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# SOCIAL INSURANCE

## PART I

*Presented by the Minister of Reconstruction to Parliament  
by Command of His Majesty  
September, 1944*

LONDON: HIS MAJESTY'S STATIONERY OFFICE

SIXPENCE NET

Cmd. 6550

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Part I sets out the Government's proposals for social insurance generally (except for industrial injury) and for Family Allowances.

Part II contains the Government's proposals for replacing the existing system of Workmen's Compensation by a new scheme of Industrial Injury Insurance and is being published separately (Cmd. 6551, price 3d.)

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# SOCIAL INSURANCE

## I—INTRODUCTION

1. The first duty of Government is to protect the country from external aggression. The next aim of national policy must be to secure the general prosperity and happiness of the citizens. To realise that aim two courses of action must be followed. The first is to foster the growth of the national power to produce and to earn, with its accompanying opportunities for increased well-being, leisure and recreation. The second is to plan for the prevention of individual poverty resulting from those hazards of personal fortune over which individuals have little or no control.

2. Neither of these courses of action can be effective alone. In a community whose earning power was seriously impaired by its failure to use its people and resources effectively—that is to say, by unemployment or inefficiency—it would be impossible to avoid widespread individual poverty, whatever special measures were adopted. But it is also true that a nation with a high power of production would not have solved its problem if it included any appreciable section of people who were in want, whether through loss of individual earning power, due to ill-health, unemployment or old age, or through inability to provide properly for their children. Only when this problem is also solved has a community achieved genuine social security.

3. This latter question was, therefore, one of the first to which the Government turned their minds when they began to develop a programme of post-war reconstruction. There were definite reasons why, though not logically the first item on the agenda, the question of social insurance engaged attention from the outset. For one thing, it had a particular urgency in the minds of very large numbers of people who had before the war suffered directly or indirectly from prolonged unemployment and its consequences. Again, the problems involved were concrete, specific and wholly within the scope of domestic policy; whereas the problem of achieving full employment turned in part on the shape of the post-war world and on other circumstances which could not at that stage be foreseen. Lastly, much had already been done; the task was, not to start afresh, but to expand and improve a system of social insurance already at least as advanced, in nearly every respect, as any in the world.

4. As far back as June, 1941, therefore, when—so far as could then be judged—the menace of heavy air attack and invasion had not yet been lifted, the Government invited Sir William Beveridge to take charge of a comprehensive survey of existing schemes. In November, 1942, he presented his Report on Social Insurance and Allied Services (Cmd. 6404). This was an outline plan, covering "all citizens without upper income limit . . . all-embracing in scope of persons and needs." It did not purport to be a complete and final scheme, ready for immediate translation into legislative form. The detail had still to be worked out. Further, the plan was based on three assumptions; first the institution of a scheme of children's allowances, second the framing of a comprehensive health service, and third the avoidance of mass unemployment. But they were assumptions only, and as they were not an integral part of the plan, Sir William Beveridge, naturally and properly, did not attempt in his Report to work out detailed proposals for implementing them.

5. The Government, while accepting these assumptions as necessary prerequisites to an improved and comprehensive plan of social insurance, have had to examine them closely in order to be reasonably sure that they could be realised in practice.

The Government's proposals for a national health service were already under consideration and have been published, as has their policy for maintaining a



high and stable level of employment after the war. Their plan for a scheme of family allowances is included in this paper.

On the social insurance scheme itself the Government have reviewed the questions of policy which were raised by the Report and on which the Government's views as originally announced were and could only be provisional. Much time and labour have also had to be devoted to working out and fitting together the details of the scheme—and as this Paper amply illustrates, social insurance is essentially a mosaic of detail. In the result the Government are now in a position to put forward their proposals for a new scheme of social insurance. There are still some few points on which decisions have not yet been reached. On all the major features, however, firm proposals can now be made.

### **The Underlying Principles**

6. Before the war, social studies had made it plain that in its more extreme form poverty affected households of two kinds—those in which the breadwinner was ill or out of work or past working age, and those in which the number of children strained overmuch the available resources of the household. The Government therefore conclude that there must be both an increased rate of sickness and unemployment benefit and retirement pension, and a system of family allowances which will contribute substantially to the maintenance of growing children. The cost of these family allowances will be met wholly from the proceeds of taxation; they are thus outside the bounds of the scheme of social insurance properly so called. With that one exception, the Government have adhered to the principle that freedom from want must be achieved in the first instance by social insurance—that benefits must be earned by contributions. This has long been one of the essential features of British social legislation, and the Government believe that it reflects the desires and the characteristics of our people.

### **The State's Share**

7. But, even so, let it be well remembered that the contributions from insured persons and their employers cover only part of the ground. They will not contribute directly to family allowances nor, of course, to National Assistance; and their contribution to the National Health Service will be relatively small. The balance has to be found from taxation. Towards the whole cost of the services named 54 per cent. at first and, twenty years later, 64 per cent. will have to come from taxation; and looking at the narrower field of insurance only, 31 per cent. at the outset, rising in twenty years to 50 per cent.

### **The Widened Scope of Social Insurance**

8. The Government have also decided that the scope of social insurance should be extended in two different senses—the range and amount of benefits provided and the number of people included. All the existing types of benefit will be increased, in most instances substantially, and they will be extended to include death grant. The scheme as a whole will embrace, not certain occupations and income groups, but the entire population. Concrete expression is thus given to the solidarity and unity of the nation, which in war have been its bulwarks against aggression and in peace will be its guarantees of success in the fight against individual want and mischance.

9. Certain other general principles have been adopted in framing the policy set out in the following pages. There has been no attempt to vary contributions with the earnings of those who make them: broadly the principle adopted has been that of equal benefits for equal contributions. At the same time contributors and beneficiaries have been classified—not according to earnings but according to way of life—into six groups, differing



in respect of the benefits they need and the contributions they must make to receive them.

10. The Government have also adopted the principle that the administration of a single, comprehensive, universal scheme of social insurance must be unified, and that the various uncoordinated sections of the system of to-day must be brought within a single administrative framework.

11. Certain other considerations of a general kind have been present to the mind of the Government in framing their policy. One is that the stability of a vast scheme of this kind depends upon strict administrative economy in every sense. Indeed, any laxity in the organisation of the unified system or in the administration of benefits would threaten the long-term continuance of the scheme by laying it open to legitimate and damaging public criticism. But economical administration is not a matter for the Government alone—it requires the full co-operation of the public. All pay into the fund; all must be its custodians. It is for the Government to organise the provision of benefits; the citizen too has a part to play to see that they are not misused.

### **The Level of Benefit**

12. In fixing the rates of benefit to be provided under the scheme the Government have considered whether it would be practicable to adopt a subsistence basis for benefits. In the debates of February, 1943, they expressed the preliminary view that it was not practicable and further examination of the question has confirmed this view.

In the first place, the definite linking of benefit to subsistence rates might involve the frequent variation of benefit rates in accordance with the cost of living. It is true that it would be possible to ignore minor fluctuations, but the main objection would remain.

In the second place—and more important—social insurance must necessarily deal in averages of need and requirement. It cannot adapt itself to the almost infinite variety of individual conditions. Circumstances vary, not only between places but between people, and the conception of relating individual payments precisely to individual needs is not really capable of realisation in an insurance scheme, particularly where that scheme covers all classes of the community. It is an essential feature of an insurance scheme that equal contributions should provide equal benefits within a class or group.

13. Benefits must be paid for, and a high level of benefit must mean a high level of contribution. The Government therefore conclude that the right objective is a rate of benefit which provides a reasonable insurance against want and at the same time takes account of the maximum contribution which the great body of contributors can properly be asked to bear. There still remains the individual's opportunity to achieve for himself in sickness, old age and other conditions of difficulty a standard of comfort and amenity which it is no part of a compulsory scheme of social insurance to provide. And in reserve there must remain a scheme of National Assistance designed to fill the inevitable gaps left by insurance and to supplement it where an examination of individual needs shows that supplement is necessary.

### **Contents of the Paper**

14. There is one important matter included in the Report which is not dealt with here—the problem of industrial injury insurance, or workmen's compensation. The Government's policy on this subject will be set out in Part II. With that exception the present Paper covers the whole field of social insurance. It sets out a policy designed to be complete and coherent in itself, though but a single and limited instalment of the comprehensive series of proposals needed to constitute a complete economic and social policy for the period of reconstruction.



## II—THE GOVERNMENT'S PROPOSALS IN BRIEF.

The following is an outline of the main Government proposals. A fuller exposition of each topic is given in the paragraphs mentioned after each heading.

