

# Celebrating sixty years of the welfare state?

**In the recent celebrations of the sixtieth anniversary of the implementation of the majority of Beveridge's welfare state reforms, the National Insurance Acts and the National Assistance Act, which together introduced a nationwide system of national insurance and a means-tested safety net, seem to have been forgotten.**

Fran Bennett **looks at what happened.**



## **Why celebrate the sixtieth anniversary of the social security system?**

Ten years ago, Robert Walker described the social security system as the greatest success of the twentieth century welfare state.<sup>1</sup> He emphasised that it is society's principal weapon against social exclusion (and, therefore, evidence of a civilised and civilising society), it gives a return on savings and a reward for past contributions, and it is an investment in people and the future prosperity of the country, and a cushion at times of economic change. Norman Ginsburg from London Metropolitan University (one of the contributors to a website set up by the University of Wales to mark sixty years of the welfare state at <http://welfarestate2008.newport.ac.uk>) expands on this last point: 'One of the great paradoxes of the Thatcherite Conservative era is that the welfare state helped, to some extent, to cushion the devastation wrought on the well-

being of many working-class communities by the socio-economic upheavals of those years.'

Benefits also help people cope with family change, including allowing some individuals either an independent income within relationships or a way out of relationships which turn out to be abusive. And social security also ties the whole population together in interwoven webs of cross-subsidy (as part of the public finances, which Richard Titmuss likened to Crewe junction, with transfers going in many different directions).

This last point is worth emphasising. Far from benefits up to 2003 being a mechanism which emphasised 'them' and 'us' (as New Labour, wrongly, said when it introduced new tax credits), both national insurance and child benefit could be seen as drawing people together.<sup>2</sup> National insurance does this by bringing about a sharing of risks, and acting as a national savings scheme without high overheads. Child benefit does so by achieving redistribution over the individual lifecycle and between the generations, with the whole community contributing to everyone's future through helping parents with the cost of their children's upbringing. In fact, research by John Hills and colleagues in 1997 showed that the tax and benefits system as a whole was then more about what they called 'William Beveridge'-type redistribution (over the individual lifecycle) than 'Robin Hood'-type redistribution (between rich and poor).<sup>3</sup>

A national conference held in 1992 did focus on social security, and two volumes of essays were published as a result.<sup>4</sup> Some authors argued that the National Assistance Act introducing a national means-tested safety net was the key achievement of Beveridge's report. It is more comprehensive than many such schemes in the developed world, and involves a legal right to help, rather than a discretionary claim mediated through a social worker, which has been more common elsewhere. There are also nationally uniform rates of benefit, not always the case in other countries.

### **So why are we not celebrating this achievement?**

There are some longstanding reasons which may explain why we are not so ready to celebrate sixty years of the social security system. First, the criticisms of the original Beveridge scheme are well known. For example, it was built on the traditional family unit, with most married women's rights mediated through their husbands'. The wife as a mother (according to Beveridge) would be hard at work adding to the British race, with provision for immigrants and other forms of diversity not really imagined.

There were also some glaring gaps in social insurance, which left some groups unprovided for. In addition, though it dealt with interruptions in earnings, low pay and poverty in work were not seen as significant problems. Perhaps most importantly, the social insurance scheme provided minimum rights for the many – the modest level of benefits and the initial dependence of the system on flat-rate contributions meant the scheme was limited in its ambitions and the middle classes did not really develop a deep-seated loyalty to it in the same way as they did to social insurance systems in some other European countries. More recent critics have also argued that it excludes some groups, gives more to the higher paid, and is not proportional or progressive in terms of the burden it imposed on contributors.

In addition, governance was an issue. There is a model of social insurance in which insurance contributions are seen as more separate from taxation, and the funds are often managed by the social partners – trades unions and employers. Arguably, this model can give both contributors and claimants a more tangible stake. But our national insurance system has always been state-run and contributions are now being increasingly integrated into the tax system.

There are perhaps more obvious reasons why we are not celebrating the sixtieth anniversary of means-tested benefits. On the one hand, claimants of such benefits frequently have strong feelings of stigma and frustration. On the other, the taxpayers who fund the benefits often have just as strong feelings of resentment against those who claim. This suggests that it is not sufficient for a viable welfare state to depend solely on altruism, especially where people in poverty are concerned.

### **Developments since Beveridge**

A common error among social policy commentators is to talk as though each review of social

security is the first since Beveridge – in other words, to assume that the system we have is the same as it was in the late 1940s. Of course, this is not the case, even if some elements are still recognisable. So did any developments since Beveridge's time make social security a cause for celebration?

