人文及社會科學集刊
第五卷第一期(81/11),pp.321-382

The Beveridge Report and the Development of British Social Security

Tom Yee-Huei Chin*

The study of this paper is based on the three ideal types of social security provisions which are entitled as social assistance, social insurance and universal allowance. This new classication not only strongly clarifies the coverage of social security but is a useful instrument to analyze the contents of the Beveridge Report and the development of British provisions. Both in theory and in practice, each provision has its own financial methods and benefit qualifications, so each provision unavoidedly has its own function and limitation. The central issue of social security policy is to maximize the merits and to minimize their side effects. This study demonstrates that the case of Britain is not exceptional.

1. Introduction

Britain is one of the oldest welfare states in the world, so its affluent experiences in both theoretical approach and practical administration, for example the Beveridge Plan and later reforms, may deepen the understanding in the

* Associate Research Fellow, Sun Yat-Sen Institute for Social Sciences and Philosophy, Academia Sinica

theory and policy of social security. The writing of this paper is based on this consideration and in memory of the fifty years (in 1992) of the publication of the Beveridge Report.

In theory, social security is the public-sector provision of income maintenance. A general review of social security provision, including its merits and limitations of each sub-provision, will be made before the discussion of British provisions. The review of British experiences will be divided into three stages: before Beveridge, the Beveridge Plan and after Beveridge. And finally comes an introduction to its actual provisions today.

In the stage of 'before Beveridge', a brief summary will be made to review the development of British social security from its very origin of Poor Law. Then comes the discussion of the Beverige Report itself. This is the main focus of this paper. In the stage of 'after Beveridge', apart from the issues of legislation and implementation of Beveridge Plan, a special emphasis will be put on the phenomenon of 'pension politics' or 'political see-saw' which has lasted for over 30 years in British social security. This issue strongly inspires the author to search for some ways to avoid such uncertainty. In order to achieve this objective, the author also tries to make a general review of the series of policy debates between two main parties in British social security provision.

Compared to its own very early or other less developed countries, the level of British social security benefits nowadays is really quite generous. Correspondingly, expressed as a percentage either of GNP or of government expenditure, its expenditure in social security is also very high. As the expenditure of social security is decided by the number of the beneficiaries and the level of the benefits though they are in turn decided by other more specified elements, so, in the section of existing provision, it seems to be reasonable to judge the achievement of social security by these two main elements. However, the analysis will be based on the framework provided in the second section.

2. The Provisions of Social Security

According to the concept of Myers (1975: 5), income maintenance can be divided into two categories: private-sector provisions and public-sector provisions. Generally, the public-sector provision of income maintenance is defined as social security. As for the sources of private-sector provisions, they can be further classified into four types: employment, saving, investment and family. Due to the trends of industrialization and aging population, more and more people turn to be the employed and depend on earned income. Wage-earners will be vulnerable to the contingencies such as sickness, disability, unemployment and old age. The collective public-sector provisions, i.e., the provisions of social security, are created to tackle these contingencies.

The term 'social security' has become popular since it was used in the USA legislation, the Social Security Act of 1935 (ILO, 1984: 3). According to Prof. Kaim-Caudle's study of ten countries, he classifies the provisions of social security into eleven types of different schemes and illustrates in detail the schemes in each type (1973: 8-11). Midgley (1984: 83-85) admits that this is the most comprehensive typology of provisions in the social security field, but he criticizes this typology as too broad and unwieldy. For this reason, he introduces a new classification of only four provisions of social security, i.e., social assistance, social insurance, employer liability and social allowance. This classification is similar to Myers' one without his 'subsidized voluntary insurance' (1975: 7) and is followed by Dixon (1986: 5) but he adds 'provident funds'. Due to the similarity between provident fund and social insurance, Midgley (1984: 84) does not classify provident fund as an independent provision. Based on the same reason, the author further classifies employer liability also as a special branch of social insurance. Therefore, the provisions of social security in this paper are further simplified as only three main categories: social assistance, social insurance and universal allowance. (Universal allowance is always entitled as demogrant, basic income or social dividend by other academics.) Of course, each provision can be further classified into two or three sub-provisions respectively, e.g., social insurance as primary social insurance and secondary social insurance, universal allowance as all-universal allowance and sub-universal allowance.

The distinction among these three provisions of social security is based on these two criteria: (1) the sources of financing and (2) the conditions of entitlement to benefits. Firstly, social insurance is financed by contributions which are generally made by employer and the employed, i.e., it is contributory; but on the contrary, social assistance and universal allowance are financed by general revenue, i.e., taxation, so both of them are non-contributory. Secondly, in social assistance the entitlement to benefits is decided by a financial or pecuniary test, i.e., it is means-tested; but in the field of social insurance and universal allowance, both of them are non-means-tested because the entitlement of the former is decided mainly by contribution records and that of the latter is decided by non-pecuniary tests such as residence, age or other non-pecuniary conditions. Of course, as the character of social insurance is decided by its contributions, so if its contributions are partly or totally government subsidized, then the insurance character of the scheme will be reduced partly or even totally.

Historically, social assistance is the first provision being introduced to tackle the problem of income interruption when private-sector provisions fail to support. In modern industrialized society, as low income people (or family)

Figure 1 The Main Features of Social Security Provisions

contributory \ means-tested	yes	no
yes	x x	social insurance
no	social assistance	universal allowance

are of the minority, if people are all law-obeying and there is no abuse at all, and the government will provide help as much as applicants' requests without any further means tests, then this provision will be the most elastic, most targeted and most economic one in social security. But, unfortunately, the conditions of law-obeying and morality do not exist nowadays, and abuse is ubiquitous, people will apply for helps more than their actual needs, so the system will be bankrupt no sooner if there is no strict means test or income test. But when a strict means test is applied, the strong side effects of stigma, disincentive or poverty trap for the applicants will be the inevitable results. Due to stigma or complexity, many people decide not to apply for their entitled benefits. This further causes the problem of low take-up.

Compared to social assistance, social insurance is a contributory provision, its benefits are the earned right from its obligation of contributions, so the problems of stigma and disincentive can be avoided. Only the contingencies such as unemployment and sickness which can be made to occur on purpose can be abused and cause work disincentive. Fortunately, it is technically possible to discourage these effects by using longer waiting period and stricter registration and certification. Nevertheless, social insurance faces its own problems or limits. The most important one is its exclusion. It is liable to have an exclusion of both contingencies and coverage.

Firstly, as social insurance protects its insured persons only from prescribed contracted contingencies, all other non-prescribed contingencies are excluded from its obligation. Secondly, in theory as social insurance is contributory on an employment base, all residents who are not in employment or are long-term unemployed, self-employed or employed by small enterprises or employed in unpaid, irregular and part-time work, especially those who are not in the labour force, are always excluded, because either their contributions are too uncertain or the cost of collection of their contributions is too high. Research evidence demonstrated that this weakness was more serious in developing countries (MacPherson, 1985). Thirdly, for all newly-established schemes, as there is a period of maturation or transition, those whose working lives are not long enough to cover this transition when the law is first passed or the system is inaugurated will be excluded. Or there will be tremendous windfall gains reaped by those who are already elderly and this will destroy the insurance character of the system as a whole (Burns, 1956: 30-32). Unless there is a substantial government subsidy, this exclusion cannot be easily tackled. In one word this exclusion is the vital weakness of social insurance.

Apart from this major weakness, there are other more minor shortcomings. Firstly, social insurance is generally based on the actuarial principle, so even if a person is included in the program, he is still not entitled to any benefit if his length of contribution or working is not sufficient. Secondly, primary social insurance is based on the assumed needs and the assumed ability to contribute. So, in case of the flat rate system, the contributions may be too high for low income people to pay. As for the benefits, either earnings-related or flat rate, they may be insufficient for the special needs. That is, social insurance can guarantee benefits but not the level of the benefits (Shragge, 1984: 29). These short-comings greatly weaken the expected function of social insurance. Especially, these weaknesses might be even worsened and distorted in many developing countries in the third world. Because the majority of the population in those countries are in primary industry or agricultural sector and all social insurance schemes include only better-off industrial workers who are in secondary and tertiary industries, their schemes thus reinforce and amplify the economic inequality by transferring resources from the lower income farmers to the higher income industrial workers (Midgley, ix, 2, 185, 190). This is another undesirable adverse function of social insurance in many developing countries.

As both social assistance and social insurance have their weaknesses and shortcomings, the other option of provision without all these shortcomings is universal allowance. Because this provision is financed by general revenue and its benefits are exempted from all kinds of pecuniary tests, so it can overcome the problems of exclusion and disincentive. In theory all residents and contingencies should be included. For example, the proposed 'social dividend' or 'basic income' is the ideal type of universal allowance. According to the description of Deacon and Bradshaw, a social dividend is such that "everyone in society receives a dividend of payment by virtue of citizenship. The payment may vary by family composition, age, or status. This payment is tax free, but all other income is taxable···. The purpose of social dividend is to abandon the distinction between taxes and benefits, abolish the problems of means-tested benefits and do away with the unemployment trap." (1983: 182-183; Walter, 1989: 18) As long as the benefit level is not high enough to cause substitution effect, there will be no fear of discouraging people from working. So this is really a very good proposal to replace both social assistance and social insurance.

The main problem of universal allowance is that its benefits expenditure will be extremely high if we want to provide an adequate benefit which can meet the needs of beneficiaries. That will be beyond the financing ability of existing taxation systems, not to mention the low taxation ability in developing countries. On the other hand, if we want to restrict the cost according to the capacity of taxation system, then the benefit level will be too low to meet the needs of most people. So the problem is still there. Furthermore, for working and paid population, it is also an unnecessary administrative waste to pay them basic income on one hand and to impose taxes on them on the other hand. And it is technically difficult to find a way or at least it will be a very elaborate and costly tax system for us to tax less or to pay fewer benefits in order to avoid administrative waste. For these reasons, a tax-financing universal allowance scheme is feasible and efficient only at the level of sub-universal allowance such as child benefit ând old age pension if and only if all their beneficiaries do not earn high enough to be liable to be taxed. Therefore, an all-universal allowance can be put into effect only after its financing source can be shifted from taxation on only one private factors of economic production such as labour to other public factors such as land and capital.

3. Before Beveridge

The origin of the British social security system lies in the Poor Law, going back at least to the 14th century. Some set the origin of the British Poor Law in the Act of 1388, the 12th of Richard II. This Law, the Act of 1388, was not only to try to fix wages but also to prevent vagabondage which resulted from the decay of the feudal system in the 13th century. Afterwards, there followed several similar acts to deal with the same problem with different measures. For example, in the 1576 Poor Relief Act, the concept of 'setting the poor to work' was applied. The able-bodied had to work in return for the relief. However, these measures were restricted to private, religious, or charitable level only. There was no public relief for the poor until the Poor Law Act of 1601, the 43rd of Elizabeth (Fraser, 1984: 31-33; Clarke, 1935: 7-20). The Poor Law Act was the first British social assistance law though it was restricted to only local level.

