



nef briefing

Beyond Beveridge

A new economics vision of a new social settlement

The Beveridge report was designed to deal with extreme social conditions. Time has moved on, but the challenges we face are no less urgent. To develop a new social settlement that is fit for the 21st century, we must combine the strengths of the post war model with new perspectives and priorities. In this short briefing, we set out five goals for a new social settlement, and put forward eight steps that should be taken to make our welfare state more socially just and sustainable.

Introduction

The Beveridge Report was designed to deal with extreme social and economic conditions. Beveridge called it 'a time for revolutions, not for patching'.¹ Seven decades later, we face an entirely new set of problems. We might call them the 'five giants' of the post-Beveridge era. Not the ravages of war or even the combined scourge of 'want, disease, ignorance, squalor and idleness' (which were Beveridge's 'giants'), but dramatically widening inequalities, catastrophic threats to the natural environment, a dysfunctional economy, a moribund democracy and a dangerous erosion of social solidarity.

Unlike Beveridge's 'giants', which put the spotlight on problems experienced by individuals, today's 'giants' focus on problems that are shared. They afflict everyone, across generations and social groups. The poorest and weakest usually suffer first and most, but one way or another they blight the lives of all.

To develop a new social settlement that is fit for the 21st century, we must combine the strengths of the post-war model with new perspectives and priorities, set out

below. The aim of this document is not to specify a new plan in detail, but to map out the direction of travel. **nef** is preparing a more detailed analysis, to be published in 2013.

Goals for a new social settlement

To tackle the 21st century 'giants' we need a new social settlement, which will:

- give priority to promoting well-being for all and reducing inequalities;
- work within environmental limits;
- be able to function well without relying on economic growth - because growth is uncertain and anyway there's a real danger that unchecked growth will wreck the planet;
- shift power from elites towards ordinary citizens and help to transform the relationship between citizens and the state;
- foster solidarity and reciprocity, through shared investment, ownership and benefit.

Background: the Beveridge legacy

The Beveridge Report, presented to Parliament on 1st December 1942, laid the foundations for a sequence of new laws at the end of the Second World War that established the welfare state. It had many strengths that must be saved and integrated into a new settlement. Notably, it confirmed the principle that society as a whole, through the state, should share risks that individuals cannot cope with alone, and that it was the role of Government to distribute resources more fairly across the population - for example through contributory social insurance, backed by taxation, against the risks of sickness, disability, unemployment and loss of income in retirement. Though his main focus was on social insurance, Beveridge insisted that this 'should be treated as one part only of a comprehensive policy of social progress.' Essential services, including health and education, were subsequently established for all who needed them, not just for those who could pay, providing a secure foundation for everyone. Furthermore, Beveridge was committed to tackling the causes, rather than just the symptoms, of harm. His report inspired a range of measures that aimed to put an end to poverty, unemployment, ill-health, lack of education and poor housing. We should never underestimate the immense achievements of the post-war welfare state.²

Over seventy years, however, some of Beveridge's best intentions have failed to materialise. The welfare state has focused less on preventing harm and more on coping with things that go wrong, so that far more money is spent on hospitals, prisons and benefits, than on preventing illness and crime, or making sure there are decent jobs for all who need them.³ It has gradually taken power away from people by treating them as passive, needy 'service users', depending on others to fix their problems. Increased means-testing of benefits and services has built up barriers to self-sufficiency and trapped many in poverty. Costs have rocketed and critics have multiplied.⁴

People at all points of the political spectrum are grappling with the post-Beveridge question: what kind of welfare system will best suit today's needs and conditions? Some argue that we should leave it all to market forces, to individual choices and competition between providers, with a minimal and punitive safety net.⁵ This thinking is an extension of the radical free market approach that led to the 2008 financial crisis.⁶ Unfettered markets have failed on their own narrow terms and have done so at huge social and environmental costs. So we take this line of argument to be discredited and will not dwell on it here.

Others argue for an end to means-testing, for example, by reinstating a contributory insurance system, or for strengthening universal services and benefits.⁷ These arguments are important but, in our view, they miss the bigger picture. We must build on stronger foundations.