The evidence is mixed. Paul Gregg identifies three periods of change since Beveridge.<sup>5</sup> The first was an attempt to introduce earnings relation for benefits in the 1960s and 1970s, to make the UK's national insurance system more like those of continental Europe. But this did not stick. Earnings-related additions to short-term national insurance benefits were abolished in the 1980s and we are now well on the way to abolishing earnings-related state pensions, a process which started in the 1980s.<sup>6</sup>

Non-means-tested, non-contributory benefits were introduced in the 1970s under the then Labour government to give an income and meet additional costs for disabled people, and to provide an income replacement for carers. These are one of the success stories of social security provision, arguably looking more like the benefits based on citizenship, which are more common in the Scandinavian countries, and making a real difference to the lives of many disabled people and carers. But, for carers in particular, these benefits are paid at an inadequate level.

There was also an expansion of means-tested benefits in the 1970s, including new benefits for people in paid work, such as family income supplement and a national system of rent and rate rebates. This was the first major recognition (apart from benefits for specific costs, such as child benefit and disability benefits) that social security provision might also be necessary for people in work.

The 1980s were dominated by cuts in national insurance benefits, as well as the tightening of qualifying conditions. Then the mid-1980s saw the Fowler reviews, which started from the perspective of the Thatcher government's attempts to reduce public spending and ended by creating a means-tested benefits system suited to a mass role and computerisation.<sup>7</sup> Gregg talks about the increasing moves in this period towards a residualised means-tested model of benefits, brought about by both these developments.

In opposition, Labour's 1992 shadow Budget included proposals for more generous universal benefits – child benefit and pensions in particular

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– financed by higher payments. But significantly, these plans were seen as being rejected by the electorate when Labour did not win the general election that year. They were also linked to the ‘southern discomfort’, which Labour was said to be suffering from – a situation in which the acceptable limits of taxation were seen to have been reached and aspirant voters were supposedly put off by Labour’s tax proposals. Some commentators now argue that this was a mistaken interpretation, or at least may have been exaggerated. But the belief was so strong that we could be said to be still living in its shadow.

Following the general election, the Commission on Social Justice was set up by the late John Smith. It was expected to support means-testing everything that moved in the wake of the electorate’s apparent rejection of the shadow Budget proposals. Instead, the Commission argued that means-testing was old-fashioned, and did not fit either the modern family or the nature of the labour market in the late twentieth century. Instead of extending means-testing, it proposed a modernised social insurance scheme adapted better to the needs of part-time workers and carers, with options for the better-off to pay additional contributions for extra benefits. It also laid the basis for more recent reforms, in emphasising the role of social security as investment in human capital and, therefore, as essential for economic growth.<sup>8</sup> In retrospect, this was perhaps rather over-emphasised, in that it does not apply to many significant issues of current social provision (such as the ageing population or rising demands for long-term care), but at the time it was thought essential in order to rehabilitate social security as a legitimate area of spending.

However, when ‘New’ Labour gained office in 1997, it was determined to show the City it meant business. It implemented a two-year freeze in public spending (including cuts in lone-parent benefits), which had initially been proposed by the Conservatives when in government. It also tended to talk of spending on social security as representing the bills of economic failure, and as a burden which needed to be minimised.

Labour’s Green Paper on welfare reform in 1998<sup>9</sup> labelled its ideas for the future as a ‘new contract for welfare’ – a harbinger of things to come. There were rumours that Frank Field MP, then Minister for Welfare Reform, had suggested a revitalised national insurance scheme – though probably not quite the same as that pro-

posed by the Commission for Social Justice – but that this had been rejected on the grounds of cost. The rejection was probably also due to the strong influence of changes in the system of ‘welfare’ in the United States on New Labour ideas.

### **So where are we now? Positive developments since 1997**

Levels of financial support have improved – and not just for those in work, via tax credits. Child benefit has been increased in real terms, at least for the first or eldest eligible child. Benefits for young children in out-of-work families have more than doubled in real terms. The incomes of pensioners on pension credit have also improved and are now up to the ‘minimum income standard’ devised recently by researchers for the Joseph Rowntree Foundation.<sup>10</sup> The Government is committed to increasing the basic state pension in line with earnings increases by 2012, or at least in the course of the next Parliament. Maternity pay has been extended, it is easier to qualify for maternity allowance, there is now at least some paternity pay, and the earnings limit for people on carer’s allowance has been increased. These are all very welcome moves and mean that, in all these areas, benefits are now improved compared with the situation in 1997.

### **Causes for concern**

There are, however, some significant causes for concern. There has been a shift towards greater conditionality for those to whom it already applied, together with a spread of conditionality to some groups to whom it did not previously apply. The evidence about the impact of conditionality is mixed. Often interaction with personal advisers is appreciated by claimants, although recent evaluation shows that sanctions do not seem to motivate lone parents towards the labour market.<sup>11</sup>

Secondly, as Jonathan Bradshaw among others has argued, the level of basic benefit (income support or jobseeker’s allowance) for working-age adults is abysmal, and continually decreasing relative to the living standards of the rest of the population, as benefits are usually uprated only in line with prices each year. Benefit levels for young single people are even lower. This is bound to threaten the achievement of the Government’s goals for both its welfare to work and child poverty strategies.

