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WAR CABINET

SOCIAL INSURANCES AND ALLIED SERVICES

Summary of Report by Sir William Beveridge

ORIGIN AND TERMS OF REFERENCE

The survey, on which the recommendations of Sir William Beveridge's Report on Social Insurance and Allied Services are based, was instituted on 10th June, 1941.

The Committee's 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."

In January 1942, it was announced to 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 duty of survey was laid upon an interdepartmental committee. With the exception of the Chairman, Sir William Beveridge, its members were officials of the departments concerned with Social Security, namely Home Office, Ministry of Labour and National Service, Ministry of Pensions, Government Actuary, Ministry of Health, Treasury, Reconstruction Secretariat, Board of Customs and Excise, Assistance Board, Department of Health for Scotland, Registry of Friendly Societies and Office of the Industrial Assurance Commissioner.

The departmental officials acted as the Chairman's "advisers and assessors on the various technical and administrative matters with which they were severally concerned;" and the Report is the Report of Sir William Beveridge and not of the Committee (p.2 and para. 40). The Committee received evidence from more than a hundred organisations and individuals. A full list is given in Appendix C; a selection of the memoranda submitted are to be printed in a separate volume.

SURVEY OF EXISTING SCHEMES

The immediate task of the Committee was to attempt a comprehensive survey of the whole field of social insurance and allied services, which have been developed during the last 50 years, and to show what provision is now made and how it is made for the different needs of the population.

The survey thus included health insurance, unemployment insurance, old age pensions, widows' and orphans' pensions, workmen's compensation for industrial accident and industrial disease, non-contributory and supplementary pensions for old age, public assistance and blind assistance. It does not attempt to deal with other social provisions such as housing, education or industrial welfare.

The results of this survey are set out in Appendix B. of the Report, which gives a short history with statistical details of the existing social insurance schemes. They show the gratifying fact 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 in the world. In one respect only, 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 to 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. The Report suggests that the existing provisions for social security require to be unified and their administration to be simplified so that certain present deficiencies, anomalies and lack of co-ordination may be removed.

RECOMMENDATIONS AND CHANGES

The greater part of the Report is devoted to recommendations and changes proposed to that end. In making these proposals, the Report "uses experience but is not tied by experience;" the scheme is in some ways a revolution, "but in more important ways it is a natural development from the past." It suggests much that is new, it retains basic features which are familiar. In particular the finance of the Plan for Social Security rests on the present three part scheme of contribution, from workers, employers and the State, which was established in 1911, has been in force for thirty years and has won general acceptance.

The three assumptions: In the words of the Report 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.

These assumptions are discussed in Part VI of the Report. Sir William Beveridge uses the term Social Security 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."

Social Security as envisaged in this Report is pre-eminently not a plan "for giving to everybody something for nothing and without trouble." It is a plan to secure to each citizen an income adequate to satisfy a natural minimum standard "on condition of service and contribution and in order to make and keep men fit for service."

The changes suggested therefore "accord with two views as to the lines on which the problem of income maintenance should be approached;" firstly, "that benefit in return for contributions rather than free allowances from the State is what the people of Britain desire." (para. 21) Secondly, "whatever money is required for provision of insurance benefits should come from a Fund to which the recipients have contributed.....". The insured persons should not feel "that income for idleness, however caused, can come from a bottomless purse.... The place for direct expenditure and organisation by the State is in maintaining employment of the labour and other productive resources of the country." (para. 22)

LIST OF PRINCIPAL CHANGES RECOMMENDED

The Report set out its main recommendations in the form of a list of twenty-three principal changes from present practice. The principal changes recommended are:-

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 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.

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]

Note. The three changes in square brackets are, in the words of the Report, "proposals which, though important and desirable in themselves, could be omitted without changing anything else in the scheme"

UNIFICATION.

The twenty-three changes proposed in the Report are concerned, on the one hand to unify existing schemes, and on the other hand to extend these existing schemes to cover new classes of persons and new types of risk.

As regards unification, Sir William Beveridge suggests that there should be a Ministry of Social Security which would take over the duties of present Government Departments in respect of health, pensions and unemployment insurance; the work of the Assistance Board; and the duties of local government authorities in respect of public assistance.

One stamp on one insurance document, payable weekly, would cover all social insurance schemes. The rates of benefit and the conditions of contribution and benefit would, generally speaking, be assimilated.

EXTENSION.

As regards extension of social insurance, the plan covers all citizens without upper income limit, but the contributions made and types of benefit received would vary according to different needs of the six classes into which the population has been divided. The classes are:-

I. Employees (Insured by weekly contributions on employment book)

II. Other gainfully occupied, including employers, traders and independent workers of all kinds. (Insured by contribution on occupation card.)

III. Housewives, that is married women of working age. (Insured on marriage through housewife's policy)

IV. Others of working age who are not gainfully occupied, as for example students above the age of 16, persons of private means, and unmarried women engaged in domestic duties not for pay. (Insured by contributions on Security Card.)

