



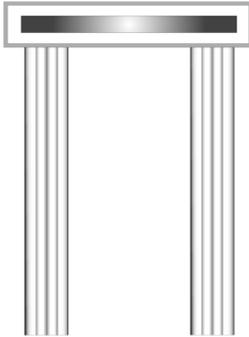
Frank Field
and
Andrew Forsey

Revisiting Beveridge
A Benefits and Welfare System
for the 21st Century

Editor: Sheila Lawlor

POLITEIA

A FORUM FOR SOCIAL AND ECONOMIC THINKING



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Frank Field
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Roslin Road
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THE AUTHORS

Frank Field

The Rt Hon Frank Field was Member of Parliament for Birkenhead between 1979-2019. He chaired the House of Commons Work and Pensions Select Committee (2015-2019) and its predecessor, the Social Security Select Committee (1990-1997). He was the UK's 'Poverty Czar' (2010-2015) and Minister for Welfare Reform (1997-1998).

His recent publications include *A New Deal to Reward Kindness in a Forgotten Profession: A report on pay and working conditions in domiciliary care* (2018) and *Fixing Broken Britain? An audit of working-age welfare reform since 2010* (2016), and for Politeia *Working Welfare: Contributory Benefits, the Moral Economy and the New Politics* (2013).

Andrew Forsey

Andrew Forsey is National Director of the charity, Feeding Britain. Previously he was senior parliamentary researcher for the Rt Hon Frank Field, with whom he co-authored *Fixing Broken Britain? An audit of working-age welfare reform since 2010* (2016) and *Not For Patching: A Strategic Welfare Review* (2018). He also writes on self-employment and the 'gig economy'.

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Foreword

Contributing to the Future

A historic foundation for welfare reform

Sheila Lawlor*

The Beveridge Report has since 1942 maintained the iconic status with which it first broke into wartime politics. Then it was a marker in the battle between two ways of speaking about social reform, about whether promises should be linked to the country's finances or made regardless of what finances were available to fund them. Since then it has been a political soundbite to denote a generally progressive welfare system, with perceived reversals being treated as regressive. But the report also has been a source of difference amongst political and social scientists in their battles about whether it should be seen as milestone or missed opportunity.

In fact, the Beveridge Report was both cautious and controversial.

Though depicted by its supporters at the time as radical, it was a cautious piece of reform. The plan built on the principles that lay behind Britain's success story in developing contributory insurance schemes in the decades before the outbreak of World War Two, the aim of which was to provide cover for earnings lost through life's unexpected contingencies as well as retirement. The success of these popular insurance schemes was, by and large, unparalleled in other countries, as Beveridge himself observed. He sought to unify the 'patchwork' for universal take up.

But even before his report saw the light of day as the official report, *Social Insurance and Allied Services*, released on 1st December 1942, its author, a civil servant, had prompted controversy. He had returned to the civil service in 1940 after an absence of almost two decades appointed first to a post at the Ministry of Labour, where he was seen as a difficult colleague, and then in 1941 to lead the committee of enquiry into social insurance and allied services, seconded by the health minister.

*Sheila Lawlor is the Director of Politeia and responsible for its social and economic programme. By profession an academic historian of 20th century British political history, her next book will be on 'The Politics and Policy of Social Reform in the 1940s' (working title).

Beveridge's career had by then been characterised by remarkable success. He had left Oxford with a first in his mathematics and classics degree in 1904 to become a lawyer, an economist and a social reformer. By family connection he was both a reformer and public servant; by personal persuasion a Fabian, and by political tribe, a Liberal – he later became a Liberal MP. By profession he was an economist, who achieved prominence through the theoretical schemes for social and labour market reform. He was a highly successful civil servant from 1908-1919, then Director of the LSE and Master of University College, Oxford. When, after the outbreak of World War Two, he returned to the civil service to work on manpower before moving to lead the enquiry in 1941, his reputation was established. His 1942 report continued to be a central focus for war time social reform.

There were three main assumptions which Beveridge saw as essential to the social security scheme's success - the introduction of a health service, family (or children's) allowances and full employment (97 per cent) - and a series of proposals for benefits to provide for income lost when earnings were interrupted or ceased. An insurance contribution would be paid by the employee when in work, with contributions also paid by the employer and taxpayer, the popular three way model that proved popular as well as successful for the variety of schemes Beveridge now sought to unify. The Churchill government accepted the assumptions, many, but not all of the individual recommendations reserving judgement on some, and that for contributory insurance. But it did not accept the subsistence principle for a number of reasons, nor the basis proposed for the old age pension, given that it would lead to politically unacceptable differences, e.g. in rates awarded. However, it was not such caveats with which MPs engaged in the dramatic parliamentary debates of February 1943, but with the government's tone and openness to both spirit and letter of the report and its early enactment.

In revisiting the Beveridge report in the pages which follow, Frank Field has one central aim, to show how the welfare system can be re-fashioned to work in the 21st century. Like Beveridge, Field has put the contributory principle at the heart of his blueprint. Like Beveridge, he seeks to slay the five giants of want, ignorance, disease, squalor, idleness. But both Field, and his co-author, Andrew Forsey, go beyond Beveridge in identifying the contemporary causes

of some of these giants: they propose fresh approaches for slaying them, founded on the same basis of the contributory principle, and for an approach that will strike a chord with people and encourage willingness to contribute. The proposals go further than Beveridge's in recognising that to be successful not only must such a scheme be financially sustainable, but the fund should be owned and managed on their behalf, independently of the treasury or government, as a mutual. Though not his first Politeia publication, it is more comprehensive and ambitious in scope than its Politeia predecessors and the first he has co-authored with Andrew Forsey, whose analysis of these problems has brought to the collaboration further insights and an equal sureness of touch.

Many people across the political parties have followed Frank Field's work over the decades since he first entered parliament as MP for Birkenhead in 1979. Whether as a backbencher, Minister of State for Welfare Reform, or through his work chairing and steering a succession of House of Commons select committees, (most recently the Work and Pensions Select Committee until December 2019, and before that the Social Security and Social Services select committees), Field's reputation for identifying the failings of the system and achieving real change has been formidable and respected over a lifetime dedicated to tackling disadvantage.

His work has followed in the steps of others in Britain's tradition of the 19th century and later Christian Socialism and welfare reform. That tradition informed the Labour movement's pragmatic decency as a parliamentary party over the decades from its foundation in 1906, leading to the remarkable success over a century. It was one shared with the country and other parties, appealing nationally to a far wider population than any one section of its founding strands. Under a leading exponent, Clement Attlee, the party swept to power in 1945.

It is particularly telling for the Labour movement that in the last parliament it fell to Field, one of the country's most respected MPs, to stand up for such values against the elements of militant factionalism, anti-semitism and Marxist authoritarianism in which the party had become mired. Field resigned the party whip in 2018 over the leadership's failure to tackle the anti-semitism crisis effectively. Field was subsequently defeated in the 2019 election when he

Sheila Lawlor

stood as a Social Justice candidate in Birkenhead, against Labour's official candidate.

Now, in *Revisiting Beveridge: A Benefits and Welfare System for the 21st Century*, he shows how Labour's longer tradition and the broad settlement it represents might proceed. It analyses how the settlement bequeathed by Beveridge and the subsequent National Insurance Act and its legacy measures have unravelled. It presents a comprehensive survey for today's Britain of the links between poverty, disadvantage, job insecurity and inadequate housing, their consequences and how they should be tackled. The key to a 21st century working welfare system is a contributory not tax basis, say the authors, one that promotes incentive and where the key is common ownership of the scheme. Confronting the uncomfortable realities of today's labour market, which have dogged the successful introduction of universal credit, Field and Forsey are not partisans. Rather, they are thoughtful pragmatic, and intelligent authorities who understand the jigsaw of welfare policy in its many and tiny pieces, knowing better than most how to put the whole picture together again.

Sheila Lawlor
Director, Politeia

Introduction

A National Insurance-based Welfare System

The cry from many reformers who are concerned about the future of the welfare system is that we should update the Beveridge Report of 1942. Here we argue that an updating exercise by itself is inadequate. There is a need for updating, of course, as the giant evils that William Henry Beveridge sought to slay through his report – want, idleness, disease, ignorance, and squalor – are now very much in evidence in our society. But new needs must also be met.

The big question is, ‘where will the money come from?’. Over the post-war period, the tax take has settled at around 35 per cent of national income. In exceptional years, this has been pushed above its historical level, but the norm has quickly been re-established. No government in the past three decades has been able to sustain a tax take of more than 37-38 per cent of national income. This has been the big restraint on devising welfare reform strategies that will work in the long run.

We believe that radically reforming the National Insurance scheme, while simultaneously creating mutual forms of governance on a mega scale, is the key to meeting both old and new welfare needs – and at the same time to remain fiscally prudent. The mutual model of collective welfare provision offers the buy-in for the contributors whose longer-term support is crucial for any major reform at the current time.

We are proposing the creation of a National Insurance-based welfare system built on the principle of, ‘I am contributing now so that my future needs are covered free of any means testing’. In this way, the system will be reformed with public support because people will have the gut feeling that it is fair. They will be contributing to a scheme they own and which, having been topped up by their employer and the Treasury, will protect them from means testing. Welfare will, as a result, be provided as of right, with benefits linked to the contributions people have made to cover periods of lost or interrupted earnings.

Voters regard National Insurance as a contribution; separate from taxation. A new contributory welfare contract that builds on the willingness of the public to pay for a system of which they approve – you pay in, and contribute to the functioning of society, before you draw out – is what we seek to outline in this pamphlet.

Tax Public Spending and Work

A Tighter Squeeze, A Harder Struggle

Politicians find themselves between a rock and a hard place. The country is largely resistant to tax increases. At the same time, it demands constant improvements in public services. And all the while, it is still trying to come to terms with the fallout from a financial crash which, in 2008/09, blew a £136.5 billion hole in the public finances.

For the past decade, politicians have tried to find a way out by following a three-pronged strategy: keep taxes broadly stable; repair the hole in the public finances by reducing spending on public services; and squeeze as much output as possible from what is left of these services in an age of increasing demand.

Indeed, the tax burden has increased only marginally; from 33.5 per cent of national income in 2010/11, to 33.8 per cent in 2017/18. Public spending has fallen dramatically over the same period; from 44.7 per cent of national income, to 38.5 per cent. Hence the accompanying reduction in public borrowing; from 8.5 per cent of national income, to 2 per cent.

Beneath these headline figures, some public services have been subjected to a much tighter squeeze than others. Taken collectively, we begin to see how this has brought about a significant reshaping of the state. After 2010, the budgets for defence and public order fell in real terms by 12 per cent (£5.2 billion) and 15 per cent (£5.4 billion) respectively. This combined reduction helped pay for a 9 per cent (£11.8 billion) increase in the health budget.¹ Significant real terms cuts were also made to public spending on education and housing, which fell by 14 per cent (£14.4 billion) and 19 per cent (£2.8 billion) respectively.

Meanwhile, within the social protection budget,² which increased overall by 3.9 per cent (£10.1 billion), monies allocated exclusively to pensioners rose by

¹ While classed as a real terms increase, it fails to account for those aspects of inflation that are unique to health, such as the costs of new medicine and treatment which have all but wiped out these additional monies.

² 'Social protection' is defined by the Treasury, in its Public Expenditure Statistical Analyses, as comprising personal social services, sickness and disability, old age, survivors, families and children, unemployment, housing benefit, and social exclusion. Approximately one quarter of all public sector expenditure on social protection occurs in local government, with the remainder occurring almost exclusively in the Department for Work and Pensions and HM Revenue and Customs.

12.9 per cent (£14.2 billion). The remainder of this budget, upon which disabled people and families with children rely, shrunk by 2.8 per cent (£4.1 billion). Not surprisingly, against this backdrop, 70 per cent of families seeking help from food banks in 2016/17 had dependent children, whereas among families in the general population, only 42 per cent had dependent children.³

Elsewhere, public spending on employment policies was cut in half; from £5.3 billion to £2.6 billion. This final cut has landed politicians between a second rock and an equally hard place. The headline rate of unemployment has plummeted to its lowest level since the 1970s. Yet more than half a million of our fellow citizens, who are currently unemployed, have been searching for a job, without any luck, for six months or longer. Within this group, more than a third of a million have been without work for more than a year. We do not know how many more have disappeared from the figures. This army of unemployed citizens has been excluded from the rapid increase in employment, with no prospect of work any time soon.

What of the fortunes of those who are in work? The average wage packet is now growing in real terms. Yet following a lost decade for average earnings, the size of that packet is now barely the same as before the financial crash. Between 2008 and 2018, men saw their real terms earnings fall by 7 per cent, while the fall for women was 0.6 per cent. In addition, eight million people living in poverty are in households headed by somebody who is in work – they are playing by the rules and contributing to society, but are also struggling to meet their basic needs. Given the gulf that exists between their earnings and essential outgoings, these households may be in receipt of, or eligible for, such support as tax credits, Housing Benefit, or Universal Credit. However, given the size of the cuts we have outlined, the dwindling value of these benefits still leaves all too many families falling behind with their rent, unable to afford their utilities, or cutting back on food.

³ Rachel Loopstra, Hannah Lambie-Mumford, and Ruth Patrick, *Family hunger in times of austerity: families using food banks across Britain* (Sheffield Political Economy Research Institute, March 2018), p. 3.

Here, then, is the starting point for any welfare reform programme which seeks to meet our country's needs for the next decade: healthcare and pensions now account for a growing share of public spending, with these increases being paid for, not by additional taxes, but by cutbacks in other public services and major reductions in the social protection budget for families below retirement age, especially those with children.

