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# ”Father of the Welfare State”? Beveridge and the Emergence of the Welfare State

(doi: 10.2383/33647)

Sociologica (ISSN 1971-8853)

Fascicolo 3, novembre-dicembre 2010

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# “Father of the Welfare State”?

## Beveridge and the Emergence of the Welfare State

by David Benassi

doi: 10.2383/33647

### The Preconditions for the Beveridge Plan

December 1942 saw the publication of *Social insurance and allied services. Report by Sir William Beveridge*, unanimously held to be a turning-point in the history of the welfare state. In this long and meticulously detailed official document, Beveridge<sup>1</sup>

<sup>1</sup> William Beveridge was born in India in 1879 into a family of typical colonial civil servants. He went to live in Britain in 1892. An excellent student, he was admitted in 1897 to Balliol College Oxford, where he made contacts and established friendships with members of upper society that he would maintain throughout his life. In 1902, he graduated in law and began working as a subwarden at Toynbee Hall, a kind of popular university for the working class, where he stayed until 1905. This experience was very significant for the development of his interest in social issues and social policies. From 1905 to 1908, he worked as a journalist on the *Morning Post*, specialising in social and employment questions. The influence of the intellectual reformists of the time, in particular of his lifelong friends Sidney and Beatrice Webb, comes across in his articles, in which he repeatedly dealt with the theme of unemployment. He refuted the assumption underlying the dreadfully repressive policies ushered in by the nineteenth-century Poor Laws, namely that the cause of joblessness is to be found in individual ‘moral vices’. According to Beveridge, unemployment is on the contrary the effect of three different mechanisms: technological innovation and decline of industrial sectors; cyclical or seasonal fluctuations in demand; and lack of communication between workers and employers. The solution he came up with, therefore, was to set up “labour exchanges” to regulate the labour market by helping supply and demand to match.

The ideas he developed in his journalistic work drew the attention of the Royal Commission on the Poor Laws, set up for the precise purpose of reforming poor relief that hinged on the principles of the 1834 Poor Law. The reports he submitted to the Commission were so impressive that they opened the way for him to join the Board of Trade headed by Winston Churchill in 1908. He was given the job of formulating a national scheme of Labour Exchanges, which actually came into effect

formulated a set of propositions relating to social policy that would exert enormous influence on legislation in Britain and in the rest of Europe. The Report issued from the work of a Commission set up by the government to examine the fragmentation of social assistance policies, which according to all observers at the time undermined their equity and efficiency. The system of social security in Britain was fragmented

in 1909 with Beveridge as its director. In the same period, he also participated in drawing up the fundamental National Insurance Act of 1911, the first scheme in the world for insurance against unemployment. On the outbreak of the first world war, he first worked at the Ministry of Munitions and then at the Ministry of Food, rising to the top ranks of the British civil service. He concluded this career in 1919 as Permanent Secretary to the Minister with a wealth of experience and belief in the administrative capacity of the state, which would subsequently be of fundamental importance in the drawing up of the 1942 Report.

In 1919 he was appointed director of the London School of Economics, where he would stay until 1937 when the school had by then become the most important centre for research into social and economic questions (Just to give an idea of the standing of those brought in by Beveridge to teach there, we will mention Dalton, Robbins and Hayek in economics, Hobhouse in sociology, Malinowski and Firth in anthropology, and Tawney in economic history). In 1937, he was elected Master of University College at Oxford University, one of the oldest and most prestigious colleges in Great Britain. Despite being very much taken up with administrative matters in the twenty years between the two wars, he did not abandon academic work and reflection on social problems. In particular, his intellectual commitment went in the direction of promoting a system of family allowances and defending the principle of insurance in policies for social protection. He found himself having to stand up for these ideas, especially the insurance principle, in the difficult period of the 1920s and most of all following the financial disaster of 1929 and the long depression through the 1930s.

At the outbreak of the Second world war, Beveridge expected in vain to be appointed to a top-level post in the civil service. In mid-1941 he was made chairman of an interministerial commission of enquiry into social insurance. The work of the Commission ended up more and more under the spotlight of the press and gave rise to great expectations among citizens hard hit by the war. The Government itself used their work for propaganda purposes. Beveridge was very adept at exploiting this attention and when, in December 1942, the report came out it was a real media event of that time selling many thousands of copies, also in the USA. Notwithstanding the success of the report, he was not actively involved in the political process of designing the new system of social protection. He dedicated himself to a research project on full employment, one of the preconditions for the model proposed in the 1942 Report to work. The project would be published in 1944 under the title *Full Employment in a Free Society*.

After a brief experience in Parliament in the ranks of the Liberal Party, in 1946 Beveridge was raised to the peerage as Baron and became leader of the Liberals in the House of Lords, where he took an active part in debates on the measures for constructing the new welfare state in Britain. Although he was never consulted by the then government, the influence of the model he had designed would be tangible. At the end of that year, he accepted the proposal of the National Deposit Friendly Society to make a study of the future for "voluntary mutual aid," embodied in the longstanding British tradition of the friendly societies. 1948 saw the publication of *Voluntary Action: A Report on Methods of Social Advance*, intended by Beveridge to be the final part of a trilogy including *Social Insurance* and *Full Employment*. During the 1950s, though he was still a widely-known figure and continued to be active in public life as a commentator and analyst of society, his capacity to make an impact on political decisions and change in British society diminished. He died aged 84 at his home in Oxford on 16 March 1963.