### Universality and Classification (paragraphs 33-45)

15. There will be a compulsory scheme of national insurance, unified in administration.

The scheme will include everybody. The population will be divided into six classes—employees (Class I), the self-employed (Class II), housewives (Class III), adults who do not earn (Class IV), children (Class V), and people over working age (Class VI). Those below working age will be provided for by family allowances; those of working age by insurance benefits; and those beyond working age by retirement pensions. The scheme will apply to large categories not hitherto covered by insurance, e.g. those living on earnings gained otherwise than by salary or wages, or on earnings above £420 a year or on private income; and those employed in professions or industries hitherto specially excepted.

Each insured person will pay a single weekly contribution for all benefits in the form of one stamp on a single document.

### Contributions (paragraphs 46-49)

16. The rates of weekly contribution for persons over age 18 (covering for Class I the benefits under the Industrial Injury Insurance Scheme as well as the Social Insurance Scheme) will be:—

	Class I			Class II	Class IV
	Insured person	Employer	Total		
	s. d.	s. d.	s. d.	s. d.	s. d.
Men ... ..	3 10	3 1	6 11	4 2	3 4
Women ... ..	3 0	2 5	5 5	3 6	2 8

### Family Allowances (paragraphs 50-59)

17. Services in kind, including meals and milk at schools, will be extended; and a weekly cash allowance of 5s., derived from taxation, will be introduced.

For the purpose of family allowances the children to be taken into account are those below school-leaving age and those remaining at school above that age, until 31st July following their 16th birthday. Of such children the first will not be counted for an allowance, although, where the parent is in receipt of benefit, 5s. will then be added to the benefit in respect of that child.

### Orphan's Allowance (paragraph 60)

18. For every child both of whose parents are dead, there will be a weekly allowance of 12s., of which 5s. will come from taxation, and the balance of 7s. from Insurance Funds.

### Sickness and Unemployment Benefit (paragraphs 61-70)

19. There will be a standard rate of benefit of 40s. a week for a married couple and 24s. for a single man or woman, with lower rates for those under 18. Both benefits will be limited in duration, but in different ways. Sickness



benefit will end after three years of continuous disability and invalidity benefit at the standard retirement pension rate be substituted. Unemployment benefit will end after 30 weeks or a somewhat longer period in the case of those with a good employment record. (Periods covered by training allowance will not be taken into account.) After the end of either benefit, further contributions must be paid before an insured person can requalify for benefit.

Benefit will be reduced when the contributor's insurance record does not comply with the prescribed contribution conditions.

#### **Training Allowance (paragraph 71)**

20. Special allowances at a higher rate will be available to persons undergoing a course of approved training. The cost of training will be met from taxation, subject to a contribution from the Social Insurance Fund.

#### **Sickness Benefit for the Self-Employed (paragraphs 72-78)**

21. People working on their own account will not receive sickness benefit during the first 4 weeks of any period of illness.

#### **Dependant's Allowance (paragraphs 79-81)**

22. An additional allowance—but only one—will be paid to those on single benefit (sickness, invalidity or unemployment) who have an adult dependant. It will be 16s. a week (15s. when added to invalidity benefit).

#### **Retirement Pensions (paragraphs 82-105)**

23. There will be a standard rate of retirement pension of 35s. for a married couple and 20s. for a single person. Pensions will be paid only to those who have retired, and will be reduced if more than 20s. weekly is earned during retirement. The minimum age of retirement will be 65 for men and 60 for women, but the joint pension will become payable when the husband qualifies, whatever the age of the wife, provided that if she is under 60 she is not gainfully occupied.

Pensions will depend upon contributions paid during the working life of the applicant and will be reduced when the contribution record shows a deficiency.

Those who postpone retirement beyond the age of 65 (or 60 for women) will, when they do retire, get pensions increased by 2s. a week (joint) and 1s. (single) for each year of work after pensionable age.

Special arrangements will be made covering persons already pensioned or insured when the scheme comes into operation.

#### **Married Women (paragraphs 106-120)**

24. The provisions to meet the needs of married women in the event of the illness, unemployment, retirement or death of their husbands are described elsewhere.

For childbirth, the following benefits (which will also be made available to unmarried women in all insurance classes) will be available:—

(i) a maternity grant of £4; and, in addition,

(ii) for gainfully occupied women, maternity benefit at the rate of 36s. a week for 13 weeks, provided that occupation is given up for that period; or

(iii) for women not eligible for maternity benefit, an attendant's allowance of £1 a week for 4 weeks.

These benefits will be subject to certain qualifying conditions.

In addition there will be special provisions enabling married women to insure for a personal retirement pension of 20s. a week in lieu of their share in a joint



retirement pension, and enabling employed married women earning more than 20s. a week to insure for:—

(i) sickness benefit (after the first 4 weeks if self-employed) at the rate of 16s. a week; and

(ii) unemployment benefit at the rate of 20s. a week.

If the woman is living apart from her husband and can get no support from him, these benefits will be at the rate of 24s. a week.

#### Widows (paragraphs 121-131)

25. The main provision for widows will be:—

(i) A benefit of 36s. a week (with 5s. added for the first child, if the widow has one) for the first 13 weeks of widowhood. This will be payable to women widowed under 60 and to those widowed over that age whose husbands had not qualified for retirement pensions. It will, for the first 13 weeks, take the place of the benefits described below.

(ii) If there is a dependent child, a guardian's benefit of 24s. a week (with 5s. added for the first or only child).

(iii) A widow's pension of 20s. a week to widows who are 50 or over at the time when the husband dies or when the children cease to be dependent, provided that at least ten years have elapsed since the marriage.

These benefits will be at a reduced rate when the husband's contribution record shows a deficiency and will terminate on remarriage; guardian's benefit and widow's pension will be reduced for substantial earnings.

There will be special provisions for women who are already receiving widows' pensions and for women who at the start of the new scheme are married to men already insured for widows' pensions.

#### Death Grant (paragraphs 132-136)

26. Death grant will be paid at the following rates according to the age at which the death occurs:—

	£
Under 3 years of age ... ..	6
between 3 and 6 ... ..	10
between 6 and 18 ... ..	15
over 18 ... ..	20

For persons over 65 at the beginning of the scheme, no grant will be paid, and for persons then between 55 and 65, the grant will be £10. No grant will be paid in respect of a child dying below the age of 10 who was born before the beginning of the scheme.

#### 27. Summary of main Benefit Rates

	Sickness Benefit	Invalidity Benefit	Unemploy- ment Benefit	Retirement Pension
	s. d.	s. d.	s. d.	s. d.
Single man or woman ... ..	24 0	20 0	24 0	20 0
Married man with gainfully occupied wife. }				
Married man with wife not gain- fully occupied... ..	40 0	35 0	40 0	35 0
Married woman gainfully occu- pied ... ..	16 0	16 0	20 0	20 0
Dependant's allowance where payable ... ..	16 0	15 0	16 0	—



These weekly rates are increased by 5s. where the beneficiary has a single dependent child, or, if he has more than one such child, by 5s. in respect of the first child.

The scheme also makes provision for maternity, widowhood and death. (See paragraphs 24 to 26 above.)

#### **Benefit while in Hospital** (paragraphs 137-142)

28. The following benefits will be reduced by 10s. a week during maintenance in hospital after the first 28 days of such maintenance:—sickness and invalidity benefit, maternity benefit, widow's benefit, guardian's benefit, widow's pension and retirement pension.

#### **Duplication of Benefits** (paragraphs 147-151)

29. Not more than one social insurance benefit or pension will be payable to an individual at any one time. When a war or industrial pensioner becomes eligible for a social insurance benefit, there will be some adjustment in the benefit payable.

#### **Administration** (paragraphs 152-158)

30. A Ministry of Social Insurance will be set up which will be responsible for the whole of social insurance. The administration of assistance will be kept separate from the administration of insurance, though the Minister of Social Insurance will be responsible to Parliament for both.

#### **National Assistance** (paragraphs 159-161)

31. The present responsibilities of public assistance authorities for the payment of assistance in cash will be transferred entirely to the Assistance Board.

#### **Approved Societies** (paragraphs 162-166)

32. The Government have come to the conclusion that it is not practicable to retain Approved Societies either as independent financial units or as agents in the administration of the scheme.