The Act of 1601 was the most famous one in the British Poor Law history. It recognized that poverty was not totally the result of individual error, either idleness or improvidence, but the result of social error somewhat. For this reason, this Act obliged the justices of peace to appoint officials, i.e., overseers, in each parish to give relief and hospitals to the poor and empowered them to levy a local tax on property for this purpose. The poor were identified as three main groups to be dealt with by three different sorts of treatment. Firstly, the impotent poor such as the aged, the chronically sick, the blind and the lunatic were to be accommodated in 'poor-houses' or 'almshouses'. Secondly, the able-bodied were to be set to work on hemp or some other appropriate material in the 'workhouse' (really a workhouse without the meaning of punishment and disgrace). And thirdly, the able-bodied who were persistent idlers and refused to work were to be punished in a 'house of correction' (Fraser, 1984: 33). However, 'house of correction' was still not the 'workhouse' with the implication of humiliation and disgrace. The 'workhouse' concept, established in 1679, was originally called 'pauper manufactory' or 'corporation of the poor', and became the workhouse test only after the Act of 1723 (Clarke, 1935: 22; Fraser, 1984: 35). This Act was extremely harsh in order to prevent wandering beggars and vagrants. Though the Act of 1601 provided the basic legislation for well over 200 years, throughout, the principle underlining the Act was local relief, locally administered for local people.

The Act was legislating for the whole country and was centrally regulated after the amendment of 1834 by the new Poor Law Commission(ers). Better care was provided for children (orphans), but the principle of 'less eligibility' was also applied. This principle implied that the applicant's 'situation on the whole shall not be made really or apparently as eligible as the situation of the independent labourer of the lowest class' in order to discourage the able-bodied to rely on the relief (Gilbert, 1966: 14). Moreover, under this principle, pauperism or poverty meant more than misfortune, it also implied a moral failing or disgrace (Gilbert, 1966: 21; Hennock, 1968a). Quite explicitly, this generallyheld attitude towards the poor was strongly influenced by the writings of classic liberals such as Malthus and Ricardo (Gilbert, 1966: 161). In theory the Poor Law would provide the means of avoiding extreme destitution in the workhouse. But in practice the overwhelming majority of paupers (about five out of six) were relieved outside the workhouse (Fraser, 1984: 51-52). Simultaneously, two other sources of help were available for the needy.

Firstly, voluntary help and charity were provided to those felt to be sufficiently deserving by voluntary organizations such as the Charity Organization Society. This Society coordinated a whole host of charities, but for the needy to ask for help was seen as individual failure, so their help was degrading and not popular (DHSS, 1985a: III59; Smith, 1972: 17-18). Secondly, collective self-help was provided by friendly societies, trade unions and cooperatives. Among them friendly societies were the most important.

Typically friendly societies which were founded in the second and the third quarters of the nineteenth century were a manifestation of the Victorian ethic of providence and self-help. And the membership of a worker in a friendly society was also a symbol of his independence and responsibility. In return for a contribution of between 4d and 8d a week, the society gave sick pay, ordinarily around 10s a week, medical care, usually provided by a physician under contract to the society, and a death benefit of £*10* or £*15*, enough for a 'respectable' funeral. So these provisions were actually the first non-profit private insurance schemes in Britain. By the end of nineteenth century there were nearly 24,000 registered societies and branches and about from four and a quarter to four and a half million members, which equalled roughly half the adult male population of Great Britain. Because of the huge number of friendly society members it was said that they were the backbone of the English nation (Gilbert, 1966: 165-167).

Nevertheless, the provisions of friendly societies were not designed for old age because very few people could live into old age when friendly societies were created. But by the last two decades of the nineteenth century, because of medical and sanitary science and improved standards of living, an increasing number of their members were able to live into old age. Most of them could not work, but did not die. So the contingency of old age was conventionally treated as sickness by friendly societies. All old age pay was paid in the form of 'sick pay'. The reserve funds of most societies were exhausted by this measure, and more than half of all societies admitted that they were facing serious financial difficulties around the turn of twentieth century (Gilbert, 1966: 170).

Because of moral objections and the fear of competition for the limited savings of the workers, both the Charity Organization Society and friendly societies, especially the latter, strongly opposed any kind of compulsory contributory schemes, either for sickness or old age. So the first such scheme proposed by the Reverend Canon William L. Blackley in 1878 was quietly put to death even though later he gave up advocating sick pay and proposed only old age pension which was not provided by friendly societies (Gilbert, 1966: 161-164). In order to avoid the same opposition, Charles Booth proposed his universal non-contributory, tax-supported pension in 1891, but his proposal failed to be accepted owing to its ruinous expensiveness (Gilbert, 1966: 182). Finally the first British Old Age Pension was established in the form of social assistance in 1908. Because this new pension scheme was non-contributory, it could avoid objections from friendly societies; and because it was non-universal, it was not too expensive to provide.

The 1908 Act was the first real departure from the Poor Law to help elderly people though it was criticized that its pension was too low, its pensionable age was too high and its means test was too severe (Kaim-Caudle, 1973: 166-67). The Act came into effect on 1 January 1909. It was a pension of 5 shillings (or 25P) per week to be paid to those who were over 70 years of age and had an income less than 21 pounds a year; a reduced pension was paid to those with income between *£21* and *£31*. Apart from means test, tests of character, residence and work were also applied (Kaim-Caudle, 1973: 166; Smith, 1972: 21). The applicant for a pension was required to prove that he had not been in prison within ten years (later reduced to two years in 1911). He was also required to be a British subject and to be a resident of the UK for twenty years. Apart from not receiving poor relief since January 1, 1908, he had to be 'habitually' employed in the trade of his choice. Contributions to a friendly society were accepted as an adequate fulfillment of this industry (or work) test (Gilbert, 1966: 222, 225).

Two years later, the first British social insurance scheme was introduced in 1911 which consisted of two parts: unemployment insurance and health insurance. The former was administered by the Board of Trade until 1917 and then by the Ministry of Labour; and the latter was administered by registered friendly societies. The health insurance covered the following areas of needs (Smith, 1972: 21):

(a) the cost of medical treatment of the insured only, not the family, by general practitioners;

(b) sickness benefits—10 shillings per week for 26 weeks;

(c) disability benefits;

(d) maternity benefits; and

(e) right to treatment in a sanatorium.

Unemployment insurance assumed that a man would pay contribution whilst employed and draw benefits when unemployed. This scheme was not only quite limited in its coverage, it covered only 2.3 million skilled workers in 7 industries: building, construction, shipbuilding, mechanical engineering, iron-founding, vehicle construction and sawmilling, but also very limited in its benefit, its level was only 7s per week up to a maximum of 15 weeks (Fraser, 1984: 172-3).

In 1925 there was a major change in the character of pension provisions. The Widows, Orphans and Old Age Contributory Pension Act of that year was formally extended to cover widows and orphans and granted a contributory old age pension of 50p a week to all people who were covered by health insurance, including wives, at 65 without means test. The cost of this contributory pension scheme was shared equally between employers and employees. Moreover, when contributory pensioners reached 70, they were entitled to a non-contributory pension without test. By the end of the 1930s there were more than two thirds of all persons over 65 and about four fifths of all persons over 70 receiving state pensions. Although the pension rate was still 50p a week, its purchasing power was 40% greater than that in 1919 because of the fall of prices (Kaim-Caudle, 1973: 167).

In 1934 the Unemployment Assistance Act was introduced to tackle the mass and long-term unemployment problem caused by the world recession in the interwar years, because not only had most unemployed people exhausted their legal insurance benefits but the unemployment insurance had also exhausted its fund after many changes in arrangement. The pensionable age of women for contributory pensions was reduced from 65 to 60 in 1940 (DCE, 1954: 2, 48). The time chart of the development of British social social security before Beveridge can be summarized as Figure 2.

Due to the piecemeal growth and reform in the field of social security, in 1941 no less than seven government departments were directly or indirectly concerned with administering cash benefits for different kinds of need. For example, unemployment insurance was supervised by the Ministry of Labour, national health insurance by the Ministry of Health and the Department of Health for Scotland; non-contributory old-age pensions were administered by the Customs and Excise, contributory old-age pensions by the Ministry of Health and supplementary pensions by the Unemployment Assistance Board. In addition workmen's compensation was supervised by the Home Office; war victims and their dependents were relieved by the Ministry of Pensions, while the civilian disabled, widows and orphans were insured by the Ministry of Health. Furthermore, there was a nation-wide network of local authority committees which paid means-tested public assistance to persons in need (Harris, 1977: 378). Therefore, not only their benefits were financed in a number of different ways, but also their benefit level and coverage differed greatly. Such a variety of systems not only caused much overlapping and duplication of services, but failed to make provision for many people in need. These facts demonstrated that a general reform to integrate these separate schemes into

Figure 2 The Development of British Social Security before Beveridge

Year	Main Events
1600	There were only private relief or voluntary help at personal, religious, or charitable levels.
1601	The Poor Law Act: The first British social assistance law enforced at only local level with workhouse test.
1834	The Poor Law Amendment Act: The law was upgraded to national level with 'less eligibility' principle.
1850s	Collective self-help provided by friendly societies: The first British non-profit private insurance for only sickness.
1878	The first contributory scheme for old age (and sickness) proposed by William L. Blackley was rejected.
1891	The first British universal scheme for old age proposed by Charles Booth was rejected.
1908	The Old Age Pension:The first British social assistance for old age.
1911	The National Insurance Act: The first British social insurance scheme for health and unemployment.
1925	The Contributory Pension Act: British social insurance scheme was extended to cover long-term contingencies such as widow, orphan and old age and to pay pensions.
1934	The Unemployment Act: The first British social assistance law for unemployment.

one unified scheme was urgent and necessary.

4. Beveridge Plan

There was a 'great leap forward' in British social security after the presentation of the Beveridge Report, *Social Insurance and Allied Services*, which was published on 1st December 1942. It was the product of dissatisfaction with the results of the past arrangements. The main problem that Beveridge wanted to attack was 'want' or 'poverty'. Based on several surveys, the facts showed that between three quarters and five sixths of all want was due to the interruption or loss of earning power caused by unemployment, sickness, old age and death; the remainder was due to failure to relate income or earning to the size of family (1942: 7). Beveridge envisaged that a comprehensive social insurance scheme which was based on the following six principles could solve most of the problems. These six principles were (1) flat rate of subsistence benefit, (2) flat rate of contribution, (3) unification of administrative responsibility, (4) adequacy of benefit, (5) comprehensiveness and (6) classification (1942: 121-122). Such a new scheme would cover all the main contingencies such as unemployment, sickness and old age that would cause the interruption or loss of earnings.

However, due to the great difference in the length of unemployment, the size of family and the degree of being sick or injured, it would be beyond the ability of social insurance to tackle the extreme cases of these contingencies. Therefore, the approach of Beveridge was also based on the following three assumptions (1942: 120). Firstly, there should be a universal child allowance whether the wage-earner was in or out of work in order to eliminate family poverty due to large families. Secondly, there should be a high level of employment, or at best full employment, maintained by government policy; mass and long-term unemployment ought to be avoided. Thirdly, there should be comprehensive health and rehabilitation services in order to avoid heavy medical expenditure and maintain a healthier population. Only after all these three assumptions were really satisfied, could Beveridge's attempt to rely on social insurance be realized.