The bigger picture: framework for a new social settlement

A new social settlement must take a **broader view** of how human society flourishes and the underlying causes of well-being. It must take a **longer view** of how today's plans and actions affect the life chances of future generations. It must take a **fresh view** of the economy, by tearing up the neo-liberal rule book, which is stifling political imagination and undermining the prospect of building a good society and a sustainable future.

A broader view: beyond productivity and pay

At the centre of our vision for a new social settlement is an understanding that human well-being depends as much on what people do *without pay* as on people's paid labour. It also depends as much on work that is 'unproductive' (in the conventional economic sense) as on productive work. In other words, it depends on how people use their time – to look after themselves, each other and the natural world, to invent and create, to teach and learn, to reflect and imagine, to engage and to participate.⁸

Instead of just focusing on full employment and insurance against worklessness, as Beveridge did, a new social settlement must recognise, value and support the abundance of unpaid activity and 'unproductive' work that makes the world go round: caring for others, bringing up children and housework, volunteering, taking part in local activities and campaigns, and much else. It is important to recognise that, while everyone has the same number of hours in the day, people have widely varying degrees of control over their time. The unequal distribution of 'free' or 'discretionary' time is both cause and effect of unequal distributions of paid work, money and power. How time is used has a big impact on society, environment, economy and democracy. So a new social settlement must aim to distribute time more equally between different groups in society and especially between women and men. A good start would be a commitment to move progressively towards a shorter working week.⁹

And if people are to work shorter hours without widening inequalities, it will be essential to raise minimum hourly rates of pay – so that it is possible to earn a fair living income not in 40 hours a week but in, say, 30 hours.¹⁰

A longer view: beyond health, education and pensions

Planning for the future, the post-war welfare state included universal education and health services and social protection to safeguard the capacity of current and future generations to live healthy, secure and self-sufficient lives. Retirement pensions, funded through social insurance, have become an essential part of the post-war welfare state and, more recently, policy makers have grappled with the challenge of funding social care for frail elderly and disabled people. Health, education,

social care and pensions are no less important in the 21st century, but a new social settlement must go further. It must be designed to prevent harm to the environment, as well as to society and the economy.¹¹

Seventy years ago, few people worried about natural resources or climate change. Today, there is overwhelming evidence that human activity is causing lethal damage to the ecosystem, on which all life depends.¹² This is a central concern, not only because the aim of 'well-being for all' includes future generations, but also because symptoms of environmental damage, such as weather extremes and pollution of air, land and water, are increasingly threatening the well-being of today's generations. A new social settlement must aim to be carbon neutral and to protect the natural environment, not as an add-on or cosmetic but as a vital component of all its features. In practice this means that investment and action must be shifted upstream to prevent harm to the environment as well as to society. The institutions and activities of a new welfare system must be designed and managed so as to cut carbon emissions, use renewable materials and fuels, improve energy efficiency and reduce waste.

For society, priority must be given to tackling the underlying causes of illness, insecurity and inequality, which can be traced to unemployment, poverty, powerlessness and poor education as well as lack of opportunity and a disadvantaged family background.¹³ It will be important to develop and promote measures that create virtuous circles, by improving both well-being and environmental sustainability – for example by producing healthy, affordable, accessible low carbon food, promoting access to green spaces and encouraging active modes of travel such as walking and cycling.

Preventing harm not only helps to improve the quality of people's lives; it also makes more efficient use of public resources by saving money that would otherwise be spent on coping with avoidable problems once they have occurred. For the longer term, it is the best way to ensure that measures to improve well-being are effective and that services remain affordable.

A fresh view of the economy: beyond growth

Beveridge planned for a future where the economy would grow. For most of the last 70 years, in spite of cyclical downturns, the economy has continued to grow, producing more tax revenues to pay for an expanding welfare state. Until recently, the standard government response to failures of welfare policy, and to new demands for more and better services, has been to spend more money. In the last decade, private finance has been brought in to supplement public funds – helping to build new hospitals and schools (but with considerable hidden social and environmental costs, as noted below).

Since 2008, the prospects have changed, with many analysts now predicting little or no growth for at least another five years.¹⁴ So growth is uncertain, even unlikely.