### **III—UNIVERSALITY AND CLASSIFICATION**

#### **Why the Scheme is Universal**

33. To extend the range of social insurance, as now proposed, from a single, homogeneous group of employed wage and salary earners, to the entire population of all ages, and all occupations or none, is a change of very great scope and consequence. The reasons of principle for making it have already been referred to in the Introduction to this Paper. They are, briefly, that in a matter so fundamental it is right for all citizens to stand in together, without exclusions based upon difference of status, function or wealth. Secondly, that there are many people at present outside the scope of national insurance whose need of its benefits is at least as great as that of many of the insured population. Thirdly, that without universality it is not possible adequately to maintain the cover needed during various normal changes from insurance class to class.

#### **The New Classes**

34. Universality of application means that in addition to the classes at present insured there will be brought into the scheme various sections of the population which have not hitherto, except possibly as voluntary contributors, been covered by Government schemes of social insurance. There are, as instances, first, people with incomes over the present insurable limit; second, those who are substantially free from a risk for which social



insurance provides, e.g. the public servant in relation to unemployment; third, those who are exposed to a risk but are already protected against it under the terms of their existing employment, e.g. the police in relation to sickness and old age; and fourth, those who are exposed to risks but are not at present insured against them, e.g. the independent trader. With the introduction of a universal scheme the special arrangements in the present unemployment insurance scheme for banking and insurance and for agriculture will come to an end.

35. The application of the principle of universality must inevitably lengthen the task of working out and bringing into operation the new scheme of social insurance. That task would in any event have been considerable, on account of the other changes proposed. But its complexity is much increased by extending it beyond a single class. To bring a universal scheme into operation will therefore take an appreciable time. But the Government are satisfied that the advantages of such a scheme are so great that the time needed to bring it into operation is well justified.

36. The scheme, since it is universal, must take account of the different ways of life and requirements of different sections of the community. For this purpose it is proposed to adopt the method of classification recommended in the Report, as follows:—

Class I: Employees.

Class II: Others gainfully occupied.

Class III: Housewives.

Class IV: Other persons of working age not gainfully occupied.

Class V: Children below working age.

Class VI: Persons retired and above working age.

### **Register of Insured Persons**

37. Under the new scheme it will be necessary to obtain and classify information about the whole population so as to enable every person to be placed in his or her appropriate insurance class. After that it will be necessary to compile and maintain one or more central registers, in which the insurance record and status of every insured person will be entered and kept up to date. The register will be an essential feature of the scheme for several reasons, first to record classification and transfer between classes, second to facilitate enforcement of the payment of contributions, and third so that the record of any insured person in relation to contributions and benefits can be ascertained when necessary. The task of organisation involved in compiling and maintaining the register is obviously one of the first magnitude, but it is an unavoidable step and one which must ultimately promote efficiency and economy.

### **The Excepted Classes**

38. Reference has been made (paragraph 34) to the absorption into the scheme of those not hitherto in social insurance. Among these are those sections of the population who are in employment and therefore within the new Class I (employees) but have hitherto been specially excepted. The civil service, police and some local government and railway employees are examples. They have been excepted because they are adequately protected against sickness and old age by their conditions of service, and are substantially free from the risk of unemployment. But it is an essential part of the principle of universality now adopted that, notwithstanding their privileged position in these respects, they should pay the same contributions as other employed persons.



39. The adjustment of their conditions of service should not, as regards pay during sickness, present serious difficulties. As regards retirement pensions, the position is difficult. The age of retirement in these groups varies, but it is commonly less than 65 and much less in the case of the police. The new scheme, on the other hand, contemplates a working life up to age 65, with inducements in the form of a higher pension to continue work beyond 65 and with training and rehabilitation for those who might otherwise have to give up work prematurely.

40. The simplest course, from many points of view, would be to pay both retirement pensions—the occupational (derived from the special schemes in force for particular groups) and the contributory (derived from the Social Insurance Fund). But with the rate of contributory pension now proposed, the double pension would amount to very nearly as much as the previous earnings of lower paid workers—and that without taking account of any lump sum payable on retirement.

41. There is also the question whether unemployment benefit should be available after retirement to those, e.g. police, who as a matter of system retire on pension before reaching the standard retirement age.

42. Discussions will have to take place with representatives of the various groups concerned about the adjustments necessary, particularly those arising from the inclusion in the general insurance scheme of persons covered by existing pensions schemes.

#### **Private Pensions Schemes**

43. There are many private superannuation schemes operated by industrial firms and business houses. It may be that as a result of the new compulsory social insurance scheme some employers and employees will wish to review their own schemes.

44. By section 27 of the Widows', Orphans' and Old Age Contributory Pensions Act, 1925 (re-enacted in section 28 of the consolidating Act of 1936) it was made easier to modify existing schemes when the benefits they provided became duplicated by the new statutory pensions. These provisions were designed principally to meet those cases where the managing body could not modify the scheme or could do so only at the cost of undue delay or expense. Broadly, they authorised such modifications as might be thought necessary subject to reference to the Chief Registrar of Friendly Societies and to such conditions as he might impose. The relation of the new system to private schemes might equally be regulated by provisions on these lines.

#### **The Armed Forces and the Merchant Navy**

45. Under the existing schemes there are special contribution arrangements for the Armed Forces of the Crown which secure rights to the benefits of the schemes on return to civil life. For the Merchant Navy there are also special arrangements adjusted to the conditions of employment. These special arrangements, with any necessary modifications, will be continued under the new scheme.

#### **Contributions**

46. The new insurance Classes have been set out in paragraph 36. The contributing Classes will be Classes I, II and IV. Members of these Classes will pay contributions related to the benefits provided for their particular Class and for Classes III and VI. The benefits will be sickness benefit, invalidity benefit, unemployment benefit, retirement pensions, benefits for widows and death grant; and certain special benefits for mothers. Unemployment benefit will be restricted to persons in Class I (employees) and



sickness benefit and invalidity benefit to persons in Classes I and II (others gainfully occupied). For persons in Class II sickness benefit will be payable only after the first four weeks of incapacity for work. Provision will be made for Class V (children below working age) by family allowances, and for Class VI (persons retired and above working age) by retirement pensions.

47. Each insured person will pay a single weekly contribution for all the benefits to which he is entitled, in the form of one stamp on a single document. The stamp will also include, in the case of employed persons, the contribution for insurance against industrial injury. This unification of contributions in one stamp is in itself an important step which will be a convenience to all concerned and will diminish the burden of administration.

48. The amount of the contribution (including for Class I the benefits under the Industrial Injury Insurance Scheme as well as the Social Insurance Scheme) will vary with the individual's class and sex. The following table shows the different rates of contribution:—

	Class I			Class II	Class IV
	Insured person	Employer	Total		
	s. d.	s. d.	s. d.	s. d.	s. d.
MEN—					
Aged 18 and over	3 10	3 1	6 11	4 2	3 4
Aged 16-18 ...	2 5	2 1	4 6	2 9	2 2
WOMEN—					
Aged 18 and over	3 0	2 5	5 5	3 6	2 8
Aged 16-18 ...	2 0	1 7	3 7	2 5	1 10

49. Every week in the year must be accounted for either by contributions or by excusals or exemptions granted in special circumstances (see Appendix III, paragraphs 5 and 6)

#### IV—FAMILY ALLOWANCES

##### Object of the Scheme

50. The following proposals are based upon two principles, first that nothing should be done to remove from parents the responsibility of maintaining their children, and second that it is in the national interest for the State to help parents to discharge that responsibility properly. The scheme here set out is not intended to provide full maintenance for each child. It is rather a general contribution to the needs of families with children.

##### Provision in Kind

51. The purpose of such a scheme can best be attained if a substantial part of the benefit is given in kind. The school meals and milk services will therefore be so extended as to make them available to pupils in primary and secondary schools in receipt of grant from the Ministry of Education or the Scottish Education Department. These benefits in kind will be free of cost to the parents and will be available for all the children in a family attending school, including the first. The cost to public funds will be large. It is estimated that when the service has reached its full development the cost of supplying meals and milk to children at school will be of the order of £60 million a year. This figure does not fall far short of the total cost of the cash allowances described in the succeeding paragraph. These cash allowances will at the beginning of the scheme involve expenditure which,



including £12 million as the cost of paying allowances for the first child when the parent is on benefit, is estimated at £69 million. The figure of £60 million takes no account of the provision which may be made for children under school age, for which no estimate of cost can at present be given.

### **Cash Allowance**

52. A flat rate cash allowance of 5s. will be payable for each child after the first. This will be paid, not out of contributions, but out of general taxation. The first child is excluded because it is reasonable to assume that one child at any rate can be maintained from family earnings. But when the head of the family is on benefit an allowance of 5s. a week will be payable out of the Social Insurance Fund for the first child.