Apart from the main provision of social insurance that would meet the basic need by flat rate of benefits at subsistence level, Beveridge also set a second tier of the safety net, social assistance, which was a national scheme taking over from local assistance, to meet the special needs of the minority of people and those who were unable to qualify for insurance benefits. As for the personal additional needs, they should be met by voluntary insurance and other personal provisions. These three provisions, social insurance, social assistance and voluntary actions, were the three methods of social security in Beveridge's plan (1942: 120). Comparatively, Beveridge expected social insurance to deal with the majority of people and social assistance to deal with the remaining minority. Among the insured, the better-off could make more provisions through voluntary actions.

Under such an arrangement of logical consistency, the Plan should have been able to tackle all problems of poverty. But after implementation, it was only partly successful. What was its weakness? Although it involves hindsight to review the basic policy of the Beveridge Plan nowadays, some new lessons could still be drawn from the discussion.

At first, we want to discuss the question, 'Why was the Beveridge Plan constructed on the basis of social insurance?' As mentioned in the second section, there are three methods, i.e., social insurance, social assistance and universal allowance, to provide benefits in social security. Especially, as the Plan was to provide flat rate benefits to all targeted people, based on the criterion of 'administrative efficiency', universal allowance could be a much more efficient way to do so. The reason Beveridge did not take this method might be explained by the same reason that he rejected pay-as-you-go system. He tended to treat non-contributory benefits as a 'Santa Claus State' (Harris, 1977: 416). As for the reason why he also objected social assistance as the main provision of social security that could go back to his days on the Morning Post and his youthful denunciation of means tests, behavioural tests, and all forms of relief that stigmatized the recipient and discouraged personal savings (Harris, 417). Most of his committee also agreed with him for the same reason (Shragge, 1984: 46).

Moreover, from the point of view of the whole society, Britain was a country with a long tradition of 'classic liberalism' (or 'laissez-faire'). The virtues of self-reliance, individual's freedom, competitive free enterprise and minimal government intervention were long upheld by Adam Smith, Thomas Malthus, David Ricardo, John Stuart Mill and Herbert Spencer (Ozawa, 1982: 2-4; Parker, J., 1975: 4-10). For classic liberals, their favourite provision would be social assistance. On the other extreme, there were radical marxists and socialists to pursue for an all-out egalitarian society by means of revolutionary class struggle to overthrow all private ownership systems.

Facing these two extremes, there developed the 'new liberalism' advocated by Henry George, A.C. Pigou, R.H. Tawney and John Maynard Keynes. On one hand, they highlighted the importance of interdependence among individuals, cooperation in human endeavour, egalitarianism in allocation of resources, and willingness to accept a certain amount of governmental intervention for redistributing resources from one segment of society to another which were essential to the ideal of socialists (Ozawa, 1982: 8-10) and, on the other hand, they did not totally object to the virtues advocated by classic liberals (George and Wilding, 1984: 42-52). For new liberals, their new approach was based on the existing private capitalist system. As Beveridge was a cautious new liberal, or 'reluctant collectivist', it was not surprising that the Beveridge Plan would turn out to be a mixture or a compromise of both sides.

Technically, the supreme feature of social insurance is that its benefit should be closely related to its compulsory contribution. That is, the right of benefits should be theoretically earned or derived from the corresponding obligation of contributions. More simply, social insurance should be contributory based on an actuarial principle. Because both contributions and benefits of social insurance can be either flat rate or earnings-related, so the possible combinations of contributions and benefits can be listed out as the following four ones:

1. flat rate contributions to finance flat rate benefits,
2. earnings-related contributions to finance earnings-related benefits,
3. earnings-related contributions to finance flat rate benefits, and
4. flat rate contributions to finance earnings-related benefits.

Among these four cases, the last one was not only the most regressive but politically undesirable, so it was definitely objected to by all people. The third one was the most progressive one, it was welcome by new liberals but rejected by Beveridge as a 'Santa Claus State' (Harris, 1977: 416). So the remaining options for Beveridge were only the first one and the second one. However, because the second one was exactly the same as the existing private insurance, and because Beveridge also wanted to fulfill another policy objective: to encourage the development of private saving, voluntary insurance or voluntary thrift (Harris, 1977: 389), he would not be happy to allow a giant, monopolistic state scheme to compete with numbers of small private schemes (Harris, 1977: 416), therefore, the second option would also be excluded. Finally, the only option left to be chosen was the first one: flat rate contribution to finance flat rate benefit.

It was true that flat rate insurance scheme had great advantages of familiarity and administrative simplicity (MPNI, 1958: 9). But its inherited weaknesses were as follows. Firstly, from the point of contribution, in principle it should fall equally on the incomes of rich and poor. It would be no financial problem for the better-off, but it would hit the poorest hardest. In order to relieve the financial burden of the poor and to maximize the coverage of protected population, the level of contribution has to be set at a level as low as possible (SSSS, 1969: 10). Unfortunately, no matter how the shares were allocated among employer, employed and state, in theory a low contribution would lead to its logical result: low benefit. Then, from the point of benefit, as its principle was to provide a benefit of adequacy at least up to the level of subsistence, so the level of contribution should be high enough reasonably to finance such an adequate benefit. So the principle of adequacy was contradictory to the principle of comprehensiveness in Beveridge's social insurance scheme.

Even for the benefit itself, its level was also not easy to be fixed owing to the definition of 'subsistence' and 'adequacy'. For example, when the factor of rent was taken into account, this question became very difficult. Should the meaning of 'subsistence' be restricted to only the physiological level, or should it be extended to include some elements of psychological or even social needs? In underdeveloped countries, there could not be very much objection to defining 'subsistence' at only the physiological level due to lack of necessary financing ability to afford more. But there would be a great disagreement in developed countries to do so. In the field of social insurance, 'rent' is a formidable or even an unconquerable problem. As Beveridge (1942: 77) and his committees (Harris, 1977: 397) pointed out, rent varies markedly not only between regions but between similar accommodations in the same town and even the same street, not to mention extreme cases. No single amount of rent could be appropriate. Under these circumstances, if actual rent was paid, then that would imply not merely the poor to subsidize the rich but a measure to frustrate owner-occupiers. But if only an average rent was paid, as Beveridge did, then it would be too much for rural area and too little for the urban area. Both cases demonstrated inefficiency. As the character of rent or housing is so different from social security, it should be dealt with by a special housing policy, not by a social security policy. The current Tory Government's encouraging of more people to become owner-occupiers is a better policy to tackle the problem of rent. However, this policy was valid or effective only in the long term. In the short term, there would still be a big problem in the poor being able to pay rent or to repay loans to buy houses. In that case, the side effects of housing benefits could be less if they were paid in kind rather than in cash, and through social assistance rather than through social insurance.

According to his plan, Beveridge was in favour of a totally funded method for his social insurance scheme. He explicitly turned down Keynes' suggestion to run the scheme by a pay-as-you-go method and some witnesses' proposal to finance the scheme by a surcharge on income tax (i.e., earmarked tax) for fear of losing the attribute of insurance (1942: 107). Only if the insurance scheme is fully funded, then the benefit or pension right can be firmly earned and established. And only such kind of earned right can be free from all kinds of bureaucratic discretion. On the other hand, in case of the pay-as-you-go system, because it is through redistribution between generations the financing of the old age pensions of this generation will totally fall on the next generation, so the change of the population size of each generation will greatly influence the ratio of earners to pensioners. When this ratio decreases, if we want to keep pension level unchanged, then the pension burden of earners or producers (including employers and employees) will increase; but if we want to keep the contribution level unchanged, then the pension level of pensioners must be reduced or there will be a deficit in the scheme. It will be a political struggle in each stage to reach a compromise between pension right and contribution obligation (or more generally, tax obligation). More briefly, under such circumstances, it is the government in power that defines the level of benefits; all today's political promises are not certainly guaranteed in the future (Shragge, 1984: 152; Dilnot, et al, 1984: 29). The current Tory Government's modifying the SERPS pension levels set by the previous Labour Government in SERPS is the best example.

Explicitly, it was his dislike of administrative 'police supervision' and uncertain pension right, his belief in psychological value of contributory insurance, and his desire to build up an unalterable pension right earned through personal contributions and to encourage voluntary actions and thrift, which made Beveridge wholeheartedly espouse a fully funded social insurance scheme building up within a period of 20 years.

Finally, it could be a good idea to take a general review of the whole plan for social security which had been laid down by Beveridge in his Report. In general, the main objective of his Plan was to tackle the problem of 'want' or 'poverty' without discouraging voluntary thrift and saving. Was his Plan of three assumptions, three methods and six principles effective to achieve this aim? This question needs to be explored thoroughly. According to the concepts in the second section, Beveridge's terminology of 'assumptions', 'methods' and 'principles' confuses rather than clarifies. In theory, the possible basic methods or provisions of social security are mainly three: social assistance, social insurance and universal allowance. As described previously, the three 'assumptions' in Beveridge Plan are in practice the 'universal allowances' both in cash (e.g. family allowance) and in kind (e.g. health and employment services) in the author's typology. So the design of the Beveridge

Plan was to arrange social insurance as the 'main tier' of social security, and then to arrange universal allowance as its 'front tier' and social assistance as the 'spare tier'. As all these tiers of social security are inseparable parts in his plan explicitly, Beveridge tried to establish an integrated system though he had a strong preferential attitude to social insurance and explicitly disliked social assistance.

As mentioned previously, the weaknesses of social assistance are its administrative expensiveness, stigmatizing and discouraging voluntary thrift and saving, so it is not an ideal method to tackle regular long-term contingencies. If we have to use it, its maximal level of benefits had better not be higher than social insurance, or a strong side effect of discouraging voluntary saving will be caused. As for social insurance, its main weakness is exclusion, both in coverage and in contingencies, because irregular contingencies will ruin its actuarial principle and the people with low income or without income will be unable to contribute. In theory, as mentioned before, social insurance can provide either flat rate or earnings-related benefits to protect the insured from both long-term and short-term contingencies by flat rate or earnings-related contributions, but their consequences are different. As for the administration of social insurance, it can be managed by a unified single scheme or numbers of separate small schemes. The greatest merit of a unified scheme is the economy of administrative cost, and its shortcoming is the loss of economic efficiency in the investment of its fund due to the decrease of competition. As for the latter, its shortcomings are the expensiveness in administration and the retard of labour mobility; and its merit is the efficiency in investment.

In public social insurance, as Beveridge was in favour of unified single administration, he saw such a scheme as a great advantage over private small insurance enterprises if they also provide the same services. Because there were already many private insurance enterprises to provide earnings-related benefits for long-term contingencies such as old age, so, in theory, in order to avoid unfair competition between giant, monopolistic public social insurance and small private commercial insurance enterprises, there should be a functional division between public and private insurance. One of the options of division is that the newly established public social insurance may concentrate itself on only flat-rate benefits for long-term contingencies. Moreover, in order to combat or prevent poverty, the level of flat-rate benefits should be adequately high up to or even over poverty line. And then all private insurance schemes provide benefits on top of this flat- rate public benefit voluntarily.