V. Persons below working age.

VI. Persons retired above working age. (Insured by contributions paid during working age.)

All classes will be insured for medical treatment and funeral grant; children's allowances will be payable for Class V; retirement pensions to Class VI. The benefits available to married women, Class III are a special feature of the Plan for Social Security and are explained in paragraphs 339-347. Housewives are recognised as a distinct insurance class with benefits adjusted to their special needs. These include, in all cases, marriage grant, maternity grant, widowhood and separation provisions and retirement pensions. Share of the husband's unemployment or disability benefits and maternity grants differ, for reasons explained in the Report, between housewives who have no occupation outside their homes and those who are gainfully occupied.

RATES OF BENEFIT

Sir William Beveridge bases his proposals as to rates of benefit upon calculations made of the minimum cost of subsistence. These calculations were made with the assistance of a technical advisory committee. For the purpose of fixing provisional rates of benefit a price level, about 25 per cent above that for 1938 has been chosen. The following table shows the estimated minimum subsistence requirements for adults of working age at 1938 prices:-

	Man and Wife	Man	Woman
Food	13/-	7/-	6/-
Clothing	3/-	1/6	1/6
Fuel, Light and Sundries	4/-	2/6	2/6
Margin..	2/-	1/6	1/6
Rent	10/-	6/6	6/6
	32/-	19/-	18/-

A complete list of levels of benefit is given in paragraph 401, here reproduced. A comparison between existing and the proposed rates of benefit is given at the end of this summary.

Provisional Rates of Benefit and Contribution.

		Shillings per week.
Unemployment, Disability and Training Benefit.		
Man, and not gainfully occupied wife (joint benefit)	..	40/-
Man, with gainfully occupied wife not on benefit	..	24/-
Single men or women, aged 21 and upwards	..	24/-
Single man or woman aged 18-20	..	20/-
Boys or girls 16-17	..	15/-
Married women gainfully occupied when herself on benefit	..	16/-
Retirement Pension (after transition period)		
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 person)	..	24/- basic
Addition to basic pension for postponement, in respect of each year of postponement -		
On joint pension	..	2/-
On single pension	..	1/-
Maternity Benefit (13 weeks)		
Married woman, gainfully occupied whether paying contributions or exempt, in addition to maternity grant	..	36/-
Widow's Benefit (13 weeks)	..	36/-
Guardian Benefit	..	24/-
Dependant Allowance		
Dependant above age for children's allowance of person receiving unemployment, disability or training benefit	..	16/-
Children's Allowance.		
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/-
Industrial Pension		
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.

partial disability	Pension proportionate to loss of earning power.
Grants.	
rriage..	Up to £10 according to number of contributions.
ternity	£4
neral	
Adults	£20
Age 10-20 years..	£15
Age 3-9 years	£10
Under 3 years	£6
dustrial	To be determined in accord with Regulations.

For cases of industrial accident and disease it is proposed that they ould receive the normal rate of disability benefit for the first thirteen eks and afterwards should, if totally disabled, obtain benefit based on o-thirds of their assessed weekly earnings, with a maximum of £3 a week a minimum based on their disability benefit.

D AGE PENSIONS

Special provisions are made for raising the present basic pension of /- a week to the same level as unemployment and disability benefit over transitional period of twenty years. In Table XI on page 91, the port shows that in 1901 there were about 2¼ million persons of nsionable age, in 1941 the figure was 5½ million and in 1961 it will over 8 million.

The increasing number of old persons makes the problem of old age nsions very difficult and very costly. These and other considerations e set out in paragraphs 233 - 240. Sir William Beveridge proposes at the present contributory pension of 10/- a week (20/- for man and fe) should be raised to 14/-, (25/- for man and wife), in the first ar of the new scheme, and would then rise by 1/- per week (1/6d per week r man and wife) every two years thereafter, and would by the end of enty years be 24/- for the single man and 40/- for man and wife. Thus er a period the contributory pension would increase, and the supplentary or assistance pension based on a Means Test would gradually cease be necessary. For the purpose of the Report the year 1945 is taken as e first full year of the scheme and, therefore, the full scale of conibutory pension would be reached in 1965. This arrangement is somewhat milar to the arrangement in New Zealand which is referred to in paragraphs and 241 of the Report. The arrangements just mentioned refer to people o are either contributory pensioners at the moment or are contributors r pensions under the existing scheme. In addition, Sir William Beveridge oposes to bring into pensions insurance all other persons not at present cluded, and for these persons the basic pension of 14/-(or 25/-)will rt to be paid ten years after the beginning of the scheme, i.e. 1955, will rise to the full rate by 1965. All these pensions will be made ditional on retirement. Existing pensioners in receipt of the 10/- tributory pension will, however, have the option of continuing work and receiving the 10/- or retiring and going on to the 14/- ediately. Persons who desire to continue working after pensionable age 5 for men and 60 for women) will receive a higher contributory pension retirement according to the number of years they continue working after nsionable age. For each year that the claim for pension is deferred, married man will receive an extra 2/- per week on his pension, and a ngle man 1/- per week. Examples of the manner in which the contributory nsion will increase automatically are given in paragraph 242, and amples of the manner in which the postponement of retirement additions erate are given in paragraph 246.