### **To whom payable**

53. In the absence of special circumstances (such as divorce or separation) the order for the payment of the allowance will be made out in favour of the father as the normal economic head of the household. But it is regarded as natural and appropriate that the mother should cash the order and it will be drawn in such a way as to entitle her also to do so.

### **Eligible Children**

54. For the payment of family allowances, "children" will be taken to mean those below the upper age-limit for compulsory school attendance and those above that age-limit who are still at school full-time, or are apprentices, up to the 31st July after their 16th birthday. Above those ages a child will not be reckoned a member of the family.

Thus, if there are four children in a family aged 17, 13, 11 and 9, no account will be taken of the child aged 17 and there remain, therefore, three qualified children, for whom two allowances will be payable. When the child aged 13 leaves school, or after the 31st July following his 16th birthday (if he is then still at school), the number of qualified children will be reduced to two, and only one allowance will be payable.

55. The 31st July after the 16th birthday is a more convenient limiting date than the birthday itself, because it fits in better with the school-leaving arrangements. If a child continues at school beyond this date any cash allowance should be by way of educational grant on the basis of ascertained need. The contributions which under the insurance scheme would normally be payable from age 16 would then be excused (i.e. deemed to have been paid) so long as education continues.

### **The Family Unit**

56. The exclusion of one child in each family makes it important to define the group of children who are to be regarded as a family unit. For this purpose the unit will in general be the family by blood (and not, for example, the household), including step-children and legally adopted children. Normally, no question of stopping the allowance will arise if, for example, a child goes to live for the time being with some other relative. But if the presumption that the parent is the maintainer is upset, arrangements will have to be made to reckon the child as a member of the family of the person actually maintaining it.

### **Persons abroad**

57. The broad object of the scheme is to assist parents born and living in this country, but it should also extend to the families, living in this country, of British subjects born outside this country, or for the time being living outside it. It will be necessary to frame a residence test for this purpose.



Aliens will be eligible only if their stay has been long enough to justify their being regarded as regular members of this community. Children living abroad will not be eligible for allowances, though short temporary absences (e.g. on holiday) will be ignored.

#### **Duplication of Allowances**

58. There will be no duplication with allowances payable under other schemes.

#### **Children in Institutions**

59. The scheme is essentially one for the benefit of the family. When a child is in an institution no allowance under the scheme will be paid to the authorities of the institution. Where, as a result of a judicial order or similar circumstances (e.g. where a local authority has assumed parental rights), the child is no longer in the care of the parents, payment of allowance to them will cease. Otherwise it is proposed that the allowance should continue to be paid to the parents while a child is in an institution, even though under the new Health Service no charge will fall upon parents for the maintenance and treatment of children in hospital.

### **V—ORPHAN'S ALLOWANCE**

60. Special allowances will be paid for orphan children, both of whose parents are dead. These will be at the rate of 12s. a week and the first child will not, as in the family allowance scheme, be excluded. Of this amount, 7s. will be an insurance benefit payable from the Social Insurance Fund, without any qualifying condition. The balance of 5s. will be provided out of general taxation. The weekly allowance of 12s. will be paid in one sum.

### **VI—SICKNESS AND UNEMPLOYMENT BENEFIT**

#### **Rates**

61. The standard rates of sickness and unemployment benefit will be 40s. a week for a married couple, and 24s. a week for a single person. For insured married women there will be lower rates (see paragraph 116 (ii)). For boys or girls aged 16 or 17 the rate will be 15s.

#### **Contribution Conditions**

62. At present the contribution conditions which a claimant must satisfy in order to qualify for benefit are quite different in National Health Insurance and Unemployment Insurance. In Health Insurance all contributors have the same benefit year, namely the calendar year from January to December, and their right to benefit depends on contributions paid in the contribution year which ended in the previous July. In Unemployment Insurance each claimant has his own benefit year, which begins when he makes a successful claim. In Health Insurance, title to sickness benefit at the full standard rate does not arise until 104 actual contributions have been paid; benefit at a lower rate is payable after payment of 26, but less than 104, contributions. In either case the rate of benefit is subject to reduction if less than 50 contributions have been paid or excused in the last complete contribution year before the current benefit year. (Contributions are excused where the contributor is sick, or unemployed and available for work.) Unemployment Insurance requires 30 contributions actually paid in the period of two years before the claim to benefit. Having once satisfied this condition, the contributor begins a benefit year.



63. The contribution conditions for sickness benefit and unemployment benefit will be brought into line, so that a contributor entitled to benefit of either kind will be entitled also, so far as contributions are concerned, to benefit of the other kind. For this purpose, the new conditions will be on the model of the present Health Insurance conditions. Thus there will be a fixed benefit year, in which a contributor will be entitled to benefit of either kind at the standard rate if he has had:—

- (i) 26 contributions actually paid; and
- (ii) 50 contributions, paid or excused, in the last complete contribution year before the beginning of the benefit year.

### Waiting Time

64. For sickness and unemployment benefits there will be a waiting time of three days, i.e. benefit will be payable only from the fourth day. Where however, the sickness or unemployment has lasted for at least four weeks, benefit for the first three days will then become payable.

### Duration of Benefit

65. *Sickness Benefit.*—To a contributor who has 156 contributions actually paid, sickness benefit will be paid for the first three years of any continuous period of sickness. For this purpose, illnesses separated by less than three months will be treated as a continuous period of sickness. If the contributor has exhausted all the sickness benefit due to him, he will, so long as he remains incapable of work, receive invalidity benefit at the same rate as the retirement pension, viz. 35s. (joint) or 20s. (single) (the rate for married women will be lower—see paragraph 116 (ii)). Where the contributor has less than 156 actual contributions (but at least 26) he will be allowed sickness benefit for one year only, instead of three years. At the end of that year there will be no invalidity benefit.

66. *Unemployment Benefit.*—Unemployment benefit will be paid up to a limit of 30 weeks in a continuous period together with additional days where the contributor has a good record of employment in recent years. Separate periods of benefit will, for this purpose, be treated as continuous if they are separated by less than three months.

### The Need for a Limit on Benefit

67. The Report recommended that both sickness and unemployment benefits should be unlimited in duration, subject, in the case of sickness, to special behaviour conditions, and, in the case of unemployment benefit, to the requirement of attendance at a work or training centre after a limited period of unemployment. As already announced in Parliament, the Government cannot accept this recommendation: they think it reasonable and prudent that both sickness and unemployment benefits should have some limit attached to them. As regards sickness benefit, the Government recognise the need for more generous provision for long-term illness than is made in the present insurance scheme, but they feel that sickness benefit of unlimited duration would be psychologically unwise and would tend to encourage those subject to recurrent periods of sickness to lapse into chronic invalidity. As regards unemployment benefit, they agree that training schemes are of the utmost importance in preventing unemployment and in securing fluidity of labour, and that claimants unreasonably refusing to undergo a course of training should be disqualified from receiving benefit. They are satisfied, however, that a requirement to undergo training after a certain period of unemployment would not constitute an effective safeguard against possible abuse of benefit.



### **Re-Qualifying Condition**

68. At present, when a contributor exhausts the unemployment benefit due to him, he cannot qualify for benefit again until, besides satisfying the other conditions, he has paid 10 contributions since he exhausted his benefit. This re-qualifying condition will be applied in the new scheme, not only to unemployment benefit, but also to sickness benefit where the contributor has exhausted his right to that benefit (see paragraph 65 above). That is to say, he will be entitled only to invalidity benefit until he has paid 10 further contributions.

### **Effect of Shortage of Contributions**

69. The present Health Insurance scheme provides benefit at a reduced rate where a contributor has less than 50 contributions, paid or excused, in a contribution year. The Unemployment Insurance scheme has no such arrangement. It gives an unemployed man either benefit at the full rate or none at all. In the new scheme, a shortage of contributions will involve scaling down of both sickness benefit and unemployment benefit, according to the number of contributions deficient.

### **Transitional Cases**

70. It is the Government's intention that as far as practicable the new rates and conditions for sickness, invalidity and unemployment benefits should be applied as soon as they come into operation to persons who are then receiving sickness, disablement or unemployment benefit under the present schemes.