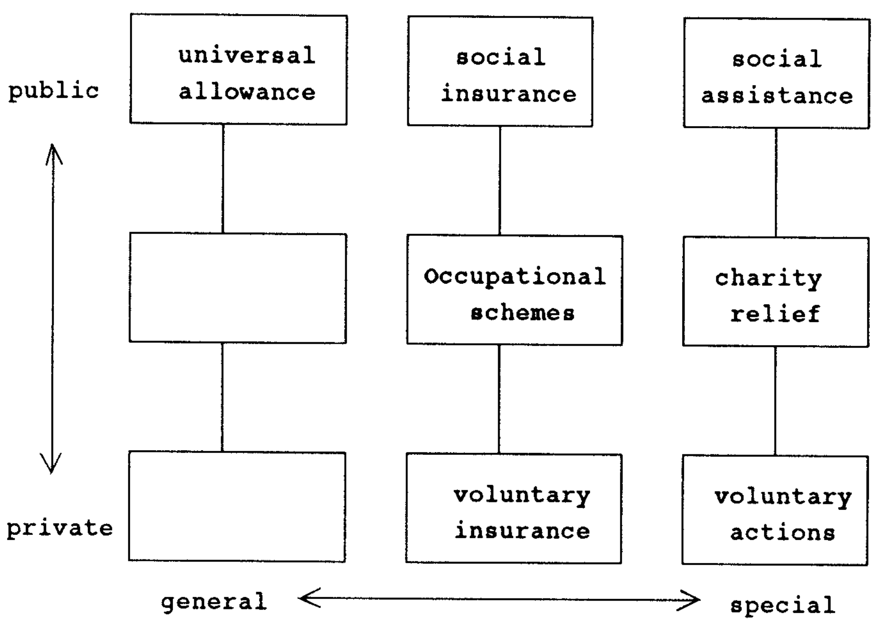
Compared to social insurance and social assistance, there is no means test and contribution test nor have their side effects in universal allowance. In theory universal allowance is a good method to provide flat rate benefits for regular long-term contingencies such as childhood and old age if we want to achieve the criterion of administrative efficiency. But for the purpose of encouraging private voluntary actions and the sake of maintaining the attribute of insurance, Beveridge rejected a universal allowance as the provision for old age. However, nowadays many scholars such as Reddin (1985: 29-31) are in fact implicitly in favour of universal allowance in social security, because, when the availability of employment becomes uncertain at present or in the future, not only are contributions not a reliable and sufficient source to finance the provision of social insurance any longer but also the coverage of social insurance will be greatly or even become a privilege of the minority. Whenever the financing of social insurance does not totally rely on contributions and its entitlement to benefits is also not totally decided by a contributions record, then the scheme has in fact shifted towards a universal scheme already. At least, it has been shifted to the mid-way house.

Theoretically, Beveridge's 'assumptions' could be considered as the author's 'universal allowances'. Within his 'assumptions', children's allowances are benefits in cash, and health and employment services are benefits in kind. In the field of social policy, like housing, education, health and employment are also independent branches parallelled and closely related to social security. But according to the definition of ILO (1984: 3), medical care or health services are actually included in the field of social security. Nevertheless, in the field of universal allowance, its main weakness is that its benefit expenditure will be very high or even too high to afford if its benefit level is at a high flat rate. This flat rate is generally and politically decided according to the financing ability of a society, so whether this flat rate is adequate or not cannot be certainly guaranteed.

As mentioned above, the framework of Beveridge Plan can be summarized as Figure 3. According to this framework of social security, it is helpful to make clear many moot points in Beveridge Plan. At first, as there already had been many quite strong private earnings-related insurance schemes such as occupational schemes, and as Beveridge also wanted to encourage voluntary actions, this was the reason why he set only flat rate provisions in his social insurance scheme because he wanted to avoid the competition between them. Nevertheless, although he also realized the limitation of exclusion in social insurance, he could not but leave these excluded groups of persons to social assistance despite its disincentive effects. Moreover, as mentioned before, as the availability of employment is not always guaranteed at all times, especially the later evidence showed that full employment would cause the problems of labour shortage and inflation both in wage and in price (Crossman, 1972: 8), so his plan was dependent on a basis which was not very solid and certain, because too much emphasis was put on social insurance which in turn relied

Figure 3 Beveridge's Framework of Social Security

	front tier	main tier	spare tier
contingencies or needs	ordinary regular	ordinary regular/irregular	special irregular
length	long-term	long-term/ short-term	short-term
financing	general revenue	contributions F-R; E-R*	general revenue
test	citizenship age, ...	contribution	means/income
benefit	in cash: F-R in kind**	F-R; E-R*	need-related



Note:
F-R= Flat-rate
E-R= earnings-related
*= for voluntary actions
**= health and employment services

on the precondition of full employment.

Apart from the purpose of encouraging private voluntary actions, taxing ability and substitution effects might be the main practical restrictions for modern societies not to apply universal allowance as main provision for the elderly because most schemes are tax-financed. Even child benefit (or previous family allowance) is generally designed as a supplementary scheme and not enough by itself. However, as a society becomes more affluent, nowadays not only the value-judgement of some conservative writers can agree that even the people who are idle, foolish or improvident should not be allowed to starve (Morgan, 1984: 15), many more liberal people are even campaigning for an all-universal allowance such as basic income or social dividend (BIRG, 1984). So, an all-universal allowance for all people might be still too radical, but a sub-universal allowance for the elderly at the level of physiological subsistence should not be radical any longer.

5. After Beveridge

Following the presentation of Beveridge Report, the Family Allowance Act was passed in 1945; the National Health Act and the National Insurance Act (including industrial injuries) were passed in 1946; and the National Assistance Act was passed in 1948. All these social legislations were carried out by the post War Labour Government. However, they did not totally follow Beveridge's original plan, there were several departures in these Acts from Beveridge's proposals (DHSS, 1985: III64).

Firstly, in the provision of universal allowance, the departure in the Family Allowances Act was that it rejected Beveridge's recommended level of 8 shillings (1 shilling = 5 pence) for each child after the first and adopted a weekly rate of only 5 shillings.

Secondly, in the provision of social insurance, the main departures in the National Insurance Act were as follows: (a) unemployment benefit was paid only for a limited period, up to 12 months, not paid indefinitely; (b) the full flat-rate old age pensions were introduced immediately, the 20-year phasing-in period was dropped (Dilnot, et al., 1984: 17); (c) the benefit level was assessed as 131% of Rowntree's 1938 level, higher than Beveridge's recommendation of 125%; but after taking account of the influence of inflation, the real benefit in 1948 was only three quarters of Beveridge's recommendation; that is, the real benefit level was one quarter less than the Beveridge Plan (Shragge, 1984: 44-45); and (d) the level of industrial injury benefits was as high as the war pension.

Thirdly, in the provision of social assistance, the departure in the National Assistance Act was that the assistance included the actual cost of housing; this cost made the benefit level of assistance much higher than that of insurance benefits which included only average rent of 10 shillings. So a large number of insurance beneficiaries also qualified for assistance benefits (DHSS, 1985: II31). This practical measure widely deviated from the relationship between social insurance and social assistance in which Beveridge (1942: 141) espoused that the benefits of social assistance should be less desirable than that of social insurance in order to encourage voluntary actions.

Because some of these departures were very critical, Beveridge's integrated planning was in fact greatly distorted, so he should not be held responsible for most of the failures though he could be criticized as being politically unrealistic. For example, first, the dropping of the 20 years phasing in period of transition was in fact to change Beveridge's financing method of social insurance from a funded system into a pay-as-you-go system. Because a pay-as-you-go system is in fact to treat all contingencies as only short-term ones, so all contingencies can be pooled within a short period of time such as one year. In theory no concern is necessary to pay for the future though there is a commitment of payment for long-term contingencies such as old age and disability. Simultaneously, no benefit can be guaranteed without a strong sense of social solidarity and political credit. Under a funded system, if the collected contributions can be invested in the form of capital, then its benefit right will be able to be inflation-proofed in some degree. Though the huge amount of fund might be difficult to invest gainfully in existing changing market, at least its interest from fiscal agencies will be able to compensate the loss from inflation to some degree. Even the benefit right in the funded system might suffer some loss from inflation, but the right itself is solid and guaranteed. But under the pay-as-you-go system, because all contributions are in the form of cash or money, so its benefits are barely exposed to inflation. Its only remedy is to index the contribution, i.e., to request the current contributors to pay more. In summary, we use capital gains and dividends to tackle inflation in the funded system, and use the method of indexation of contributions in the pay-as-you-go system. They are two different ways to tackle the same problem. If we can accept the above interpretation, then it is quite unfair to criticize Beveridge for not taking account of inflation though the rate of gain and the rate of inflation are not always equal.

Second, as Beveridge expected, in the long term the low benefit at only subsistence level would have the function to encourage people to develop better or additional private provisions for their future needs. The great development of occupational pension schemes after Beveridge could be its true result. However, in short term, low insurance benefit was the force to push more people to rely on assistance (Shragge, 1984: 52), especially, if social insurance benefit was lower than social assistance.

After the Labour Government, there followed 13 years' Tory Government from 1951 to 1964. During this long period, one significant change in the Beveridgian British social security was the introduction of a limited earnings-related element to the National Insurance Act of 1959. Why was this new change introduced? That was the effect of the dropping of a 20 years maturity period, because this drop violated the actuarial principle of 'insurance' and let the people who had not contributed or were in fact unable to contribute long enough to qualify their pensions right at its inception. In the early stages, there was still some surplus in the fund because many pensionable people continued working due to the labour shortage after the War. But there was a drop in the excess of receipts over payments in the fund from 1952 to 1958. Finally, there were deficits from 1959 to 1961 (Shragge, 1984: 71). So, it was this financial crisis which pushed the Tory Government to find a new source to finance the system. As Government did not want to subsidize from general revenue, and it was in fact impossible to raise the flat rate contributions without suffering low-income earners, so the only possible way to finance the system was to levy earning-related contributions adding to the original flat rate one. Correspondingly, an additional earnings-related benefit was also provided.

This new Act came into operation in 1961 and was entitled 'Graduated Pension'. According to its White Paper, *Provision for Old Age*, presented by Boyd-Carpenter, the aims of this Act were to achieve the following three objectives: (1) to place the National Insurance scheme on a sound financial basis; (2) to institute provision for employed persons who cannot be covered by an appropriate occupational scheme to obtain some measure of pension related to their earnings; and (3) to preserve and encourage the best development of occupational pension schemes (MPNI, 1958: 13). Nevertheless, this change demonstrated that, on one hand, the flat-rate contributions were not sufficient to finance the scheme and, on the other hand, the flat-rate benefits were not sufficient to meet needs.