The Plan for Social Security is based on the contributory principle. The Report considers the alternative of financing the whole scheme from general taxation but rejects this method in favour of the contributory principle. Only two items which enter into the Social Security Budget will be financed wholly out of taxation; these are children's allowances and national assistance. All the cash benefits other than these two items will be financed out of a Social Insurance Fund into which will be paid the contributions of insured persons, employers and an Exchequer grant. There will also be paid from this Social Insurance Fund a contribution towards the total cost of the health and rehabilitation services.

The total expenditure on all items covered by the Social Security Budget is estimated at £697 million in 1945, rising to £858 million in 1965. Details of the expenditure are given in Table XII. (Page 104 of the Report)

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
Total Social Insurance	367	553
National Assistance:-		
Assistance Pensions	39	25
Other Assistance	5	5
Cost of Administration	3	2
Children's Allowances	110	100
Cost of Administration	3	3
Health and Rehabilitation Services	170	170
TOTAL	697	858

All this is not new or additional expenditure. There already exist large schemes of Health, Unemployment and Pensions Insurance, etc., and in 1938-39 these cost in total £342 million. During the present war extensions have been made in these services, particularly in the introduction of supplementary pensions and the raising of the rates of benefit in other schemes. As a result of these and other factors, it is estimated that the cost of the present schemes will be £432 million in 1945. The Report thus suggests an increase in total expenditure of £265 million. The proportions to be borne by each of the three parties concerned (National Exchequer, insured persons and employers) are given in the following table.

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

	Last pre-war year. 1938/39	1945				1965	
		Commitments under existing arrangements.	% of Total	Proposed in Report	% of Total	Proposed in Report	% of Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	£m	£m		£m		£m	
ational Exchequer (and local Rates for hospitals & public assistance)	212	265	61	351	50	519	61
nsured Persons	55	69	16	194	28	192	22
mployers	66	83	19	137	20	132	15
ther (mainly interest)	9	15	4	15	2	15	2
TOTAL ..	342	432	100	697	100	858	100

This Table shows that of the £265 million increased expenditure, 6 million will fall on the Exchequer, £125 million on insured persons nd £54 million on the employers of insured persons. Between 1945 and 65 the total expenditure is estimated to increase by £161 million and is extra sum will fall on the Exchequer.

The rates of weekly contribution proposed in the Report for Classes II and IV are given in paragraph 403, as follows:-

	Male			Female		
	Insured Person	Employers	Joint	Insured Person	Employers	Joint
ass 1						
Age 21 and upwards	4/3	3/3	7/6	3/6	2/6	6/-
18-20 ..	3/6	2/9	6/3	3/-	2/-	5/-
16-17 ..	2/6	2/6	5/-	2/-	2/-	4/-
ass II						
Age 21 and upwards	4/3	-	-	3/9	-	-
18-20 ..	3/6	-	-	3/-	-	-
16-17 ..	2/-	-	-	2/-	-	-
ass IV						
Age 21 and upwards	3/9	-	-	3/-	-	-
18-20 ..	3/-	-	-	2/6	-	-
16-17 ..	1/6	-	-	1/6	-	-

Special arrangements are suggested for financing the cost of sability arising from industrial accident and disease. Part of the st will be spread over all employers and workpeople and part will be vied on the dangerous industries in accordance with the risk in those ustries.

The finance of the scheme is examined in detail by the Government uary in a memorandum printed as Appendix A. to the Report.

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

	Present		Proposed in Plan for Social Security	
	Amount	Period and Conditions	Amount	Period and Conditions
Unemployment	38/- per week.	26 weeks (followed by assistance on means test).	56/- per week.	Unlimited in time without means test at any time. Subject to attendance at a training centre if unemployment is prolonged.
Disability other than industrial	18/- per week.	26 weeks, followed by 10/6 per week in disablement. Additional benefit in some cases.	56/- per week.	Unlimited in time without means test at any time.
Old Age	20/- per week.	Supplemented by Assistance Board according to means.	40/- per week.	On retirement. 2/- a week increase for each year of postponement of retirement. (Full rate only after transition period of 20 years. Assistance pensions on means test meanwhile.)
Widowhood	18/- per week.	---	40/- per week.	Reduced by part of any earnings. 52/- per week for first 13 weeks without reduction.
Maternity	£2.	---	£4.	---
Maternity if wife gainfully occupied.	£2 additional.	---	36/- per week for 13 weeks additional.	---
Funeral	Nil.	---	£20.	With smaller sums for children.
Industrial Disability	Half earnings up to maximum of 35/- per week. (Plus 8/- for the two children)	Subject to compounding for lump sums.	56/- p.w. for 13 weeks followed by pension of two-thirds earnings up to maximum of 76/- p.w. but not less than 56/- p.w. No compounding for total disability.	
Medical treatment	General Practioner 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.	