Thirdly, there has been a merging of national insurance and means-tested benefits (first jobseeker’s allowance and now employment and

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support allowance). Gregg talks about the current benefits system as an activational welfare model, with greater emphasis on incentives and support as well as conditionality. He no longer talks about what kind of benefit people get (contributory, means-tested or non-contributory and non-means-tested) as being a meaningful issue to discuss.

Fourthly, there is also a shift which John Hills has identified<sup>12</sup> towards a proliferation of means tests – both in the traditional social security system, and outside (for example, through the introduction of education maintenance allowances and student grants). This has occurred only in part because the system has become more generous (for example, through tax credits), so that it is drawing more people in. As Hugh Bochel and Andrew Defty found a few years ago,<sup>13</sup> Labour MPs are now largely supportive of means-testing, while Conservative MPs expressed strong opposition. Increasingly, benefits seem to be seen in the UK not primarily as a means of providing social protection for individuals over their lifetime, but as a way to deal with household need at one point in time.

A focus on benefit simplification has been developed (again), with the setting up of the Benefit Simplification Unit among other initiatives. On the surface, this is welcome, as claimants find the complexity of the benefits system frustrating, and this results in many not getting their rights. (However, whilst the argument against simplification is often that the complexities are there to meet additional needs, in practice they are often there to prevent entitlement.) But it is important not to have just an administrative imperative for change.

Perhaps the most significant facet of Labour's approach to benefits has been the overwhelming focus on employment. This has influenced proposals to create a single working-age benefit (for example, from the Institute for Public Policy Research<sup>14</sup>). There is obviously a genuine desire among its proponents to tackle the problems claimants have in moving from one benefit to another, and it is clear that to some extent the allocation of individuals to certain benefits is arbitrary, and availability for work conditions could be more flexible. But there does seem to be a failure to recognise the implications of the proposal, which in some versions would collapse virtually all working-age benefits into one means-tested alternative. Concerns expressed about this – particularly about the implications for women who are currently entitled to a non-means-tested benefit such as carer's allowance

or incapacity benefit, but who have an earning partner – led to a suggestion that there could be a non-means-tested benefit for the first twelve weeks, or perhaps an individual rather than a household means test could be used. But many claimants, particularly women, would still lose out under the first modification and the second seems unlikely to happen. The Government's response in its latest Green Paper<sup>15</sup> appears to be the abolition of income support in its entirety.

The failure to grasp the difference between different kinds of benefits for women in particular also appears to reflect a curious blind spot in terms of gender issues on the part of the Government. It seems to see no contradiction in imposing conditionality on partners who have no right to receive benefit themselves, as their partners (in joint-claim jobseeker's allowance) receive a dependant's addition on their behalf. Work-focused interviews had to be abandoned for carers after complaints at MPs' surgeries. Although Lisa Harker<sup>16</sup> raised some of the issues, the Government does not seem to see what goes on in couple households as relevant to welfare-to-work strategies. This is despite the existence of evidence that it is highly relevant. And lastly, whilst there are clear attractions in the idea of individualised budgets for disabled people, in terms of empowerment, flexibility, and personalisation, there seems to be no real recognition of the potential tensions between the carer and the cared-for person, or the importance of having separate incomes for each.

#### **How to create a sustainable social security system?**

So the current scenario presents various significant challenges – even leaving aside the promised civil service reductions, the looming recession and the upcoming general election. There are no easy answers about how to create a social security system that we can celebrate now and sustain in the longer term. Tony Blair, when he talked as Prime Minister about making the whole welfare state popular again,<sup>17</sup> was really referring to the benefits system. Labour has tried in various ways to achieve this. It has attempted to implement redistribution by stealth (eg, through increases in benefits for out-of-work families with children), but this approach cannot work for ever. In addition (as work by MORI for the Fabian Commission on Life Chances and Child Poverty showed<sup>18</sup>), it results in the public not being aware of the efforts that the Government is making to tackle child poverty, or of its (relative) success. It therefore becomes more difficult to build up public support for continuing efforts in this direction.

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The Government also tried to use the tax credits system to dissociate those in work needing additional help from benefit claimants – in an attempt to disconnect (some) income transfers from social security altogether. This seems to have succeeded, at least to some extent, in that people often see tax credits as a supplement to their income as ‘hardworking families’, and are more likely to take them up<sup>19</sup> (though the take-up rate still does not match that for child benefit, and there is anecdotal evidence that the administrative debacle on the introduction of tax credits has resulted in some people not renewing their claims). But tax credits can only replace certain bits of the benefits system, and may also exacerbate the distinction between ‘hardworking families’ and those on benefits, to the detriment of the latter.