The most authoritative source for the life and work of Beveridge is Harris [1997], which also includes matters relating to the work of the Commission and the drawing up of the Report [*ibidem*, Chapter 16]. Other information can be found in Ashford [1986]; Abel-Smith [1994]; Lowe [1993]; Lowe [1994]; Timmins [1995].

in its measures and the categories of beneficiaries, in the provision procedures and also as regards administration. This setup gave rise to a great deal of inefficiency and unfairness to the detriment of children and the elderly in particular. Above all, the system of *approved societies*, private bodies authorized to handle insurance matters for enterprises and workers, led to wide discrepancies in insurance cover and, consequently, in assistance when health services were needed. It was the Government's intention that the Commission should simply investigate the existing system and propose ways to adapt it to the new needs of the population. The time was, however, ripe for a much more radical political approach, and Beveridge seized the opportunity. The general public became immediately interested, also as a result of the hardships suffered during the war and the hope for a better future. The Government therefore decided to turn a lacklustre commission of bureaucrats into an instrument of propaganda. Publication of the report in December 1942 was mentioned on the front pages of the newspapers and about 600,000 copies were sold [Timmins 1995, 23].

What was proposed in the report was made possible by the intellectual climate of the time; for some decades, new ideas had been emerging about collective responsibility for individual welfare.<sup>2</sup> Two factors, however, took on particular importance: the new blueprint for economic policy devised by J. M. Keynes and the Second world war. They favoured extending the role of the state in the social and economic spheres in the direction of the regulatory model that from the 1940s on would be called "welfare state." Beveridge's scheme in fact entailed a fundamental change in the state's role and in the relations between state and citizens. As T. H. Marshall [1950] saw it,<sup>3</sup> a gradual widening of the domain of citizens' rights from the civil to the political and social spheres meant a concurrent increase in public responsibility and, hence, in the size of the state and its regulation of social and economic processes. Poverty and the lack of socio-economic security were no longer simply put down to individual failure or moral vice, as in the punitive Nineteenth-century poor laws, but considered to be a mainly involuntary condition brought about by the workings of an unregulated market. It was precisely in Britain that from the late Nineteenth century – above all after the First world war – that a new approach to economic regulation, social security and fighting poverty took root thanks to the work of a number of academics and reformers. It is not possible here to go into the contributions made by these intellectuals, who included Sidney and Beatrice Webb, A. C. Pigou, J. M. Keynes, T. H. Marshall, J. Rowntree, C. Booth and, of course, K. Polanyi. In general, they

<sup>2</sup> For a more detailed look at the historical and intellectual preconditions for the Beveridge Report, see Benassi [2010] and the literature mentioned therein.

<sup>3</sup> T. H. Marshall and W. Beveridge were colleagues at LSE.

all noted the existence of a vast part of the population condemned to wretched conditions of life and insisted on the importance of introducing ways of regulating the market economy to offset the undesirable consequences which were its systematic and structural offshoot.

The worldwide crisis unleashed by the 1929 crash stimulated further reflection in this respect and of great importance was the impact of the new conception of the economy shaped by J. M. Keynes.<sup>4</sup> The new approach to economic policy, systematised in his *General Theory of Employment, Interest, and Money* [Keynes 1936], assigned to the state the decisive role of intervening during an economic crisis on the basis that the predominant variable in economic growth was demand and not supply, as the neo-classical school claimed. Contrary to what the latter theorized, namely that the market economy spontaneously tends towards a state of equilibrium with full employment, Keynes believed that where there is unemployment and underused productive capacity, it is essential to boost aggregate demand through public spending so as to avoid a state of equilibrium with unemployment. From this new perspective, not only is the state fully justified on 'scientific' grounds to intervene in the economy to correct imbalances, but it even has an ethical duty to do so in order to sustain the standard of living of the less able or less fortunate.

The Keynesian approach was fundamental in legitimising the extension of public intervention to foster citizens' welfare. Those impediments had to be removed that prevented some individuals from taking part in the great process of economic growth, with an emphasis on ensuring full employment at times of crisis: everyone should be in a condition to earn enough to fuel consumption and, as a consequence, economic growth.

The other circumstance encouraging the formulation of Beveridge's plan, the second world war, provided a testing ground for and essential demonstration of the Keynesian model's validity. The conduct of the war effort had consolidated trust in an elite of politicians and civil servants with the ability to plan and govern complex socio-economic dynamics. It thus became possible to devise and implement a global plan to transform society for the purpose of providing social assistance "from cradle to grave." This answered the reservations as to the incompatibility of planning and state intervention with freedom, democracy and economic growth expressed by Beveridge, who belonged politically and culturally to the liberal tradition. In short, an elite of enlightened bureaucrats would be able to draw up blueprints for transforming society without impairing freedom and individual initiative. Nonetheless,

<sup>4</sup> There is of course a vast literature on J. M. Keynes; a very good general introduction is Minsky [2008].

this was to remain one of the more ambiguous sides to Beveridge's thinking since, throughout his life, there was a constant tension between the ethical and economic superiority of liberal individualism and the need to coordinate the efforts of individuals to achieve common ends. This does not detract from the fact that the ideology behind the Beveridge Report was shaped in a liberal mould, as shown by the central importance attached to the principle of "less eligibility" of Nineteenth-century origin: the state must ensure only the minimum acceptable conditions of life while everything over and above these has to be produced by individual ability and hard work.