If politicians are to bust these limits on the extension of welfare where it is needed, they will need to build a broad coalition of support amongst the public by offering to cover their current and future risks, in a way that is seen to be fair. Before moving too quickly from this starting point, they should draw a significant lesson from the structure, as well as the content, of the Beveridge Report.

II

A Welfare System that Works The Principles, The Assumptions

The work of Beveridge teaches us that, before any serious planning on the future financing of each reform can be undertaken, politicians must be clear about the values and objectives which will be embodied and promoted by the welfare system. Only then is it possible to develop specific policies and calculate the necessary budgets.

The Principles

Preceding the policy proposals in his Report was a clear outline from Beveridge of the three principles which would guide everything that followed: draw upon past experience, without being bound by sectional interests that have emerged from this experience; the attack on want must form part of a comprehensive attack on ignorance, idleness, squalor, and disease; and this assault on the ‘five giants’ can only be achieved by co-operation between the state and the individual.⁴ Summarising these principles, Beveridge would later write that his was a ‘Plan on British lines’, a ‘Plan for security with responsibilities and freedom’, and a ‘Plan imaginative but practical’⁵ – the exact qualities the country would expect of any politician today, as it did then.

In her magisterial biography, Jose Harris writes that the most important values which shaped the Report can be discerned from the development of Beveridge’s views in the 1930s. He placed an increasing emphasis on ‘universalism’ through which welfare should be provided, as of right to all who have contributed, without a test of means – means testing had long been detested as an intrusive process which stripped people of their pride and dignity. He was anxious to protect the ‘actuarial’ basis of welfare by financing it through National Insurance contributions. Benefits would be linked to three-way contributions from individual workers, their employer, and the state. These contributions would accrue to a fully-funded scheme, through which today’s benefits are funded by previous contributions, as opposed to a pay-as-

⁴ *Social Insurance and Allied Services: Report by Sir William Beveridge – Cmd. 6404* (HMSO, 1942 (Reprinted 1978)), p. 6.

⁵ William H. Beveridge, ‘Four Questions on the Plan: Points from an Address at the Savoy Hotel, 9 December 1942’, in *The Pillars of Security and other wartime essays and addresses* (London, 1943), p. 78.

you-go scheme, in which today's benefits are funded by today's contributions. Finally, he wished to achieve an administrative balance between self-governing pluralism, through which welfare could be administered by mutual bodies such as friendly societies, and bureaucratic centralisation by which the responsibility for the delivery of welfare is reserved solely for the state.⁶

In a sense, these values represented a continuation of the basic objectives that Lloyd George set for welfare. Lloyd George set out, in 1911, 'to provide for insurance against loss of health, and for the prevention and cure of sickness, and for insurance against unemployment'.⁷ Turning to the means of financing this scheme, he stated that, 'I do not think there is any better method, or one more practicable at the present moment, than a system of National Insurance which would invoke the aid of the state and the aid of the employer to enable the workman to get over all these difficulties and make provision for himself for sickness, and, as far as the most precarious trades are concerned, against unemployment'.

The application of these values through a programme of welfare reform, as Harris reminds us, meant that both Lloyd George's system and, three decades later, Beveridge's, were to be paid for by equal 'contributions' (note the use of this term, as opposed to 'taxes') from the worker, the employer, and the state. Beveridge argued that all three parties should contribute as each had an interest in maintaining an effective welfare system – workers required greater security, employers required a healthy and productive workforce, and the state required a large and growing pool of people in work and paying taxes.⁸

Next, Beveridge suggested that for reasons of 'simplicity, economy and efficiency', the various administrative components of National Insurance should be unified. Such a reform, he argued, would avoid unnecessary complexity and duplication, reduce the costs of administration, ensure all contingencies were effectively covered, and make possible the rapid detection of new ones.

The assumptions underpinning this new regime of National Insurance were the creation of a National Health Service, the maintenance of full employment,

⁶ Jose Harris, *William Beveridge: A Biography* (Oxford, 1998), p. 335.

⁷ David Lloyd George, Speech on National Insurance, House of Commons, 4 May 1911.

⁸ Harris, *Beveridge*, p. 380.

and the introduction of family allowances for children. More on these assumptions later.

Beveridge also believed that citizens themselves should play an active part in the day-to-day management of the welfare system – through mutual associations, trade unions, and organisations of consumers. Mutual aid both values, and keeps in balance, self-interest – that most powerful of human motivations – by directing it in such a way that the common interest is simultaneously advanced. By insuring against my own contingencies, I am also insuring against those of other members of the mutual. Indeed, much of the attraction of mutual aid must be that self-interest can only be advanced as part of a collective or common endeavour.

Added to this was Beveridge's belief that the vast network of voluntary self-help organisations should no longer be seen as alternatives to state action, but should instead be brought into co-operation with the machinery of the state.⁹ Even now, social entrepreneurs across civil society identify gaps between the market and the state – gaps which, in some of our communities, have become gaping holes through which families fall. They are interested in the accumulation of resources which bind communities together. If they are to stand any chance of achieving this objective, though, they are likely to require support from the state.

The principles behind the Beveridge Report were watered down even in the first two decades of the post-war period. The shape of the income distribution and the limited revenue base would, throughout the post-war period, often lead to questions being posed around the adequacy of Beveridge's preferred system of equal contributions, for example.

Since then, they have been even more dramatically eroded, mainly due to the way welfare has, for the most part, moved away from a contributory basis and onto a means-tested footing, where the provision of benefits or services takes no account of people's prior contribution to society, but instead punishes those who have saved or want to work. The most enduring of the Beveridgean principles has been the universalism of the National Health Service and, to an increasing extent, the state pension.

⁹ Harris, *Beveridge*, p. 133.

We believe that rebuilding welfare around the principles of universality and actuarial soundness, through a reformed National Insurance system, offers the best way forward for reformers seeking to restore the effectiveness of, and public confidence in, the welfare system. It also reverses the alarming shift which has taken welfare away from the principles of providing sufficient help immediately to people who need it and then, where appropriate, quickly supporting them on the path towards greater independence.

Moreover, it creates a most valuable opportunity to establish new membership-run organisations which give people more of a say in how their National Insurance contributions are spent. Contributors' ownership of welfare would give them a real voice as well as a source of wealth collateral, while a system of three-way contributions would, with room for increases in the state's contribution to the scheme, allow crucially for an element of redistribution to the poorest and those who are unable to contribute financially. Such institutional reform would need to be on offer if people in this country are to be persuaded to part with a greater proportion of their current income to meet their future welfare liabilities.

With universal provision, run as a collective insurance scheme, risks are pooled among the largest possible group of people. By having such a large number of contributors, each person's average costs are minimised. In addition, the costs of those who cannot, for whatever legitimate reason, contribute financially can be covered by the scheme, and there is none of the cherry-picking, which excludes our most vulnerable fellow citizens, that all too often can occur in the private sector.

As beneficiaries of the services being funded by the scheme, and by having a say in how these services are administered, the self-interest of contributors to the scheme would be protected. A further attraction of National Insurance is that, by ensuring the self-interest of a majority of the population is so protected, the poor can adequately be looked after by an element of redistribution that is built in to finance their membership.

Proceeding with these principles quickly opens up questions around the role of the state. Should it primarily be responsible for delivering welfare? Or should its role be restricted to setting the rules for others to enforce, and the legal and financial frameworks with which to do so?

Beveridge believed that the state should take a much more proactive role in regulating the lives of its citizens – in eliminating inefficiency, laying down minimum standards, and identifying current and future vulnerabilities. Here we begin to see the influence on Beveridge of Seebohm Rowntree, a Liberal who believed that the power of the state should be used to lay down minimum standards of living and to prevent our most vulnerable citizens from falling beneath them, free of the chance evils of the market. His poverty lines were minima, intended to focus attention and action on the most urgent problems.¹⁰

Since 2010, with politicians' resistance to tax increases negating any possibility of a substantial increase in benefits and tax credits, the welfare of low-income households has become increasingly dependent on their fortunes in the labour market, as well as their position in the housing market.

What else can and should politicians be planning to support this group of households, to lift them free of the chance evils of the market? What about people who gain a job, for example, but whose hold on that position is precarious or whose wages are insufficient? What about those casual workers whose earnings are pushed beneath the level of the statutory minimum wage because they have been misclassified as self-employed contractors or fallen foul of other forms of exploitation?

How might new housing developments be placed in the hands of those who do the right thing and wish to acquire their own home that is clean, safe, and affordable in perpetuity? From social care to education and training, what help currently exists for the proportion of the population who have incomes which exclude them from means-tested help, but who are in no way financially well placed?

These questions should lead politicians towards answers that place a stern and strenuous emphasis on helping people to help themselves; characteristic of a very powerful tradition in Unitarian social reform which was always a vein in Beveridge's thought.¹¹

¹⁰ John Veit Wilson, 'Seebohm Rowntree and the poor', *New Society*, January 1983.

¹¹ Harris, *Beveridge*, p. 483.

While welfare should have as its main aim the relief of poverty, it must aim also to help people lift themselves free from poverty and, indeed, to prevent them becoming poor in the first place.

We see the state's role as being the statutory body to guarantee national minimum standards – in respect of income, health and social care, housing, education, and life chances – while configuring a new alliance with civil society to help people pull themselves away from the minimum, through initiatives such as housing co-operatives, employment services for low-paid workers, a national health and social care mutual, friendly societies to support child nurture, and a national education mutual.

We, like Beveridge, believe that the organisation of welfare along these lines should not only run alongside a reformed capitalist economy, but also help to reform capitalism itself.

The problem, as Beveridge saw it, was how to redistribute the proceeds of capitalism without hampering the process of production which created the wealth that was required to run a welfare system. Such a method, he believed, must continue to reward efficiency, encourage personal saving, and not undermine incentives to work. These concerns lay at the heart of Beveridge's approach to poverty and, according to Harris, they help to explain his sponsorship of National Insurance as the chief method of relieving financial need.¹²

However, there is an important lesson to be drawn from the introduction, in 2016, of a higher statutory minimum wage for over-25s, the National Living Wage, which raised the real hourly wages of the lowest paid workers. Labour market interventions, in which the state sets, raises, and enforces national minimum standards, must be a main ingredient in any reform package which attempts to counter the 'dis-welfare' that still afflicts all too many households within the capitalist economy.

In the sections that follow, we attempt to mould around these principles a programme of welfare reform that meets both the longstanding and newly emerging risks to the living standards of our fellow citizens.

¹² Harris, *Beveridge*, p. 129.

The Assumptions

People generally want and need an extension of the welfare system, but are not keen to pay for it within the existing guidelines set by the Treasury. To be successful, therefore, we need to work with, rather than against, human nature.

It is only through the agreement of a new contract between the state, the individual, and civil society that our country can deliver upon three central objectives for the welfare system: guarantee a national minimum standard of living; instil both personal and shared responsibility for building upon the national minimum; and provide constant opportunities for self-fulfilment and securing greater freedom.

We believe this new contract should be based upon six assumptions.

First, through membership of a collective scheme which provides welfare without means tests, National Insurance represents the only available means of combining individuals' self-interest with the interests of the country as a whole and, in particular, those of the poor. The only means of raising the necessary funds is by National Insurance and, for that to happen, a new contract is required whereby contributors keep hold of their contributions.

Second, it is for the sake of efficiency, equity, and compassion that the creation of an integrated national health and social care service – free at the point of use, funded by National Insurance, and run collectively as a national mutual – is required.

Third, we are far from achieving the genuine full employment – the elimination of structural unemployment and under-employment – that delivers both rising living standards across the board and the contributory base that is required to sustain a modern welfare system. The rise of casual, insecure work in the 'gig economy'¹³, for example, is forecast to deprive the public purse of £3.5 billion in 2020/21. Hence the need for additional measures to remedy long-term unemployment, strike a more just balance between security and

¹³ The gig economy involves the exchange of labour for money between individuals or companies via digital platforms that actively facilitate matching between providers and customers, on a short-term and payment by task basis.

flexibility at work, eradicate low pay, and help workers climb up the pay and skills ladders and away from poverty.

Fourth, following a decade of retrenchment in those benefits, tax credits, and services specifically designed to support children from families on low incomes, this three-pronged assault on poverty and unequal life chances needs to be reconfigured, along universal lines, so that all children start school on a level playing field and with a higher quality of life than all too many have now.

Fifth, insecurity in the lives of our fellow citizens stems increasingly from housing quality, affordability, and tenure. Both civil society and the state will need to take on new roles in providing greater security and opening up opportunities for people on all three of these fronts. Security at home is the cornerstone of being able to plan everything else in life, and gives a stability that is crucial to the functioning of a free society.

Finally, as Beveridge himself wrote, ‘extreme inequalities of income are evil. At one end of the scale extreme inequality takes the form of want of the physical means of subsistence. At the other end of the scale it gives excessive power divorced from responsibility.’¹⁴ So politicians will need to refashion the National Insurance contributory base, and the governance of the welfare system, to redistribute wealth, power, and responsibility in our society.

How to meet the overall objective for welfare – of ensuring people are given work, money, healthcare, housing and education when it is needed, from a system to which they have contributed either directly or indirectly – with a new contract that is based on these assumptions, is the theme of the chapters that follow.

¹⁴ William Beveridge, ‘The Five Christian Standards: Address to Rochester Diocesan Conference, Caxton Hall, 10 November 1942’, in *The Pillars of Security*, (London, 1943), p. 35.