However, though the graduated pensions was very poor, this new addition of earnings-related elements would still compete with existing private schemes and was contradictory to another traditional, cherished objective of Tory party: to encourage voluntary thrift and saving. According to the Government Actuary's first survey of occupational pension scheme membership in 1959, as membership was as large as 8.75 million, so the 1959 Act allowed occupational pension schemes to 'contract out' if an employer could demonstrate that they offered employees pensions equivalent to the maximum available under the state graduated scheme in order to avoid competition or even contradiction. Contracting-out employers and their employees were exempted from earnings-related contributions, paying only the flat-rate part (DHSS, 1985a: III1). Nevertheless, this graduated pensions was not inflation-proofed and did not cover the self-employed, so it was seriously attacked by the opposition and finally replaced by the new State Earnings-Related Pension Scheme (SERPS) on 5 April 1975 although the rights to graduated pension already earned were preserved.

Before the repeal of 'Graduated Pension', Britain experienced two changes of government and two proposals for change in British pension policy. The first one, the Crossman Scheme or *National Superannuation*, was introduced in 1969 by the Labour Government. In order to provide a really adequate pension by right from contributions, the scheme proposed to abolish the flat rate part and, totally base it on a pay-as-you-go system, to create a comprehensive and fully earnings-related scheme in both benefits and contributions, with the partnership of existing occupational pensions and private means (SSSS, 1969:

11-12). Although the measure of 'partnership' was actually the same as the Tory's 'contracting out', this new reform was more radical than the previous 'Graduated Pension'. As mentioned before, the earnings-related scheme would unavoidably have the problems of either excluding low income earners or providing them with inadequate pensions. For the newly established scheme, there was also the problem of valid contribution records for existing pensions (Shragge, 1984: 131). Crossman tried to use the method of negative income tax (NIT) to guarantee all pensioners would receive their benefits up to a guaranteed adequate minimum. Unfortunately, this attempt failed due to the Inland Revenue refusal to have income tax assessment used in this way. In addition, Inland Revenue also did not have the information on rent and capital which were necessary for NIT operation. In addition even the old age pensioners and low income earners did not like the idea of their stigma being removed by filling in tax forms (Crossman, 1972: 17-18). Furthermore, because the reform was started too late, the scheme failed to become law due to the fall of the Labour Government the next year.

The second change was the 1971 Joseph Scheme which was expressed in a White Paper, *Strategy for Pension*, under the Tory Government. Generally, the main difference between the Crossman Scheme and the Joseph Scheme was that the Crossman Scheme tried to reform the pension scheme within the field of social insurance by an earnings-relate approach, but the Joseph Scheme wanted to maintain the 1959 Boyd-Carpenter Scheme and tried to put more emphasis on social assistance. Within this new scheme, there was a significant shift of principle from Beveridge's universality or universalism towards the Tory tradition of selectivity (Shragge, 1984: 135). Apart from the main policy consideration, there were also some minor provisions and some administrative improvements in this scheme. For example, universal old age pensions were provided for those over 80 years. Pensions would be reviewed every 2 years (originally 5 years; and reduced to one year in the formal Bill) to tackle the problem of inflation. Pension rights were to be preserve with job mobility in occupational schemes. And finally, contributions would be collected directly through the PAYE system. Nevertheless, this Tory proposal adopted the previous Labour idea: to set a fully earnings-related contribution though they still preserved the original dual benefits — one flat rate and one earnings-related. As for the low income earners who earned less than one quarter of the average adult male manual worker wage, they were left to the responsibility of social assistance (Shragge, 1984: 137). Joseph's scheme did become law, but was repealed in 1974 on the return of Labour government, before it could be implemented.

Finally, many real changes in pension provisions were made in the 1975 Social Security (Pension) Act which was proposed by Barbara Castle in the 1974 White Paper, *Better Pension.* Having experienced consecutive failed attempts at social security reforms of the 1969 Crossman Scheme which put more emphasis on earnings-related social insurance and equal income redistribution and the 1971 Joseph Scheme which put more emphasis on means-tested assistance and market operation, pension policy had really become a 'political football' or 'political see-saw'. In order to avoid such uncertainty, Castle produced a scheme of compromise between Labour and Tory, between public and private. Apart from Labour's own cherished fully earnings-related contributions and benefits, the Tory's private provisions based on market operation were also incorporated and even strengthened. To be brief, the central focus of SERPS was to improve pension level by (1) full inflation-proofing for both public and private pensions, (2) assessing amount of pension based on the best 20 years' earnings, (3) equal treatment of women and men, and (4) a guaranteed minimal pension for all in order to free all pensioners from relying on social assistance (DHSS, 1985a: III2-4; SSSS, 1974: 5; Shragge, 1984: 143). Under this new scheme, for all insured persons whether they are contracted out or in, their final due amounts of additional earnings-related pensions will be not much different because the SERPS will make up the difference. However, for those who are contracted out, they and their employers may take the advantage to pay a lower rate of contribution on the earnings that count towards additional pensions by the form of tax allowance or tax subsidy. Owing to practical difficulties, the self-employed were still excluded from the SERPS.

After the Conservative Government came into power in 1979, there was another modification in the compromised British social insurance. In their original proposal in the Green Paper, *Reform of Social Security*, the long run goal of the Tory Government was to abolish the SERPS for those who will retire in the next century though the pension rights of those who will retire before this century would still be honoured, and to retain only flat rate state pension and earnings-related private occupational and personal pensions. Because the financing of generous SERPS is based on pay-as-you-go method, so all the financial burden will be shifted to the working population in present and future generations. There is no more right for this generation than for future generations to prescribe the pension level and contribution rate in the future. That is, no pension level can be guaranteed under the pay-as-you-go system. However, the Tory Government was forced to preserve this scheme in their White Paper, also entitled *Reform of Social Security*, half a year later in view of wide opposition from big business such as Confederation of British Industry (CBI), pension firms and the large number of small private employers and their low income earners, because it is more expensive for them to set up their own private scheme than to participate in the public one.

Instead of abolishing the SERPS, the Government is trying to reduce the emerging costs of SERPS pensions in the following three ways. Firstly, the pension will be based on a lifetime's earnings, instead of on the best 20 years, and will be calculated as 20% of earnings, rather than 25%. Secondly, widows and older widowers will be able to inherit up to half, rather than all, their partner's SERPS pensions. Thirdly, the contracted-out occupational schemes are required to be responsible for inflation-proofing guaranteed minimum pensions in payment up to 3% a year, the remaining difference will be still made up by SERPS (DHSS, 1985b: 4). All private pensions, both occupational pensions and personal pensions are still able to contract out of SERPS by guaranteeing a level of contribution of 4%, rather than a level of benefit (DHSS, 1985b: 4-5, 14-16). So the financial uncertainty of employers is relieved.

Three more minor changes in social insurance were made to reduce benefit expenditure or administrative cost. First, under an Act passed in 1980, the earnings-related additions to sickness and unemployment benefits were abolished in 1982. Only a flat-rate benefit system financed by graduated contributions was restored. Second, under the Social Security and Housing Benefit Act of 1982, the system of sickness benefit was replaced by a system of 'statutory sick pay'. Third, under the same principle maternity benefit was replaced by 'statutory maternity pay' in the 1986 Social Security Act. These two pays are paid to employees by their employers and then will be reimbursed through a rebate of employers' National Insurance contributions (Hill, 1990: 58).

In the field of social assistance, according to the proclamation of the White Paper, the objective of reform is to hold a rein on its rising expenditure by providing efficient and responsive system of financial help which not only meets genuine needs but also encourages independence. Before 1988, there were three main provisions in British social assistance system: supplementary benefits (SB) (to replace National Assistance from 1966), family income supplement (FIS) and housing benefits (HB). All of them had their own means tests, so their administration was complicated in different degrees depending on the numbers of benefits and beneficiaries. The larger the numbers, the more complicated the system. In a study by Reddin in 1968 (1970a, 9; and Midgley, 1984: 89), there were as many as 3,146 means-tested benefits in all local authorities. Even in a recent widely quoted figure provided by National Consumer Council (NCC), there were still as many as 45 means-tested benefits (Dilnot, et al., 1984: 25). In order to simplify the administration, the pioneer measure was to except further tests for the elderly and the older long-term unemployed who have continually received benefits for two years and allow them to renew their benefits automatically.

In the formal reform in *Reform of Social Security*, two major changes are made in the field of social assistance. The first change is that all means-tested benefits will be assessed by using basic rules in particular as regards 'net income' which is after tax and national insurance contributions (DHSS, 1985b: 21). The second change is that people with capital of more than *£6,000* will not be eligible for any benefit. Capital between *£3,000* and *£6,000* will be assumed to produce a weekly income of *£1* for each *£250* which will be taken into account at net income in assessing entitlement to income-related benefits (DHSS, 1985b: 26). But later this upper limit of capital is raised to *£8,000* for housing benefits.

The second reform is that SB has been replaced by Income Support (IS). Contrary to Family Credit (FC) which is replacing the former FIS, the applicants of the IS are restricted to the people who do not work or work under 24 hours a week. The main object of this reform is to simplify the administration of the scheme by providing a basic rate of benefit, 'personal allowance', with additions, 'premiums', for particular groups — families, lone-parents, pensioners, higher pensioners, disability and severe disability. For example, the personal allowances are *£33.40* for single person over 25 years old (including the elderly) or lone-parent aged 18 years or over; *£51.45* for a couple aged 18 years old or over (including the elderly). Additional 'premiums' will depend on personal situation (DHSS, 1988; leaflet NI196). For special or emergency needs, people will be able to get help from the new Social Fund (SF) in the form either of a loan or of a grant. As for HB, its administration is also simplified by reducing the number of tapers — the rate at which benefit is withdrawn as incomes rise — from six to two. But, on the other hand, everyone will be expected to make some contributions of at least 20% to their own domestic rate (DCE, 1988: II275).

In the field of universal allowance, there are no major changes. A very minor change is that the coverage of child benefit and invalid care allowance is slightly extended. In child benefit the benefit is made payable to young people who continue to be educated at home after the age of 16. In invalid care allowance the benefit is extended to married women.

In the whole period after Beveridge in British social security, particularly in the field of pension policy, many changes have been experienced. Some of them were major, and some were minor. All these policy changes were deemed to find out a stable and efficient way to achieve the original goal of social security. Nonetheless, in British society, because its social security policies were formulated through its own special political machine which was driven by the elected party, so it was necessary to understand the basic ideologies or values of its parties at first, then we could understand the force and trend of its social security policy. In general, there were two quite different, sometimes even opposite, types of orientation in the two main political parties in Britain. On one hand, the Labour Party explicitly favoured collective, state-provided, non-contributory and non-means-tested benefits based on a universal basis. On the other hand, the Tory Party tended to favour the social provisions linked to the market, stressed the primacy of self-reliance and individual freedom, supplemented with state aid, and based on the principle of selectivity (Kohler, et al., 1982: 198; Shragge, 1984: 29). Labour emphasized public unified pay-as-you-go provisions which have the advantage in administrative efficiency, and the Tories emphasized private separate funded ones which have their merit of efficiency in investment. That is, the ideal-type provision of the Labour is universal allowance and that of the Tory is social assistance. So their actual compromise is social insurance. This is the reason why these political arguments and struggle mainly occur in the field of social insurance to deal with the issues of long-term contingencies and pensions. So they are described as a 'political see-saw' or 'pension politics'.