The war was a key event in the development of the welfare state also in a more indirect way in that it helped to weaken the rigid social hierarchy that had characterized British life until then, thus giving hope that a more just and egalitarian society could be forged. When war broke out, people were evacuated from the cities to the countryside to be safe from the German bombings, which led to a (temporary) breaking down of social barriers.<sup>5</sup> Rationing also had a big effect in terms of reducing social differences through a greater frugality in consumption. From this angle, therefore, the war prompted people from different social classes to talk to and get to know one another, spurred on by war propaganda aimed at national cohesion indispensable for defeating the enemy. This, then, aroused great expectations of change and renewal in British society with a move towards greater equality and state responsibility for the welfare of its citizens whatever their social origin.<sup>6</sup>

### **The Beveridge Plan**

In Beveridge's 1942 report, the proposed system of social assistance sets as its goal the elimination of poverty: "The Plan for Social Security (...) 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" [Beveridge 1942, §14]. Thus, the overriding objective was to "abolish want," which according to the studies by Rown-

<sup>5</sup> "In air-raid shelters (...) class barriers could no longer be sustained. 'It is quite common now,' Lord Marley was reported as saying in 1941, 'to see Englishmen speaking to each other in public, although they have never been formally introduced'" [Addison, quoted in Timmins 1995, 32].

<sup>6</sup> This effect of the war on the expectation of change in an egalitarian direction is underlined by others, for example Titmuss [1963].

tree and others was dictated by job loss and, in the second place, by inadequate income to meet a family's needs. So the solution found was to have a system of generalised social insurance guaranteeing some income in those periods of no work, whatever the cause (unemployment, old age, illness, injury at work, invalidity, etc.). It was equally important, however, to make sure that a worker's income was sufficient to satisfy the needs of the family so that it did not find itself in a chronic state of want, all the more the case when the family head was out of work. This could not be achieved through the system of wages as they are necessarily related to a worker's productivity and not to the specific needs of his household. What Beveridge did was to make his own an idea that had been around since the 1920s, which was to introduce a universal system of family allowance financed through taxation rather than specific contributions [Macnicol 1980].

These two measures (social insurance and family allowance) could only be sustainable and work effectively if two other pivots of the complex institutional mechanism were put in place. Firstly, policies to achieve full employment needed to be adopted so that unemployment would be a short-term transitory condition and workers would not have to rely on welfare for very long. Secondly, a national health service had to be built to provide universal treatment free of charge to enable the sick and injured to regain their capacity to work.

The fundamental principle on which the system of welfare put forward by Beveridge rests is *universalism*. All citizens, and not only certain particular groups singled out at particular times, have the right to a guaranteed income to offset some basic social risks (invalidity, old age, unemployment, illness, maternity). Furthermore, the system is also universal because everyone is called upon to make an equal contribution to funding the system and not according to a progressive scale defined by an individual or family's economic condition. In other words, Beveridge sketched out a system of social protection where a minimum level of welfare is provided as a right to all citizens regardless of any particular characteristics or qualities, but one to which everybody has to contribute equally. It was essential in this scheme, according to Beveridge, that its universalism should not end up by weakening individual sense of responsibility. The system had to be constructed in such a way as to avoid producing distortions in incentives that could lessen an individual's commitment to procuring the resources he needs: "social insurance should aim at guaranteeing the minimum income needed for subsistence" [Beveridge 1942, §27] and no more than that. The aim was precisely to ensure that the state of being unemployed/inactive did not become more appealing than being in work; this was the well-known principle of "less eligibility." It was very clear to Beveridge that the financial sustainability of the new welfare state, but also its social and political legitimacy, could only be secured

if being a welfare recipient were no more than a temporary condition. That is to say, there should be no loopholes in the institutional and political setup that could make it more advantageous to depend on the state than on paid employment. The state's role is to guarantee subsistence to workers and their families and not to support their standard of living during loss of income due to unemployment, sickness or other factors. It is this different purpose attributed to welfare policies that marks the point at which the Beveridge model totally diverges from that of Bismarck, in which the very aim of social insurance is to maintain a recipient's socio-economic status [see, for example, Ferrera 1993; Bonoli 1997].

Beveridge thus rejected the principle of a progressive contribution according to income levels both because a state-guaranteed minimum income has to be limited to an undifferentiated level of subsistence and so that the individual propensity to save is not discouraged. Consequently, there would be no difference in provision of assistance on the basis of specific needs and the amount of contributions paid, as was the case in the welfare systems in the Bismarckian mould. One of the implications of the Beveridge conception of how welfare policies should work is that the instrument of means testing has to be abandoned altogether since this scrutinizing of how much money those requesting welfare services possess could trigger the "poverty trap": in order to benefit from welfare services one has to demonstrate that one is poor with the result that the same device used to verify income ends up reproducing poverty and making it chronic.<sup>7</sup> In this scheme, then, social assistance – based on the provision of services being dependent on the recipient's economic situation – has to be reduced to a minimum also because, if compulsory insurance applies to everyone, the area of uninsured social risk is markedly reduced. The result is that only those who are unable to comply with compulsory insurance or meet the conditions connected with insurance provisions will be dependent on social assistance.