III

Meeting Contingencies Old and New

The contingencies that pose the most powerful threats to our personal wellbeing are: ill health; a low or volatile income linked to the existence of too few decent-paying jobs, and too many low-paying jobs; a malfunctioning, poorly designed, and inadequately funded benefits system; a lack of skills or qualifications, or a shortage of opportunities to obtain them for ourselves and our children; accommodation that is of poor quality, let on a precarious or short-term basis, or on the margins of affordability; and isolation, alongside unmet care needs, in times of limited mobility or old age.

Bound up with each of these contingencies is an innate sense of insecurity as well as inhibited freedom. Previous research has shown an association between high levels of income instability and depression, poor health, hunger, reduced educational achievement of children, and problematic behaviour in children and young adults.¹⁵

The questions and doubts that occupy the everyday lives of millions of people, who feel trapped in this insecure existence, range from, ‘How will I be able to pay the bills or arrange childcare if my hours at work change wildly, from one week to the next?’, ‘Am I doing all the right things to ensure my child can do well at school, be happy, and go on to get a good job?’, ‘Will my landlord kick me out if I complain about the mould and damp in my child’s bedroom (and what will happen to their breathing if I don’t complain)?’, and ‘What will happen to me, and will I be able to get an appointment quickly so I can receive the treatment I need, if I fall ill?’, to, ‘Will I have the right care package and somebody who is able to sort the appropriate medication, get me washed and dressed, prepare some food, or even have a short conversation with me during the time they’re allowed to visit?’

Their plight remains best described in the words of Charles Gore who, as Bishop of Oxford in 1913, referred to:

The solid body of those who have not exactly fallen over the precipice but are in that constantly precarious condition of being under-fed, irregularly occupied, improperly housed, in which they are always

¹⁵ Summary included within a paper presented by Mike Brewer to the Royal Economic Society in 2019.

liable at a moment's notice to fall over the precipice. That is to say, what we want to study is not what has brought about the downfall of a small number of people; what we want to investigate are the causes which leave a vast proportion of the population in a condition in which they are liable at every change, under every shock of accident, to fall into this condition of misery. We want to investigate the causes which bring it about that so large a part of our population live in a condition of insecurity, of under-employment, undernourishment, bad housing, all of them living on the plateau and not yet over the precipice.¹⁶

Without welfare, when it is needed in such circumstances, life can be utterly miserable. It is at these moments, too, that the poor are most vulnerable to usury in all its wicked forms, as described by R.H. Tawney¹⁷: 'not merely exorbitant interest on a loan, but any oppressive bargain, including the raising of prices, the beating down of wages, and the rack-renting of land'.¹⁸

It is the pursuit of greater security and an extension of freedom for a larger number of our fellow citizens which underpins, or at least should underpin, the welfare system. Yet reams of data show that millions of people in this country are afflicted by the failure of the system to help them meet these contingencies. Moreover, they are finding it increasingly difficult to access the system when they need help.

The gap in life expectancy between affluent and deprived areas has widened considerably over the past 15 years.¹⁹ Four-hour waits in A&E have risen to a new high – 2.9 million patients spent longer than four hours in A&E in 2018. This has risen from 1 million since 2013. The waiting list for consultant-led treatment rose to a new high in 2018 and the 18-week treatment target was not

¹⁶ 'Introductory Remarks by The Rt Revd The Bishop of Oxford', in R.H. Tawney, *Poverty as an Industrial Problem* (The Ratan Tata Foundation, 1914), p. 7.

¹⁷ As well as exerting a monumental influence on Labour's social thought, R.H. Tawney was Beveridge's brother-in-law.

¹⁸ R.H. Tawney, *The Agrarian Problem in the Sixteenth Century* (London, 1912), p. 147, n.1.

¹⁹ Robert Joyce and Xiaowei Xu, *Inequalities in the twenty-first century: Introducing the IFS Deaton Review* (Institute for Fiscal Studies, 2019), p. 13.

met. Performance against the 62-day cancer treatment target reached a new low and the target was missed for a fifth consecutive year.²⁰

There has been an increase in mortality in middle age and a rise in ‘deaths of despair’ from suicide, drug and alcohol overdose, and alcohol-related liver disease. Rates of long-standing illness and disability among people aged 25-54 have also been rising for at least the past three or four years.²¹

Moreover, 1.4 million people are not receiving adequate care in old age. 4.7 million homes fail to meet basic standards. 5.1 million people are in low-paid and insecure jobs. More than two thirds of white working-class boys fail to achieve A*-C at the GCSE stage in Maths and English.

So clearly there needs to be an extension of welfare. As Beveridge noted, in setting out the case for a national minimum standard of living which could rid our lives of chronic insecurity:

The plan is not one for giving to everybody something for nothing and without trouble, or something that will free the recipients for ever thereafter from personal responsibilities. The plan is one to secure income for subsistence on condition of service and contribution and in order to make and keep men [sic] fit for service. It cannot be got without thought and effort. It can be carried through only by a concentrated determination of the British democracy to free itself once and for all of the scandal of physical want for which there is no economic or moral justification. When that effort has been made, the plan leaves room and encouragement to all individuals to win for themselves something above the national minimum, to find and to satisfy and to produce the means of satisfying new and higher needs than bare physical needs.²²

The aspirations of that national minimum standard which Beveridge set for the welfare system in 1942 were different to those of 1911 – when Lloyd George delivered the earliest forms of National Insurance – just as those of 2020 are

²⁰ <https://researchbriefings.files.parliament.uk/documents/CBP-7281/CBP-7281.pdf>.

²¹ Joyce and Xu, *Inequalities in the twenty-first century*: p. 8.

²² *Social Insurance and Allied Services*, p. 170.

different again. The floor needs to be lifted by each generation of politicians so as to deliver progressively rising living standards across the board.

Only by pooling our risks collectively, with the state ultimately responsible for underpinning national minimum standards, and by delivering services on a universal basis for individuals who would otherwise struggle to provide for themselves, can we hold out any genuine prospect of countering life's contingencies.

We turn now to each individual contingency and begin by examining the labour market, upon which so many aspects of our individual and collective welfare depend.

IV

Unemployment and Under-employment The Problem

Any blueprint for welfare reform needs to rest on the assumption of full employment. Sizing up this task, Beveridge wrote that, ‘destruction of idleness means ensuring for every citizen a reasonable opportunity of productive service and of earning according to his service. It means maintenance of employment of labour and our other resources. Idleness is the largest and fiercest of the five giants and the most important to attack. If the giant idleness can be destroyed, all the other aims of reconstruction come within reach.’²³

Beveridge identified three main types of unemployment that were endemic in modern industrial economies. There was structural unemployment caused by the decay of a particular industry, as well as seasonal or cyclical unemployment caused by fluctuations in trade or demand, and under-employment of a casual workforce.

Joblessness – A Disturbing Picture

The recent data produce a troubling paradox. Despite impressive headline rates of reduced unemployment, showing record low levels of joblessness, a closer look reveals a more disturbing picture.

First, there is structural employment. At the beginning of 2019, there were 547,000 people who had been unemployed for over 6 months and, of those, 347,000 who had been unemployed for over 12 months. The proportions of unemployed people who have been out of work for more than 6 or 12 months are currently higher than they were ten years ago. 40.7 per cent of unemployed people have been unemployed for over 6 months and 25.8 per cent have been unemployed for over 12 months. This compares to figures of 39.4 per cent (6 months) and 22.7 per cent (12 months) from ten years previously. All of a sudden, the figures make the headlines look a little shaky.

The figures also lend weight to Beveridge’s view of structural unemployment being, in many cases, a legacy of industrial decline. In Britain’s old industrial towns, employment rates still lag behind the national average.²⁴ To rub salt

²³ Beveridge, ‘Maintenance of Employment: Address to Engineering Industries Association, 30 July 1942’, in *The Pillars of Security*, p. 43.

²⁴ Joyce and Xu, *Inequalities in the twenty-first century*, p. 13.

into the wound, across most of older industrial Britain the annual loss arising from cuts to the welfare budget is likely to exceed £750 per working-age adult by 2020-21.²⁵

Several coastal communities will be afflicted, too, by seasonal unemployment. In 2017, five of the ten local authorities with the highest unemployment rates were coastal.²⁶ While, on a national scale, there are large numbers of vacancies, these openings are not always available in places that suffer from higher unemployment. Nor are they always matched with the skills of those who are looking for work.

In the middle of 2019, 33 parliamentary constituencies registered unemployment rates of 7 per cent or above.²⁷ The rate has reached 8 per cent in Birkenhead. Given that unemployment in a local area induces people to move away, and deters potential incomers in roughly equal measure, the headlines will mean very little to people in those parts of the country which have seen jobs disappear and feel as though they are stuck in a permanent recession.²⁸

Seasonal and Cyclical Unemployment

Next, with the exception of a particular group of trades and communities, seasonal and cyclical unemployment has tended to be replaced by, but now exacerbates, the third category – under-employment.

The unemployment problem in East London, while Beveridge was at Toynbee Hall, centred chiefly upon the phenomenon of casual labour – of workers hired

²⁵ Christina Beatty and Steve Fothergill, *Jobs, Welfare and Austerity: How the destruction of industrial Britain casts a shadow over present-day public finances* (Centre for Regional Economic and Social Research, November 2016), p. 2.

²⁶ Joyce and Xu, *Inequalities in the twenty-first century*, p. 13.

²⁷ Birkenhead, Birmingham Ladywood, Birmingham Hodge Hill, Birmingham Erdington, Birmingham Perry Barr, Birmingham Hall Green, Birmingham Yardley, Birmingham Northfield, Birmingham Edgbaston, Middlesbrough, South Shields, Hartlepool, Easington, Gateshead, Bradford West, Bradford East, Newcastle-upon-Tyne Central, Wolverhampton South East, Wolverhampton North East, Blackley and Broughton, Liverpool Walton, Bootle, Blackpool South, Foyle, Blackburn, Glasgow North East, Manchester Gorton, North Ayrshire and Arran, Nottingham North, Great Grimsby, Dundee West, Burnley, and Knowsley.

²⁸ Paper presented by Alan Manning and Monica Langella to the Royal Economic Society in 2019.

by the day or even by the hour, who were the first to be dismissed when trade was slack and who even in prosperous times could never be sure of a continuous week's work.²⁹

In seeking to give prominence to the plight of the under-employed, the Labour economist and historian G.D.H. Cole wrote that, 'we have heard too much of late about the "hard core" of unemployment. Let us not forget that employment too has its "hard core" of suffering, in these days often as intense, from the standpoint of sheer physical "illth", as the suffering of the unemployed in the depressed areas, and as deserving of a speedy remedy'³⁰.

Along similar lines, and never one to tone down the rhetoric, Winston Churchill described how 'the curse of unregulated casual employment' was 'rotting the underside of the labour market', with 'mighty trades' openly asserting 'the necessity of a labour surplus – "on hand" in the streets and round the dock gates – for the ordinary commercial convenience of their business'.³¹

One could be forgiven for thinking that this problem came to an end after the time of Beveridge, Cole, and Churchill. The casual employment that persisted, mainly in the docks, during the early post-war period had largely been eliminated by the 1960s. But it has returned with a vengeance in the 'gig economy' of 2020.

Under-employment

Here we are introduced afresh to Beveridge's view of under-employment within the casual labour market, caused by weak or non-existent links between employers and workers, by the deliberate harbouring of a margin of surplus labour, and by the constant pressure of competition from workers squeezed out of more regular occupations.³²

Riders, drivers, carers, and couriers regularly gather around today's digital equivalent of the dock gates, or turn up at warehouses, desperately hoping that they will be offered work. Some are fortunate to be offered fairly regular jobs,

²⁹ Harris, *Beveridge*, p. 138.

³⁰ G.D.H. Cole, 'Living Wages: The Case for a New Minimum Wage Act', *New Fabian Research Bureau*, 42 (1938), p. 31.

³¹ Churchill, 'The Untrodden Field in Politics', *The Nation*, June 1908.

³² Harris, *Beveridge*, p. 146.

while others might not be offered any work for a whole day or even longer, leaving them with no earnings.

Take the example of one man in Wirral, on a zero-hours contract, who had to travel across the borough every day, and incur the necessary travel costs, to find out if he had any shifts. Even if he was given the odd shift, his overall income was insufficient, and he still needed to use a food bank. Likewise, a woman who worked for Amazon would call regularly to see if she had any shifts. She went in one day and was told, along with eleven colleagues, that she was not needed ever again.

As one Deliveroo rider expressed to us, the company tells its workforce, “‘you’re free to work wherever and whenever you want” – well, that’s actually a lie. “Working” to them means being available for work, whereas for me it’s actually doing deliveries and getting some money for it’.³³ Some riders have drawn a link between their precarious earnings and the dangers associated with their job. Here, it was said, the pressure of being paid per delivery means that riders are forced to deliver more meals, and more quickly, which involves taking more chances on the road. One rider reported on the need for, ‘perhaps slightly reckless driving so I could try and make more deliveries in one hour when it’s busy, to make up for the loss of wages when it’s calm’, while another said that, ‘we will often have to break road laws just so we can be quicker and make money’.³⁴

The data show that, with the rise of the ‘gig economy’, there has been a structural shift in the composition of jobs. Especially amongst men, this shift even predated the financial crash. It has resulted in significant under-employment which makes it impossible to sustain a healthy underlying growth rate that is required in the welfare budget. The current rate of under-employment – 3.25 million people, equating to 7.6 per cent of the workforce – remains higher than at any stage prior to the financial crash.

Particularly troubling is how a growing number of workers have been pushed into a form of low-paid self-employment which, in all too many cases, is as

³³ Frank Field and Andrew Forsey, *Delivering justice? A report on the pay and working conditions of Deliveroo riders* (July 2018), p. 14.