The direct result of the 'political see-saw' is the uncertainty of pension policy. Although this uncertainty is quite undesirable in a democratic society, it is by nature unavoidable in social security system as long as the element of income transfer or income redistribution is involved. In a democratic society like Britain, because both benefit expenditure and taxation (including contribution) are determined by politicians, so there is a strong force to push the politicians, on one hand, to raise the level of benefits (by the Labour) and, on the other hand, to retard or even to reduce the rate of taxation or contributions (by Tories). So its unhappy result is to cause a financial crisis in the form of deficit and/or borrowing for the social security system or, at the worst, to cause an economic recession through serious inflation. This is a common financial problem for many western welfare states.

As benefits (B) must be financed by some financial sources, mainly taxation (including contributions), so they (benefits) can be considered as the direct function of Taxation (T), i.e.,

$$B = f(T),$$

The above problems, both financial crisis and economic recession, can be avoided only if this equation can be maintained in balance. Facing this social security financing equation, from a technical point of view, this balance can be achieved only by a thorough actuarial calculation by professional experts; but from a democratic point of view, the operation of this equation should be under the control of the politicians, so there is a theoretical contradiction between politicians (e.g. MP) and civil experts. In a democratic society, because both sides are generally decided by the non-expert politicians, so it is difficult for them to achieve the balance of the equation. But in a non-democratic society, though both sides are decided by government, unfortunately, the government officials are not certainly influenced by the people, so the level of balance may not meet the need of the people.

Facing this kind of crisis, there must be a way to tackle it. According to democratic theory, as the politicians are empowered by the people (or more accurately, the electorate), they should have the priority to decide at least one side of the equation, either to decide the level of benefits or the rate of taxation or contributions. And then, in order to achieve the balance of the equation, the other side of the equation should be left to the government experts because only they have the ability and knowledge to actuarially calculate out a proper figure to balance this equation. It is beyond the ability of the members of parliament to play such a role.

However, this is only the first step to avoid financial crisis. The problem of disincentive remains untouched. Nowadays, in Britain and many other advanced welfare states, most social security provisions are financed by taxation. These tax-financed provisions might have 'income effect' to push people to work harder and longer and to create or at least to maintain aggregate demand of the market, so a role of built-in automatic stablizer can be played by the scheme. However, their high rate of taxation or contribution might easily cause the erosion of their own tax base through disincentives, decrease of saving and consumption, increase of labour cost and black economy (Chin, 1989: 36-38). So the increase of taxation itself might lead to the decrease of tax revenue in the long run.

As mentioned in section 2, many scholars agree that universal allowance is a better provision than social assistance and social insurance to provide an equitable, adequate, flat-rate basic income for all residents without causing the effects of disincentive and stigma for the beneficiaries (Morgan, 1984: 15; Parker, H. 1984: 30-31; BIRG; Deacon and Bradshaw, 1983: 182-83). For many high per capita western industrialized countries, it is not that they are not rich enough to implement such a universal scheme, in fact it is their financing method which is depending on only one productive factor, labour, fails to raise sufficient income to finance such a scheme. That is, the main problem is that the needed high tax rate to finance such an expensive universal scheme will cause a serious disincentive effect for the producers, both employer and the employed. Therefore, the logic policy to avoid such disincentive effects is to establish our universal scheme based on other productive factors such as land and capital rather than on only labour. But how to arrange this kind of financing resources, it is another difficult problem we have to face.

6. The Actual Provisions

Since the end of nineteenth century, more and more people have depended on the provision of social security in Britain. Many different proposals have been raised, and many different schemes have been applied in order to find out the best way to tackle all kinds of contingency efficiently and satisfactorily. In Britain, nowadays, many needs of the people are generally met by various benefits in kind such as education, health service, employment service and personal social services which are provided by the other branches of social policy, so it will not be sufficient for standard social security benefits to meet all these kinds of need of the people.

Britain is one the oldest advanced welfare states in the world, and her social security expenditure was as high as 10-11% of GNP and 26.0% of general government expenditure in 1990 (see Table 1). When we analyze the social security expenditure in terms of categories of beneficiaries, around a half of it goes to the elderly (see Table 3). In fiscal year statistics (from April to March next year), we also can see that the expenditure on social security is far higher than any other social welfare service and amounts to as much as total expenditure of all the others together. The total welfare expenditure is about a half of government expenditure (see Table 2). These figures strongly demonstrate the importance of the role of social security in this country and the elderly in social security.

In British official statistics, social security benefits are classified as contributory benefits and non-contributory benefits. And non-contributory benefits are further classified as income-related benefits and not income-related benefits. According to the definition in the previous chapter, the contributory one is social insurance; the non-contributory and non-income-related one is universal allowance; and the non-contributory and income-related one is social assistance. Their detailed benefits can be listed as follows:

Table 1 Basic Annual Statistics in Britain

year	in million pounds				%				
	A	B	C	D	C/A	C/B	D/A	D/B	D/C
1976	126 843	114 131	58 651	12 068	46.24	51.39	9.51	10.57	20.58
1977	146 331	129 883	62 027	14 410	42.39	47.76	9.85	11.09	23.23
1978	169 322	150 341	72 431	17 080	42.78	48.18	10.09	11.36	23.58
1979	199 413	174 386	85 729	20 142	42.99	49.16	10.10	11.55	23.49
1980	231 590	200 835	104 290	24 426	45.03	51.92	10.55	12.16	23.42
1981	256 102	220 006	117 101	29 968	45.72	53.23	11.70	13.62	25.59
1982	280 347	239 691	128 755	33 946	45.93	53.72	12.11	14.16	26.36
1983	307 145	263 914	138 521	37 190	45.10	52.49	12.11	14.09	26.85
1984	329 448	284 409	147 325	40 211	44.72	51.80	12.05	14.14	27.29
1985	358 729	309 362	157 661	43 246	43.95	50.96	12.06	14.00	27.42
1986	388 038	331 278	162 244	47 008	41.81	48.98	12.11	14.19	28.97
1987	425 276	362 275	169 212	47 965	39.79	46.70	11.28	13.24	28.35
1988	472 910	402 339	178 116	48 523	37.66	44.27	10.26	12.06	27.24
1989	515 501	440 268	196 836	51 969	38.18	44.71	10.08	11.80	26.40
1990	554 626	481 776	214 361	55 802	38.65	44.49	10.06	11.49	26.03

Notes: A = GNP at market price

B = GNP at factor cost

C = Government expenditure

D = Social security expenditure

Source: (1) CSO, 1992a:10,168; 1992b:45,48.

I. Social Insurance

1. Retirement pension
2. Invalidity benefits
    (a) invalidity pension
    (b) invalidity allowance
3. Widows' benefits
    (a) widow's pension
    (b) widow's allowance
    (c) widowed mother's allowance
4. Unemployment benefit
5. Sickness benefit
6. Maternity allowance
7. Death grant
8. Child special allowance
9. Guardian's allowance
10. Christmas bonus
11. Industrial benefits
    (a) industrial disability benefit
    (b) industrial death benefit
    (c) industrial injuries/diseases benefit
    (d) Workman's Compensation

II. Universal Allowance

1. Child benefit
2. Maternity grant
3. One-parent benefit
4. Attendance allowance
5. Invalid care allowance
6. Mobility allowance
7. Severe disability allowance
8. Retirement pension
    (a) for those aged 80 and over
    (b) for those without NI pension
9. War pensions
    (a) war disability pension
    (b) war widow's pension
    (c) war orphan's pension
    (d) war parent's pension

Table 2 Social Welfare Expenditure in Britain

year	general government expenditure £ billion	social welfare expenditure					defence
		A %	B %	C %	D %	E %	%
1978-79	175.4	25.9	14.1	14.5	7.0	1.7	11.5
1979-80	180.4	25.9	14.3	14.1	7.3	1.7	11.9
1980-81	184.0	26.3	15.4	14.5	6.2	2.1	12.2
1981-82	186.2	28.5	15.3	14.0	4.1	2.2	12.2
1982-83	191.3	28.8	14.8	13.4	3.4	2.0	12.3
1983-84	193.7	29.9	14.9	13.4	3.7	2.3	12.6
1984-85	197.6	30.2	14.9	12.9	3.5	2.3	13.0
1985-86	196.9	31.3	14.9	12.7	3.0	2.2	12.9
1986-87	197.8	31.8	15.2	13.2	2.8	2.3	12.4
1987-88	197.3	31.5	15.8	13.7	2.7	2.2	12.2
1988-89	196.7	30.8	16.7	14.1	2.1	2.1	11.8
1989-90	196.9	29.7	16.5	14.1	2.7	1.8	11.7
(estimated)							
1990-91	200.9	29.9	16.8	14.0	2.9	1.6	11.3

Note: A= social security
B= health and personal social services
C= education and science
D= housing
E= employment

Source: DCE, 1991:13-14.

10. Christmas bonus

III. Social Assistance

1. **Supplementary benefit (abolished as of April, 1988)**
   - **(a) supplementary pension**
   - **(b) supplementary allowance**

   Income support (effective from April 1988)
2. **Family income supplement (abolished as of April 1988)**

   Family credit (effective from April 1988)

   Social fund (effective from April 1988)
3. **Housing benefits**
   - **(a) rent rebate**
   - **(b) rent allowance**
   - **(c) rate rebate**

According to the above classification, we try to demonstrate their values by selected basic benefit rates in different years (see Table 4). By these rates we can get a general idea about these decades even after allowing for erosion by inflation. Inflation should be a strong factor causing the rise of the expenditures of social security.

In Britain as the poverty line adopted by the Ministry of Social Security is basic scale rates of SB plus rent (Townsend, 1983: 41), and as the benefit levels between social insurance pension and social assistance pension are almost the same, in many years the latter is even higher than the former, so the levels of basic state pension are certainly lower than the official poverty line. As many as 27-28% of insurance pensioners also had to claim national assistance or supplementary benefits in 1960s (CSO, 1971: 89). Even today there are still over a half of pensioners eligible for supplementary pensions though only two thirds of these actually claim them (Phillipson and Walker, 1986: 202). The situation seems never to change over decades. This is one reason why additional earnings-related pensions were introduced in 1961 and 1975. According to the latest reform, old age pension paid by Income Support (IS)

Table 3 Social Security Expenditure by Beneficiaries

year	Total million	A %	B %	C %	D %	E %	F %
1978-79	15 870	55.1	15.8	8.6	4.3	15.8	0.4
1979-80	18 780	53.9	14.8	7.8	4.0	19.0	0.4
1980-81	22 680	53.5	14.0	11.2	3.7	17.1	0.4
1981-82	27 690	51.8	13.3	14.5	3.4	16.6	0.4
1982-83	31 620	51.0	12.9	15.8	3.2	16.6	0.4
1983-84	34 840	50.7	12.7	16.4	3.0	16.8	0.4
1984-85	37 760	49.8	13.3	16.8	2.9	16.9	0.4
1985-86	41 700	49.0	14.7	16.7	2.7	16.9	-
1986-87	44 910	48.7	15.9	16.3	2.5	16.6	-
1987-88	46 700	49.4	16.6	14.2	2.4	17.4	-
1988-89	47 320	50.0	18.2	11.1	2.4	18.3	-
1989-90	49 960	51.3	19.6	8.6	2.3	18.3	-
(estimated)							
1990-91	55 910	51.1	20.3	8.7	2.1	17.8	-
(planned)							
1991-92	62 950	50.7	20.7	8.9	2.0	17.8	-
1992-93	67 800	50.1	21.4	8.7	1.9	17.8	-

Note: (1) The 'total' excludes some special payments to certain groups of claimants but includes rate rebates which are not public expenditure.