Beveridge, therefore, brought to their final consequences the principles of universalism, simplification and homogeneity in state intervention in favour of citizens' welfare: everyone pays the same amount<sup>8</sup> in contributions to insure themselves against temporary (unemployment or illness) or permanent (invalidity, old age) loss of income; everyone receives the same benefit to cover those cases insured against with

<sup>7</sup> Beveridge's hostility towards the means-test method, despite its well-founded theoretical and economic basis, derives also from the system of workhouses in Britain in the second half of the nineteenth century. This system had produced terrible effects in terms of stigmatisation, chronic poverty, dependency and loss of initiative among inmates. See, for example, Piven and Cloward [1993, chap. 1]; Lis and Soly [1979, chapter 5].

<sup>8</sup> He proposed four shillings and three pence a week (equivalent to about 24 pounds in 2009; see [www.measuringworth.com](http://www.measuringworth.com)).



no adjustment for family size;<sup>9</sup> the state allocates almost exclusively monetary contributions, used to buy goods and services needed for day-to-day existence, while the direct provision of welfare services is greatly reduced.<sup>10</sup> From the institutional standpoint, the fragmentation of duties and separate departments would be replaced by a Ministry for Social Security, with local departments being directly responsible for the administration of all social insurance and assistance.

This simple scheme, however, comes up against the problems of applying it to a complex reality. While the employee is the figure for reference in the insurance scheme, there are other subjects with different characteristics that also need to be considered. Beveridge therefore divides the “British people” into six main categories 1) employees; 2) other workers; 3) married housewives; 4) others of working age but inactive (students, unmarried women, the wealthy; 5) the young under 16; and 6) the elderly over 60 (women) or 65 (men). The existence of categories in varying social and employment conditions, which meant they differ in their ability to meet social insurance obligations, forced Beveridge to make his scheme, based on the matching of services to contributions,<sup>11</sup> more complex. So, those in categories V (minors) and VI (the elderly) are exempt from compulsory contributions and instead are given child benefit or a pension. Beveridge makes a detailed list of the “eight primary causes of need” [Beveridge 1942, §311], sufficiently uniform and general to be included in the compulsory insurance system and the target of specific welfare services: 1) unemployment; 2) invalidity; 3) loss of means of subsistence; 4) old age; 5) women’s needs arising from marriage (marriage, maternity, husband’s loss of work, widowhood, separation, inability to carry out household chores);<sup>12</sup> 6) funeral expenses; 7) childhood; 8) illness. Employees are provided with protection against loss of income due to unemployment, invalidity or any other factor, whereas other workers (II) are excluded from protection against loss of employment. Housewives, on the other hand, do not run the risk of loss of income as a result of unemployment but, Beveridge points out, they have other needs connected with marriage. As a rule, category IV comprises temporary situations.<sup>13</sup>

<sup>9</sup> The amount is reduced only where the wife is in work.

<sup>10</sup> Excluding of course the health system. For some observations on the role of private actors in the NHS, in particular regarding insurance, see Timmins [1995]; Lowe [1993]; Glennerster [2007].

<sup>11</sup> Excepting health care and funeral expenses that are the same for everyone.

<sup>12</sup> These are needs relating to risks specifically affecting women and to those specifically connected with the husband’s inability to provide for the family’s needs. It is quite clear here that Beveridge has a traditional view of the role of women in the family and in society.

<sup>13</sup> Beveridge also indicates the amounts of benefit to be provided: 40 shillings a week (230 pounds in 2009), reduced to 24 shillings when the wife is in work, in the case of unemployment, or during old age; and 8 shillings family allowance for each child from the second.

## The Impact of the Beveridge Plan on Welfare Legislation

What was the impact of the Beveridge report on the construction of the British system of social protection after the second world war? Beveridge is often seen as the “father of the welfare state”<sup>14</sup> either due to the impact of his ideas on a wider public, also in other countries, interested in matters relating to citizens’ welfare and social security, or because the laws passed immediately following the end of the war were clearly and explicitly inspired by the Report [Hill 1990, 31; Abel-Smith 1994, 20-21].<sup>15</sup> A more detailed analysis of the development of the British welfare state, however, shows that many of the elements in Beveridge’s scheme were not implemented or were abandoned over time [Lowe 1994; Glennerster 2007, 20-43]. Moreover, it has been argued by some that the model proposed by Beveridge contained a series of incongruities that made a routine implementation impossible. Let us now try to analyse the evolution of the postwar welfare system in Britain, the extent to which it matches the Beveridge scheme and, lastly, the model’s concrete feasibility.

