty years of this century real wages rose by about one-third without reducing want to insignificance, and that the want which remained was almost wholly due to two causes—interruption or loss of earning power and large families.

412. Second, it is dangerous to allow benefit during unemployment or disability to equal or exceed earnings during work. But, without allowances for children, during earning and not-earning alike, this danger cannot be avoided. It has been experienced in an appreciable number of cases under unemployment benefit and unemployment assistance in the past. The maintenance of employment—last and most important of the three assumptions of social security—will be impossible without greater fluidity of labour and other resources in the aftermath of war than has been achieved in the past. To secure this, the gap between income during

earning and during interruption of earning should be as large as possible for every man. It cannot be kept large for men with large families, except either by making their benefit in unemployment and disability inadequate, or by giving allowances for children in time of earning and not-earning alike.

413. In addition to these two arguments, arising directly from considerations of social security, there are arguments arising from consideration of numbers of population and care of children. With its present rate of reproduction, the British race cannot continue; means of reversing the recent course of the birth rate must be found. It is not likely that allowances for children or any other economic incentives will, by themselves, provide that means and lead parents who do not desire children to rear children for gain. But children's allowances can help to restore the birth rate, both by making it possible for parents who desire more children to bring them into the world without damaging the chances of those already born, and as a signal of the national interest in children, setting the tone of public opinion. As regards care of children, whatever possibilities the future may hold of larger families than now, the small families of to-day make it necessary that every living child should receive the best care that can be given to it. The foundations of a healthy life must be laid in childhood. Children's allowances should be regarded both as a help to parents in meeting their responsibilities, and as an acceptance of new responsibilities by the community.

414. The general principle of children's allowances can by now be taken as accepted. But it is desirable to make suggestions as to the practical form of such allowances from the standpoint of social security. The main points to be settled relate to the source from which allowances should be paid, to the scale of allowances, to the children in respect of whom they should be paid, and to the authority which should administer them.

415. As to the source of children's allowances, the view taken here is that they should be non-contributory, provided wholly out of taxation, and not to any extent out of insurance contributions. The considerations leading to this view are practical. First, the flat rate of contribution required for purposes which should be contributory is about as high as it seems right to propose; flat insurance contributions are either a poll-tax or a tax on employment, justifiable up to certain limits, but not capable of indefinite expansion. Second, the provision for children should clearly be made to some extent in kind. Though, on the view taken here, children's allowances should be given mainly in cash, the amount of cash at any time must be adjusted to the provision in kind and this adjustment can probably be made more easily if the cost of allowances is provided from the State than if it forms part of a contributory system. Both these are practical grounds. On principle, it is possible to argue either way. It can be said, on the one hand, that children's allowances should be regarded as an expression of the community's direct interest in children; it can be argued on the other hand that children are a contingency for which all men should prepare by contributions to an insurance fund. As it is possible to argue on each side in principle, it might be provided in practice that the cost of allowances should be shared. It is in fact proposed below that the first child in each family should be omitted from allowances, while the responsible parent is earning, so that the financial burden of every family is shared between the State and the parents. This involves providing an allowance for the first



child whenever the responsible parent is not earning, that is to say providing an allowance for the first child, to be added to unemployment, disability and guardian benefits. Even if the other allowances are provided wholly by the State, the cost of allowances for the first child might well be charged to the Social Insurance Fund, as the cost of the children's allowances now given in unemployment insurance are charged to the Unemployment Fund. On the whole, it appears better to put the whole cost of children's allowances, both when the parent is earning and when he is not earning, upon the National Exchequer, that is to say to make children's allowances non-contributory. The allowances, though non-contributory, may be administered by the Ministry of Social Security. The cost of them should be provided, not from the Social Insurance Fund, but by special Exchequer grant.

416. As to the scale of children's allowances, in paras. 226-228 the allowances required to meet in full the needs of children of various ages for food, clothing, fuel and light are put at figures yielding an average over children of all ages of 7s. a week at 1938 prices. In para. 232, allowing on the one hand for an increase of prices after the war, and, on the other hand, for the provision already being made for children through school meals and supply of free or cheap milk, an average rate of allowance of 8s. per week per child in addition to existing provision is suggested. It does not follow that a cash allowance on this scale should be paid in respect of every child. Two considerations may be urged against such an inference.

417. First, it can be argued that the allowances for children should be regarded only as a help to parents and not as relieving them entirely of financial responsibility. There is substance in this argument. To give full subsistence allowances for all the children of a man or woman at work may be described as wasteful and certainly cannot be described as a measure indispensable for the abolition of poverty; very few men's wages are insufficient to cover at least two adults and one child. When the responsible parent (that is to say the parent on whom the children depend) is earning, there is no need to aim at allowances relieving the parent of the whole cost of the children. On the view taken here, it would be wrong to do so—an unnecessary and undesirable inroad on the responsibilities of parents. That is to say, in any system of children's allowances, the cost of maintaining children should be shared between their parents and the community. This can be done in two ways—either by making an allowance for each child which is less than the cost of maintenance, or by making no allowance for one child in each family and a larger or full allowance for each of the other children. The second way is the better and is adopted here, as making a larger reduction in the cost of allowances to the community with no hardship to parents, and as increasing the proportion of the total cost borne by the community as the size of the family increases; this makes the allowances more effective in preventing want and increases whatever influence they may have in encouraging large families.