But that's not all: a continuing pattern of growth in the rich world's economy is incompatible with environmental sustainability. There is convincing evidence that it cannot be decarbonised far enough or fast enough to avert catastrophic global warming.¹⁵ A new social settlement must therefore be able to function effectively without relying on continuing economic growth.¹⁶

This has major implications. The new settlement cannot be built on the principles of neo-liberal economics, which resist efforts by governments to manage or regulate economic activity. As long as policy-making is trapped within the neo-liberal paradigm, the goals of productivity, competitiveness and growth will take precedence over reducing inequalities and living within environmental limits.

'Market rules' were introduced into the welfare state in the 1990s and have been applied with increasing vigour ever since. The promotion of 'consumer choice' and competition between providers has reshaped the ethos and character of public services. Private interests, many of them global corporations, have been brought in to finance infrastructure and run contracted-out services. Some short-term financial efficiencies may have been achieved, but the longer-term social, environmental and economic costs have been much higher. These accrue from diminishing quality of services and from citizens' entitlements being reduced to consumer options; from an erosion of social solidarity and democratic control, widening inequalities in pay and security, escalating public debts to private institutions and a terrible rash of unsustainable construction.¹⁷ It is time to reassess the value of 'market rules' for a modern welfare system and to reclaim the values of shared commitment, collective ownership and mutual benefit that imbued the Beveridge Plan and helped to build social solidarity in the post-war years.¹⁸

If it is to flourish without relying on economic growth to produce more fiscal resources, the new social settlement must prevent the costs of avoidable harm, as noted above. It must also tap into resources beyond the conventional economy. There is an abundance of human resources embedded in the everyday lives of every individual (wisdom, experience, energy, knowledge, skills) and in the relationships among them (love, empathy, responsibility, caring, reciprocity, teaching and learning). As discussed earlier, these assets are used in everyday activity, outside – but underpinning – the 'productive' economy. They don't carry a market price but they have immense value.¹⁹ So what's required at the heart of a new settlement is a very different kind of relationship between people who provide services and those who use them. It involves 'providers' and 'users', along with family, carers and neighbours (depending on the circumstances), entering into equal and reciprocal partnerships, pooling different kinds of knowledge and skill, and working together to define needs and to design and – where possible – deliver activities to meet them. This is known as 'co-production'. Its success depends on creating conditions that enable everyone to participate, including

a fairer redistribution of time and fair hourly rates of pay. It also depends on transforming the way those who work in public services are trained, their attitudes and behaviour, and on changing the culture and ethos of organisations.²⁰

There is a fundamental difference between the Coalition Government's idea of building a 'Big Society' and **nef's** vision of co-production. Our aim is not to shunt responsibility from the state to individuals and hard-pressed community organisations, but to recognise, value and support the use of uncommodified human assets and social networks, alongside public resources and professional expertise, to meet people's needs.²¹ We want to do this not just because it can save money, but because our experience of working this way shows that it can improve the quality of people's lives and strengthen social networks.

Over time, co-production should become the standard way of getting things done. This will help to shift power from elites to ordinary citizens and to move beyond the current 'deficit' model of welfare, which focuses only on problems that need fixing by others, to a more rounded, shared and constructive way of promoting well-being for all.

Taken together: reinforcing the framework

The three parts of this framework fit together in a dynamic relationship and are mutually reinforcing. For example, redistributing time helps to make co-production possible without widening inequalities. Co-production helps build a flourishing welfare system without depending on economic growth. Managing the economy without growth helps to protect the natural environment, which in turn sustains human life and well-being. Shifting investment and action towards preventing harm makes better use of shared public resources and reduces the need for costly, curative services; it also helps safeguard the well-being of future as well as current generations. Abandoning the neo-liberal rule book makes it possible to give higher priority to living within environmental limits, to plan for the long-term and to reassert the commitment to social solidarity that was a defining feature of the Beveridge model.

Social security: some observations

A major challenge for those trying to forge a new social settlement – and the main focus of the Beveridge Report – is how to ensure that people have enough to live on when they cannot adequately support themselves and their dependents through paid work. The problem, which is highly complex and political as much as it is technical, has dogged policy-makers for most of the last half-century and it is beyond the scope of this document to deal with the range of arguments and proposals in any detail. Instead, we offer some brief observations to help set the current debates about social insurance and benefits in the context of new economics.