³⁴ *ibid.*, p. 18.

bogus as it is precarious. Nearly every case brought to an employment tribunal, by workers challenging their self-employed status, has been successful. Yet only a handful of workers, with support from trade unions, have made it to this stage. Due to the time and costs involved, as well as the limitations on the tribunal process, the pay and conditions of several million people working in the ‘gig economy’ are largely untouched by the courts.

In each of the cases which have been successful, the workers have been dependent on a single company for most, if not all, of their earnings. According to the OECD, nearly one in four workers classed as self-employed are predominantly dependent on a single company for their work, meaning it is reasonable to see that company as their employer.

Many other workers would be dependent on a single company if it were to offer them anywhere near enough work to earn a decent living. When asked about which one aspect of work in the ‘gig economy’ they would most want to improve, most commonly, workers hope for more regularity and predictability of work.³⁵ Around half of workers in atypical roles would prefer more typical work arrangements,³⁶ while more than half also report that they are either struggling financially or just about getting by.³⁷

Countries with high levels of online platform work in the ‘gig economy’ are also correlated with low average earning levels compared with other countries.³⁸ The number of people working for online platforms in Britain, at least once a week, doubled between 2016 and 2019; from 4.7 per cent of the adult population, to 9.6 per cent.³⁹ Family lives are also known to deteriorate quickly for people working in the ‘gig economy’, especially when their low wages necessitate longer hours.

The House of Commons Library estimates that, between 1999/00 and 2015/16, in real terms, mean self-employed profits (or earnings) decreased by around 25

³⁵ Department for Business, Energy and Industrial Strategy (BEIS), *The characteristics of those in the gig economy* (February 2018), p. 39.

³⁶ Nikhil Datta, *Willing to Pay for Security: A Discrete Choice Experiment to Analyse Labour Supply Preferences* (Centre for Economic Performance, July 2019), p. 2.

³⁷ BEIS, *The characteristics of those in the gig economy*, p. 34.

³⁸ Statistical Services and Consultancy Unit, University of Hertfordshire and Hertfordshire Business School, *Platform work in the UK 2016-2019* (June 2019).

³⁹ *ibid.*

per cent and median profits by around 17 per cent. By contrast, mean employee earnings over the same period increased by around 9 per cent and median employee earnings by around 7 per cent. Moreover, 46 per cent of all people who see themselves as self-employed, for their main job, are on low pay.⁴⁰ The significance of these data is played out in the following trends.

In the decade prior to the financial crash, the number of women working as: full-time employees increased by 953,000; part-time employees increased by 222,000; full-time self-employed increased by 96,000; and part-time self-employed increased by 66,000.

Over the same period, the number of men working as: full-time employees increased by 383,000; part-time employees increased by 413,000; full-time self-employed increased by 243,000; and part-time self-employed increased by 100,000.

In the decade since the crash, we have experienced a colossal growth in the under-employment that Beveridge viewed as a main source of insecurity in the lives of our fellow citizens. The number of women working as: full-time employees increased by 968,000; part-time employees increased by 278,000; full-time self-employed increased by 221,000; and part-time self-employed increased by 299,000. The growth in self-employment was more than three times as fast as before the crash.

Meanwhile, the number of men working as: full-time employees increased by 849,000; part-time employees increased by 199,000; full-time self-employed increased by 274,000; and part-time self-employed increased by 212,000. Amongst men, the growth in part-time self-employment was twice as fast as before the crash.

These moves into self-employment, for some people, will have been a positive choice to help balance work with other commitments, or to supplement their existing earnings. However, having made that choice, the reality of this form of work has tended to differ wildly from their expectation.

⁴⁰ The Living Wage Foundation, *Living Hours: Providing security of hours alongside a real Living Wage* (June 2019).

Moves into self-employment will, for others, have represented the only alternative to unemployment. As we have seen, in all too many cases, they have brought with them a life of low pay and precariousness. While various forms of flexibility are valued by workers, they are not valued to the same extent as security.⁴¹ For two-thirds of the self-employed, working in an atypical working arrangement is not preferred to more conventional work.⁴²

Nor are the benefits and drawbacks of self-employment evenly distributed. The majority of self-employed people in cities and large towns are in lower-skilled, usually lower-paid, occupations and rely solely on self-employment for income. This is particularly the case in towns and cities with weaker economies, where the share of self-employed individuals relying solely on self-employment in lower-skilled occupations for their income is even higher. Among three-quarters of the self-employed in Birkenhead, this represents their sole source of income.

Similar considerations are in play when looking at zero-hours contracts. They are, for some, a source of flexibility. However, for many others, they are the only source of work available and contribute regularly to crises in household budgets. One young man in Birkenhead recently paid £4.20 to travel to work for a 6-hour shift and was told to go home after three hours as the restaurant was not busy. He regularly has to wait by the phone for shifts and has no reliable income. Many other people in similar circumstances frequently rely on food banks as their incomes fluctuate from week to week.

Here we are introduced to a second troubling aspect of under-employment: the living standards of workers who, whilst protected by the national minimum wage, are stuck on low earnings and have no means of advancing up the earnings ladder. The Resolution Foundation looked at those who were on low pay in 2001 to see whether they had escaped a decade later. They found that while those who did escape saw their average annual household income grow by 2 per cent, between 2001 and 2011, those who did not saw theirs fall by 2.9 per cent. Furthermore, the likelihood of being in poverty at the end of the

⁴¹ Datta, *Willing to Pay for Security*, p. 21.

⁴² *ibid.*, p. 31.

period was higher for non-escapers.⁴³ Indeed, the majority of people in poverty now live in a household in which someone works. Additional research found that, of all those who were low-paid in 2006, just one in six (17 per cent) had escaped low pay a decade later.⁴⁴

These trends – both in the expansion of the ‘gig economy’ and in the shortage of routes out of low pay – are serving up a triple whammy of trouble for young people. In their report on intergenerational fairness, a House of Lords Select Committee concluded that, ‘slow pay progression is a particularly acute concern for young people. This is a real challenge, as slow pay progression can have serious consequences for progression through life’, ‘insecure employment is concentrated in the younger part of the age spectrum’, and ‘denying workers the rights that come with worker status fails to protect them from exploitation and poor working conditions. This disproportionately affects younger people’.⁴⁵ When laying the foundations of the welfare state, Lloyd George lamented how people working for low wages were unable to put aside adequate sums, if any, to guard against life’s contingencies.

The trends we have presented suggest there is a need for three strategies: to prevent and relieve long-term unemployment with the creation of new jobs that the market alone fails to deliver in certain areas; to rescue the living standards of those millions of workers leading a precarious existence in the ‘gig economy’; and, as part of a comprehensive industrial policy which strengthens our manufacturing base, to equip people with the skills they need to obtain well-paid jobs. Indeed, in an illustration of how central the labour market is to the extent of poverty, Ian Gazeley and Andrew Newell have estimated that, among urban working households, the grinding poverty of the early 20th century had been almost completely eliminated by the late 1930s, largely due to rising real wages, before work on the Beveridge Report had begun.⁴⁶

⁴³ Conor D’Arcy and Alex Hurrell, *Escape Plan: Understanding who progresses from low pay and who gets stuck*, (The Resolution Foundation, 2014).

⁴⁴ Conor D’Arcy and David Finch, *The Great Escape? Low pay and progression in the UK’s labour market* (Social Mobility Commission, 2017).

⁴⁵ House of Lords Select Committee on Intergenerational Fairness and Provision, *Tackling intergenerational unfairness* (2019), pp. 50-52.

⁴⁶ Ian Gazeley and Andrew Newell, ‘The end of destitution: evidence from urban British working households 1904-37’, *Oxford Economic Papers*, 64 (2012), pp. 80-102.

Tackling the Problems Long-term Unemployment

Job Creation

The revival of the state's duty to provide work for the unemployed came during the closing two decades of the 19th century with the issuing of a Local Government Board circular by Joseph Chamberlain on 15 March 1886. The 'make work' obligation contained in the circular expressed the acceptance by the government of the principle that unemployment and welfare was a problem of society, and that if there was any individual responsibility that responsibility had to be tested by the offer of work.

Chamberlain specified that the work offered should not have the stigma of pauperism; that it should be of such kind that unskilled workers could participate; and that it should not compete with or displace existing jobs.⁴⁷ The circular was reissued intermittently in 1887, 1891, 1892, 1893 and 1895 – the periods when trade was particularly bad and unemployment was consequentially high.

The Unemployed Workmen Act of 1905 represented the natural culmination of this newfound responsibility and the increasingly widespread demand for some statutory provision to be made, apart from the Poor Law, for the distressed unemployed. The main thrust of the legislation was in the provision of temporary relief work which would be of 'actual and substantial utility'. The bulk of the work entailed road marking and maintenance, sewerage construction, street cleaning and maintenance of parks and recreational areas.

A most important lesson from this intervention is that 'make work' schemes could be implemented in an attempt to keep people from being kicked to the bottom of society and, worse still, kept there. Secondly, and to reflect the major changes that have taken place in labour supply and demand – particularly with the growth in the proportion of women entering and returning to the labour market – a wider range of jobs would need to be funded if such schemes are to be effective today.

⁴⁷ Bentley Gilbert, *The Evolution of National Insurance in Great Britain: The Origins of the Welfare State* (London, 1966), p. 38.

The Act itself was clearly designed to be a limited intervention targeting only those who were between jobs and unable to find work, or whose job prospects had been blighted by the trade recession. Its reliance on charitable financing was its downfall. Local authorities were denied money for staffing and schemes.

The whole of this great experiment was played down as the debate began to be engulfed by the Liberals' insistence on paying cash benefits, in place of providing work, and a Keynesian revolution during a period of rearmament and reinvestment. Bentley Gilbert concluded that in practice Chamberlain's work relief schemes and the Act were largely ineffective. He argued that these schemes did almost nothing to alleviate hardship for the 'best type of unemployed worker' – from the skilled working class – because the wages were too low and the work provided was too distant from the normal working practices of the skilled workers' labour market.⁴⁸ We contest this conclusion. When adequately funded and carefully thought through, there were some notable successes.

In 1893, the Mayor of West Ham opened a relief fund to provide work for the unemployed, to which Arnold Hills, the proprietor of Thames Ironworks, contributed £1,000. The accounts of the West Ham relief scheme, as Jose Harris tells us, showed that 2,152 workers had been given work for 6d. an hour for six hours a day, for three days a week, at a cost of just over £1 per head. They were set to work on the vast inner-city marshland area of Wanstead flats, preparing football and cricket pitches and an artificial lake, all of which still exist today.⁴⁹

On the other side of the capital, thanks to the wise planning of its vestry surveyor, Battersea was able to reserve work for the unemployed in snow clearance, road building and the construction of the Thames foreshore.⁵⁰

How might such a job creation strategy be introduced today? In Birkenhead, pressing needs include replacing and repairing street lights, caring for children

⁴⁸ Gilbert, *The Evolution of National Insurance in Great Britain*, p. 243.

⁴⁹ Jose Harris, *Unemployment and Politics: A Study in English Social Policy 1886-1914* (Oxford, 1972), p. 86.

⁵⁰ *ibid.*, p. 77.

and older people, maintaining and policing green spaces, keeping streets and alleyways clean and safe, moving towards a low-carbon energy system, and renovating community buildings. There is plenty of work that needs to be done and which would raise the quality of life in the town. The aim of the strategy for which we advocate – where voluntary, private, or public bodies are allocated funds to create subsidised jobs – is to meet these needs while simultaneously creating work for local people in need of a job, thereby giving hope to communities where previously there was none. A job can be the golden ticket in so many ways, particularly for younger people who are at risk of becoming long-term unemployed.

Moreover, while opening up opportunities for the poor, this strategy could also deliver sizeable savings within the welfare budget. If a subsidised job placement of six months was followed by a further six months' unsubsidised work, perhaps with the same employer, a single adult renting privately, with no children, would draw £7,420 less in benefits over that year. The cost of the subsidised job would have been £6,862, delivering a net saving to the taxpayer of £558.

So the picture is more nuanced than Gilbert maintains. Those who registered for work under the Chamberlain schemes and the subsequent Act may well have been rewarded, had the politicians been bold enough to make a better fist of it by providing adequate funds. Indeed, a review which looked at more than 40 such schemes which have been tried in different parts of the world in recent decades, found that, when implemented well, they reduce dependence on benefit, improve the mental health and long-term employment prospects of those who participate, improve the educational attainment of the children of those who participate, and reduce poverty.⁵¹

That Gilbert's version of events became the unquestioned record of this approach owes practically everything to the work and campaigning of Beveridge. Beveridge was one of the most vocal critics of the Act, using his position as a member of the Central (Unemployed) Body for London to promote his ideas on labour exchanges, to eliminate the need for immediate

⁵¹ Indivar Dutta-Gupta, Kali Grant, Julie Kerkisick, Dan Bloom, and Ajay Chaudry, 'Working to Reduce Poverty: A National Subsidized Employment Proposal', *The Russell Sage Foundation Journal of the Social Sciences*, 4 (February 2018), pp. 64-83.

work relief. He was evidently clear in his belief that limited government intervention at the local level to make work for the unemployed was too 'inadequate and misdirected' to make a benevolent impact on the labour market:

The provision of temporary relief, whether in the form of work under the Unemployed Workmen Act or otherwise, is useless, because there is no further shore of good employment upon which the casual will land when the relief is over and worse than useless, because it increases his immobility.⁵²

With Beveridge's analysis came a decisive shift away from work relief in favour of cash assistance for unemployed skilled workmen. In order to establish the superiority of his own analysis he narrowed the size of the unemployment challenge, at the expense of the fate of the unskilled and long-term unemployed.