418. Second, it can be argued that, whatever experts may say, every mother of six knows that six children do not cost six times as much as one child to feed, clothe and warm. Admitting that one child for these purposes will need 7s. at 1938 prices (say 9s. at provisional post-war rates), 42s. for a family of six (54s. at post-war rates) may appear excessive. It is not easy, indeed, to see in the foregoing calculations just where substantial reduction of cost per head for a number of children can be justified.

Out of the 7s. pre-war average, 5s 11d. is for food according to a personal dietary; there may be less waste in a large family, but the 5s. 11d. includes nothing for waste or inefficiency in buying. The 3d. for fuel has been reached as one-sixth of the recorded difference between two-person and eight-person households. The 10d. for clothing offers a real but small field for economy in large families, by passing clothing from one to another. But against this, the 7s. average takes no account of rent. If having many children makes it possible to reduce slightly the cost of food, clothing and fuel for each child, it can hardly fail to add to the rent. It is probably true that few, if any, parents of large families spend four times as much on essentials for four children as they spend for one, or six times as much on six children as they spend for one. But that may be because very few people are able to afford to do so out of incomes which are in no way related to the number of children.

419. The first of these two arguments, accordingly, is accepted here and the second is rejected. It is proposed, on the one hand, that there should be no allowance for the first child in each family when the responsible parent is earning. It is proposed, on the other hand, that for each of the other children, and for the first child also when the responsible parent is on benefit or pension, there should be an allowance additional to the present provision in kind at the average rate of 8s. a week. The practical effect of this will be that when the parent is earning there will be no allowance in a family with one child only and that, as the size of the family increases, the average allowance for each child will increase in accordance with the following scale:—

<i>No. of children in family</i>	<i>Weekly allowance per family</i>	<i>Average weekly allowance per child</i>
	<i>s. d.</i>	<i>s. d.</i>
1	Nil	Nil
2	8 0	4 0
3	16 0	5 4
4	24 0	6 0
5	32 0	6 5
6	40 0	6 8

420. Assuming an allowance of 8s. a week per child, omission of one child when the parent is earning reduces the total cost of allowances by nearly £100,000,000 a year, as compared with the cost of including all children at all times. It would be possible to carry this method of sharing the total cost of the family between the community and the parents a stage further, either by omitting the second child as well as the first, or by giving less than the full allowance for the second child. To give 4s. a week in place of 8s. for the second child when the responsible parent was earning would save a further £23,000,000 a year in the cost of the allowances. But, apart from the undesirability of decreasing the provision for children, this plan is open to the objection that it narrows still further the gap between earnings and income during interruption of earnings. It would mean that a man with two children or more would receive 12s. in respect of those children when on benefit or pension, which he would not be receiving when earning, so that, unless his wages were at least that amount above his benefit or pension, he would not be better off when earning than when unemployed or sick.



421. The allowance proposed for the second and subsequent children when the responsible parent is earning, and for all children when the responsible parent is not earning, has been put at an average of 8s. a week at provisional post-war rates, in addition to existing provision in kind. In practice, the allowances should not be uniform but graded by age, since the needs of children increase rapidly with age. In practice, also, the sum to be given in cash at each age must have regard to the provision in kind at each age. On the view taken here, it would not be desirable to attempt to replace cash allowances for children wholly or even largely by provision in kind. The principle of social policy should not be to remove all responsibilities from parents, but to help them to understand and to meet their responsibilities. But there may prove to be good reasons for a considerable extension of provision in kind, and this may affect differently the cash allowance required at different ages. It is not possible here to do more than indicate at 8s. per week the average additional allowance proposed in cash or in kind.

425. The practical conclusions emerging from this discussion are :—

- (1) Financial provision should be made for children's allowances at the cost of the 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.
- (2) The average amount of such allowances should be 8s. a week in addition to the existing provision in kind. The actual allowance should be graduated according to the age of the child. In so far as provision in kind is extended beyond its present scale, the cash allowances should be reduced.
- (3) The cash allowances should be administered by the Ministry of Social Security.

#### ASSUMPTION B. COMPREHENSIVE HEALTH AND REHABILITATION SERVICES

426. The second of the three assumptions has two sides to it. It covers a national health service for prevention and for cure of disease and disability by medical treatment; it covers rehabilitation and fitting for employment by treatment which will be both medical and post-medical. Administratively, realisation of Assumption B on its two sides involves action both by the departments concerned with health and by the Ministry of Labour and National Service. Exactly where the line should be drawn between the responsibilities of these Departments cannot, and need not, be settled now. For the purpose of the present Report, the two sides are combined under one head, avoiding the need to distinguish accurately at this stage between medical and post-medical work. 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 a logical corollary to the receipt of high benefits in disability

that the individual should recognise the duty to be well and to co-operate in all steps which may lead to diagnosis of disease in early stages when it can be prevented. Disease and accidents must be paid for in any case, in lessened power of production and in idleness, if not directly by insurance benefits. One of the reasons why it is preferable to pay for disease and accident openly and directly in the form of insurance benefits, rather than indirectly, is that this emphasises the cost and should give a stimulus to prevention. As to the methods of realising Assumption B, the main problems naturally arise under the first head of medical treatment. Rehabilitation is a new field of remedial activity with great possibilities, but requiring expenditure of a different order of magnitude from that involved in the medical treatment of the nation.