- **An elegant solution?** While the aim of simplifying and streamlining the benefits system is laudable, the Government's plan for Universal Credit has serious

flaws and threatens to leave some of the poorest claimants even worse off.²² The alternative idea of a basic 'citizens' income' may appear seductive but is unachievable at adequate levels.²³ There is no 'silver bullet'.

- **Pooled risk.** The risk of not having enough to live on is unpredictable, in terms of when it will fall and how long it will endure. It falls disproportionately on some, usually for reasons beyond their control. It does not lend itself to individual or market-based insurance. If it is to be dealt with through insurance, then we agree with Beveridge that it is best covered through compulsory national insurance administered through the state. But, as Beveridge also recognised, this only works if it goes hand in hand with industrial and labour market policies that provide sustainable employment and fair wages for all who are able to work.²⁴ Today, this requires investment by government in 'green' infrastructure, industries and jobs, as indicated in *A Green New Deal*.²⁵
- **Universal and targeted measures.** If well-being for all is the goal, and efforts to achieve it start from the current baseline of widening inequalities, then the best way to address the problem of inadequate income is by combining universal social insurance and services with targeted measures. The latter can address longer-term specific costs, such as those associated with caring for children or frail or disabled relatives, or with housing. For the shorter term, they can help with unpredictable but uninsured events such as a broken washing machine or the need for a new school uniform. The new social settlement is not about crisis management but about sustaining well-being for everyone. While targeted measures can help individuals and families who are experiencing particular needs, high-quality universal services will greatly reduce the risk of people being caught in cycles of deprivation.²⁶
- **A shared investment with shared benefits.** Means-testing should be kept to a minimum because it carries its own risks of stigmatising claimants and trapping some people in poverty. A system that aims primarily to help the poorest and neediest is unlikely to thrive, because it will polarise interests between those who pay for it, whether through tax or insurance, and those who claim from it.²⁷ We agree with Beveridge that the principles of reciprocity and solidarity are equally important. Everyone, including the better-off, should be able to contribute and benefit, and to see clearly how they do so. People should be able to earn higher rates of benefit through higher contributions, but minimum benefits should support a fair standard of living.²⁸ Having enough to live on should be an entitlement, not a conditional concession. Those who are caring for children or others, who are in training or unable to work through disability, should be credited with contributions. Where pooled income from social insurance cannot meet the full costs of benefits, it should be backed by revenue from more progressive taxation.

- **The ‘scroungers’ narrative.**²⁹ A tiny proportion, less than four per cent, of benefit claims are fraudulent.³⁰ The great majority, more than 90 per cent, of people who claim for five years or more are disabled people, lone parents with children under five and carers.³¹ The problem of ‘scrounging’ has been grossly inflated and used to justify successive waves of welfare ‘reform’, most of which have made life tougher for those whose lives are most disadvantaged and precarious. The ‘scroungers’ narrative sits comfortably within the dominant view of what makes economies succeed. Efforts to build an alternative vision of shared investment and benefit (see above), are unlikely to prevail unless the neo-liberal paradigm is also challenged.
- **Retirement and the ageing population.** The fact that more people are living longer is widely regarded as a major problem for the welfare state, as numbers claiming pensions increasingly outstrip those in employment. Yet if everyone spent fewer hours in paid employment, the transition in later years from ‘work’ to ‘retirement’ would be very different. People could go on earning for much longer, if they were only required to work for 30 hours a week. Gradually reducing hours from that base would be easier, too, because an even shorter working week (say, 15 or 20 hours) would still be near the norm, with everyone’s time more evenly balanced between paid work and other activities. Retiring gradually and later would enable people to defer all or part of their pension and to go on paying taxes and contributions. Furthermore, frailty and dependence in old age are largely avoidable conditions, which could be greatly reduced by promoting and supporting healthy eating, physical activity, social engagement, secure housing, affordable transport, continued learning and effective healthcare. Addressing the ‘problem’ of an ageing population is not just a matter of finding ways to fund social care and pensions; a great deal more can be gained through preventative strategies and a redistribution of time.