Labour Exchanges and Unemployment Insurance

Beveridge at this time held to what became known some time after the publication of John Maynard Keynes's *General Theory of Employment, Interest and Money*, as the classical theory on unemployment. The market, he believed, had a natural tendency towards equilibrium and that equilibrium was full employment (at least for the skilled unemployed). So Beveridge devised two policies, one to ensure that the unemployed workmen had the knowledge about job vacancies and, while seeking a job from those vacancy lists at labour exchanges, the other was to tide them over by unemployment insurance.⁵³

Beveridge believed that labour markets had failed to function properly because unemployed workmen did not possess enough knowledge of the range of job vacancies that existed. The assumption was that unemployment was temporary. The labour exchange reform was therefore designed with the equilibrium in mind, specifically to ensure that the labour market worked efficiently. He advocated a duty on government to secure consistent year-round support to workmen through a comprehensive system of labour exchanges – matching supply to demand so the skilled worker needn't

⁵² William Beveridge, *Unemployment, A Problem of Industry*, (London, 1909 and 1930).

⁵³ Harris, *Beveridge*, p. 379.

contemplate the prospect of prolonged periods of unemployment. He didn't stop there, though.

Beveridge maintained from his experience in the East End of London that a policy of 'decasualising' the workforce was essential to tackling the chronic poverty of the casual labourer, and he was convinced that the oversupply of under-skilled and under-trained workers was a root cause of their hardship. On reflection, he came to see that the failure of the labour exchanges to regularise dock labour was a missed opportunity. The census of 1901 recorded 19,710 dock labourers in London, but according to Harris, this was almost certainly an underestimate of those who from time to time sought work in the docks.⁵⁴

Beveridge also realised that National Insurance, as it applied to the unemployed, was neither comprehensive nor universal enough in its coverage. He had therefore hoped to extend the scheme to dock labourers under conditions that would encourage employers to give some security of tenure and to end the casual dock gate system of recruitment based on the level of business that day. He had managed to introduce an amendment incorporating this proposal to the National Insurance Act in 1913 yet, with an unsympathetic new President installed at the Board of Trade, the undebated amendment was allowed to die and with it a huge potential step towards labour market regulation.

By the 1930s Beveridge had, seemingly, softened his views on direct job creation by the state, as a means to relieve mass unemployment. He approved of President Roosevelt's public works programmes in America, for example, which he saw as a natural way of alleviating trade depression.⁵⁵ Likewise, Lloyd George published a 'work for the workless' blueprint, centring on public works schemes, to prevent financial distress during times of high unemployment.⁵⁶

In December 1941, Beveridge also reached one of the central conclusions of what would become his Report. In a paper circulated to his committee, titled *Basic Problems of Social Security with Heads of the Scheme*, Beveridge had

⁵⁴ Harris, *Unemployment and Politics*, p. 19.

⁵⁵ Harris, *Beveridge*, p. 317.

⁵⁶ The Liberal Party, *We Can Conquer Unemployment: Mr Lloyd George's Pledge* (1929).

argued that a backstop would be needed to guard against prolonged dependency or fraudulent activity related to unemployment insurance benefit:

There must, in the last resort, be some element of deterrence in residual assistance, but this deterrence should not take the form of an inadequate cash allowance: therefore, it must take the form of provision of subsistence on conditions of work or training.⁵⁷

The ‘inadequate cash allowance’ path is the one we are pushed down if no job offer is made, of course. This principle was fleshed out in the conclusion of the Report:

Payment of unconditional cash benefits as of right during unemployment is satisfactory provision only for short periods of unemployment; after that, complete idleness even on an income demoralises. The proposal of the Report accordingly is to make unemployment benefit after a certain period conditional upon attendance at a work or training centre.⁵⁸

The Need for Work

Whilst proposals for welfare reform were therefore premised once again on a fully functioning labour market, Beveridge had belatedly come to accept the need for work to perform a backstop function in welfare policy. He proposed for ‘adequate’ flat-rate benefits to be paid, but backed up after six months with the offer of joining a training scheme or taking up work on a public works programme. Today, an initial move towards ‘adequate’ payments would entail an immediate doubling of the basic means-tested rate of Jobseeker’s Allowance, so as to recognise prior National Insurance contributions and safeguard living standards over the period of a six-month claim, to £146.20 per week for single claims, and £229.70 per week for couples.

The Wartime Coalition Government and the post-war Labour Government both decided to shelve the training or work requirement, along with many others, opting instead for a simple time-limited eligibility and a cut-off point for payments. The lessons from the 1930s remained unheeded. The Labour

⁵⁷ William Beveridge, *Basic Problems of Social Security with Heads of the Scheme* (Social Insurance Committee, 1941).

⁵⁸ *Social Insurance and Allied Services*.

Government justified the absence of a work or training requirement by claiming that the time-limit would be enough to minimise the risk of fraud. No backstop was in place to offer or provide work at this point, thereby shifting the duty to the individual. Whilst this individual duty should never be absent, it must also be possible to fulfil.

Even prior to the global financial crash of a decade ago, this sole focus on supply-side reform at the expense of demand-side policies meant the government didn't have the necessary tools to reach its employment target. The patience of taxpayers wore ever thinner.

It was only in its dying days that the last Labour Government turned to direct job creation, in then Chancellor of the Exchequer Alistair Darling's 2009 Budget Speech:

I am also determined that we do even more to protect young people from the damaging impact of long-term unemployment. The alternative is a return to the days when a whole generation of young people found themselves abandoned to a future on the scrap heap. We will not repeat that mistake. So I want to offer a guarantee. From January, everyone under the age of 25 who has been out of work for 12 months will be offered a job or a place in training. Those in work will receive a wage; those in training will receive additional money on top of their benefits. To provide these extra opportunities, we are working with employers to create or support as many as 250,000 jobs. That will include delivering local services and traineeships in social care and other high-demand sectors, as well as jobs for people of all ages in particularly badly hit communities.⁵⁹

So successful was this programme – labelled the Future Jobs Fund, it created 100,000 jobs in the private, voluntary, and public sectors during the depths of the financial crisis – the Minister responsible for its implementation, James Purnell, and his adviser Graeme Cooke, subsequently called for the programme to be extended to all Jobseeker's Allowance claimants at risk of long-term unemployment. They were clear that a guaranteed job offer for all

⁵⁹ <http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090422/debtext/90422-0004.htm>

claimants facing a prolonged spell of unemployment was ‘the final piece in the puzzle of welfare reform’.⁶⁰

We believe that if politicians are to build a jobs-rich economy that benefits the whole of our society and ensures everyone can play their part, direct job creation which brings work to the unemployed, and which builds upon the success of the Future Jobs Fund, is an essential first step. The effectiveness of such a programme would be maximised, and with it the chances of people remaining in work after they have left the programme, by supplementing each job with training requirements or part-time courses.

We look next at a second strategy which centres on those who find themselves in work, but stuck on the bottom rung of the earnings ladder or without the security of a regular wage packet. How can the state provide greater security and more opportunities for this group of workers?

⁶⁰ <http://www.openleft.co.uk/2009/12/04/jobs-guarantee/>

Snakes and Ladders

In and Out of Low-pay

In the modern labour market low pay prompts a variety of individual and structural responses.

First, a growing body of evidence suggests that job-to-job moves offer workers the best means of securing an increase in earnings. Pay increases tend to be slightly higher for people moving jobs and employer, compared with those moving jobs with the same employer.⁶¹ Moreover, spending longer periods of time in a job paying the statutory minimum wage decreases a worker's likelihood of progression and increases the risk of poverty.⁶² However, helping workers in their existing job increase their pay, or hours, is an effective way of lifting them out of poverty.⁶³

A Helping Hand Towards Better Jobs

We see a role for the state in developing new policies to help people climb the pay ladder, out of poverty, and towards financial independence, once they have successfully been helped into work. In particular, it is the logic that Beveridge placed behind labour exchanges for the unemployed that we wish to apply to the under-employed in today's labour market – extending the freedom of lower paid workers and contributing to a more productive economy by matching their skills, circumstances, and ambition with the jobs that are available.

An ambitious reform programme to help people increase their earnings, and reduce their need for means-tested benefit, will necessarily cover low-paid workers who claim tax credits and housing benefit, as well as Universal Credit.

Each part of the country will require a collective organisation with a relatively broad reach among low-paid workers, to bring together work opportunities and help workers take advantage of those opportunities. Each organisation will be a dedicated body, set up with this sole purpose, and comprised of representatives from Jobcentre Plus, local employers, councils, and trade

⁶¹ Low Pay Commission, 2018.

⁶² Avram and Harkness, cited in Low Pay Commission, 2018.

⁶³ Office for National Statistics, *Persistent poverty in the UK and EU: 2017* (June 2019).

unions. Its main benefit to the low-paid would be the provision by a dedicated caseworker of information, advice and guidance, as part of a clear and agreed contract which is aimed at helping them to earn more money. Although it will depend on the individual circumstances of each case, it is likely to be most appropriate for a Work Coach from Jobcentre Plus, somebody fulfilling a similar role for the local council, or a trade union officer, to be given the job of being a first port of call.

The funding for these services could be tied to a target of helping a certain proportion of low-paid workers advance up the earnings scale, either with their current employer or elsewhere. Major savings in public expenditure could lie in moving low-paid workers off means-tested benefit through raising their earnings, having already moved some of this group off out-of-work benefit through the existing welfare-to-work system.

The next leg of the strategy covers those who, for one reason or another, cannot lift themselves off the bottom. It is here that we turn to the structural analysis presented by G.D.H Cole.

Sectoral Pay?

In the same year as Beveridge's report on social security, Cole found that some of the worst examples of low pay were in 'prosperous places and in expanding trades which cannot plead inability to afford a living wage',⁶⁴ and, 'the explanation is not that these employments cannot bear the burden, but that as long as large bodies of workers are left unorganised and unprotected by either trade union bargaining or a legal minimum wage they will go on getting their labour as cheaply as they can, entirely irrespective of their ability to pay'.⁶⁵

As a remedy, Cole suggested that, 'we are in a position at any rate to eliminate the worst forms of underpayment without either incurring any heavy cost or involving industry in any dislocation or loss of markets'⁶⁶. More specifically, he advocated the appointment of a Commission to recommend minimum wage rates, 'trade by trade, using methods analogous to those of the existing Trade

⁶⁴ Cole, *Living Wages*, p. 5.

⁶⁵ *ibid.*, p. 12.

⁶⁶ *ibid.*, p. 6.

Boards’, ‘to discover in what ranges of occupations either excessively low wages’ appeared to exist, and dealing with cases in which the boundaries of particular trades were ‘difficult to define; and, in order that it may be able to do this, its powers should allow it to prescribe rates for a particular establishment, or for a particular branch of a trade, as well as for a trade as a whole’⁶⁷.

The Low Pay Commission’s most recent research paper finds that there are 310,000 workers in receipt of the National Living Wage – the statutory minimum wage for people aged 25 and over – who work in ‘non low-paying’ sectors, such as finance and banking, in which only a small proportion of the workforce is paid at, or slightly above, the minimum hourly rate. One of the conclusions that could be drawn from this finding is that there is room for the wage floor in those sectors – dependent, of course, on companies’ size, profitability, and wage bill – to be raised slightly higher without causing unemployment.

An additional finding within the research paper is that 780,000 workers covered by the National Living Wage are employed in retail, hospitality, cleaning, and maintenance. An unknown proportion of these workers are likely to be employed by firms who depend on major outsourcing contracts from some of the country’s largest and most profitable companies – including those with some of the very highest levels of executive pay. Again this would suggest that there is room in certain parts of the economy for a higher minimum wage, to be implemented through companies’ contracting arrangements, that improves living standards at the bottom without putting jobs at risk.

We recommend that the Low Pay Commission should be tasked with searching for those sectors in which a higher minimum wage, and its extension to outsourced workers, is both feasible and capable of applying upward pressure on the wages of the lowest paid across the board. Several European countries have opted for sectoral minimum wages in place of a statutory minimum wage. The difference between this approach, which relies heavily on collective agreements being negotiated in each sector between industry

⁶⁷ Cole, *Living Wages*, pp. 13-18.

representatives and trade unions, and the proposals we are putting forward, is that sectoral rates should be set at a higher level than, and in addition to the statutory minimum – they should not replace or undermine it.

Acquiring Skills

A third leg of the strategy brings in the acquisition of skills. When people start their first job, or if their job is at risk, it is vital that they are given opportunities to pick up the knowledge and qualifications they need to move to another job at a higher level and with higher pay. Likewise, if they are to be able to expand their operations, and offer more high-waged jobs, it is vital for firms to have access to a skilled workforce. However, there is huge concern around the effectiveness and availability of funds to cover the costs of training.

The Apprenticeship Levy, for example, runs the risk of being viewed as a tax on businesses, rather than a dedicated source of funds with which to train or retrain people. The Government needs to build greater flexibility into the Levy, perhaps as part of a broader lifelong learning strategy which we propose later, by enabling firms to pass funding down their supply chains, pool funds with other local employers or nationally as an industry, and to fund employee wages during training. We believe also that the rules of the Levy should enable any worker whose job is at risk to retrain into a different role, that is less at risk, with their current or future employer.

Alongside this reform, we support the proposal for a Retrainers' Tax Credit to help workers with the fewest recognised skills gain new formal qualifications, and reduce the overall cost to employers of having staff on training courses. This Tax Credit could, for example, help small and medium sized firms cover more than double the cost of training those with secondary qualifications or below; a little more than the whole cost of training those with post-secondary qualifications; and half the cost of training those with graduate or equivalent qualifications.