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. Whether or not payment towards the cost of the health service is included in the social insurance contribution, the service itself should

- (i) be organised, not by the Ministry concerned with social insurance, but by Departments responsible for the health of the people and for positive and preventive as well as curative measures;
- (ii) be provided where needed without contribution conditions in any individual case.

Restoration of a sick person to health is a duty of the State and the sick person, prior to any other consideration. The assumption made here is in accord with the definition of the objects of medical service as proposed in the Draft Interim Report of the Medical Planning Commission of the British Medical Association:

- “(a) to provide a system of medical service directed towards the achievement of positive health, of the prevention of disease, and the relief of sickness;
- (b) to render available to every individual all necessary medical services, both general and specialist, and both domiciliary and institutional.”

428. Most of the problems of organisation of such a service fall outside the scope of the Report. 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, except in so far as these terms may affect the possibility of diminishing and controlling sickness and so may affect the finances of the Social Insurance Fund. 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. Shall any part of the cost of treatment, and if so what part, be included in the compulsory insurance contribution? But, though that question is in itself financial, the answer to it may affect the organisation of the service and may therefore depend in part upon views as to organisation.



429. In dealing with this financial question, it is desirable to consider separately domiciliary treatment, institutional treatment, special services like dental and ophthalmic treatment, and subsidiary services such as supply of medical or surgical appliances, nursing and convalescent homes.

430. Domiciliary treatment is now paid for by persons subject to health insurance, for themselves by compulsory contributions, for dependants either by a charge for treatment when it is given or more rarely by voluntary contribution through associations for public medical service. There is no obvious reason, apart from a desire to keep the insurance contribution as low as possible, why insured persons should be relieved of this burden wholly, in order that they may bear it as tax-payers. If importance attaches to preserving the contributory principle for cash benefit, it attaches also to contribution for medical treatment. There appears to be a case for including part of the cost of domiciliary treatment in the insurance contribution. This means that a proportion of the receipts of the Social Insurance Fund would be paid by the Fund to the health departments as a grant towards the cost of the medical service. The administration of this money would rest with the health departments.

431. But one consequence of this suggestion has to be noted. The Report proposes a compulsory social insurance scheme without income limits. Its contributing Classes I, II and IV, though they pay different contributions according to the cash benefits for which they insure, are not income classes; each contains rich and poor. Any contribution for medical treatment must apply to all these classes, to every one in each of them, and must cover their dependants in Class III (Housewives) and Class V (Children). If a contribution for medical treatment is included in the insurance contribution, contributions will cover not ninety per cent. of the population (the present insured persons and their dependants), as is assumed in the Draft Interim Report issued by the Medical Planning Commission, but one hundred per cent. of the population. This will not, of itself, put an end to private practice. Those who have the desire and the means will be able to pay separately for private treatment, if the medical service is organised to provide that, as they may pay now for private schooling, though the public education system is available for all. But no one will be compelled to pay separately. The possible scope of private general practice will be so restricted that it may not appear worth while to preserve it. If, therefore, it is desired to preserve a substantial scope for private practice and to restrict the right to service without a charge on treatment to persons below a certain income limit, it will not be possible to include a payment for medical service in an insurance contribution which all are required to pay irrespective of income.

432. Institutional treatment is not included in the present health insurance contribution except to a small extent as an additional benefit. It is obtainable by any citizen in a public hospital subject to recovery of the cost, that is to say to payment according to his means, or free if he has no means. It is obtainable in a private hospital, as a rule either in virtue of previous voluntary contribution through a hospital contributory scheme or on payment according to means as agreed with the hospital almoner. The growth of hospital contributory schemes in the years just before this war has been remarkable. They are stated to cover now more than 10,000,000 wage earners and they produce more than £6,500,000 a year for the voluntary hospitals; the cost of collecting this money is put at

about six per cent. ; in London and some other parts of the country contribution to a Hospital Saving Association qualifies the contributor for free treatment either in a voluntary hospital or in a public hospital as may best suit his case. The Ministry of Labour Family Budgets in 1937-38 showed an average payment to hospital saving associations of 3*d.* a week in every industrial household and 3*d.* a week in every agricultural household. British people are clearly ready and able to pay contributions for institutional treatment. Should a payment for this purpose be included in the compulsory insurance contribution, and be passed on as a grant from the Social Insurance Fund to the health departments towards the maintenance of the institutions ? The answer to this financial question, like the answer to the similar question as to domiciliary treatment, involves problems of organisation as well as finance. If a payment for institutional treatment is included in the compulsory insurance contribution, there will be little or nothing left for which people can be asked to contribute voluntarily, and an important financial resource of the voluntary hospitals will come to an end. It will then be for the health departments to use the grant that they will receive from the Social Insurance Fund in whatever way best fits their hospital policy. If it is not included, people of limited means will have the choice, as at present, of contributing voluntarily beforehand or of paying at the time of treatment, according to means.