As is well known, Churchill, who had lead the government of national unity to victory over Nazi Germany, was defeated at the general election in 1945 and replaced as prime minister by Clement Attlee at the head of a Labour majority in Parliament. It was this new political leadership that in the space of a few years shaped the structure of the new system of social protection. Several new laws were passed in various fields as, apart from welfare in the narrow sense, the government intervened in the education system, reconstruction, housing, the health service, the condition of children, the labour market and so on.<sup>16</sup> In the three-year period 1945-1948, the framework of the new British welfare state was erected, on which Beveridge’s principles had a marked impact. The most important measures were the Family Allowances Act of 1945, the National Insurance Act of 1946, the National Health Act of 1946 and the National Assistance Act of 1948.

Advocated by Beveridge since the 1930s, the introduction of family allowances was aimed at eradicating child poverty. It provided for a sum of five shillings a week<sup>17</sup> for each child after the first (up to the age of 16, or 18 if still in education) to be

<sup>14</sup> In his indispensable biography, Harris [1997] entitles the last chapter “Father of the welfare state?” as a pointer to the disputed reading by historians of Beveridge’s impact on social legislation. Incidentally, Beveridge did not like the term “welfare state” preferring instead “*social service state*.” In his view, the latter emphasized more the commitment required to citizens in creating public welfare, not solely the responsibility of the state.

<sup>15</sup> Despite the strong opposition to the process of policy-making inside the Government, in particular from the Treasury [Ashford 1986, 270-273].

<sup>16</sup> For a review, see Timmins 1995; Glennerster 2007.

<sup>17</sup> Equal to 25 pounds in 2008 ([www.measuringworth.com](http://www.measuringworth.com)).

given to the mother with no means test and paid for out of general taxation [Mcnicol 1980]. Although it was a small amount – Beveridge had suggested eight shillings – this measure was highly innovative in terms both of its goal of fighting child poverty by automatically supporting family income and of its institutional architecture by encompassing universally all families with two or more offspring and excluding means testing. In short, this first family allowance scheme introduced the principle that the reproduction of the family is of benefit to the entire community and should, therefore, be encouraged and supported through public policies whose cost are to be borne also by those with no children.<sup>18</sup>

The National Insurance Act of 1946 is one of the most important measures in the history of welfare in Great Britain and could be viewed as that which most fully embodies the model proposed by Beveridge.<sup>19</sup> It brought in a unified compulsory insurance scheme covering the risk of unemployment, sickness, maternity and also to pay for funeral expenses together with pensions for the elderly (women from 60 and men from 65). As envisaged in the Report, it was a tripartite scheme to which workers, employers and the state all contributed according to the principle of *equal contributions for equal benefits*: a fixed amount unrelated to a person's income providing fixed benefits.<sup>20</sup> Unlike what Beveridge had had in mind, however, the system was confined to employees and the level of benefits was lower than what was thought necessary to reach a minimum subsistence threshold. In particular, no provision was made for any form of linking the threshold to rises in the cost of living [Timmins 1995]. This led to a gradual erosion of the benefits in real terms, thereby undermining the system as a whole. Moreover, over the years the share paid by the state decreased considerably (from 33% to 14%) [Lowe 1994, 123], undermining the financial stability of this insurance system (today's contributions serve to cover future risks) to the advantage of a pay-as-you-go system (*payg*: today's contributions cover today's risks).<sup>21</sup> That was manifestly in contradiction with what Beveridge had intended since

<sup>18</sup> Though modified over the intervening decades, this type of allowance not based on a means test still exists today as Child Benefit (in 2010, £20.30 per week for a single or the eldest child and £13.04 for the others).

<sup>19</sup> "The Act was the core of the Beveridge report: state-run insurance, paid for by employers, employees and the general taxpayer, from cradle to grave. Flat-rate contributions in return for flat-rate benefits, but twice as many of them as the schemes they replaced (...)" [Timmins 1995, 135].

<sup>20</sup> The basic weekly benefit was 26 shillings for a single person and 42 shillings for a couple while the contribution was set at 4 shillings 11 pence (a week). Expressed in 2009 terms, these are equal to around 128, 207 and 24 pounds ([www.measuringworth.com](http://www.measuringworth.com)).

<sup>21</sup> What we have here is the difference between pension systems based on accumulation (pensions are paid from the contributions that are set aside and increase in value) and those based on distribution (the contributions made today are used to pay today's pensions and the pensions of

the way the insurance scheme worked was also supposed to make those insured more responsible whereas the *payg* system did not tie benefits strictly to contributions. In addition, the idea of fixed contributions and benefits was also abandoned [*ibidem*, 123]: in 1959 for pensions and in 1966 for other risks, in 1971 more generous benefits were to be provided for some categories of beneficiaries [*ibidem*, 143]. The limits of the insurance system actually put into place helped to maintain, or even expand, the system of assistance that, as we saw above, in Beveridge's vision should have played only a residual role. 1948 saw the passing of the National Assistance Act, which finally put an official end to the terrible assistance-cum-punishment setup of the 1834 Poor Law (in fact already widely disregarded in the preceding decades). So what was left was a means-tested approach, strongly opposed by Beveridge, though the principle of 'less eligibility' was very much toned down. The people who ended up turning to this system were those who for various reasons were unable to benefit from the social security system and those for whom the fixed-sum benefits were inadequate – the beneficiaries from National Assistance went up from 1.8 million in 1954 to 2 million in 1966 [*ibidem*, 144]. The area of welfare outside the insurance scheme and based on means testing remained one of the main pillars in the architecture of Britain's postwar welfare system, contrary to Beveridge's conception.

