

## Welfare benefits system - is it fit for purpose?

### History

Some authors have suggested that welfare benefits have been available for the poor for centuries from individual philanthropists and charities.

### Government involvement (UK)

Government involvement began with the introduction of The Poor Law of 1834 which:

- Was meant to reduce the cost of looking after the poor and impose a system, which would be the same all over the country.
- Parishes were grouped into unions to provide for the poor.

### Introduction of State Social Services

The **Liberal government** did not introduce the 'welfare state', but it has been seen as laying the foundations of a "social service state".

Concerns with "national efficiency" fuelled the desire to provide an infrastructure of public services: these services were deliberately provided outside the Poor Law, to avoid the stigma associated with pauperism.

The result was:

- 1905 Unemployed Workmen Act: This made grants available to businesses or local authorities to hire more workers.
- 1906 Education Act: free school meals.
- 1907 School Medical Service.
- 1908 Old Age Pensions: these were non-contributory, but denied to paupers.
- 1909 Labour exchanges: this introduced labour exchanges (now called job centres).
- 1911 National Insurance Act: this covered medical care and unemployment.

### The welfare state

The welfare state was, in Beveridge's famous phrase, a "British revolution" - an attempt to break away from the legacy of the Poor Law and to establish a new, universal system on completely different principles. The Poor Law had been a "residual" system or safety net, responding to poverty; the Welfare State was going to offer support for everyone, as of right.

1942 Beveridge report - Beveridge proposed a system of National Insurance, based on three 'assumptions':

- Family allowances:
  - Beveridge accepted the principle of a 'family wage', but wages could be only adequate to support a family if more was made available for families with children. However, Beveridge **did not accept** the principle of a minimum wage, which would also be necessary for a 'family wage' to be adequate.
- A national health service:
  - Beveridge took for granted a principle that provision for health and unemployment had to be made for both, because otherwise

one set of needs would spill over into the provision made for the other.

- Full employment:

- Mass unemployment would make the scheme unaffordable.

Several measures were introduced before the foundation of the 'welfare state':

- 1944 The wartime coalition government committed itself to full employment by Keynesian methods, which had been shown to work by the New Deal in the USA.
  - Keynes advocated increased government expenditures and lowering of taxes to stimulate demand
- 1944 Education Act: free universal secondary education
- 1945 Family Allowance Act.
- The Labour Government was elected later in 1945. The timing of key legislation was set to come into force on the same day, 5th July 1948 - a process which emphasised that, from that point on, everything was supposed to be different. The key measures were:
  - 1946 National Insurance Act
  - 1946 National Health Service Act.
  - 1948 National Assistance Act. This contained the abolition of the Poor Law, and set out a new legislative framework for provision for people in need, including residential care.
  - 1948 Children Act, which established local authority departments to receive children into care.

### **The Welfare State - Never Ending Reform**

*By Frank Field*

'Thinking the unthinkable' was the task for Labour's final years in opposition before 1997, and was part of the strategy of making Labour electable. It was **never meant** to be an activity undertaken in government.

Thinking the unthinkable in Opposition took place across five inter-related areas:

- It was not simply a question of the size and the rate of growth of social security expenditure. The key issue was the growth of means-tested welfare and in particular how this form of provision affected the actions of recipients.
- Welfare was not therefore seen as a neutral agency operating in society. Rather it was one, which, for good or ill, helps determine motivation, shape action and thereby determine character. (de fact - Social engineering)
- Welfare had to work with the grain of human nature. Self-interest, one of the most powerful of human instincts, had to be the cornerstone around which welfare reform was built.
- A clear distinction had to be maintained between the means and the ends of welfare policy. In order to gain adequate universal pension coverage for instance, new partnerships between the private and mutual sector were necessary.

- Welfare reforms were not merely an add on to the government's constitutional reform programme. Proposals for building up membership organisations which are separate from the government on the one hand, and privately owned companies on the other, would have a central role in rebuilding civil society which itself was an aim of welfare reform. (Private Financed Initiatives (PFIs))

### **Safety net for the unemployed**

*Rt Hon Amber Rudd MP*

Delivering a speech at Kennington Jobcentre Plus on 11 January 2019, the Secretary of State for Work and Pensions, Rt Hon Amber Rudd MP (the Secretary of State), outlined “three fundamental principles” that she said should underpin the UK’s welfare system:

**First:** work

- Those who can, should
- Those who cannot should be protected from poverty.

**Second:** work should always pay.

**Third:** the system should be fair.

- Fair for taxpayers who pay for it
- Fair to those who receive it
- Fair to future generations—who do not deserve to become trapped in it.

*“As a nation, I believe we all want a decent safety net: if you’re facing a difficult moment in life, the state should be there to help you. Whether that’s becoming unemployed, falling ill, or facing bereavement—nobody should find themselves alone in desperate circumstances. But it is vital that people are supported by this safety net, not trapped beneath it.”*

### **New constructs**

#### **Universal basic income**

Universal basic income (UBI)—defined as a transfer that is provided universally, unconditionally, and in cash—holds an attractive promise of change across many lines. These include coverage potential:

- Fairness in social contracts
- Power relations in labour markets
- Gender equity, among others.

It may speak, for some:

- To the appetite for social justice generated by glaring and growing inequalities in societies.
  - From this standpoint, a UBI engenders interest as a societal ideal to which to aspire, and not merely a program.
- For others, a UBI is poised to:
  - Mitigate the effects of purported massive job losses from automation.
  - Streamline the chaotic plethora of state-provided schemes.
  - Empower people by redirecting natural resource and related revenues from public coffers to citizens.
    - In effect reflecting the TUC policy on “**redistribution of wealth**”.

## **Job loss protection scheme**

Workers contribute to a Job loss protection scheme:

- Contributions to be based on income
- Protection to be based on contributions
- The scheme in effect to - Mimic the Workplace pensions equivalent

## **Summery/Conclusion**

The question implies that there is a solution for governments to provide a “Welfare benefits system – that is fit for purpose”.

There is no doubt that historically provisions have improved slowly up to 1948 and more rapidly thereafter. However, Frank Field both in the title and in his article has encapsulated that the best that can be said of the Welfare benefits system is that it is in a process of Never Ending Reform.

## **Bibliography**

Welfare safety net – speech at Kennington Jobcentre Plus on 11 January 2019 by the Rt Hon Amber Rudd MP (the Secretary of State)

Accessed at:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/1539/153904.htm>

The Welfare State - Never Ending Reform - By Frank Field MP

Accessed at:

[http://www.bbc.co.uk/history/british/modern/field\\_01.shtml](http://www.bbc.co.uk/history/british/modern/field_01.shtml)

Exploring Universal Basic Income : A Guide to Navigating Concepts, Evidence, and Practices – Report World Bank

Accessed at:

<https://www.worldbank.org/en/topic/socialprotection/publication/exploring-universal-basic-income-a-guide-to-navigating-concepts-evidence-and-practices>

Redistribution, social insurance and fairness - Declan Gaffney on TUC Blog

Accessed at:

<https://www.tuc.org.uk/blogs/redistribution-social-insurance-and-fairness>