433. The main considerations relevant to the choice between these alternatives are :

- (i) The importance of securing that suitable hospital treatment is available for every citizen and that recourse to it, at the earliest moment when it becomes desirable, is not delayed by any financial considerations. From this point of view, previous contribution is the ideal, better even than free service supported by the tax-payer. People will take what they have already paid for without delay when they need it, and they pay for it more directly as contributors than as tax-payers. But it can be argued that, under the present system, people do not in practice delay taking hospital treatment when they need it ; their general practitioner will advise going to hospital, as soon as it becomes necessary, and if they are not voluntary contributors they will be asked to pay only according to their means. It is possible that the main practical reasons which now delay recourse to hospital after it has become desirable are not difficulties about paying for the treatment, but either (a) deficiency of accommodation or (b) unwillingness or inability to give up work or household duties in order to be treated. A suggestion for meeting the last-named difficulty is made in para. 344.
- (ii) Hospital policy, particularly in relation to the place of voluntary hospitals, the terms of service and pay of their staffs, and the desirability or the reverse of allowing arrangements whereby individuals, whether through membership of a voluntary association or by special payment, can get choice of specialists or hospitals or special treatment in them.
- (iii) Financial policy, and particularly the question of the optimum size of the insurance contribution and of the Security Budget in relation to the ordinary budget.



437. This review of some of the problems involved in establishing a comprehensive medical service makes clear that no final detailed proposals, even as to the financial basis of this service, can be submitted in this Report. It suggests 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. From the standpoint of social security, a health service providing full preventive and curative treatment of every kind to every citizen without exceptions, without remuneration limit and without an economic barrier at any point to delay recourse to it, is the ideal plan. It is proposed accordingly that, in the contributions suggested as part of the Plan for Social Security, there shall be included a payment in virtue of which every citizen will be able to obtain whatever treatment his case requires, at home or in an institution, medical, dental or subsidiary, without a treatment charge. It is proposed that the sums derived from these payments shall be transferred to the Department or Departments concerned with the organisation of the health service to meet part—it can only be part—of the total cost. But these proposals are provisional only, subject to review, in the light of the further enquiry suggested, in which organisation and finance can be dealt with together. The primary interest of the Ministry of Social Security is not in the details of the national health service or in its financial arrangements. It is in finding a health service which will diminish disease by prevention and cure, and will ensure the careful certification needed to control payment of benefit at the rates proposed in this Report.

#### ASSUMPTION C. MAINTENANCE OF EMPLOYMENT

440. There are five reasons for saying that a satisfactory scheme of social insurance assumes the maintenance of employment and the prevention of mass unemployment. Three reasons are concerned with the details of social insurance; the fourth and most important is concerned with its principle; the fifth is concerned with the possibility of meeting its cost.

First, payment of unconditional cash benefits as of right during unemployment is satisfactory provision only for short periods of unemployment; after that, complete idleness even on an income demoralises. The proposal of the Report accordingly is to make unemployment benefit after a certain period conditional upon attendance at a work or training centre. But this proposal is impracticable, if it has to be applied to men by the million or the hundred thousand.

Second, the only satisfactory test of unemployment is an offer of work. This test breaks down in mass unemployment and makes necessary recourse to elaborate contribution conditions, and such devices as the Anomalies Regulations, all of which should be avoided in a satisfactory scheme of unemployment insurance.

Third, the state of the labour market has a direct bearing on rehabilitation and recovery of injured and sick persons and upon the possibility of giving to those suffering from partial infirmities, such as deafness, the chance of a happy and useful career. In time of mass unemployment those who are in receipt of compensation feel no urge to get well for idleness. On the other hand, in time of active demand for labour, as in war, the sick and maimed are encouraged to recover, so that they may be useful.

Fourth, and most important, income security which is all that can be given by social insurance is so inadequate a provision for human happiness that to put it forward by itself as a sole or principal measure of reconstruction hardly seems worth doing. It should be accompanied by an announced determination to use the powers of the State to whatever extent may prove necessary to ensure for all, not indeed absolute continuity of work, but a reasonable chance of productive employment.

Fifth, though it should be within the power of the community to bear the cost of the whole Plan for Social Security, the cost is heavy and, if to the necessary cost waste is added, it may become insupportable. Unemployment, both through increasing expenditure on benefit and through reducing the income to bear those costs, is the worst form of waste.

441. Assumption C does not imply complete abolition of unemployment. In industries subject to seasonal influences, irregularities of work are inevitable; in an economic system subject to change and progress, fluctuations in the fortunes of individual employers or of particular industries are inevitable; the possibility of controlling completely the major alternations of good trade and bad trade which are described under the term of the trade cycle has not been established; a country like Britain, which must have exports to pay for its raw materials, cannot be immune from the results of changes of fortune or of economic policy in other countries. The Plan for Social Security provides benefit for a substantial volume of unemployment. In the industries now subject to unemployment insurance, the finance of the Unemployment Fund has been based by the Unemployment Insurance Statutory Committee on the assumption of an average rate of unemployment through good years and bad of about 15 per cent. In framing the Social Security Budget in Part IV of this Report, it has been assumed that, in the industries now subject to insurance, the average rate of unemployment will in future be about 10 per cent, and that over the whole body of insured employees in Class I unemployment will average about  $8\frac{1}{2}$  per cent. It is right to hope that unemployment can be reduced to below that level, in which case more money will be available in the Social Insurance Fund either for better benefits or for reduction of contributions. But it would not be prudent to assume any lower rate of unemployment in preparing the Security Budget. Assumption C requires not the abolition of all unemployment, but the abolition of mass unemployment and of unemployment prolonged year after year for the same individual. In the beginning of compulsory unemployment insurance in 1913 and 1914, it was found that less than 5 per cent. of all the unemployment experienced in the insured industries occurred after men had been unemployed for as long as 15 weeks. Even if it does not prove possible to get back to that level of employment, it should be possible to make unemployment of any individual for more than 26 weeks continuously a rare thing in normal times.