## **VII—TRAINING ALLOWANCE**

71. When an unemployed person takes a course of approved training or industrial rehabilitation, he will receive a training allowance at a higher rate than unemployment benefit. This training allowance will not reduce the total number of days of unemployment benefit due to him. It will continue for anything up to four weeks after the end of the course, so as to cover any short interval between the course and a new job. People who, after training, are transferred to jobs away from home will receive a settling-in allowance for the first few weeks.

Training schemes with training allowances will be available to suitable persons (including widows) in Classes I, II, III and IV.

Training allowances will not form part of the Social Insurance scheme, but will be paid, in the first instance, out of the proceeds of taxation under the arrangements for promoting employment sponsored by the Ministry of Labour. Since the contingent liability on the Social Insurance Fund for persons who would otherwise be a charge on the Fund will be reduced through the training scheme, an annual contribution not exceeding £500,000 will be made by the Fund to the Exchequer towards the cost of training.

## **VIII—SICKNESS BENEFIT FOR THE SELF-EMPLOYED**

72. The provision of sickness benefit for persons working on their own account (i.e. Class II) creates a difficult problem. The Class will be a very mixed one. It will include rich and poor alike; at one end of the Class will be the largest employer of labour, the financier, the leader at the Bar or the best-selling author; at the other the small shop-keeper, the window-cleaner and the hawker. Many of the poorer members of this Class will



be as much—if not more—dependent on good health for their earnings as are the members of Class I, and accordingly as much in need of benefit for all periods of sickness, short or long. Moreover, the Class will include certain categories who are fully insured against sickness under the existing scheme—share-fishermen, outworkers, small contractors for service, and voluntary contributors who are self-employed. Again, though the new scheme will make it unnecessary to continue the existing provisions for voluntary insurance, men and women will still transfer from employment to work on their own account—from Class I to Class II. There will indeed be others who do not make a clean-cut transfer from one Class to the other, but who, in each year, do a certain amount of work in each Class, and contribute accordingly.

73. It is estimated that there will be about two and a half million persons in Class II and no doubt the great majority of them will be in an economic position little if any different from that of the majority in Class I. The conclusion might seem obvious, that all members of Class II should be given the right to sickness benefit from the onset of illness. But there are at least two formidable difficulties in the way—the cost to the insured person, and the very real administrative difficulty of effective control over the payment of benefit.

#### **The Problem of Cost**

74. The contribution that is required for persons in Class II is high—4s. 2d. for men, 3s. 6d. for women—and, since there is no “employer” to bear a share of it as in Class I, it falls wholly on the contributor. If sickness benefit were made payable from the onset of illness instead of after the first four weeks, as is proposed, the Class II contribution would have to be increased by another 3d. a week.

#### **The Problem of Control**

75. The more serious difficulty, in the Government's view, is to secure effective control over the payment of benefit. An inefficient standard of administration might seriously prejudice the success of the whole scheme. This problem of control is particularly difficult when it relates to benefit payable for short periods to people working on their own account, often in their own home. Many people in these circumstances could often carry on with their work and continue to earn their means of livelihood even though sick and confined to their rooms. The fact must be faced that the Class II person, having elected to work on his own account, will be in an entirely different position from the employed person. It is impossible to assume that medical certification, no matter how efficient, will be able to overcome all the difficulties of administration.

76. Sir William Beveridge was impressed by the formidable nature of these difficulties, of which he rated the difficulty of control as the more serious. While fully recognizing the need of many in the Class for full cover against sickness, he concluded that they ought to carry the risk of their minor illnesses and proposed that they should get benefit only “if, and to the extent that, the disability lasts more than 13 weeks.” He was aware that certain persons (share-fishermen, etc.), who at present get benefit from the beginning of an illness, would be worse off to the extent that they would get nothing for the first 13 weeks; but pointed out that for prolonged illness they would get altogether better provision than at present. The Report also proposed that contributions should not be excused during the first 13 weeks of illness.



### The Government's Proposals

77. The Government share the views expressed in the Report about the difficulties of framing a national scheme for providing sickness benefit for persons in this Class; and they agree that it would be wrong to pay benefit from the beginning of an illness. After reviewing the whole matter very carefully, however, they feel that to pay benefit only after the first thirteen weeks, even though it may be justifiable on grounds of prudent administration and sound insurance principles, does not go far enough to meet the acknowledged need for better cover on the part of many people in this Class. They, therefore, think it right, while remaining fully aware of the risk of abuse involved, to pay benefit to Class II contributors after four, instead of thirteen, weeks, and to excuse payment of contributions during those four weeks. This rule will apply to each period of sickness however short the interval separating any two periods.

### Some Special Problems

78. Even so there are certain minor difficulties, already alluded to, which will call for further consideration:—

(i) There is the difficulty of the existing voluntary contributor, entitled to benefit from the onset of illness. If he falls into Class I there will be no difficulty; if into Class II he will be deprived of cover for the first four weeks of illness. If he falls into Class IV, he will lose altogether the right to continue his cover against illness. This seems to the Government to be inevitable; though it may be possible, during the necessary transitional period, to preserve in respect of past contributions some right to benefit to persons falling into Class II and Class IV.

(ii) Special provisions will be necessary to govern the position of persons who pass permanently from Class I to Class II, or *vice versa*, and also of those who alternate between the two Classes.

(iii) The problem of the outworkers, small contractors for service and share-fishermen (other than those who, being employees, will fall into Class I) is one of special difficulty. They will lose not only cover for the first four weeks of illness, but also, being in Class II, the benefit of the "employer's" share of the contribution, which most of them enjoy at present. The Government do not doubt that these groups should be included in Class II; they obviously cannot be put in Class I, whose members are insured against unemployment, since unemployment benefit cannot be paid to those who are in a position to determine the extent and incidence of their own unemployment. It is impossible to say what will be the size of the problem presented by these special classes when the scheme comes into operation; the number of outworkers, for instance, will undoubtedly be reduced by the compulsory exemption of those married women who do not earn more than 20s. a week. In any event, the people in these special classes, in spite of contrast in certain respects between their present and future positions, will be getting, like other contributors in Class II, full value for their money; and the question whether, and if so how, any further cover can be provided for them must await further examination in the light of the circumstances prevailing nearer the date when the new scheme is introduced.

### IX—DEPENDANT'S ALLOWANCE

79. If anyone entitled to sickness, invalidity, or unemployment benefit has an adult dependant, he will be paid a dependant's allowance, provided that he is not entitled to joint benefit for himself and his wife and that the dependant belongs to one of the classes for whom the present Unemployment



Insurance scheme provides dependant's benefit. (The allowance will be payable only in respect of one dependant at a time.)

80. Thus, a man or woman will be able to count as a dependant an invalid father or widowed mother, or adult sister or daughter (subject to conditions about residence, maintenance, etc.), or a housekeeper, whether resident or non-resident, who looks after his or her dependent children. In addition, a woman whose husband is an invalid and dependent on her will be able to count him as a dependant. But a man who has a woman living with him as his wife, or has living with him a person not related to him who keeps house for him, will not be able to count her as a dependant unless he has dependent children and she looks after them. The rate of the allowance will be 16s. except when the contributor is drawing invalidity benefit. Then it will be 15s.

81. If there were a registration of dependants, as the Report suggests, it is doubtful whether, even if an accurate and complete registration at the start of the scheme were achieved, it would be possible to keep the register up to date. Persons in work might well fail to notify subsequent changes, i.e. when persons originally registered as dependants ceased to be dependent or when persons not previously registered later became dependants. So, when claims to benefit were made, the register could not be taken as decisive one way or the other, and there would be scarcely any advantage in compiling it.

## X—RETIREMENT PENSIONS

### The Problem

82. The prevention of want in old age is an objective of policy by which the Government set great store. But it involves a problem with certain special features, arising out of the fall in the birth-rate and the consequent rise in the proportion of elderly people in the community. The Government Actuary has estimated that in the twenty years from 1945 to 1965 the population of pensioners over working age will grow from about 3,400,000 to 5,300,000, an increase of about 1,900,000, whereas the number of contributors will be practically stationary at about 21,000,000. In the next ten years, from 1965 to 1975, there will be a further increase of about 800,000 in the pensioner population, while the contributing population will fall by over 1,000,000. Rather less than one half of the increase in the number of pensioners in the first twenty years is due to the gradual inclusion of the new classes who have to serve a qualifying period. The result of these changes is that, whereas in 1945 it is estimated that there will be 16 pensioners to every 100 contributors, there will, by 1975, be about 31 pensioners to every 100 contributors.