Implemented in 1946, the National Health Service was undoubtedly the most popular achievement with the British population and the most widely praised abroad [Lowe 1993, 163]. It was the first ever national general health service. The chief innovative features of the new system [Glennister 2007, 53-54] were:

- central national administration;
- financing through general taxation;
- freedom to choose one's GP, whose services are free;
- GPs treated as self-employed professionals paid a fee for each patient;
- free admittance and treatment in hospitals, almost all state-run
- free medicine.

Such a generous framework generated a rapid rise in costs leading already in the 1950s to countermeasures involving ways to contain expenditure and requiring patients to pay contributions. In spite of this, there is no doubting that the NHS was an extraordinary innovation in the history of welfare and it has remained highly popular among the British population.

The welfare policies immediately adopted after the war drew to a large degree on Beveridge's recommendations even though, as seen above, the actual system im-

today's contributors are financed by future contributors). An introduction to the basic notions is in Immergut, Anderson, and Schulze [2007].

plemented diverged from the model contained in the report. On one hand, in the political debate and discussion in the press at the time constant reference was made to the report being put into effect through the gradually introduced legislation. On the other hand, the specific content of the provisions was often far removed from what the report had recommended. In any case, it was already evident in the 1950s and 1960s that welfare in Great Britain had become more selective and structured than the simple and fully universalistic model proposed by Beveridge.<sup>22</sup> National insurance was never the only instrument used to root out poverty both because such a simplified system was not very feasible and due to several inconsistencies in its basic principles.<sup>23</sup> The principles defining the insurance framework are set out in section 17 of the Report: "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." Two of these principles – adequacy and unification of administrative responsibility – were never implemented. The first principle – flat rate of subsistence benefit - envisaged a sufficiently high level of benefits so as to guarantee an acceptable degree of subsistence, no time limit to their provision, and some form of indexation linking them to the cost of living or trend in wages. The abandonment of this principle weakened the capacity of the system to eradicate poverty: the real value of benefits gradually decreased since the nominal amounts were never increased. Besides, the principle of adequacy was in direct contradiction with the rigidity of the flat-rate cash benefit, for how could situations of need varying considerably at the individual or family level and according to the part of the country be coped with by the same fixed sum of money for everyone? Thus, through the postwar years the rigidity of the system was reduced by introducing earnings-related benefit, bringing it closer to the goal in the rest of Europe of maintaining the standard of living. The next step was to base National Insurance on a principle of relative rather than absolute poverty, contrary to what Beveridge had envisaged. The outcome was that not only was means testing not done away with, it even became more widely used from the 1960s on.

Beveridge was an intellectual tied to a vision of society that no longer existed after the immense trauma of the second world war. He had moulded his plan on the need to eliminate the absolute form of poverty that had afflicted the British popula-

<sup>22</sup> This is what Glennerster concluded on this point: "the most important structural changes were adopted (...). Beveridge was rejected where his own scheme was a muddle or a deception" [Glennerster 2007, 39]. For the implementation of social legislation in Britain between 1944 and 1948, see the very critical account in Ashford [1986, 264-281].

<sup>23</sup> These remarks on the lack of feasibility of the Beveridge model owe much to Lowe [1994] and Ashford [1986].

tion for centuries; the state should guarantee everyone the minimum of a roof over their heads, enough food, health care and some kind of work. To go beyond that depended on a person's determination, sense of responsibility, initiative and individual ability and from the classical liberal perspective, the state should only intervene to remove the obstacles to individual and community initiative. In Great Britain as well as in the rest of Europe, the history of the welfare state in the 1950s and 1960s went in another direction. Thanks to the extraordinary economic growth in those decades, which greatly increased the amount of resources available, all western European countries developed an approach to welfare centred on the improvement of citizens' life conditions through the state's redistributive capacity. Instead of a minimum level of subsistence, the end to be achieved was a welfare society in which everyone was put in a position to improve their wellbeing. As opposed to a minimum welfare for the purpose of eliminating absolute poverty, a far more ambitious welfare was created with the objective of fighting inequalities brought about by the market economy.

To extol Beveridge as the "founding father" of the welfare state does not, therefore, fully match with what really happened or, at the least, the modern welfare state took on a concrete form that gradually moved away from his original conception. J. Harris summarises this aspect as follows: "there has been a continual drift away from 'Beveridgean' policies under successive Conservative and Labour governments since the late 1950s – in the form of graduation of insurance according to income, contracting-out into the private sector, and an ever-increasing emphasis on means-tested benefits (...). Thus in structure and function, if not in narrowness of scope and underlying philosophy, the social welfare system of the 1990s looks increasingly less like the Beveridgean system of the 1940s, increasingly more like the means-tested system that Beveridge's Plan was designed to replace" [Harris 1997, 491-492].