442. Discussion of the methods and conditions of satisfying Assumption C of the Plan for Social Security falls outside the scope of this Report. It may be claimed that the plan will itself have some effect in promoting realisation of this assumption. Payment of unemployment benefit on the most generous scale compatible with preservation of the mobility of labour and of the incentive to seek work and reject idleness will maintain the purchasing power of workpeople, if trade depression begins, and will thus mitigate the severity of the depression. This result is independent of the source from which benefit is paid. If, as is proposed in the plan, benefit is paid not from general taxation, but from a self-contained Social Insurance Fund built up largely by weekly contributions from employers and employees, the effect in stabilising purchasing power and the general demand for labour will be greater. The onset of unemployment will then involve, not only an immediate increase in the expenditure of the Fund, but also an immediate decline in its receipts; by making surpluses in good times and spending them and even running into debt on its unemployment account in bad times, the Fund may be so operated as to have a further effect in stabilising the general demand for labour. This assumes that no attempt is made by lowering contributions in good times or raising them in bad times to prevent the Fund from alternately accumulating surpluses and incurring debt on its unemployment account. The maximum effect of a social insurance scheme in stabilising employment would be obtained by making contribution rates vary in the opposite way, that is to say, by increasing the contributions in good times and lowering them in bad times. This would increase the rate at which the Fund repaid debt or built up reserves in times of good employment and the rate at which it depleted reserves or borrowed in times of bad employment; by reducing the contributions of employers in bad times it would help to restore their demand for labour directly; by reducing the contributions of employees it would increase their purchasing power over goods and services and thus stimulate the demand for labour indirectly. Whether variation of the insurance contribution in the way suggested is a practical proposition and by what machinery it could be effected are questions falling outside the scope of the Report. They are part of the general problem of financial and budgetary policy after the war, and should be considered in framing that policy.

443. The probable and the possible effects of the Plan for Social Security in stabilising the demand for labour are among its advantages and deserve to be noted. But their importance should not be exaggerated. They are subsidiary measures only; they do not touch the main problem of maintaining employment. For that other measures are needed. Unless such measures are prepared and can be effective, much that might otherwise be gained through the Plan for Social Security will be wasted.

#### ABOLITION OF WANT AS A PRACTICABLE POST-WAR AIM

444. The aim of the Plan for Social Security is to abolish want by ensuring that every citizen willing to serve according to his powers has at all times an income sufficient to meet his responsibilities. Is this aim likely to be within our reach immediately after the present war?

445. The first step in considering the prospective economic resources of the community after the present war is to see what they were just before the war. The social surveys made by impartial investigators of living conditions in some of the main industrial centres of Britain between 1928 and 1937 have been used earlier in this Report to supply a diagnosis of

want. They can be used also to show that the total resources of the community were sufficient to make want needless. While, in every town surveyed, substantial percentages of the families examined had less than the bare minimum for subsistence, the great bulk of them had substantially more than the minimum. In East London, in the week chosen for investigation in 1929, while one family in every nine had income below the minimum and was in want, nearly two-thirds of all the families had at least 20s. a week more than the minimum, and nearly a third had 40s. a week more than the minimum; these were actual incomes after allowing for sickness, unemployment and irregular work.\* In Bristol the average working-class family enjoyed a standard of living more than 100 per cent. above its minimum needs; while one Bristol family in nine in the year 1937 was in sheer physical want, two families out of every five had half as much again as they needed for subsistence.† Similar contrasts were presented in every survey. Another way of putting these contrasts is to compare the surplus of those who had more than the minimum with the deficiency of those who had less. In East London, the total surplus of the working-class families above the minimum was more than thirty times the total deficiency of those below it. In York, where Mr. Rowntree in 1936 used a much higher minimum—the standard of human needs containing more than bare physical necessities of food, clothing, fuel and housing—the three classes of the working population living above the standard had a total surplus above it at least eight times the total deficiency of the two classes living below the standard. Want could have been abolished before the present war by a redistribution of income within the wage-earning classes, without touching any of the wealthier classes. This is said not to suggest that redistribution of income should be confined to the wage-earning classes; still less is it said to suggest that men should be content with avoidance of want, with subsistence incomes. It is said simply as the most convincing demonstration that abolition of want just before this war was easily within the economic resources of the community; want was a needless scandal due to not taking the trouble to prevent it.

446. The social surveys showed not only what was the standard of living available to the community just before the war but also that it had risen rapidly in the past thirty or forty years. The recent London and York surveys were designed to provide comparisons with earlier studies. They yielded unquestionable proof of large and general progress. When the New Survey of London Life and Labour was made in 1929, the average workman in London could buy a third more of articles of consumption in return for labour of an hour's less duration per day than he could buy forty years before at the time of Charles Booth's original survey.‡ The standard of living available to the workpeople of York in 1936 may be put over-all at about 30 per cent. higher than it was in 1899.§ This improvement of economic conditions was reflected in improvement of physical conditions. In London, the crude death rate fell from 18.6 per thousand in 1900 to 11.4 in 1935 and the infant mortality rate fell from 159 to 58 per thousand. In York the infant mortality rate fell from 161 per thousand in 1899 to 55 in 1936; in the same period nearly 2 inches was added to

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\* See *New Survey of London Life and Labour*. Table XVII in Vol. III, p. 91.