Practical change: eight steps towards a new social settlement

As we have noted, this document is intended to map out a direction of travel, reflecting a new economics view of a social settlement fit for the challenges of the 21st century. Some of these are radical proposals but, as Beveridge said, it’s time for revolutions, not for patching. They are intended to stimulate debate rather than provide definitive solutions.

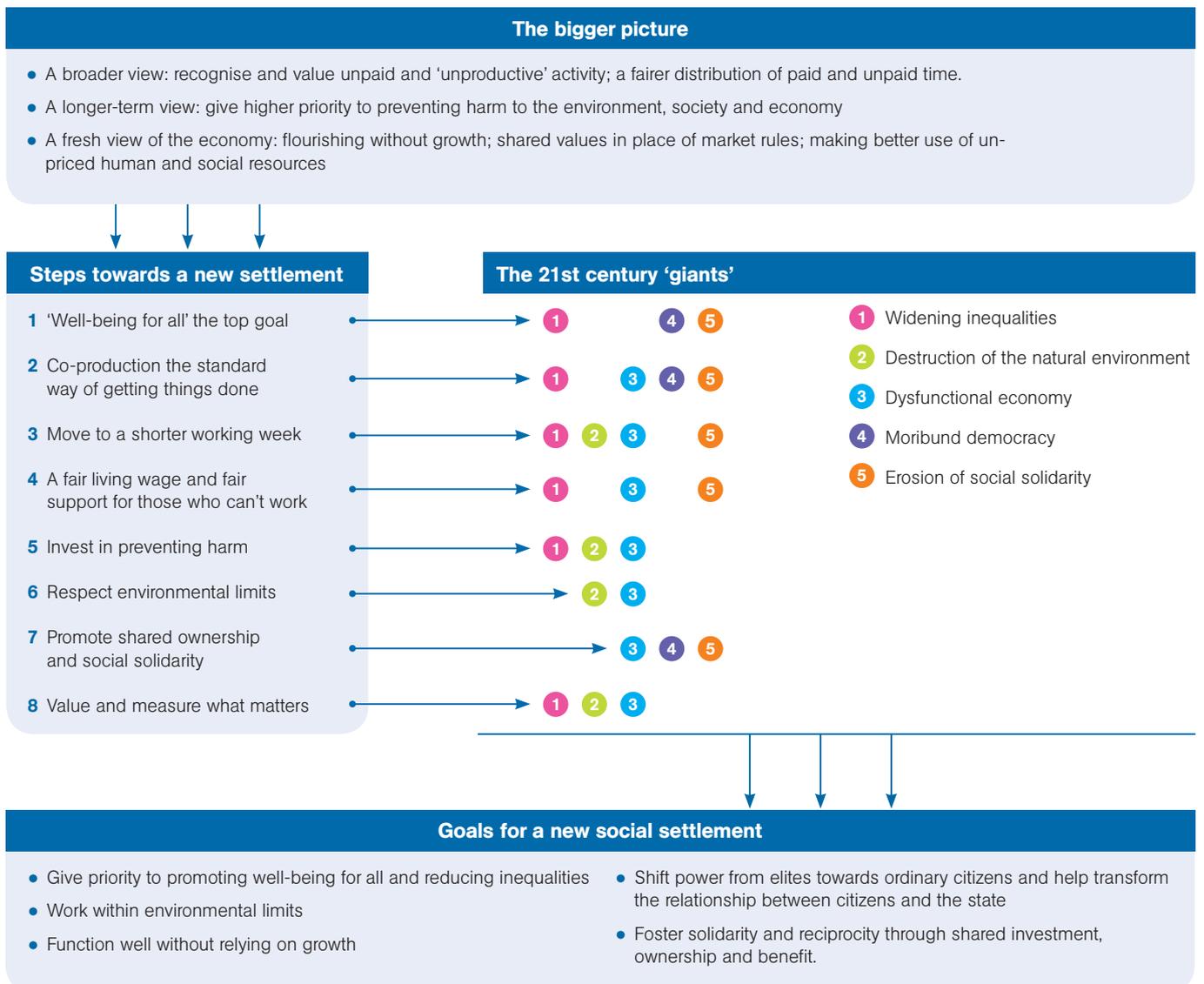
- 1 Make ‘well-being for all’ the top goal.** We take well-being to mean feeling good and functioning well in the world.³² To make sure it’s ‘for all’, we need a combination of universal services and targeted measures to tackle disadvantage and reduce inequalities. Efforts to reduce social and economic inequalities must be at the heart of a new social settlement, if it is to flourish over time (and see also Step 7 below). Policies should be assessed for their impact on well-being and equality.
- 2 Make co-production the standard way of getting things done.** This involves applying a set of principles to shape the way people work together, notably in public services. It acknowledges that everyone has something of value to contribute, shifts power towards people who use services, makes better use of human resources and can achieve better results without increasing costs. It calls for a radical change in the role of the state from top-down provider to supporter and facilitator of shared decisions and actions.
- 3 Move to a shorter working week.** This can help to create more jobs for the unemployed and to free up more time for everyone to care for each other, learn new skills, get involved in local activities and to live more sustainably. It can best be achieved gradually over a decade, and alongside other measures to change employers’ incentives, raise wages (see Step 4 below) and change expectations of a ‘normal’ balance of paid and unpaid time.
- 4 A fair living wage and fair support for those who cannot work.** This involves building on the current campaign for a fair living wage, to achieve an hourly rate that enables people to earn enough to live on by working an average of thirty rather than forty hours a week. Those who cannot work must be fairly supported through a combination of contributory social insurance and revenue from a more progressive tax system.³³ Caring for children and other family members should be acknowledged as a shared social investment and supported through a combination of high-quality services, insurance credits and income supplements. (See also our note on social insurance and income support below.)
- 5 Invest in prevention before cure.** This calls for long-term planning, upstream investment and early action. It requires a substantial shift in priorities, to tackle the underlying causes of harm to society, the environment and the economy, rather than coping with the consequences. This helps to improve people’s quality of life, makes better use of public money, reduces the need for costly state services and helps to safeguard the future.
- 6 Respect environmental limits.** This means gearing all the institutions and activities of a new settlement to produce a sustainable ecological footprint. It involves cutting carbon emissions, using renewable resources, improving energy efficiency and avoiding waste, as well as promoting and supporting sustainable ways of living. It is partly about design, production and delivery; it is also about organisational culture and everyday life. Without a sustainable environment, there’s no future for the human race, let alone for a good society or a viable welfare system.³⁴
- 7 Promote shared ownership and social solidarity.** This calls for a reversal of the current trend towards private ownership of services intended for the public good. Social inequalities are a consequence of market failure and cannot be tackled through market mechanisms or merely through philanthropic activity.³⁵ What’s required are not only a more progressive tax