Fixing the Informal Economy

Many workers on zero-hours contracts wish to have greater certainty in their working patterns so they can plan their budgets and family commitments on a firmer footing. They should be given the right to a guaranteed number of hours – either set at minimum thresholds, or reflecting the number of hours they work during an average week.

For others, pushed from underneath the protective cover of the national minimum, namely those who are misclassified as self-employed, the legal arrangements must be reviewed.

Given the likely trends in consumer demand and technological innovation in the years ahead, the ‘gig economy’ looks set to continue growing. So too will the number of people who are dependent on it for their livelihood.

The law and, as importantly, its enforcement must therefore be upgraded immediately to minimise opportunities for the misclassification of workers and the depression of their earnings. We have documented in a series of reports how certain employers deliberately misclassify workers as self-employed contractors to avoid employment regulation and tax, as well as to shift risks onto workers and gain a competitive advantage.⁶⁸

We propose a new employment bill which codifies in law a clearer, tightened definition of self-employment. The definition should factor in the extent to which individuals really are free from direct control or direction over their work, whether the work they are undertaking is outside the usual course of the operations of the company with whom they are working, and whether individuals are engaging with the company as a business would engage with a client, for example. The bill would also make it easier for workers to challenge their employment status, place the burden of proof on the employer to prove that their workforce is self-employed, simplify and speed up the tribunals system, and allow a new, proactive labour inspectorate to take cases to court. The new inspectorate would be financed by stiffer penalties for non-compliance. Where consequences of abuse are minimal, firms have little incentive to classify workers correctly.

Tightening the legal framework to guarantee hours and clarify employment status would help reduce the precariousness of working patterns for those working in the sector. But we should go further, to apply the Beveridge principles for inclusion in the social security system, by devising a form of

⁶⁸ *Wild West Workplace: self-employment in Britain’s gig economy* (September 2016); *Sweated Labour: Uber and the gig economy* (December 2016); *A new contract for the gig economy: Britain’s new self-employed at BCA, DPD and Parcelforce* (July 2017); *Delivering justice? A report on the pay and working conditions of Deliveroo riders* (July 2018); *Legalising the gig economy: protecting Britain’s vulnerable workforce* (March 2019).

tripartite contributions, that is seen to be just, to finance membership of the National Insurance scheme for those working in the ‘gig economy’, whether classed as self-employed or otherwise. This will enable workers to draw upon social security when work is intermittent and earnings are interrupted.

In the same way, employment law should be reformed so that the standard benefits of a job, such as paid holiday and statutory maternity leave, are given to those working directly and substantially for a firm, on a pro rata basis, even in the informal economy.

This labour code for the modern labour market will form one part of Beveridge’s national minimum for the 2020s. We look next at the second part: a housing market which forms the basis of a stable family life.

VII

Housing

Housing is all too often a significant source of insecurity in the lives of poor and working-class families – both in the capricious framework governing tenancies in the private sector and the distance between rents and incomes. Advice workers in Birkenhead Jobcentre Plus have recorded that half of claimants cite housing as their greatest source of anxiety and concern. Across the country, nearly a third of a million people now find themselves homeless⁶⁹ and it is the cessation of a private tenancy that tops the list of causes of homelessness⁷⁰.

At the same time, housing can also be the basis of stability and opportunity for people who are fortunate enough to have a decent landlord, or to own their own home.

Beveridge left unresolved how the ‘problem of rent’ should be handled by the benefits system, but any serious reform programme for the 2020s cannot afford to do so. Nor, do we believe, can it leave unresolved the desire among working-class families to seek financial security in the ownership of their home. As Tawney wrote, ‘the need for security is fundamental, and almost the gravest indictment of our civilisation is that the mass of mankind are without it. Property is one way of securing it’.⁷¹

The Lords Select Committee on Intergenerational Fairness found that people born between 1981 and 2000 are spending one and a half times more, as a proportion of their income, on housing at the age of 25 than the generation born immediately after the Second World War spent at that age.

Within this overall trend, private renters born between 1981 and 2000 pay 35 per cent of their income towards rent at 25 whilst private renters born just after the Second World War were paying 15 per cent at the same age. Yet mortgage holders in younger generations paid similar amounts to mortgage holders born just after the Second World War at the same age.⁷²

⁶⁹https://england.shelter.org.uk/media/press_releases/articles/320,000_people_in_britain_are_now_homeless,_as_numbers_keep_rising.

⁷⁰ National Audit Office, *Homelessness* (September 2017).

⁷¹ R.H. Tawney, *The Sickness of an Acquisitive Society*, (London, 1920), p. 39.

⁷² House of Lords Select Committee on Intergenerational Fairness and Provision, *Tackling intergenerational unfairness*, pp. 21-22.

A most worrying development has been the widening of the gap between renters' incomes and the rent they are asked to pay, with the Resolution Foundation finding that 'housing costs have been central to the resurgence of relative poverty among younger generations'.⁷³

The significance of changes in both the housing and labour markets, to the risk of poverty, also shines through in an examination of absolute poverty – a measurement that has a fixed baseline of 60 per cent of median income in 2010/11 after housing costs are considered.

Rates of absolute child poverty plummeted among all working households between 1997/98 and 2004/05. These rates have hardly budged any further since then. In fact, they have increased among households where all adults work full-time, one works full-time and the other part-time, and one works and the other is not working. The impact of housing costs is to increase absolute child poverty among households where: all adults are self-employed, by six percentage points (100,000 children); both adults are in full-time work, by two percentage points (30,000); one adult works full-time and the other part-time, by four percentage points (110,000); one adult working full-time and the other not working, by ten percentage points (220,000); and one adult working part-time and the other not working, by eighteen percentage points (110,000).

Similarly, among lone-parent households, housing costs have the effect of increasing absolute child poverty by eleven percentage points (90,000 children) in households where the parent works full time, and sixteen percentage points (170,000 children) where the parent works part-time.

Such trends are not confined to absolutely poverty. Almost half of the five percentage point increase in relative poverty among working households which has occurred over the past 25 years, is accounted for by the fact that housing costs have risen much more steeply for those on lower incomes than for others on higher incomes.⁷⁴ The fall in owner occupation amongst working

⁷³ Fahmida Rahman, *The generation of poverty: Poverty over the life course for different generations* (Resolution Foundation, May 2019), p. 4.

⁷⁴ Pascale Bourquin, Jonathan Cribb, Tom Waters, and Xiaowei Xu, 'Why has in-work poverty risen in Britain?', Institute for Fiscal Studies (June 2019).

households, and the commensurate rise in private renting, also pushed up poverty over the same period.⁷⁵

Recent welfare reforms have contributed to these trends. In 1995, Housing Benefit in the private rental sector was reformed to limit the eligible rent coverable by Housing Benefit to ‘local reference rents’ determined by local rent officers, in a bid to stem the growth in expenditure on Housing Benefit. This system was superseded for new claimants by Local Housing Allowance (LHA) from 2008.

With the introduction of LHA, eligible rent in the private rental sector is limited to the LHA rate. This was set originally as no more than the median (2008-2011) and then the 30th percentile (2011 onwards) of the market rent for a given rental market area and dwelling size. Other factors affecting LHA rate-setting since 2011 are:

- The LHA cap (since 2011);
- Indexation (since 2013) – LHA rates are generally limited to the lower of the 30th percentile or the previous year’s LHA rate increased with indexation (CPI in 2013/14, 1 per cent in 2014/15 to 2015/16, four-year freeze from 2016/17 to 2019/20);
- Provision for high rent areas (since 2014) – targeted affordability funding has mitigated the effect of the four-year freeze by boosting LHA rates by 3 per cent in market areas where rent growth has been highest.

The caps and indexation limits have meant in practice that increasing numbers of LHA rates are lower than the 30th percentile. Since 2013, the Valuation Office Agency has published LHA rates alongside the 30th percentile market rent in each broad market rental area in England. From this data it is possible to track how the two have diverged since 2013, when indexation of LHA rates was introduced.

As of 2019/20, of the 760 LHA rates in England, 735 (97 per cent) are lower than the corresponding 30th percentile market rent (on average 10.5 per cent lower), compared with 224 (29 per cent) of LHA rates in 2013/14 which were, on average, 3.4 per cent lower than the 30th percentile market rent.

⁷⁵ Bourquin, Cribb, Waters, and Xu, ‘Why has in-work poverty risen in Britain?’.

Only 25 (3 per cent) are now set at the 30th percentile, compared with 536 (71 per cent) in 2013/14. Overall, LHA rates are now on average 10.1 per cent lower than the corresponding 30th percentile market rent, compared with 1 per cent in 2013/14.

What can renters expect in return for such a large share of their income? In all too many cases, squalor. Two thirds of a million households are overcrowded and, in 2016/17, 38 per cent of private renters lived in poor housing with either serious damp or mould, a severe safety hazard, or substantial disrepair. This especially affects those whose rent payments consume a larger proportion of their income than the average. 42 per cent of private renters who spend 30 per cent or more of their income on housing live in poor housing, compared with 35 per cent of other private renters.⁷⁶

There is, thankfully, a new law on the statute book which gives tenants the right to challenge their landlord if their property is deemed unfit for human habitation. But just as individual workers find it immensely difficult to challenge exploitative bosses in the courts, so too will renters struggle to access justice if they feel at risk of becoming homeless.

Now we have a law, the next stage must be to introduce proactive enforcement which is funded by the penalties levied on rogue landlords. A most appropriate means of doing so, we believe, would be to appoint a housing ombudsman within each local authority whose job is to challenge poor housing conditions as well as the extortionate rents that tenants on housing benefit are asked to pay for such properties. This, we believe, would fulfil the Beveridgean goal of a state-enforced national minimum.

Beyond this, we propose a new requirement for local authorities to set aside a proportion of each new housing development as a community land trust that is owned by residents' housing co-operatives, specifically to guarantee local people access to housing that is affordable in perpetuity and which they own and manage for themselves.

The reform of stamp duty into a form of National Insurance contribution could help to finance such developments, especially if it was ringfenced as a

⁷⁶ English Housing Survey: Stock Condition, 2016 (MHCLG, 2018).

contribution towards increasing tenants' security and expanding their access to homeownership.

In Birkenhead, we have set in hand the beginnings of a housing and development corporation. Together with local landlords and regional investors, we are scoping the potential for a new body which has as its aim a major increase in the supply of decent and affordable housing for people on low or modest incomes.

We are in the process of acquiring an initial tranche of housing and setting up an ethical lettings agency, and hope to establish a repairs and maintenance scheme for properties which, at the moment, are either empty or in poor condition.

The financing of this scheme, through which investors seek a 5 per cent return on their money, has historical roots. In 1865, having inherited a substantial sum of money from his father, John Ruskin acquired for £750 the leases of three cottages of six rooms each in Paradise Place, Marylebone. He put these rundown properties under Octavia Hill's management and told her that investors might be attracted to such schemes if a 5 per cent annual return could be secured. In 1866, Ruskin acquired the freehold of five more houses for Hill to manage in Freshwater Place, Marylebone. Ruskin provided the capital on condition that he was paid 5 per cent interest per annum – a return that was 7 per cent to 10 per cent lower than other landlords were demanding at the time.

Hill renovated the properties and let them to tenants on intermittent and low incomes. A return of five per cent was obtained as promised to Ruskin; any excess over the five per cent was reinvested to upgrade the properties and ensure they were maintained in good repair.

One source of finance we have already secured, to build new homes in Birkenhead, has come from a group of current and former Premier League football players. We wrote to one of them, as he once played for Tranmere Rovers, asking whether he and his teammates would be open to this idea. In response, they said they were investing their earnings wisely, through their pension fund and the Legacy Foundation, and so we set up a meeting with Wirral Council to make that idea become reality.

Following lengthy negotiations, we are now promised 500 homes on brownfield sites within the old Birkenhead dockland, in this initial stage, as well as large numbers of jobs and apprenticeships.

We look next at the third part of a Beveridgean national minimum standard of living, in the nurturing and education of children from cradle to work.

VIII

A Helping Hand on Life's Path

Improving Children's Chances, Extending Adults' Opportunities

Teachers are able to tell us which children at the age of five will end up unemployed, which ones will go to jail and which ones will be high-fliers. Much of life's race has already been run before children walk through their school gates for the first time and, as the Social Mobility Commission has found, children from working-class backgrounds still suffer disadvantages compared to their more affluent peers, even from birth.⁷⁷ As Eleanor Rathbone stated, when setting out the case for family allowances, such disadvantages in the lives of poorer children have long existed, but what is alarming is, in her words, 'the awakening sense of what these evils mean to the whole community, how they injure its wellbeing and endanger its very existence'.⁷⁸

By tracking a single cohort, the Education Policy Institute has estimated that 40 per cent of the attainment gap at the end of Key Stage 4 is already apparent by the age of five. The gap then grows by a further 20 per cent by the end of Key Stage 2, with the final 40 per cent emerging throughout secondary school.⁷⁹

Other key findings included:

- Overall, there is little change during school years in the gap in school attainment between disadvantaged pupils and their peers. In early years and primary phases, the gap is 4.3 and 9.4 months respectively.
- On the best measure of the disadvantage gap at the end of secondary education (the English Language and Maths gap), there has been a significant slowdown in the rate of gap closure over the last few years – threatening the ambition of significantly greater social mobility.
- For the most persistently disadvantaged pupils, there has been no closure at all in the (English and Maths) disadvantage gap since 2011.