83. This is the position as estimated on the assumption that the fertility and death rates of the immediate pre-war years will continue after the war. A substantial improvement in longevity would materially add to the number of pensioners, thus increasing still further the proportion of pensioners to contributors. Any rise which might occur in the fertility rate would at once add to the cost of children's benefits, but it would enlarge the working population only after an interval, and could not make any appreciable difference to the ratio of pensioners to contributors in the years under review.

### Rate of Pension

84. The proposal in the Report was that the rate of pension to be payable twenty years from the start of the scheme would be fixed now, at 40s. (joint) and 24s. (single), and that contributions should be payable from the start on the basis of this ultimate rate. The rate of pension was, however, to start at 25s. (joint) and 14s. (single) and, for persons insured under the existing



scheme, would rise by increments of 1s. 6d. (joint) and 1s. (single) every second year until the full rate was reached at the end of twenty years. (For persons coming into pensions insurance at the start of the new scheme, the rate of pension was to vary according to the year in which retirement took place, and once granted was to be fixed.)

85. The Government have already announced that they cannot accept these proposals (even though from the taxpayer's point of view they have attractions because of the postponement of the main weight of expenditure), and that, in their view, it is preferable that the new standard rate of pension, at whatever rate it may be fixed, should be payable from the time the new scheme comes into effect.

86. The Government recognise the general desire of the country that proper provision should be made for old age, and they share it. But the steady prospective increase over a period of years in the proportion of pensioners to people of working age makes it of particular importance to take a prudent view. In the result, the Government find themselves unable to adopt permanent rates of 40s. joint and 24s. single and propose rates of 35s. joint and 20s. single to take effect from the commencement of the new scheme. Pensionable age will be 65 for men and 60 for women.

#### **Increase of Pension: Postponement of Retirement**

87. A contributor need not, of course, retire on reaching pensionable age. Indeed, one of the results of the growth in the proportion of elderly people is that it may well become a matter of vital importance to keep up the national income by encouraging the continuance of productive work by those who have reached pensionable age. In the war elderly people have turned to and served the country well, in many active capacities, paid and voluntary. In peace, there may be a similar call upon their readiness and ability to play a constructive part in the national effort.

88. The Government therefore propose that if anyone who has reached pensionable age continues to work beyond that age, and retires and claims his pension at a later age, the rate of pension will be increased by 2s. a week (joint) and 1s. a week (single) for each year of work after pensionable age.

89. If a contributor who has once drawn a retirement pension again becomes employed he will be exempt from payment of contributions, though his employer will have to pay the employer's share. This means that he will not be able to earn a higher pension by subsequent contributions.

#### **Joint Pension**

90. The joint pension of 35s. will be payable on the husband's retirement, provided that his wife is living with him or is wholly or mainly maintained by him, and, if under pensionable age, is not gainfully occupied. The joint pension will normally be paid to the husband but, where the wife is of pensionable age and makes application for separate payment, a pension of 15s. will be paid to her and the husband's pension will be reduced to the single rate of 20s. It is felt that such a division is justified on the ground that the pension is mainly provided from the husband's contributions and it would be inequitable to pay him a lower rate than that which the scheme provides for a single person.

91. Where a wife of pensionable age is living apart from her husband and is not wholly or mainly maintained by him joint pension will not be payable on the husband's application. Pension will be payable to the husband at the rate of 20s., and, if application is made by the wife, a pension of 15s. will be paid to her.



92. If a wife under pensionable age is gainfully occupied or is living apart from her husband and is not wholly or mainly maintained by him, a single pension of 20s. will be payable to the husband, and no pension will be payable to the wife from his insurance.

93. Where a wife has been insured in her own right she will be entitled, on retirement on or after age 60, to pension at the single rate for which her contribution record qualifies her, whatever her husband's age and earnings. He also will be entitled, subject to his contribution record, to single pension on retirement at or after pensionable age. When a man has retired on pension, his wife, if she is entitled to pension in right of her own contributions, can take either that pension, or the share of the joint pension to which she is entitled on her husband's record, whichever is the more favourable.

### **Retirement Condition**

94. To qualify for pension a contributor must not only be of pensionable age and satisfy the contribution conditions; he must also have retired from work. When a contributor makes application for a pension, either on attaining pensionable age or later, he must make a declaration that he intends to retire from work. The date on which he intends to retire will normally be the date from which pension will be awarded. This does not mean, however, that he may not work afterwards; he may do so whenever he likes, but his pension will be reduced for each week in which he has substantial earnings. Earnings up to 20s. will be ignored, and the amount of earnings in excess of this figure will be deducted from the week's pension based on his insurance (whether it is being paid jointly or separately). A wife's earnings will also be taken into account if a joint pension of 35s. is being paid to the husband or if she is drawing a separate pension in respect of his insurance, but the husband's share of a joint pension (or his pension, if separate pensions are being paid) will not be reduced on account of his wife's earnings. Each week, when drawing his pension at the Post Office, the pensioner will have to declare whether he (and, if necessary, his wife) has earned more than 20s. in the previous week. If he has not, his pension will be paid in full by the Post Office; if he has, and so cannot sign the declaration, the Post Office will not pay and the pensioner will report the amount of the earnings to the local Social Insurance Office, where the necessary adjustment to his week's pension will be made.

95. It must be accepted that there is a risk of abuse in such a plan and obviously in Class II (the self-employed) it is very difficult to ascertain precisely either the fact of retirement or the amount of earnings except at the cost of investigations and inquiries which would be regarded as beyond all reason.

96. It will not be necessary to adjust the pension week by week in all cases where the pensioner is earning. If he obtains regular employment at a wage exceeding 20s. a week but not exceeding 55s. (where a joint pension is payable) or 40s. (where a single pension is payable) it will be possible to award a pension at the appropriate reduced rate; he will then be required to declare each week whether there has been any change in his earnings.

### **Contribution Conditions**

97. Primarily the rates of retirement pension are designed for contributors who pay the new rates of contribution from their 16th birthday till their 60th (women) or 65th (men). On this basis no contributor could claim a pension until forty-four years after the start of the scheme; but



- A. Those who are less than 16 when the new scheme comes into operation.
- B. Those who are insured under the present scheme and have reached pensionable age.
- C. Those who are insured under the present scheme but have not reached pensionable age.
- D. Those who, though over age 16, are not insured under the present scheme but become contributors under the new one.

98.—(i) *Initial Qualifying Contributions.*—The Government think it right, in order to emphasise the contributory nature of an insurance benefit free from a needs test, to require the payment of a minimum of 156 actual contributions as an initial qualifying condition.

As the yearly average will normally be based on the number of contributions paid or excused from age 16 to 65 (60 for women), divided by the number of contribution years in that period, the divisor (in this group) will be 49 for a man and 44 for a woman.

99. *Reduction of Pension: deficient contribution record.*—As pensions insurance extends to the whole body of insured persons irrespective of class, an insured person on attaining pension age should as a rule have a complete contribution record for the purposes of (ii) of the preceding paragraph. In a minority of cases, however, the record will be deficient, e.g. a man in Class II or Class IV may for some part of his working life have obtained exemption from liability to contribute because of low income or a man may come from abroad and begin to contribute at an age over 16. Where the average yearly number of contributions throughout a contributor's working life is less than 50, the rate of pension will be reduced. The following table illustrates the arrangements provisionally suggested:—

Average annual number of contributions paid or excused.							Rate of pension payable.					
							Joint.			Single.		
							£	s.	d.	£	s.	d.
50 or more	...	...	...	...	...	...	1	15	0	1	0	0
45 and less than 50	...	...	...	...	...	...	1	11	6	18	0	0
40	"	"	45	...	...	...	1	8	0	16	0	0
35	"	"	40	...	...	...	1	4	6	14	0	0
30	"	"	35	...	...	...	1	1	0	12	0	0
25	"	"	30	...	...	...	17	6		10	0	0
20	"	"	25	...	...	...	13	0		7	6	
15	"	"	20	...	...	...	9	0		5	0	



### Group B

100. Those in this group will generally be in receipt of, or entitled to claim, an old age pension of 10s. a week; but a few will not have fulfilled the conditions. Existing old age pensioners who have retired will have their pensions of 10s. converted into retirement pensions at the full basic rates (see paragraph 86); if later they do any work, their earnings will not reduce their pension below 10s. a week. If an old age pensioner has not yet retired, he will continue to draw his 10s. a week until he decides to retire, when he will get a retirement pension at the basic rate.