### **Is Beveridge Still Useful for Welfare Reforms?**

As mentioned above, the development of the welfare system in Great Britain departed markedly from Beveridge's formula whereas in the rest of Europe alternative approaches were adopted from the very beginning, based on the condition of employment (the corporative-conservative model) or on the central position of the family (the southern European model). The Scandinavian countries were more determined in their ambition to achieve a universalist welfare, though with a much greater degree of redistribution than what Beveridge had wanted.<sup>24</sup> Yet Beveridge is still very

<sup>24</sup> There exists a wide literature on welfare systems. Among the most important are Esping-Andersen [1990]; Ferrera [1996]; Kangas and Palme [2005]; Art and Gelissen [2002].

often cited both in the specialist literature and in the debates on social policy reform, testifying to how much his 1942 plan is still compelling and relevant to today. In this section, we will look at some of the problematical aspects in contemporary welfare systems and see that it is possible to find interesting pointers in Beveridge’s work.

The interest shown in Beveridge’s work, then, is justified above all by his accurate pinpointing of some of the key features of social protection arrangements rather than by his proposals being entirely adopted and given concrete form. In short, he shows that it is possible to conceive of a system of social protection for all citizens that could eliminate poverty. Drawing on the extensive work of academics and the wide experience of professionals over the previous fifty years, Beveridge had detected the tensions implicit in any system of social protection and attempted to devise an institutional setup that could reduce any negative effects to a minimum. As a good liberal, he was first and foremost careful to avoid the risks associated with the restrictions on individual freedom that might arise from a system of state policies that is too extensive and pervasive in terms of expenditure and of areas of private life subject to regulation. He always had in mind the possibility that welfare policies can turn into forms of social control<sup>25</sup> and this is why he was totally against policies involving “assistance,” that is based on a principle of automatic citizenship – the right to benefits depends unconditionally on need or belonging to a specific category – and not on a right connected with carrying out one’s social duties. In the case of welfare intervention, there is always the possibility that relief is used to “normalise” behaviour that deviates from what is considered acceptable. British intellectuals in the first half of the twentieth century found very instructive the terrible experience of the punitive system of the poorhouses, and this is why Beveridge never ceased to insist on the importance of grounding the right to benefit on the duty of paying contributions. Only in this way can relief be withdrawn from its normative use intrinsic to social assistance benefits.

At the same time, however, Beveridge pays a great deal of attention to the possibility that welfare policies might cause dependency, especially in the form of the poverty trap: monetary benefit can generate distortions in incentives, also due to an inadequate institutional framework, and discourage the search for paid employment [Bowles, Durlauf, and Hoff 2006; Barrett, Carter, and Ikegami 2008]. In this way, policies against poverty may even help to keep people poor. Schemes to fight poverty cannot but be ambiguous. It is, firstly, manifest that too low income support will not enable poverty to be overcome and, secondly, if it is too generous it may hold people in a permanent state of need and make the transition to income independence very

<sup>25</sup> See, for example, the classic work of Piven and Cloward [1993].

“costly.” This has repercussions on the financial stability of welfare and, in the final analysis, on the legitimacy of and support for such policies among the population as a whole. Beveridge tackles this problem at the root by maintaining that the right to benefit must originate from a previous contribution (social insurance), that the amount given must be subject to the less eligibility rule and unrelated to the beneficiary’s previous income, and that the state must adopt policies to promote full employment. This set of preconditions would allow the growth in expenditure to be kept under control and provide a legitimate basis for state intervention as well as helping the beneficiary to escape from poverty.

By contrast, the development of social policies in Europe was characterised by very widespread means testing to the detriment of the universalist approach advocated by Beveridge. This method satisfied the requirement to optimize welfare spending in that ways of selecting beneficiaries were found based on available resources (income, wealth at individual and/or household level) so that spending could be concentrated on these subjects.<sup>26</sup> There are, however, various implications in means testing, some of which are negative. There is the substantial cost of procedures to ascertain what resources individuals actually have, the potential for benefits to be used to favour certain social groups out of political motives, the possibility of false positive and false negative cases during take-up procedures, and the implicit incentive to beneficiaries to act opportunistically or conceal what resources they possess. Beveridge was particularly concerned about the fact that benefits based on mean testing could reinforce two of the five huge obstacles to individual progress, namely squalor and idleness. The highly selective method of the New Poor Law of 1834 with its notorious workhouse test under the less eligibility condition, had the effect of turning poverty into a chronic condition and trapping the poor in idle misery without any hope. The modern version of this effect is the poverty trap. In many European countries attempts have been made to mitigate this effect, mainly by formulating benefit models that envisage ways to activate beneficiaries and procedures for gradually reducing monetary relief.<sup>27</sup> The fact remains, however, that a means-tested approach to poverty unavoidably triggers a process whereby the structure and administration of benefits becomes more complex. This is because, apart from the massive social and administrative work involved in selecting beneficiaries, it becomes indispensable to specify precisely the countless circumstances to be taken into account when assessing individual or family situations (type and amount of income, possessions, any

<sup>26</sup> For a discussion of these aspects involved in using means- or income-testing, see among others Atkinson [1995, part III]; Barr [2004, chapter 10].

<sup>27</sup> See, for example, Van Berkel and Møller [2002]; Lødemel and Trickey [2001].



dependent family members, state of health, occupational skills, etc.) and to calculate the amount of benefit to be granted.