They also found significant (and complex) geographical disparities in gaps in attainment. In particular, there is a band of low primary outcomes spanning

⁷⁷ Social Mobility Commission, *State of the Nation 2018-19: Social Mobility in Great Britain* (April 2019).

⁷⁸ Eleanor F. Rathbone, *The Case for Family Allowances* (Harmondsworth, 1940), p. 106.

⁷⁹ Education Policy Institute, *Education in England. Annual report 2018* (2018), p. 10.

from Merseyside through Yorkshire, with large gaps by age five in Wirral (6.3 months) and Wakefield (6.2 months), and low attainment in the early years and Key Stage 2 in Oldham, Halton and Rochdale.

Beveridge supported an interventionist role for the state in helping parents to nurture their children. He argued that, ‘the State, as the general parent of all the children in the community, must enter where the family fails, and in giving opportunity should do so regardless of race or class. The State should see that every child gets all the opportunities that it deserves.’⁸⁰

As a means of putting this principle into practice, he proposed that maternity benefits should be paid personally by visitors from a friendly society who could offer personal assistance, advice and a listening ear for parents during each visit.⁸¹

Children are most likely to be poor when they, or their siblings, are babies or very young. The Resolution Foundation projects that among children born between 2016 and 2020, more than 35 per cent are likely to be poor at the age of two – the joint highest rate on record for this age group.⁸² It projects also that one in five people born between 1991 and 1995 will be poor in their late 20s, as they begin to raise children, due to a deterioration of their relative earnings and housing costs compared to older groups, as well as significant cuts to working-age benefits.⁸³

As Paul Collier has noted, the key time for the state to make payments that reflect this contribution to society, is when parents are struggling to rear young children.⁸⁴ A first move here could involve doubling Child Benefit for children aged 2 and under, at a cost of £1.76 billion, which would immediately lift 100,000 children free from poverty. Alternatively, giving families the option of frontloading their Child Benefit entitlement to the first five years of a child’s life, which would increase the weekly payment from £20.70 to £74.52 for the eldest child, and from £13.70 to £49.32 for any additional children,

⁸⁰ Beveridge, ‘The Five Christian Standards’ in *The Pillars of Security*, p. 38.

⁸¹ Harris, *Beveridge*, p. 453.

⁸² Rahman, *The generation of poverty*, p. 4.

⁸³ *ibid.*, p. 15.

⁸⁴ Paul Collier, *The Future of Capitalism: Facing the New Anxieties* (London, 2018), p. 161.

could, at minimal additional cost to the taxpayer, lift 300,000 children free from poverty.

But, as Collier has also acknowledged, the state can do more than give money: it can provide in-kind support both within the household and beyond it. Parenting is difficult for every new parent, but some families are in such dire straits that the extent of those difficulties is much underestimated.⁸⁵ Controlling for other factors, parents' social class was more highly correlated with socio-emotional skills for children born two decades ago than five decades ago.⁸⁶

In the spur of the moment when they are faced with toddler tantrums, which are more likely if their child is hungry, tired, or uncomfortable, parents who are experiencing poor mental health or are struggling to make ends meet, adopt harsher parenting by reprimanding their children more intensively than others. The way parents interact with their child in stressful situations can have a direct impact on their child's wellbeing and in their behaviour in later life.⁸⁷

The fact that children from some ethnic minority groups do exceptionally well has led to questions about whether there are clues in their home environment that could explain their attainment. For example, poor Chinese children do better at GCSEs than any other group except Chinese pupils who are not poor. There is some evidence that differences in parenting and the home learning environment could be the key to the success of Chinese children, and to trumping the effects of low income on children's life chances.

Given how crucial these first few years – the foundation years – are to a child's life chances, as well as the difficulties that so many parents face during these years, the state's focus should be on strengthening families while simultaneously equalising children's life chances.

The aim should be that all children are brought up in a safe, secure and stimulating environment; have close and affectionate loving relationships, especially with their parents; have high standards of care and good examples

⁸⁵ Collier, *The Future of Capitalism*, p. 161.

⁸⁶ Joyce and Xu, *Inequalities in the twenty-first century*, p. 10.

⁸⁷ Paper presented by Cheti Nicoletti, Emma Tominey and Valentina Tonei to the Royal Economic Society in 2019.

of behaviour; receive a high standard of education; be protected against abuse; and be guided and supported in the move towards independence and adulthood.

The state's role should be to help parents themselves achieve these aims and provide adequate funding for the provision of pre- and post-conception care and advice, both at home and in the community. It should also guarantee a minimum income and provide options for the best possible education both before and during the child's school years.

In respect of the institutional form this support for parents could take, we believe there is a role for a national friendly society, with local branches which could be based in schools. Parents themselves could help to organise supportive programmes within their local community, but be funded on a collective basis rather than as a charity or business. Indeed, the best possible people to support and advise new parents are those within their local community who are both fully trained to an appropriate level and can relate and empathise with the challenges they face.

A report for the Institute for Fiscal Studies has identified a gap in existing services which a home-visiting programme, targeted at very young children's development, and administered by a friendly society, could fill. Much preschool funding over the past two decades has been targeted at services for children aged three and four, yet inequalities in health and development are already obvious by age two or three.⁸⁸

The Institute for Fiscal Studies report also concluded that low take-up of services such as Sure Start Children's Centres suggests there are communities of parents who are not comfortable attending a group-based setting, and that these families might also be particularly vulnerable to isolation, poverty, and mental ill health.⁸⁹ Similarly, it found that parents are eager for a home-visiting programme and strongly motivated to take part in it; that there is promising qualitative evidence of such a programme's effectiveness; and that it is a more

⁸⁸ Angus Armstrong, Orazio Attanasio, Sarah Cattan, Christine Farquharson, Emla Fitzsimmons, Elaine Fulton, Sally Grantham-McGregor, Karen Hingston, Pam Setterfield, Catrina Storey, Julia Robinson, 'A home-visiting programme for disadvantaged young children: final report for the feasibility study', Institute for Fiscal Studies (July 2019).

⁸⁹ *ibid.*

personalised intervention which can break down barriers that some of the poorest families, in particular, might face when trying to access support.⁹⁰

A two-year programme of home visits, twice a week, with a new book or educational toy being brought in at each visit, holds enormous potential to help parents become their child's first teacher and thereby improve their child's life chances. This should build on the existing Home Start model which works with parents in their own home to boost their confidence, happiness and sense of wellbeing. There would, of course, need to be a significant role for professional staff and extensive training arrangements, to ensure the programme is delivered to the highest quality in every community.

By protecting parents' mental health, strengthening the bonds with their child, and fostering a first-class home learning environment, the country would give itself a fighting chance of preventing children born into disadvantaged homes becoming poor adults.

Looking further up the age scale, to when children are leaving school or seeking a new career, how might collective finance and governance arrangements be applied to the idea of a national education mutual? Could the model which has governed higher education for much of the past two decades be reformed and applied to all forms of post-18 education, so that every citizen can access a lifelong learning account that is funded collectively by National Insurance?

There is, we believe, a role here for a collectively funded scheme, run on a pay-as-you-go basis and governed jointly between elected representatives from the universities and student bodies, employers, trade unions, and apprentices.

The scheme would be tasked with affording every citizen over the age of 18 a personal skills budget, as well as setting fees for different courses in a range of settings, and, based on the skills that are sought by individuals and the shortages identified by employers, determining the availability and broad content of the courses on offer. Each course would be free at the point of use,

⁹⁰ Armstrong, Attanasio, Cattan, Farquharson, Fitzsimmons, Fulton, Grantham-McGregor, Hingston, Setterfield, Catrina Storey, Robinson, 'A home-visiting programme for disadvantaged young children'.

and maintenance costs would be covered by the scheme, with all associated fees repaid through National Insurance, linked with subsequent earnings, on completing the course.

With this model, the country would have a visible body into which it pays directly to upskill all of us at every available opportunity. As the Augur Review on the future funding of post-18 education has emphasised, any new financial settlement needs to be introduced under the banner of ‘contributions’ and reduce what has become the conventional focus on loans and debts to which interest payments are tied.⁹¹

Given that a quarter of university students are studying courses that are deemed not to provide value for money (i.e. that will fail to deliver earnings that offset the cost of their tuition),⁹² and 83 per cent of all student loans will not be fully repaid before being written off after 30 years,⁹³ we see a crucial role for elected trustees in constantly probing and reviewing the opportunities that are offered to people aged 18 and over, both to ensure these opportunities offer a genuine route to self-fulfilment as well as to ensure they are financially viable for contributors to the scheme. Moreover, with post-18 education being financed through a National Insurance scheme, this would leave room for tax cuts.

Above all else, the scheme would need to lend equal weight to each kind of course – be it academic or vocational – so that people wishing to undertake a bricklaying apprenticeship, for example, are treated equally to those choosing to enrol on a history degree. And people should be given the chance to undertake their chosen course at any stage in their career.

As Beveridge noted, ‘dealing with ignorance means [...] giving greater opportunity – greater equality of education – to all children, irrespective of their class or family circumstances. It means that for two reasons: first, that no

⁹¹ Independent panel report to the Review of Post-18 Education and Funding (May 2019), p. 176.

⁹² Nicola Woodcock, ‘Quarter of degrees ‘are never worth the money’’, *The Times*, 7 January 2019.

⁹³ Chris Belfield, Jack Britton, and Laura van der Erve, ‘Higher Education finance reform: Raising the repayment threshold to £25,000 and freezing the fee cap at £9,250’, Institute for Fiscal Studies, (October 2017).

community can afford to waste any of its talent; second, and this is an equally good human reason, that any wasted talent is a source of unhappiness. The people who are being employed below their capacity are the unhappy ones, and we want to abolish that cause of unhappiness as well as use their talents.’⁹⁴

We turn now to the social safety net that is required to protect those who are out of work, or cannot work.

⁹⁴ Beveridge, ‘New Britain’ in *The Pillars of Security*, p. 84.

Adapting the Social Security System to the 21st Century

The Why and How of Reform

Tackling Poverty – Problems to Surmount

During the early 20th century, mutual welfare bodies protected large numbers of working-class households' quality of life. However, their broader success in tackling poverty was limited. Hence the role that Lloyd George, through state pensions, and then Beveridge, through the extension of National Insurance, carved out for the state in guaranteeing minimum standards of living.

Beveridge's poverty line was very carefully designed to buttress a set of principles and conventions such as equality of treatment, disregard of means, and contractual entitlement based on prior contribution.⁹⁵ As he wrote of his Plan, 'if you want to abolish Want you must provide a minimum income as of right, without any question of other means, to meet those inevitable interruptions of earnings.'⁹⁶ This is simply impossible under the present regime, as we explain in the next section.

Housing presented special problems in the 1940s and does today. We propose a new and innovative role for local authorities in enforcing minimum standards, setting aside land for affordable housing that is managed on a co-operative basis, and supporting the creation of ethical lettings agencies which offer tenants decent accommodation at rates they can genuinely afford. With the government heralding the 'end of austerity', too, we believe it only fair that the cuts made to housing allowances for renters on low incomes are made good, and that new products be made available, and de-risked, for first-time buyers who are unable to rely on the 'Bank of Mum and Dad'.

Beveridge's other giant, 'ignorance' matters as much today, with much to achieve in very different circumstances to improve life chances from birth through childhood. We consider the establishment of an intensive home-visiting service for parents with young children, run as a friendly society, alongside an adequate minimum income for families, to form an essential starting point.

⁹⁵ Harris, *Beveridge*, p. 489.

⁹⁶ Beveridge, 'New Britain', in *The Pillars of Security*, p. 82.

Idleness presents a new range of challenges given today's labour market is characterised, for all too many of our fellow citizens, by long-term joblessness and under-employment. We propose a job-guarantee scheme for those at risk of long-term unemployment, help for people on low earnings to climb the pay and skills ladders and out of poverty, and stronger protection for those stuck on zero-hours contracts or on very low pay in the 'gig economy'.

Beveridge's main proposals for a social insurance system have evolved in a manner which leaves today's beneficiaries without the cover he intended. The remainder of this chapter considers the context today and proposes the basis for a new contract for welfare.

Universal Credit - Inflexible, Complex, Unpunctual and Means Tested

All too often, the state itself, and Universal Credit in particular, is too inflexible to protect people from poverty when they lose their job or become sick. Instead, it compounds their poverty. The trends in public expenditure that we have outlined, in combination with the way social security is now administered under Universal Credit, suggest that the ability of the state to counter volatility or insecurity in people's lives has diminished over the past decade.

Benefits need to be paid quickly and accurately if they are to relieve poverty and prevent destitution – they must arrive in the right hands, in the right amount, on the right day. Universal Credit regularly fails on all three fronts, relying as it does on a hotchpotch of six different means tests and a monthly payment mechanism that is often out of sync with people's budgets, earnings, and rent.

The necessity of paying benefit quickly is one of the main reasons why we support a contributory scheme, in which benefit is paid as of right based on an individual's previous contributions, whereby entitlement can quickly be established, and payment set in hand immediately. On so many occasions since the Beveridge Report, attempts at providing a national minimum have relied on a complex strategy of tax-financed means-testing, i.e. providing benefits or services only once a claimant has proved that they are poor enough to be eligible for them.

Between 1979 and 2011, the proportion of the social security budget allocated to contributory benefits declined from 62 per cent, to 42 per cent, while the

proportion allocated to means-tested benefits increased from 16 per cent to 39 per cent. Looking specifically at the working-age side, the decline in the proportion of the budget allocated to contributory benefits took it from 28 per cent, to 9 per cent, while the proportion allocated to means-tested benefits increased from 34 per cent to 65 per cent.