regime and market regulation to prevent excessive accumulations of wealth and power, but also a new configuration of collectively owned and democratically controlled institutions that are valued because they are shared and that help to develop and strengthen social solidarity.³⁶

8 **Value and measure what matters.** This means calculating not just the financial bottom line, but the wider and longer-term social, environmental and economic costs and benefits of activities. It involves methods of measurement and evaluation that take account of what matters to people whose lives are immediately affected, as well as longer-term impacts, providing a fuller picture of how value is created or destroyed over time.³⁷ When applied to a new social settlement, the essential test is how far planned or actual activities contribute to well-being for all, not just now, but for future generations.

In conclusion: vanquishing the 21st century ‘giants’

The diagram below indicates the direction of travel we propose for a new social settlement. While we acknowledge the importance of hammering out a better system for social insurance and benefits, our intention here is to draw attention to the bigger picture and the need to build on stronger foundations. We want a broader view of what it means to contribute to society, a longer-term view of whose interests are at stake and why it is important to prevent harm to the environment as well as to society. We want to take a fresh view of the economy, avoiding unsustainable growth and challenging conventional free-market wisdom. These ambitions have shaped the eight steps we have outlined, each of which should help to vanquish three or more of the new problems we face in the 21st century: dramatically widening inequalities, catastrophic threats to the natural environment, a dysfunctional economy, a moribund democracy and a dangerous erosion of social solidarity. Only by vanquishing these ‘giants’ can we hope to reach the essential goals of a new social settlement.



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