This increasing complexity in the system of social protection is in sharp contrast with the “simplified universalism” called for in the Beveridge Plan, in which the need to devise a comprehensive and unified scheme is insisted on. By comprehensive is meant that “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” [Beveridge 1942, §308]. In other words, and applying Beveridge’s conception to the present day, a system is comprehensive that makes a fixed set of benefits available to all citizens with no distinction of status, income or condition of need, but only if they are eligible through having contributed to the system’s financing. In this case, universalism has a specific meaning, which is the inclusion of all citizens in the measures of social protection both by funding them and enjoying the benefits. The idea of citizenship that Beveridge has in mind is particularly complex and is in fact an attempt to fuse two alternative conceptions. The first, of liberal inspiration, asserts that citizenship “is a *status* which is not fundamentally altered by virtue, or lack of it, of the individual citizen and irrespective of whether the individual citizen is making a recognised contribution to society” [Plant 2003, 154]. Welfare rights are here grounded in simply belonging to the political community and they are granted to all (universalism); unconditional basic income is the most typical solution adopted by this idea of citizenship. The second notion, by contrast, “places much less emphasis on rights and focuses instead upon *obligation*, *virtue* and *contribution* (...). (Citizenship) is an *achievement* rather than a *status*” [*ibidem*, 155]. The idea in this case is that citizenship rights derive from the contribution that each person makes to society through work (or other forms of social activity). This latter conception is clearly more typical of the Bismarckian tradition in continental Europe and found its optimal solution in the use of insurance. As already stated, Beveridge was drawn to combining the two conceptions [Lowe 1994, 129], espousing at the same time the contributive nature of citizenship rights and the universalistic vocation of welfare, which is what he means when he advocates the principle of comprehensiveness.

The evolution of the frameworks for social policies in all European countries has however followed a different path to that laid out by Beveridge. First of all, there was already in the 1950s and 1960s a wide diversification of benefits everywhere. More recently, a further fragmentation of social policies along territorial lines has set in; this is what is known in the literature as *rescaling* [Kazepov 2008; Kazepov 2010]. Almost all over Europe, we have seen a shift in the responsibility for planning, administering and providing welfare benefits from central government to local political bodies, and

this has often favoured the involvement of third sector organisations and voluntary associations in the production of welfare goods.<sup>28</sup> This shift in the responsibility for welfare towards the periphery and outside of the state sphere is justified on such grounds as the greater capacity of institutions closer to citizens to understand the demand for social protection, a growing fragmentation of social risks, the less bureaucratic dispensation of assistance guaranteed by non-profit organisations, a more effective use of expenditure and voters finding it easier to judge value for money. Here is not the place to assess this shift in social policies [see for instance Kazepov 2010] but to point out the impact on their consistency and, in the final analysis, on the quality of the social rights that are enforced. What is at stake is that allowing the perimeter of welfare policies to vary between territorial areas within the same national political system necessarily entails that the same situations will in some respects be treated differently. It would otherwise be impossible to understand the utility and necessity of engaging in a process of rescaling, which thus leads to proliferation of welfare setups in the same country. The proliferation applies not only to the range of benefits provided and the amount of resources made available, but also to the criteria for selecting beneficiaries. And this, in the end, creates evident problems with regard to equality between regions and provinces and, in the final analysis, between welfare recipients. It is likely that the same situations will be treated differently for the sole reason that, though within the same country, subjects live in different areas, which seriously unhinges the link between taxpayers on one side and recipients of welfare benefits on the other.

This evolution in social policies can have a negative impact on the stability and effectiveness of individual rights and it may further weaken social rights already under threat on other fronts (the family, labour market, minority rights, etc.). Beveridge, in contrast, had reiterated the need for welfare policies to be simple and comprehensive precisely in order to make more visible the nexus between funding and expenditure by basing the right to social protection on belonging to the national community. The risk being run in many countries today is that the growing uncertainty of the regulatory and redistributive mechanisms of welfare state institutions could undermine the legitimacy of and backing for the very idea of welfare policy or, at the very least, that groups of welfare recipients will fight among themselves for available welfare resources, in total disregard of any universal political principle of countering social risks. Still today, therefore, it is useful to read Beveridge again.

<sup>28</sup> This is, for example, what lies behind the “Big Society” project announced by the British prime minister David Cameron (see for instance *The Guardian* 19.7.2010), but which has already existed for some time elsewhere (Italy, Spain, Germany and others).

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## “Father of the Welfare State”?

### Beveridge and the Emergence of the Welfare State

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Abstract: William Beveridge is usually considered the “father of the welfare state”, thanks to the 1942 Report on *Social Insurance and Allied Services* he authored for the British Government. In this extraordinarily detailed and argued document, Beveridge draws the architecture of a complete welfare state based on a revolutionary approach: universalism. Every citizens receive coverage for a set of social risks, as a right based on contributions paid by everyone. Universal social insurance, universal health care and public commitment to full employment are the three pillars of the new welfare state proposed by Beveridge. In the first part, the paper discusses the intellectual environment and the historical contingencies that favoured the elaboration of the Report, and outlines the architecture of the new public approach to welfare. In the second part of the paper the impact of the Beveridge Report on post-war British welfare legislation is analysed. Finally some reflections on its value for current welfare reform are proposed.

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*Keywords: Welfare state, Beveridge, Universalism, Social Insurance, Less Eligibility.*

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