(2) 'A' includes SB paid to men under retirement age but over 60.

(3) 'E' includes child benefit, one-parent benefit, FIS, maternity benefit, and SB paid to one-parent families and to people looking after elderly parents.

(4) After 1985-86, 'F' is included in 'E'.

(5) A = elderly people
B = sick and disabled people
C = unemployed people
D = widows and orphans
E = family
F = housing benefit paid to people in work

Source: DCE, 1984:II85, 1985:II171, 1986:II233, 1987:II241, 1988:II267,1991:11.

consists of allowances and premiums which per week total *£52.90* (39.85 + 13.05) for a single person and *£81.70* (62.25 + 19.45) for a couple respectively. The differences between the new IS pensions and social insurance pensions is even larger than previous years. Only a general improved financial situation in insurance pensions, both public and private, will enable more old people to avoid applying assistance benefits.

According to Table 3, for example, about a half of social security expenditures were paid to the elderly in each year. As the amount of the expenditures is decided by the number of beneficiaries and the level of benefits, so the estimation of pension expenditure could be derived from the number of the aging population and the level of old age pensions. In Britain the elderly people age 65 years and over was only about 5% of the total population in 1900s, then it rose to about 10% in 1940s, and recently rose to 15% in 1980s. That is, during the last 8 decades, the proportion of old people in Britain has increasing 5% for every 4 decades. (This does not mean it will be still the same in the future.) As the number of the aging population is mainly determined by 'population growth' (influenced by births and immigrants) and 'life expectancy', so if the population stops growing and the life expectancy rises, then the proportion of old people will increase. However, due to the limitation of natural resources and the living space of the earth, the most possible population trend in the future would be the ideal type of Zero Population Growth (ZPG), or a fluctuation around the ZPG. If ZPG can be achieved in the future, then because births and deaths will be roughly equal in case of ZPG, so life expectancy will play an important role in the change of the aging population in the future. Viewing the world population trend, Sweden is clearly approaching to this ZPG; Britain is also rather near this object though its population growth has been fluctuating. In the case of ZPG, the proportion of old people of a society

Table 4 Value of Basic Weekly Benefit Rates in Britain (£)

Benefit	07-1948	04-1955	03-1965	04-1975	11-1980	11-1985	04-1991
I-1:							
single	1.30	2.00	4.00	11.60	27.15	38.30	52.00
couple	2.10	3.25	6.50	19.50	43.45	61.30	83.25
I-2-a:							
single	-	-	-	11.60	26.00	38.30	52.00
I-3-a	1.30	2.00	4.00	11.60	27.15	38.70	52.00
I-4:							
single	1.30	2.00	4.00	9.80	20.60	30.45	41.40
couple	2.10	3.25	6.50	15.90	33.40	49.25	67.60
II-1	0.25	0.40	0.40	1.50	4.74	7.00	8.25
II-3	-	-	-	-	3.00	4.55	
II-4:							
high rate	-	-	-	9.20	21.65	30.60	41.65
II-6	-	-	-	-	14.50	21.40	29.10
III-1-a:							
single	-	-	-	12.00	27.15	37.50	-
couple	-	-	-	18.85	43.45	60.00	-
III-1-b:							
single	1.20	1.875	3.80	9.60	21.30	29.50	-
couple	2.00	3.15	6.275	15.65	34.60	47.85	-
IS:							-
single							
under 18	-	-	-	-	-	-	23.65
18-24	-	-	-	-	-	-	31.15
25 +	-	-	-	-	-	-	39.65
couple							
under 18	-	-	-	-	-	-	47.30
18 +	-	-	-	-	-	-	62.25
III-2:							
1 child	-	-	-	31.50	67.00	97.50	-
FC:adult	credit	-	-	-	-	-	38.60
child	credit	-	-	-	-	-	9.70-27.95
purchasing power, 1980=100	780	600	450	196	100	71	

Note: The figures in IS are personal allowance.
Sources: DHSS, 1989; CSO, 1992b: 53-54.

will eventually be decided by average life expectancy and the definition of old age. When the average life expectancy increases, more people will be able to live into old age, so the number of old people will increase. And if we define a lower age as old age, then more people will be classified as old people. If it is on the contrary, then the number of old people will be less.

Viewing the British population projections, we find that the population is forecast to grow up to a peak during 2030s and then to decline gradually (see Table 5). This is the special consequence of the 'baby boom' of the 1950s (Silburn, 1985: 29). That is, the babies born in that time fairly predictably will be in their old age in 2030s. Although 'baby boom' will be repeated every 2-3 decades, they will become weaker and weaker, and finally they will disappear. So this 'baby boom' phenomenon of the spiral growth of elderly population may be only a particular case. Although the size of future generations is not so sure as existing and past generation, they still demonstrate a quite stable average size. In the long run the normal case would be the approach to the aim of ZPG. According to the model in Table A1 in Appendix, because the average life expectancy in UK is not as high as 80, so the proportion of old people aged 65 years and over will not be able to be as high as 18%, which is only possible to achieve in a demographically steady state, of the total population. Especially, as long as the population of the UK is still mildly increasing, its proportion of old people will be less than the figures in Table 5. In the field of social security, old age will be a problem only if it is a period of economic dependency because the elderly are totally withdrawn from the labour market. So it is quite suitable to define pensionable age as 'old age' in western welfare states such as UK, West Germany and Scandinavian countries from the point of social security. If pensionable ages are defined as old ages and if they are different by sex, then the situation will be a little more complicated. In this case we have to estimate the proportions of different sexes separately, and then make an average. For example, In Britain as the pensionable ages are 60 years for female and 65 years for male, so the proportion of pensionable people of the total population will fall in between the rate of old people aged 65 and over and that of 60 and over.

As benefit or service has been a necessary provision for needed people in modern societies, it is our aim to provide it efficiently and effectively. From this point of view, administration cost is one of the good indicators to evaluate the efficiency of the provision. By definition, administration cost is the cost to provide benefits. In Britain this cost is about 4% to 5% of total benefit expenditure (see Table 6). If we examine it in detail, we can also figure out the cost of each benefit. As the cost of provision can be indicated by either a percentage of expenditure or a value per beneficiary, so the factors that will influence this cost could be the following ones:

1. the total expenditure of benefit — the higher the expenditure, the lower the cost (expressed as a ratio);
2. the character of tests — the tests of benefits are many, the less and the simpler the tests, the less the staff, then the less the personnel cost;
3. the length of payment — the longer the payment, then the less the tests and the less the staff cost; and
4. the number of beneficiaries — the larger the number, the lower the cost (expressed as a ratio).

Based on these criteria, it will be very useful to help us to understand the reason why the administrative cost of some benefits are so expensive and some are comparatively economical (see Table 7). Generally most supplementary benefits are short-term benefits, and their tests are also very complicated, so

Table 5 Population Projections in Britain

year	million			%	
	Total	65 +	M65+,F60+	65 +	M65+,F60+
1975	56.2	7.9	9.6	14.1	17.1
1980	56.2	8.4	9.9	15.0	17.6
1985	56.6	8.6	10.2	15.1	18.1
1986	56.8	8.7	10.3	15.3	18.1
1991	57.5	9.0	10.5	15.7	18.3
1996	58.3	9.1	10.5	15.6	18.1
2001	59.0	9.2	10.6	15.6	18.0
2006	59.3	9.3	10.9	15.6	18.3
2011	59.4	9.6	11.5	16.2	19.4
2016	59.6	10.4	12.1	17.5	20.3
2021	59.9	10.8	12.7	18.1	21.2
2025	60.0	11.3	13.4	18.8	22.3
2026	60.0	11.4	13.6	19.1	22.6
2031	60.0	12.3	14.3	20.6	23.9
2036	59.6	12.8	14.4	21.4	24.1
2041	59.1	12.4	13.9	20.9	23.5
2046	58.6	11.8	13.4	20.1	22.8
2051	58.1	11.4	13.1	19.5	22.5
2056	57.8	11.2	13.0	19.5	22.6

Sources (1)OPCS, 1987:38-39
(2)CSO, 1988a:24; 1988b:11-12

their personnel cost will be extremely high. This is the reason why supplementary benefits are the most expensive one in both measures. In addition to the fact that the number of beneficiaries is not very large, the same reasons are applicable for unemployment benefit, so it is the second most expensive

Table 6 The Expenditure of Social Security in Britain

year	million					%			
	Total	SI	UA	SA	A	SI	UA	SA	A
1978-79	6 401	10 601	2 579	2 525	696	64.6	15.7	15.4	4.2
1979-80	19 377	12 206	3 632	2 741	798	63.0	18.7	14.2	4.1
1980-81	23 483	14 843	3 987	3 579	1 073	63.2	17.0	15.2	4.6
1981-82	28 582	17 213	4 628	5 468	1 273	60.2	16.2	19.1	4.5
1982-83	32 451	18 593	5 118	7 358	1 381	57.3	15.8	22.7	4.3
1983-84	35 159	17 709	5 671	8 231	1 548	56.1	16.1	23.4	4.4
1984-85	38 114	20 777	6 183	9 430	1 724	54.5	16.2	24.7	4.5
1985-86	43 237	22 901	6 213	12 388	1 734	53.0	14.4	28.7	4.0
1986-87	46 591	24 748	6 992	12 991	1 860	53.1	15.0	27.9	4.0
1987-88	48 751	25 826	7 472	13 311	2 142	55.0	15.3	27.3	4.4
1988-89	49 397	26 545	7 519	13 057	2 276	53.7	15.2	26.4	4.6
1989-90	51 159	28 235	7 879	13 478	2 567	55.2	15.4	26.3	5.0
(estimated)									
1990-91	55 940	30 496	8 543	14 044	2 857	54.5	15.3	25.1	5.1
(planned)									
1991-92	62 837	34 260	9 709	15 789	3 079	54.5	15.5	25.1	4.9

Note: SI = social insurance
UA = universal allowance
SA = social assistance
A = administration

Sources: DCE, 1984:II82, 1985:II166-167, 1986:II224-225, 1987:II234-235, 1988:II260-261, 1991:1-4

one. As for child benefit and retirement pension, both of them not only are long-term payments but also have a very large number of beneficiaries and

Table 7 Administrative Costs of Benefits, 1985-86

benefits	A	B	C	D	E
I-1	16 584	233	1.4	9 400	0.50
I-2 & 5	2 625	110	4.2	1 025	2.05
I-3	800	24	3.0	410	1.10
I-4	1 589	160	10.1	955	2.20
I-6	164	12	7.3	115	2.00
II-1 & 3	4 602	89	1.9	12 965	0.15
II-2	422	12	2.8	395	0.60
II-4	686	24	3.5	555	0.85
II-7	266	12	4.9	245	1.00
II-9	581	18	3.1	295	1.15
III-1	7 446	839	11.3	4 755	3.40
III-2	130	5	3.8	205	0.45
III-4	4 636	148	3.2	7 270	0.40

Note:A = total benefit expenditure in million pounds
B = total administration cost in million pounds
C = B as % of A
D = total number of beneficiaries (1,000)
E = average weekly administrative cost per beneficiary in pounds (=B/52D)

Source: DCE, 1988:II279.

very simple non-income tests, so they are two of the most economical ones.