Such a strategy has militated against the habits that Beveridge viewed as essential to the functioning of his Plan, i.e. that through their own efforts, and with adequate support, our fellow citizens could attempt to pull themselves away from the national minimum. In Beveridge's view, workers, consumers, insurance claimants, and the unemployed would work and save if it were in their interest to do so, and would not if it were not.⁹⁷ With means tests, all too often it is not – for every pound earned, around 63p is recouped by the state through reduced benefit entitlement.

As we now see with Universal Credit, such a strategy also makes it impossible for people to move quickly onto benefit when their need is greatest. Due to the volume of information and supporting documentation required to make a claim, benefits and services that rely on means-testing tend to be the most difficult to access. By erecting such a formidable barrier to claiming benefit, through the application of this means test on an online-only system, politicians have pushed a small army of poorer people into debt and destitution. In 2018, the proportion of new claims for Universal Credit taking longer than five weeks to process and pay ranged from 14 per cent to 28 per cent, and it is the most vulnerable claimants – those who are disabled or who have children – who are most likely to be affected by delays. 1 million people moving onto Universal Credit have had to take out a loan from the state, to tide them over the minimum waiting period of five weeks for their first payment, and then pay off this debt from their subsequent monthly payments. In August 2019, the government was deducting £50 million from people's monthly payments to pay back the loans they had been forced to take out to fend off destitution. This is a newly emerging driver behind the growing need for food banks in our country. The absence of any work allowance for the second earner in a household, too, blunts any anti-poverty potential within Universal Credit, as it actively disincentivises both adults in a household from working.

⁹⁷ Harris, *Beveridge*, p. 487.

Universal Credit has ripped the ‘security’ from social security. Its toxic combination of time-consuming means-testing, complex and unreliable online systems, and monthly payments has thrown poorer people’s finances into total chaos.

Nor is Universal Credit able to provide the ‘social’ element of social security. In place of the friendly face of a fellow mutual member, we now have to engage with online accounts. Vulnerable claimants, without money and seeking help, are told to leave messages on their online account. But many of them simply do not get answered. Likewise, frontline staff who *do* have face-to-face contact with claimants are up against the clock with ever increasing caseloads, meaning they cannot give the necessary time and thought to claimants’ concerns. Partly as a result, pressing needs that can be the difference between a claimant accepting a job or not, such as upfront childcare payments, are too often neglected.

Given that much of Universal Credit’s design owes itself to cost-cutting, it is clear that, if the most vulnerable claimants in particular are to receive an adequate service from the benefits system, the welfare budget will need to increase. This increase will need to be tied to outcomes such as stabilising the incomes of the poor during times of need and helping people into work, and advance up the earnings ladder, more quickly.

Contribution Not Tax – Re-defining Beveridge’s Blueprint

If it is to be a politically palatable increase, the proportion of this larger bill footed directly through ‘tax’ cannot be allowed to grow. The aim must be to establish a national minimum standard of living, financed through National Insurance contributions which are viewed by the public not as a tax but as a social insurance payment. This must be the basis for any expansion of welfare – a personal, contractual entitlement to benefit based on prior contribution. Universal provision needs to underpin our standard of living when we cannot work, and such provision needs to be offered quickly without a test of income, but based on our contributory record.

Separately, the value of other benefits, financed from general taxation and designed specifically to cover the additional costs of renting, raising a family, or being disabled, for example, needs to be reviewed constantly against the backdrop of changing prices and earnings.

Beveridge was sympathetic to the view that an administrative definition of ‘subsistence’ should take account of changing social perceptions of human needs.⁹⁸ Indeed, his own suggestions for minimum rates of benefit drew heavily upon the Rowntree surveys of working-class living standards.

The most comprehensive estimates that have been produced in recent times suggest that, depending on household composition, today’s benefit and tax credit rates cover between a third and two-thirds of what the public deems to be an acceptable minimum standard of living.⁹⁹ With such low public confidence in the benefits system, their value has been allowed to wither over a number of years.

‘Security’ needs to be reinserted into social security by a system which provides an adequate minimum income in a way that works with the moral grain of the working- and middle- classes. Benefits would be provided speedily and accurately, on an insurance basis, for those unable to work through sickness or temporary unemployment. These benefits would be non-means-tested, in view of the patent failures of means-testing. But for those who are able to do so – and let us stress that this would not apply to those who are unable to work – they would be conditional on availability for work, a condition which would have to be administered and enforced by a guaranteed job offer after six months. Everyone is guaranteed a job – but also expected to take one.

A New Contract for National Insurance - Contribution not Tax

We propose a new contract whereby increased National Insurance contributions serve to provide adequate income substitution upon the loss of a job, or the onset of sickness:

- A national social security mutual would collect National Insurance contributions and administer benefit claims during periods of unemployment or sickness.
- The scheme would be funded by contributions from workers, employers, and the state, with individual member ownership and control through an elected board. This will protect contributions from Treasury raids.

⁹⁸ Harris, *Beveridge*, p. 386.

⁹⁹ Joseph Rowntree Foundation, *Minimum Income Standard*, 2018.

- Employers and trade unions would have places reserved on the board. They would, through their local offices and branches, be well-placed to match unemployed claimants with job vacancies in their area.
- Membership of the scheme would improve access to finance for the poor and working-class – so many years' contributions could be used as wealth collateral.
- A first payment of unemployment or sickness benefit would be set in hand on the same day a claim is made, and paid within a week.
- Once this first payment has been made, an appointment would be arranged to negotiate and agree the duties of the scheme and the individual throughout the duration of the claim.
- The new scheme would pay benefits at a higher rate than the current level of means-tested support for the first six months of unemployment or sickness.
- People drawing benefit would have the choice of monthly or fortnightly payments.
- Payments would be made regularly alongside 'MOT' meetings, to determine whether the initial agreement is being fulfilled by both sides or if marginal adjustments are required to reflect changing circumstances.
- For claimants who are sick, these meetings would also determine the severity of their condition, the levels of care they require, and how, if at all, they can plot a return to work. This would replace the one-off Work Capability Assessment in the current system which, being such a blunt instrument, often fails to gauge accurately the full extent of a claimant's sickness.
- At the six month stage of the claim, a guaranteed job would be offered or a long-term care plan would be implemented.
- Employers' contributions to the scheme could be reduced if they improve the pay and security of their workforce.
- Any attempt at clawing back historic overpayments of benefit, which occurred as a result of poor design and delivery by the state, would cease.
- Government's sole aim should be to establish a legal framework, ensure that benefit is linked to contribution, and fund the job guarantee at the six month stage.

- The Government Actuary Department should be asked to look into how a fundamentally restructured National Insurance scheme could work and how much it would cost.
- Separate tax-funded assistance will still be required to cover additional costs incurred by disabled people, families with children, and tenants who live in rented accommodation.

Managing Social Security - Principles and Practice

Unlike Beveridge, we propose that this scheme be funded on a pay-as-you-go basis, i.e. today's contributions finance today's benefits, so that poorer people can begin to benefit from it now, when it is needed, rather than wait 20 years. Social security should not be trapped within a Beveridgean cocoon, but rather Beveridge's ideas should be applied to the world as it is now and as it is continuing to develop.

It is the mutual organisation itself, as well as the value and timeliness of payments, which holds out potential for wider societal benefits. Indeed, Beveridge lamented soon after much of his Report had been implemented, that a great deal of unhappiness remained in Britain, untouched by state-run social security and full employment.

Throughout his life, according to Harris, Beveridge's ideas about reform were constantly torn between two mutually antagonistic administrative models. On the one hand, he was strongly attracted by a pluralistic, 'voluntarist', model of social organisation – a model wherein agreed national minimum standards could be built upon by numerous small self-governing societies, which would be encouraged and subsidised by government but allow a great deal of scope for autonomy, initiative, individual choice, and group solidarity. And, on the other hand, he was equally attracted by a much more monolithic model, in which the inefficiency and injustices of pluralism – in duplication of functions, its failure to cope with deprived minorities, or its sheltering of vested interests – would be cancelled out or superseded by a comprehensive, uniform system of impersonal public administration. Much of Beveridge's career as an institutional reformer revolved around an attempt to resolve the antagonism between these two models.¹⁰⁰

¹⁰⁰ Harris, *Beveridge*, p. 4.

‘I think there is perhaps a tendency’, he told the Royal Commission on Unemployment Insurance in 1931, ‘to think that the Government has greater responsibilities than the Government or any Government can possibly fulfil’.¹⁰¹ The early rollout of Universal Credit lends credence to this statement. If it is beyond the ability of a state-run benefit system to deliver timely and accurate payments, especially for those who rely on tax-financed support that falls outside a national social security mutual, and to meet particular needs such as upfront childcare payments, what role could a people’s bank take on?

Large numbers of people cannot obtain credit from normal sources and are therefore subjected to massive rates of interest. Rates above 500 per cent are among the worst that we have come across in Birkenhead for a six-month loan. Although for shorter term loans the rate is very significantly higher – interest rates of 1,557 per cent are not unknown. The Government announced in the 2018 Autumn Budget that it is to begin offering interest-free loans but none of these have yet been issued.

The idea of a people’s bank would be for one of the established banks or building societies to administer financial services – the policies for which would be decided by a board of people’s bank trustees – to people on low incomes, that both manage their money in a way in which they are used to budgeting – this would differ to the totally alien way they are told to budget under Universal Credit – and offer loans and repayments within a realistic repayment framework. It could therefore offer politicians the tools they need to achieve the objectives set out earlier in this section, namely, of making benefits flexible enough to fit around the reality of how most families on low incomes try to budget, work, and save. Ideally this would entail a special co-operative bank into which benefit payments and top-up savings could be made – with income streams helping to cover costs of lending, and so on.

Indeed, this initiative would involve account holders signing an undertaking to ensure any loans made to them are repaid at rates which are reasonable and manageable. There would be little, if any, of the bad debt that is usually the grounds on which money lenders claim their need to levy the astronomical rates of interest on poorer people forced to borrow from them.

¹⁰¹ Harris, *Beveridge*, p. 302.

Membership organisations based on shared values and interests encourage sympathy. In the case of a people's bank, or a similar institution set up administer social security benefits, mutual aid could extend beyond strict contractual entitlements and obligations. In providing additional aid to their members, they could draw on voluntary action to reduce costs and give individuals an increasing sense of self-worth. They could also offer employment to their members who were having difficulty in re-entering the labour market. Equally important, we need groups of association which give us a sense of time, locality and importance.

We live in an age when self-interest and self-help both need to be encouraged and directed in an incorporating manner, so that the least advantaged are not excluded.

Conclusion

The ‘five giants’ identified by Beveridge – want, idleness, squalor, disease, and ignorance – were being abated to varying degrees under successive governments during the early post-war period. Yet, amid a rising tide of prosperity, they have reappeared alongside new giants like rocks in the sea. Meanwhile, there remains much resistance among the public against paying for the programme that matches the hour’s need.

Each of the proposals we have advanced has as its goal the elimination of gross insecurity and precariousness from our shores, and their replacement by dignity and opportunity for all our fellow citizens.

Agreement now needs to be gained over how to pay for them. We have tried to demonstrate how the beginnings of an agreement lie within a radically reformed National Insurance scheme.

Each of our proposals also draws upon a combination of laying down legal minimum standards by the state, the creation of universal services that are funded by National Insurance contributions, and new forms of mutual governance to deliver a welfare system that is responsive to the needs of our communities.

We, like Beveridge, believe that this mixture of state and mutual welfare holds the key to unlocking a reform programme which commands broad public support. It does so by combining the self-interest of a majority of citizens with the interests of the poor. It does so also by making more transparent the means of financing welfare and opening up opportunities for greater freedom and prosperity among those who feel trapped, isolated, and let down by the present system.

This is the active welfare system which can move our country towards genuine full employment, banish low pay and destitution to the history books, equalise life chances, empower renters and buyers, and care properly for the sick, frail, and elderly.

Beveridge wished for his proposals to slay ‘five giants’. We set for ours five giant aspirations. It is now over to the Prime Minister to enshrine these aspirations in a new welfare contract for the 2020s.

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The Prime Minister, Boris Johnson, is determined to ‘level up’ across the whole country and leave no one behind. For Frank Field, one of the most respected parliamentarians of a generation, if that is to happen, there must be radical reform of the benefit system.

In *Revisiting Beveridge: A Benefits and Welfare System for the 21st Century*, Field, and his co-author Andrew Forsey, discuss the failings today. Not only have benefit cuts taken a toll. But the more fundamental problem of means testing undermines incentive and aspiration, often penalising working people who just about ‘get by’.

Field, who chaired the Work and Pensions Select Committee until December 2019, and Forsey explain how and why welfare doesn’t work, highlighting some of today’s problems. Fragile family structures, poor life chances, inadequate training opportunities, and difficulties in finding a good job with prospects that pays the bills make for a bigger picture of failing labour, housing, and social care markets. The upshot is that millions of poor and working-class households lead a precarious existence, with basic needs unmet or sacrificed.

The authors propose practical measures to overcome each of these. To overcome the fundamental problem of funding, they recommend a break with the past to propose a new social security mutual run and managed independently of the state which would set the rules and legal framework. The mutual would work with others, new friendly societies, housing co-operatives, and modern employment services, to prevent, or failing that, to overcome the difficulties that get in the way of rewarding working lives.

NIC contributors would own the fund, and entrust its management to a board acting according to the rules. That would give ordinary people a stake in the system and control over their NICs to meet life’s needs when they arise and the power to take the long view.

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