† *The standard of Living in Bristol*, p. 24.

‡ *New Survey of London Life and Labour*, Vol. I, p. 21.

§ Rowntree: *Poverty and Progress*, p. 453.



the height of schoolchildren and nearly 5 lbs. to their weight.\* Growing prosperity and improving health are facts established for these towns not as general impressions but by scientific impartial investigation. What has been shown for these towns in detail applies to the country generally. The real wages of labour, what the wage-earner could buy with his earnings just before the present war, were in general about one-third higher than in 1900 for an hour less of work each day. What the wage-earner could buy, when earning had been interrupted by sickness, accident or unemployment or had been ended by old age, had increased in even larger proportion, though still inadequately, by development of social insurance and allied services.

447. The rise in the general standard of living in Britain in the thirty or forty years that ended with the present war has two morals. First, growing general prosperity and rising wages diminished want, but did not reduce want to insignificance. The moral is that new measures to spread prosperity are needed. The Plan for Social Security is designed to meet this need; to establish a national minimum above which prosperity can grow, with want abolished. Second, the period covered by the comparisons between say 1900 and 1936 includes the first world-war. The moral is the encouraging one, that it is wrong to assume that the present war must bring economic progress for Britain, or for the rest of the world, to an end. After four years of open warfare and diversion of effort from useful production to the means of destruction during 1914-18, there followed an aftermath of economic conflict; international trade was given no chance to recover from the war, and Britain entered into a period of mass unemployment in her staple industries. Yet, across this waste period of destruction and dislocation, the permanent forces making for material progress—technical advance and the capacity of human society to adjust itself to new conditions—continued to operate; the real wealth per head in a Britain of shrunken overseas investments and lost export markets, counting in all her unemployed, was materially higher in 1938 than in 1913. The present war may be even more destructive. It is likely to complete the work of the first war in exhausting British investments overseas and to deprive Britain largely of another source of earning abroad through shipping services; in these and in other ways it will change the economic environment in which the British people must live and work and may call for radical and in some ways painful readjustments. There are bound to be acute difficulties of transition; there are no easy care-free times in early prospect. But to suppose that the difficulties cannot be overcome, that power of readjustment has deserted the British people, that technical advance has ended or can end, that the British of the future must be permanently poor because they will have spent their fathers' savings, is defeatism without reason and against reason.

448. The economic argument set out above is in terms not of money, but of standards of living and of real wages. If the argument is sound, it is clear that abolition of want by redistribution of income is within our means. The problem of how the plan should be financed in terms of money is secondary, though it is a real problem, since the fact that the whole burden, properly distributed, could be borne does not mean that it can be borne unless it is distributed wisely. Wise distribution of the

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\* Rowntree, *op. cit.*, pp. 298-302. For Glasgow heights and weights of boys and girls of 5, 9 and 13 years of age from 1910-14 to 1929-33 are given at para. 174 of the Report of the Committee on Scottish Health Services (1936 Cmd. 5204) and show increases in all cases.

burden is the object of the Social Security Budget as outlined in Part IV. There it is shown that the Plan involves for the National Exchequer an additional charge of at most £86 million in the first year of full operation. It does not seem unreasonable to hope that, even with the other calls upon the Exchequer, an additional expense of this order could be borne when actual fighting ceases. The Budget imposes a much increased burden on the Exchequer in later years to provide retirement pensions; this is an act of reasonable faith in the future of the British economic system and the proved efficiency of the British people. That, given reasonable time, this burden can be borne is hardly open to question. The exact rate at which the burden will rise is not settled finally in accepting the plan, since the length of the transition period for pensions is capable of adjustment and, if necessary, can be prolonged without serious hardship. As regards the insured person, the Budget requires of him contributions for vital security which together are materially less than he is now paying for compulsory insurance and for voluntary insurance for less important purposes, or on account of medical services for which he pays when he receives them. For the employers, the plan imposes an addition to their costs for labour which should be well repaid by the greater efficiency and content which they secure.

449. The argument of this section can be summed up briefly. Abolition of want cannot be brought about merely by increasing production, without seeing to correct distribution of the product; but correct distribution does not mean what it has often been taken to mean in the past—distribution between the different agents in production, between land, capital, management and labour. Better distribution of purchasing power is required among wage-earners themselves, as between times of earning and not earning, and between times of heavy family responsibilities and of light or no family responsibilities. Both social insurance and children's allowances are primarily methods of redistributing wealth. Such better distribution cannot fail to add to welfare and, properly designed, it can increase wealth, by maintaining physical vigour. It does not decrease wealth, unless it involves waste in administration or reduces incentives to production. Unemployment and disability are already being paid for unconsciously; it is no addition to the burden on the community to provide for them consciously. Unified social insurance will eliminate a good deal of waste inherent in present methods. Properly designed, controlled and financed, it need have no depressing effect on incentive.