### Group C

101. Those in this group will not be able to claim an old age pension of 10s. a week on reaching pensionable age, but having reached that age they will be eligible for retirement pensions when they decide to retire from work. The rates of pension and the retirement conditions, including postponement of retirement, will be the same for them as for group A. The contribution conditions (paragraph 98) will, however, be modified as follows:—

(i) They must have been insured at least 5 years.

(ii) They must have paid 104, not 156, actual contributions. (These two conditions apply in the existing scheme.)

(iii) They must have a yearly average of at least 50 contributions paid or excused. It will, however, be impossible to apply this condition over the whole working life, as the complete contribution record may not be available and insurance did not necessarily run from the 16th birthday. The test under the permanent scheme will, therefore, be modified for this group by making it apply retrospectively to a period not exceeding 10 years before the start of the new scheme, and giving an appropriate credit for insurance and contributions in that period. This credit will ensure that the position of persons who have a good record of contributions up to the start of the new scheme will be fully safeguarded. If the average on this modified basis falls below 50 the rate of pension will be reduced as shown in paragraph 99.

### Group D

102. Those in this group will be required to contribute for 10 years before becoming eligible for retirement pensions. Otherwise, all the conditions which apply to group A will apply to this group except that the average number of contributions paid or excused will be calculated, not over the whole working life, but over the period from the date of the commencement of the new scheme to the date when the contributor reaches pensionable age or completes 10 years insurance, whichever is later.

103. Persons in this group who are within 10 years of pensionable age when the scheme commences will obviously be in a special position, since they will not be able to fulfil the necessary conditions until some time after reaching pensionable age. For those who remain in employment until the 10 years period has been completed, the contributions paid in respect of that employment will count towards satisfying the contribution conditions for pension. Those who retire before the end of the 10 years will be given an option: they may either continue to pay contributions at the Class IV rate, after reaching pensionable age, in order to qualify for retirement pension; or they may claim a refund with interest of the pension element of their share of contributions which they have paid, and forgo any right to pension.



### **Non-Contributory Pensions**

104. Non-contributory pensions of 10s. a week are at present payable to persons of 70 whose yearly means (after certain deductions) do not exceed £26 5s. 0d. If the yearly means exceed this figure, the pension is reduced on a sliding scale. In the changed conditions created by the new scheme there is no case for retaining these non-contributory pensions for persons under the age of 70 at its inception. Existing pensioners will receive the new rate of pension, subject to an appropriately adjusted means scale. Those aged 70 and over when the scheme takes effect, who are not pensioners at that date (e.g. owing to excess of means), will remain eligible for, and will be entitled to receive, any pension for which they may from time to time be qualified (e.g. through reduction of means).

### **Sickness and Unemployment Benefit after Pensionable Age**

105. Where a person in Class I who has reached pensionable age remains at work and then falls sick or becomes unemployed, sickness or unemployment benefit will not be payable at the normal rate, but at a rate equivalent to the retirement pension which would have been payable if he had retired when he became sick or unemployed. The same will apply to a person in Class II who falls sick.

## **XI—MARRIED WOMEN**

### **The Housewife**

106. The last census showed that seven married women out of eight were not in gainful occupation. Their primary need is, therefore, support when their husbands' earnings are interrupted by sickness or loss of employment; and there are special needs in connection with maternity. The Government propose to cover these needs and to relate the benefits substantially to the husband's position in insurance.

### **The Employed Married Woman**

107. In a minority of cases a woman re-enters or remains in employment after her marriage. Her position is then, in many respects, a special one. For one thing, if her employment is interrupted she still has her husband's earnings to maintain the home. Again, experience of health and unemployment insurance has shown that there are special difficulties attaching to the insurance of married women. It is hard to be sure whether she is really in the field of employment, and experience of this difficulty led to the introduction of the Anomalies Regulations as a safeguard in respect of unemployment benefit. Experience has also shown that there is in any event a higher incidence of sickness among married women, and this, taken in conjunction with the further fact that they have not the same inducement as single women to get back to work after a period of sickness, made it necessary to introduce a lower rate of sickness benefit for married women. For these reasons a possible course would be to exclude married women altogether from insurance. The Government do not propose to take this course; in some parts of the country a considerable proportion of married women engage in employment and have been in the habit of paying contributions and receiving benefits in their own right.

### **Insurance or Exemption**

108. On marriage a woman insured before her marriage will be required to choose whether to be insured in her own right in whatever Class is appropriate from time to time (i.e. Class I, II or IV), or to be exempt and rely on her husband's insurance. In order, however, to confine insurance against



sickness and unemployment to those whose employment is more than casual, married women earning 20s. a week or less will be compulsorily exempt from insurance in Class I or Class II.

109. In view of the special position of married women as stated in paragraph 107, the gainfully occupied married woman who remains in insurance will receive sickness benefit, and (Class I only) unemployment benefit, at a rate lower than the standard rate. And in this particular case there must be a departure from the principle otherwise adopted, in that sickness benefit for insured married women will be at a lower rate than unemployment benefit.

110. It is not, however, proposed that the woman who chooses on marriage to be insured in her own right should always start a fresh insurance life. Subject to the special conditions referred to in paragraphs 112 to 114 she will retain her pre-marriage record.

111. The reason for allowing a married woman to insure in Class IV is to permit her to qualify for pension in her own right. There would be a strong case for this where, for example, a woman married a man who had recently come from abroad and could not build up sufficient contributions to enable him to qualify for more than a small pension.

### Special Conditions

112. Two special conditions will be imposed. First, in order to retain her right to pay Class IV contributions and, if gainfully occupied, her qualification for sickness or unemployment benefit, a married woman must have at least 45 contributions paid or excused in each contribution year. Second, a married woman will not be entitled to a pension by virtue of her own insurance unless the total number of contributions paid or excused in any Class since her marriage represents not less than one half of the number of weeks since marriage.

113. If a married woman who has dropped out of insurance re-enters gainful occupation and chooses to be insured again, she can requalify for sickness and unemployment benefit by 52 weeks of insurance and the payment of 26 contributions. This will also restore to her the right to continue insurance for retirement pension by payment of Class IV contributions if she ceases gainful occupation.

114. A woman who is already married and insured on the day the scheme comes into operation will be able to choose insurance or exemption, but a married woman who was not insured immediately before the start of the scheme will be able to enter insurance only if she takes up gainful occupation. If she ceases gainful occupation after a substantial period of insurance she will be allowed to insure in Class IV to preserve her pension rights.

115. These conditions may seem elaborate, and in some respects restrictive, but if a married woman is to be allowed to choose the course which suits her better it is necessary in the interests of insured persons generally to ensure that she is not given a second chance to enter insurance except on strict conditions. The conditions here set out are no more than necessary to secure this end and are not in themselves unreasonable.

### Benefits

116. The benefits which will be available to, or in respect of, married women are as follows:—

(i) *Sickness and Unemployment*.—For those who are not insured in their own right there will be no benefit when the woman herself is sick or unemployed, but when her husband is on benefit it will be paid at the rate of 40s. instead of 24s., subject to his contribution record and to



the further conditions that the wife is living with him or maintained by him and that she is not earning more than 20s. a week.

(ii) For those who are insured in their own right and themselves qualify for sickness or unemployment benefit, benefits will be payable subject to their own contribution records, at the following rates: sickness and invalidity, 16s.; unemployment, 20s.

(iii) *Maternity Grant*.—There will be a maternity grant of £4 for all women, whether gainfully occupied or not.

(iv) *Maternity Benefit*.—There will be a maternity benefit at the rate of 36s. a week for 13 weeks (covering a period before and after confinement) payable to all gainfully occupied married women, whether they are insured in their own right or have chosen to be exempt.

(v) *Attendant's Allowance*.—For those who are not eligible for maternity benefit, there will be an attendant's allowance at the rate of £1 a week for four weeks. Its object is to assist in providing domestic help immediately after childbirth.

(vi) *Benefit for wife not maintained by husband*.—When a woman is living apart from her husband and can obtain no financial assistance from him, benefits will be payable to her, in respect of her own contributions, as if she were single.

(vii) *Retirement and Widowhood*.—The benefits provided for married women are described in the sections of the Paper dealing with these subjects.

### Qualifying Conditions

117. (i) *Maternity Grant* will be available to all married women and the qualifying conditions will be that the husband or the wife should—

(a) at some time have paid 26 actual contributions, and

(b) have 26 or more contributions or excusals in the relevant contribution year.