The other alternative the Government has tried is to improve the image of claimants and the benefits system in the eyes of taxpayers – by ensuring that fraud is vigorously tackled, pursuing ‘abuse’ and proclaiming a ‘something for something’ welfare state in which claimants must be seen to be doing everything they can to help themselves. Again, this may work. But it may also be problematic in terms of raising negative images of claimants to begin with – and evidence from the US suggests this may work as a ratchet effect, always in one direction, towards ever harsher treatment in order to assuage the fears of the public.

So if these ways of trying to create a popular social security system all have drawbacks, what would be a better way to ensure its sustainability? The first issue must be language. The Government increasingly recognises that the language ministers use is important, but sometimes blames the media for creating the problem. But not all phrases are made up by sub-editors; many come straight from spindocors and are used by ministers. For example, the constant labelling of claimants as suffering from ‘dependency’ manages to brand them as helpless addicts whilst also blaming them. This cannot but create demands for additional conditionality and sanctions. And it must also affect the attitudes of frontline workers, who are also members of the public, and dealing with claimants every day. As the Social Exclusion Unit found recently in its investigation into services for socially excluded adults, being treated with respect (or not) is key to whether they have a positive experience of interaction with the welfare state.<sup>20</sup>

More generally, celebration of the multiple functions of a social security system in a modern society would be welcome. Benefits are not only intended to relieve poverty. Yet this is often the perception of even those people who receive them. For example, a recent report for the Government showed that even people who get disability living allowance think it is a benefit for being out of work. This may, of course, bear out claimants’ experiences, in that their entry into work may trigger a review of their eligibility. But in principle disability living allowance is available to help meet the additional costs caused by disability for those both in and out of employment. The Government should be championing this, and explaining it as part of our provision for the extra costs of disability for all.

Secondly, working with the grain of public opinion is not enough – in fact, as already noted, it can be counterproductive. Public opinion often needs to be challenged. We all recognise that politicians must maintain their relationship with the public and are dependent on it for their future. But as Ruth Lister has said, governments have a responsibility to lead public opinion (in a progressive direction), not just to woo it.<sup>21</sup> This Government has already done this in terms of public attitudes towards disability, mental health issues, sexuality and to some extent gender. It is now time to do it for benefit claimants too.

Thirdly, we should endeavour to get the administration right. This may seem on the surface to be a trivial issue. But the administrative disasters we have seen in various schemes recently not only bring chaos to many claimants’ lives, but also undermine any claim the Government may make that claimants have inalienable rights in return for fulfilling their responsibilities. In addition, they are a shockingly bad advertisement for the benefits system in the eyes of the wider public.

Fourthly, the public should feel they have a stake in the system. It may be too difficult now for the UK to create fully-fledged social insurance funds, or to match the social democratic feelings of ownership of the social protection system which appear to be more common among Scandinavian citizens. But there is currently no mechanism for claimants to feel they can influence the benefits system, and no requirement on government to engage them in doing so. Yet the Institute for Public Policy Research found recently when doing focus

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groups with jobseekers that they had articulate ideas for reforming the system, but nowhere to take them.<sup>22</sup> Giving claimants a role in shaping the benefits system should be seen as relevant to the rights and responsibilities agenda – an extension of rights for claimants and responsibilities for the state.

Increasingly there are calls for the contributory national insurance scheme to be retained only for pensions.<sup>23</sup> But a continual erosion of national insurance benefits can only lead to increasing cynicism and mistrust of government intentions by the public. This is not a stable foundation for building a social security system which is sustainable not only in economic, but also in political, terms.

### Conclusions

According to Wim van Oorschot, Professor of Sociology from Tilburg University, speaking at the Social Policy Association conference this year, debates about social security in the Anglo-Saxon context tend to focus only on one side of the equation – the redistributive side, with arguments about whether benefits are being allocated to the right people. He argued that we should, instead, think more about the inputs side, as would tend to happen more often in continental Europe. What are the motives of individuals who are willing to contribute to the common good via the social security system, and how can we maintain that solidarity? These motives may range from a sense of moral duty to pity for claimants, but he emphasised that they are also based on enlightened self-interest, which he argued is the cornerstone, rather than the enemy, of the welfare state. He was very clear that residualisation – cutting back benefits to focus only on the neediest – was not a way of protecting provision for the poor in an era of globalisation, but instead was likely to result in a permanent discussion about the deservingness of benefit recipients and a deterioration of welfare in the broadest sense.

There is a danger in the current climate that so much policy energy is channelled into discussion of tax credits and welfare-to-work strategies that there is none left over for broader questions such as these. We need to continue to create policy and political spaces for engaging in vigorous debates about the shape of the social security system and the welfare state more generally, rather than allow ourselves to be confined to the narrow focus of topical issues of 'welfare reform'. ■

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