7. Conclusion

After a study on the development of the British social security system, the most central aspect is Beveridge's framework of social security according to the context of his report. The cornerstone of this framework is social insurance. That is, this framework has social insurance (in cash) as its 'main tier' of provision, universal allowance (in kind) as its 'front tier', and social assistance (both in cash and in kind) as 'spare tier'. Parallel to social insurance, there are numbers of private voluntary schemes. Referring to the experiences in policy changes and reforms, the author tries to organize all the different related elements such as contingencies, time, financing, test and benefits into a rational figure. According to this framework, the author can thoroughly comment on not only the merits and weaknesses of Beveridge's original proposal, but also the success and failure of later development in the whole period of after the Beveridge stage.

In addition, there is some similarity in the development between Britain and Taiwan. The British experience in social security provisions is really worth learning and referring to. First of all, the piecemeal constructed pre-Beveridge British social security is similar to that in Taiwan nowadays. For example, many similar schemes are administered by different government departments or agencies; they have in common problems of administrative inefficiency and financial difficulties. The experience in making the Beveridge Plan might provide a vivid mirror for future reform in Taiwan.

Referring to the Beveridge Plan, the condition of a universal health service is the most important one in Taiwan. It is worth taking more consideration. As for the conditions of family allowance and low unemployment, they are not so urgent in Taiwan because nowadays both family planning which leads to the decrease of family size and economic growth which increases the income of the family are still very effective. So they can be put in the second priority in the planning of social security in Taiwan. Moreover, viewing the lessons of Beveridge and subsequent reformers, as all three main provisions of social security have their own merits and limitations, so it would be better to have a new attitude to treat them equally without any preference or discrimination. The application of each provision had better be based on their merits rationally. Then, a fully efficient scheme might be achieved.

In summary, one of the most meaningful lessons learned from the study of this paper is to construct a rational framework of social security (as Figure 3). According to this framework, the main flaw of the Beveridge Plan was that he put too much emphasis on social insurance. So his plan would not overcome the weakness of social insurance, exclusion. Though this exclusion could be solved by social assistance, however, for long-term contingencies such as old age and disability, universal allowance would be better than social assistance from the point of administrative efficiency and disincentive effects. Furthermore, in order to achieve the criterion of horizontal equity which is further defined as equivalent living standard, the benefit level of universal allowance is not necessarily flat-rate for all beneficiaries. After having a universal allowance scheme to provide basic income for all people, the benefits of social insurance and private insurance may be provided on top of it. As for short-term and regular contingencies, it is the obligation of social insurance to provide either earnings-related benefits by earnings-related contributions or flat rate benefits by flat rate or earning-related contributions. But if there are already many strong private earnings-related insurance schemes, then there should be another division of function between public social insurance and private ones. Finally, all irregular contingencies such as flood, drought, earthquake and hurricane, no matter long-term or short-term, will be left to social assistance. They are protected by need-related provisions.

Another meaningful lesson might be learned from this study is that the arrangement of three provisions of social security should not be based on only contingencies themselves but mixed with life cycle in some degree. In principle it is suitable to tackle regular contingencies with social insurance and to tackle irregular contingencies with social assistance, but they had better be limited within working life or the independent stage of life. As for the dependent stage of life such as childhood before school leaving and old age after retirement, it might be better be covered by universal allowances. Of course, the age of leaving school and that of old age, they can be defined based on the demand of a society.

Appendix

Table A1 The Proportion of Old Age under ZPG

Average Life Expectancy	The Age of Old Age				
	55	60	65	70	75
60	8.3	-	-	-	-
65	15.4	7.7	-	-	-
70	21.4	14.3	7.1	-	-
75	26.7	20.0	13.3	6.7	-
80	31.3	25.0	18.8	12.5	6.3

Note: Assumes ZPG is a demographic 'steady state'.

References

Beveridge, Sir William

1942 *Social Insurance and Allied Services.* London: HMSO.

BIRG (Basic Income Research Group)

1984-85 *Bulletin, No. 2-4.* London: BIRG.

Burns, Eveline M.,

1956 *Social Security and Public Policy.* New York: McGraw-Hill.

Chin, Tom Yee-Huei

1989 *Old Age and Social Security in Taiwan: A Study in Policy and Planning.* Doctoral Thesis of the University of Edinburgh.

Clarke, John J.

1935 *Social Administration: Including the Poor Laws.* London: Sir Isaac Pitman & Sons.

Crossman, Richard

1972 *The Politics of Pensions.* Liverpool: Liverpool University Press.

CSO (Central Statistical Office, UK)

1988a *Social Trends 18.* London: HMSO.

1988b *Annual Abstract of Statistics.* London: HMSO.

1988c *Economic Trends 1988: annual Supplement.* London: HMSO.

1992a *Economic Trends 1987: annual supplement.* London: HMSO.

1992b *Annual Abstract of Statistics.* London: HMSO.

DCE (Departments of the Chancellor of the Exchequer, UK)

1984 *The Government's Expenditure Plans 1984-85 to 1986-87.* Cmnd. 9143, London: HMSO.

1985 *The Government's Expenditure Plans 1985-86 to 1987-88.* Cmnd. 9428, London: HMSO.

1986 *The Government's Expenditure Plans 1986-87 to 1988-89.* Cmnd. 9702, London: HMSO.

1987 *The Government's Expenditure Plans 1987-88 to 1989-90.* Cmnd. 56, London: HMSO.

1988 *The Government's Expenditure Plans 1988-89 to 1990-91.* Cmnd. 288, London: HMSO.

1989 *The Government's Expenditure Plans 1989-90 to 1991-92.* Cmnd. 615, London: HMSO.

1990 *The Government's Expenditure Plans 1990-91 to 1992-93.* Cmnd. London: HMSO.

1991 *The Government's Expenditure Plans 1990-91 to 1992-93.* Cmnd. 1514, London: HMSO.

Deacon, Alan and Jonathan Bradshaw

1983 *Reserved for the Poor.* Oxford: Basil Blackwell and Martin Robertson.

DHSS (Department of Health and Social Security, UK)

1985a *Reform of Social Security* (green paper). Cmnd.9517-9520, London: HMSO.

1985b *Reform of Social Security* (white paper). Cmnd.9691, London: HMSO.

1988 *Social Security Statistics 1988.* London: HMSO.

1989 *Social Security Statistics 1989.* London: HMSO.

1990 *Social Security Statistics 1990.* London: HMSO.

Dilnot, Andrew W., John A. Kay and C. Nick Morris

1984 *The Reform of Social Security.* Oxford: Oxford University Press.

Dixon, John

1986 *Social Security Traditions and Their Global Applications.* Belconnen, Australia: IFSED (International Fellowship for Social and Economic Development)

Fraser, Derek

1984 *Evolution of British Welfare State.* London: Macmillan.

George, Victor, and Paul Wilding

1984 *Ideology and Social Welfare.* London: Routledge & Kegan Paul.

Gilbert, Bentley B.

1966 *The Evolution of National Insurance in Great Britain.* London: Michael Joseph.

Harris, Jose

1977 *William Beveridge: A Biography.* Oxford: Clarendon Press.

Hennock, E. P.

1968a "The Poor Law Era" in *The Origins of the Social Services: A New Society Social Studies Reader.* New Society.

1968b 'Social Security: A System Emerges' in *The Origins of the Social Services: A New Society Social Studies Reader.* New Society.

Hill, Michael

1990 *Social Security Policy in Britain.* Hants, England: Edward Elgar.

ILO (International Labour Organization)

1984 *Introduction to Social Security.* Geneva: ILO.

Kaim-Caudle, Peter Robert

1973 *Comparative Social Policy and Social Security: A Ten Country Study.* London: Martin Robertson.

Kohler, Peter A., Hans F. Zacher and Martin Partington (eds)

1982 *The Evolution of Social Insurance 1881-1981: Studies of Germany, France, Great Britain, Austria and Switzerland.* London: Frances Pinter.

MacPherson, Stewart

1985 "Social Security and Social Assistance in Developing Countries," unpublished paper for the 5th World Conference of The International Society on Family Law, Brussels: 8-14 July 1985.

Midgley, James

1984 *Social Security, Inequality, and The Third World.* Chichester and New York: John Wiley & Sons.

Morgan, E. Victor

1984 *Choice in Pensions.* London: IEA.

MPNI (The Minister of Pensions and National Insurance)

1958 *Provision for Old Age: The Future Development of the National Insurance Scheme.* Cmnd. 538. London: HMSO.

Myers, Robert J.

1975 *Social Security.* Homewood, Illinois: Richard D. Irwin. OPCS (Office of Population Censuses and Surveys)

1987 *1985-2050 Population Projections.* London: HMSO.

Ozawa, Martha N.

1982 *Income Maintenance and Work Incentive: Toward a Synthesis.* New York: Praeger.

Parker, Hermione

1984 *Action on Welfare.* London: The Social Affairs Unit.

Parker, Julia

1975 *Social Policy and Citizenship.* London: Macmillan.

Phillipson, Chris and Alan Walker (eds)

1986 *Aging and Social Policy: A Critical Assessment.* Hants, England: Gower.

Reddin, Mike and Michael Pilch

1985 *Can We Afford Our Future?* Surrey, England: Age Concern England.

Shragge, Eric

1984 *Pensions Policy in Britain: A Socialist Analysis.* London: Routledge & Kegan Paul.

Silburn, Richard (ed.)

1985 *The Future of Social Security.* London: FS (Fabian Society).

Smith, N. J.

1972 *A Brief Guide to Social Legislation.* London: Methuen.

SSSS (The Secretary of State for Social Services)

1969 *National Superannuation and Social Insurance: Proposals for Earnings-Related Social Security.* Cmnd. 3883, London: HMSO.

Townsend, Peter

1983 "A Theory of Poverty and the Role of Social Policy" in M. Loney (ed.), *Social Policy and Social Welfare, Bletchley.* Bucks: Open University Press.

Walter, Tony (Julian Anthony)

1989 *Basic Income: Freedom from Poverty, Freedom to Work.* London: Marion Boyars.

貝氏報告和英國社會安全的發展

覃怡輝

摘要

學者對社會安全的範圍，有著各種不同的看法和定義，而筆者認爲社會安全的基本類型只能區分爲三種，即社會救助、社會保險和普遍津貼。這三種基本類型因爲各有其獨立的原則、特徵、財源基礎和給付條件，因此也就各有其功能和缺點。本文以社會安全的這個分類架構爲基礎，而去分析「貝氏報告」和英國戰後社會安全政策的沿革和發展，具有甚強的說明力，能具體說明在變革的過程中，所面臨到的各種瓶頸和問題。這些知識和經驗，在學理和應用上都具有甚大的參考價值。