450. Want could have been abolished in Britain just before the present war. It can be abolished after the war, unless the British people are and remain very much poorer than they were before, that is to say unless they remain less productive than they and their fathers were. There is no sense in believing, contrary to experience, that they will and must be less productive. The answer to the question whether freedom from want should be regarded as a post-war aim capable of early attainment is an affirmative—on four conditions. The four conditions are:—

- (1) That the world after the war is a world in which the nations set themselves to co-operate for production in peace, rather than to plotting for mutual destruction by war, whether open or concealed;
- (2) That the readjustments of British economic policy and structure that will be required by changed conditions after the war should be made, so that productive employment is maintained;



- (3) That a Plan for Social Security, that is to say for income maintenance, should be adopted, free from unnecessary costs of administration and other waste of resources ;
- (4) That decisions as to the nature of the plan, that is to say as to the organisation of social insurance and allied services, should be taken during the war.

451. Is there any reason why the fourth condition should not be satisfied here and now ? Reconstruction of social insurance and allied services to ensure security of income for all risks is a general aim on which all reasonable men would agree. It involves changes affecting many sectional interests, but it raises no issues of political principle or of party. It involves an immense work of detail in legislation and organisation for which time is essential, for which there may be less time in the uncertain aftermath of war than there is today. If a plan for freedom from want, so far as social security can give it, is to be ready when the war ends, it must be prepared during the war.

*Paragraphs 452-4 discuss the procedure that might be adopted to deal with the proposals in the Report.*

#### PLANNING FOR PEACE IN WAR

455. There are some to whom pursuit of security appears to be a wrong aim. They think of security as something inconsistent with initiative, adventure, personal responsibility. That is not a just view of social security as planned in this Report. The plan is not one for giving to everybody something for nothing and without trouble, or something that will free the recipients for ever thereafter from personal responsibilities. The plan is one to secure income for subsistence on condition of service and contribution and in order to make and keep men fit for service. It cannot be got without thought and effort. It can be carried through only by a concentrated determination of the British democracy to free itself once for all of the scandal of physical want for which there is no economic or moral justification. When that effort has been made, the plan leaves room and encouragement to all individuals to win for themselves something above the national minimum, to find and to satisfy and to produce the means of satisfying new and higher needs than bare physical needs.

456. There are some who will say that pursuit of security as defined in this Report, that is to say income security, is a wholly inadequate aim. Their view is not merely admitted but asserted in the Report itself. The Plan for Social Security is put forward as part of a general programme of social policy. It is one part only of an attack upon five giant evils : upon the physical Want with which it is directly concerned, upon Disease, which often causes that Want and brings many other troubles in its train ; upon Ignorance which no democracy can afford among its citizens ; upon the Squalor which arises mainly through haphazard distribution of industry and population ; and upon the Idleness which destroys wealth and corrupts men, whether they are well fed or not, when they are idle. In seeking security not merely against physical want, but against all these evils in all their forms, and in showing that security can be combined with freedom and enterprise and responsibility of the individual for his own life, the British community and those who in other lands have inherited the British tradition have a vital service to render to human progress.

457. There are others who, not through lack of faith in Britain's ultimate future, but as a measure of prudence will say that, before committing itself to a scheme as large in total expenditure as that outlined in this Report, the nation should wait to see if in fact its resources grow after the war sufficiently to meet the expenditure. This is natural caution. Those who feel it may, nevertheless, support the plan as a method of organisation, irrespective of the precise rates of benefit and contribution to be written into it or of the number of years chosen for the transition period, during which contributory pensions will rise to adequacy; that number can be varied and the speed at which expenditure will rise can be increased or decreased. The Plan for Social Security is first and foremost a method of redistributing income, so as to put the first and most urgent needs first, so as to make the best possible use of whatever resources are available. That is worth doing, even if the resources as a whole are insufficient for the standard of life that is desired. But it must be realised that nothing materially below the scale of benefit and pension suggested here can be justified on scientific grounds as adequate for human subsistence. Benefits, allowances of pensions below the proposals of this Report may merely mean that the cost of unemployment or sickness or childhood is being borne not directly in cash, but indirectly in privation and lowered human efficiency.

458. There are yet others who will say that, however desirable it may appear to reconstruct social insurance or to make other plans for a better world of peace, all such concerns must now be put on one side, so that Britain may concentrate upon the urgent tasks of war. There is no need to spend words today in emphasising the urgency or the difficulty of the task that faces the British people and their Allies. Only by surviving victoriously in the present struggle can they enable freedom and happiness and kindness to survive in the world. Only by obtaining from every individual citizen his maximum of effort, concentrated upon the purposes of war, can they hope for early victory. This does not alter three facts; that the purpose of victory is to live into a better world than the old world; that each individual citizen is more likely to concentrate upon his war effort if he feels that his Government will be ready in time with plans for that better world; that, if these plans are to be ready in time, they must be made now.

459. Statement of a reconstruction policy by a nation at war is statement of the uses to which that nation means to put victory, when victory is achieved. In a war which many nations must wage together as whole-hearted allies, if they are to win victory, such a statement of the uses of victory may be vital. This was recognised by the leaders of the democracies east and west of the Atlantic in putting their hands to a charter which, in general terms, set out the nature of the world which they desired to establish after the war. The Atlantic Charter has since then been signed on behalf of all the United Nations. The fifth clause of the charter declares the desire of the American and the British leaders "to bring about the fullest collaboration between all nations in the economic field, with the



object of securing for all improved labour standards, economic advancement, and social security." The proposals of this Report are designed as a practical contribution towards the achievement of the social security which is named in the closing words. The proposals cover ground which must be covered, in one way or another, in translating the words of the Atlantic Charter into deeds. They represent, not an attempt by one nation to gain for its citizens advantages at the cost of their fellow fighters in a common cause, but a contribution to that common cause. They are concerned not with increasing the wealth of the British people, but with so distributing whatever wealth is available to them in total, as to deal first with first things, with essential physical needs. They are a sign of the belief that the object of government in peace and in war is not the glory of rulers or of races, but the happiness of the common man. That is a belief which, through all differences in forms of government, unites not only the democracies whose leaders first put their hands to the Atlantic Charter, but those democracies and all their Allies. It unites the United Nations and divides them from their enemies.

460. At the request of His Majesty's Government, the Inter-departmental Committee have pursued the task of surveying the social services of Britain and examining plans for their reconstruction during the most savage, most universal and most critical war in which Britain has ever been engaged. It would be wrong to conclude this Report without expressing gratitude to all those who in such a crisis have, nevertheless, found time and energy to assist the Committee in this task, who, triumphing over difficulties of dispersal, of loss of staff, of absorption in urgent tasks of war, have prepared memoranda, attended to give evidence, and have discussed their problems with so much frankness and public spirit. Naturally the question has arisen at times whether it is possible to give to such problems in war the consideration that they need, whether, both for the sake of concentration on war effort and to make the best in reconstruction, the work of the Committee should not have been postponed to a more leisured season. The question may be asked and can be answered. The interest that has been shown in the problems of the Committee, by nearly all those who have come before the Committee or have prepared memoranda, is probably a true reflection of the state of public feeling and represents probably a right judgment of the time when reconstruction should be taken in hand. There are difficulties in planning reconstruction of the social services during the height of war, but there are also advantages in doing so. The prevention of want and the diminution and relief of disease—the special aim of the social services—are in fact a common interest of all citizens. It may be possible to secure a keener realisation of that fact in war than it is in peace, because war breeds national unity. It may be possible, through sense of national unity and readiness to sacrifice personal interests to the common cause, to bring about changes which, when they are made, will be accepted on all hands as advances but which it might be difficult to make at other times. There appears at any rate to be no doubt of the determination of the British people, however hard pressed in war, not to live wholly for war, not to abandon care of what

may come after. That, after all, is in accord with the nature of democracies, of the spirit in which they fight and of the purpose for which they fight. They make war, today more consciously than ever, not for the sake of war, not for dominion or revenge, but war for peace. If the united democracies today can show strength and courage and imagination equal to their manifest desire, can plan for a better peace even while waging total war, they will win together two victories which in truth are indivisible.

461. Freedom from want cannot be forced on a democracy or given to a democracy. It must be won by them. Winning it needs courage and faith and a sense of national unity: courage to face facts and difficulties and overcome them; faith in our future and in the ideals of fair-play and freedom for which century after century our forefathers were prepared to die; a sense of national unity overriding the interests of any class or section. The Plan for Social Security in this Report is submitted by one who believes that in this supreme crisis the British people will not be found wanting, of courage and faith and national unity, of material and spiritual power to play their part in achieving both social security and the victory of justice among nations upon which security depends.

(Signed) W. H. BEVERIDGE.

20th November, 1942.



## APPENDICES

Appendix A of the Report contains a Memorandum by the Government Actuary in which he examines, from the financial aspect, the proposals put forward in the Report in so far as they relate to a scheme of social insurance and security benefits to be financed through a Social Security Budget.

Appendix B is concerned with the present schemes of social insurance and assistance. Section 1 gives a brief history of the present schemes and gives statistics showing the numbers covered by the different schemes and the rates of benefit and contribution at different dates, and finishes with an analysis of out-relief in England and Wales in 1906 and 1942. Section 2 summarises the existing schemes, the manner in which they are administered, their scope, the weekly rates of contributions and benefits, and the conditions of benefit. Section 3 is a detailed analysis of Public Assistance cases in March, 1942.

Appendix C gives a list of organisations and individuals (other than Government Departments) submitting written or oral evidence.

Appendix D contains a detailed study of the problem of industrial assurance and, among other questions, deals with the administrative cost of industrial assurance and the number of lapsed policies.

Appendix E is a comparison of the cost of administering the five main types of insurance : ordinary commercial insurance ; industrial assurance ; employers' liability insurance ; voluntary insurance through Friendly Societies ; compulsory State insurance.

Appendix F indicates some of the principal points of similarity or difference between the scheme of social insurance in this country and in other countries.

# APPENDICES

The first appendix contains a list of the names of the persons who have been mentioned in the text of the book. The second appendix contains a list of the names of the places which have been mentioned in the text of the book. The third appendix contains a list of the names of the things which have been mentioned in the text of the book.

The fourth appendix contains a list of the names of the persons who have been mentioned in the text of the book. The fifth appendix contains a list of the names of the places which have been mentioned in the text of the book. The sixth appendix contains a list of the names of the things which have been mentioned in the text of the book.

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