(ii) *Maternity Benefit* will be available to all married women who are gainfully occupied, whether or not they are exempt from insurance. It will be conditional upon the woman giving up for the time her gainful occupation. The other qualifying conditions will be as follows:—

Married women who are in insurance must have had 26 weeks of gainful occupation, for which contributions were paid, in the twelve months before the beginning of benefit, and a substantial part of the balance of that twelve months must be covered by evidence of incapacity or inability to get employment. Women in Class I who are exempt from paying contributions will qualify by contributions paid by the employer. An exempt person in Class II has no employer and in her case the first condition will be satisfied by evidence of gainful occupation.

(iii) *Attendant's allowance*; the qualifying conditions will be the same as those for maternity grant.

### Other Benefits Considered

118. The Government have considered whether there should be a grant payable to women on marriage; and also whether there should be a temporary separation benefit (akin to the benefit provided on the death of a husband) where, through no fault of her own, a wife loses maintenance to which she is entitled from her husband.

On the first, it has been calculated, to give an example, that a grant at the rate of £1 for every 40 actual contributions before marriage, with a maximum



of £10, would require an extra 3d. a week in the contributions of all women in Classes I and II. The Government do not consider the benefit attractive enough to justify this extra charge.

On the second, the Government feel that the question whether loss of maintenance is the fault of the wife is not one which should be determined by a Department responsible for administering the social insurance scheme. The wife must seek other remedies open to her to secure maintenance.

### **Anomalies Regulations**

119. Reference has been made in paragraph 107 to the Anomalies Regulations. The mischief at which they were aimed is, in the Government's view, a real one; but they do not feel that special Regulations of this kind, which deal with an abuse prevalent in a particular class yet not peculiar to it, should be a feature of a universal system of social insurance. It is therefore proposed to abolish the Married Women Anomalies Regulations and instead to have general regulations intended to exclude from unemployment benefit those who are not really available for employment, single people as well as married, and men as well as women.

### **The Unmarried Mother**

120. Maternity grant, maternity benefit and attendant's allowance will be available to single women on the same terms as for married, except that title will rest on the woman's own insurance.

## **XII.—WIDOWS**

### **Benefits**

121. The provision for widowhood made under the existing scheme (apart from allowances for dependent children) is a pension of 10s. a week. This pension is payable throughout widowhood, however young a woman may be when she is left a widow and whether or not she has dependent children. The Government feel that this provision does not properly meet the varying needs of widowhood at different ages and in differing circumstances and that it must be revised so as to:—

(i) provide temporary weekly payments at a relatively high rate to help a widow in the period of economic readjustment which will normally follow her husband's death (but see paragraph 122 (i));

(ii) make special provision for the widow if she has dependent children;

(iii) give a pension equal to retirement pension to a widow who has been married or had the care of her children for a long time and who at the time of her husband's death, or when her youngest child ceases to be dependent on her, has reached an age at which she may find it hard to take up paid work again.

At the same time, the Government feel that, although accruing rights under existing schemes need not be preserved in all cases, it would not be fair to disregard them in the case of women married, at the start of the new scheme, to men insured for widows' pensions under the existing scheme. The main inducement to the many thousands of voluntary contributors who entered the scheme was the provision which it held out for widowhood (see paragraph 126).

122. The Government accordingly propose to introduce the following benefits:—

(i) *Widow's Benefit* of 36s. a week payable for the first thirteen weeks of widowhood to women widowed before age 60, and to women widowed after that age whose husbands had not qualified for retirement pension.



If the widow of a man in Class I or Class II has no child within the qualifying age and is unfit for work when her right to widow's benefit ceases, she will while under pensionable age be entitled to sickness benefit of 24s. a week (or, after three years of incapacity, invalidity benefit of 20s.) so long as her illness lasts.

(ii) *Guardian's Benefit* of 24s. a week, payable so long as the widow has in her family at least one child within the qualifying age for family allowances.

(iii) *Widow's Pension* of 20s. a week, payable to a widow who is aged 50 or over when widowed or when she ceases to be entitled to guardian's benefit, provided in either case that she was married at least 10 years before. This pension will cease when replaced by a retirement pension.

These benefits will terminate on remarriage.

#### **Contribution conditions.**

123. The contribution conditions to be satisfied by the husband for payment of widow's benefit, guardian's benefit and widow's pension will be on the same lines as for retirement pension (see paragraph 98).

#### **Conditions as to earnings and duplication of benefits.**

124. Guardian's benefit and widow's pension will be reduced where earnings exceed 20s. weekly; a sliding scale on the same lines as for retirement pension (see paragraph 94) will be applied.

Sickness or unemployment benefit, or training allowance (which will be available to widows in appropriate cases) will not be paid together with widow's benefit, guardian's benefit or widow's pension.

#### **Transitional Classes**

125. **Widow pensioners whose husbands died before the new scheme starts:—**

(i) If the widow has no child of the qualifying age for family allowance, she will keep her pension of 10s. a week. If, however, she has already reached the age of 60 at the start of the new scheme, she will, subject to retirement, have her 10s. pension replaced by a retirement pension of 20s. a week.

(ii) If the widow has a child of the qualifying age, she will get guardian's benefit. When guardian's benefit ceases she will have her pension of 10s. a week restored to her, unless, being then over 50, she is entitled to widow's pension of 20s. a week.

126. **Women already married at start of new scheme to men insured under existing scheme.** Women in this category who become widows will be eligible for the benefits of the new scheme, i.e. widow's benefit, guardian's benefit, and the widow's pension of 20s. a week, if they have the qualifications for those benefits set out in paragraph 122 and if the contribution conditions set out below are satisfied. If, however, they have not those qualifications but the contribution conditions are satisfied, they will be eligible for a pension of 10s. a week, i.e. the equivalent of the widow's pension to which they would have been entitled under the existing scheme.

The contribution conditions to be satisfied by the husband in a case of this kind will be:—

(i) *Initial qualifying contributions.* A minimum of 104 actual contributions paid since the husband last became insured.



(ii) *Yearly average of contributions paid or excused.* A yearly average of 50 contributions paid or excused will be required, but credit will be given for insurance prior to the start of the new scheme, on the same lines as for retirement pension (see paragraph 101 (iii)). If the average is below 50, the rate of pension will be reduced.

A pension of 10s. a week paid to a widow under the arrangements described in this or the preceding paragraph will not be reducible on account of earnings; and if she is drawing guardian's benefit or widow's pension of 20s. a week in place of the 10s. pension, that benefit or pension will not be reducible below 10s. a week on account of earnings.

**127. Women married after new scheme starts to men insured under existing scheme.** The contribution conditions will be:—

(i) *Initial qualifying contributions.* A minimum of 156 actual contributions paid since the husband last became insured;

(ii) *Yearly average of contributions paid or excused.* A yearly average of 50 contributions paid or excused will be required, credit being given for past insurance on the lines referred to in the last preceding paragraph.

If these conditions are satisfied, widow's benefit, guardian's benefit, or widow's pension of 20s. a week will be payable to a widow otherwise qualified.

**128. Widows of men who become insured at the start of the new scheme.** The contribution conditions will be the same as in the preceding paragraph except that the average will be calculated over the period from the start of the new scheme to the date of death.

If these conditions are fulfilled, widow's benefit, guardian's benefit or widow's pension of 20s. a week will be payable to a widow otherwise qualified.

#### **Position of Widows in Relation to Retirement Pension**

**129.** If a widow on reaching the age of 60 was entitled to either widow's benefit, guardian's benefit or a widow's pension (other than a 10s. pension payable under the existing scheme or the transitional arrangements) she will, when her title to that benefit or pension ceases (otherwise than by remarriage), become entitled to a retirement pension based on her husband's insurance.

**130.** A woman over 60 at the death of her husband will then or on cessation (otherwise than by remarriage) of her right to widow's or guardian's benefit be entitled to a retirement pension based on her husband's insurance.

**131.** There remains the case of the woman widowed under 60 who on reaching that age was not entitled to any of the widowhood benefits. For contributions relating to retirement pension, she may rely upon her own record throughout, or on her husband's record up to the date of his death, and her own record thereafter, or on her own pre-marriage record, her husband's record during marriage, and her own record thereafter. (Where the widow has been married more than once, the relevant record will be that of her last husband.) These arrangements will also apply to a woman who between the start of the new scheme and her 60th birthday qualifies for a 10s. pension under the transitional arrangements, but her retirement pension will not be reducible, on account either of earnings or deficient contributions, below 10s.

A widow who at the start of the new scheme is in receipt of a 10s. pension under the existing scheme must rely on her own contribution record throughout, but if she is then between 50 and 60, and will not have completed 10 years insurance when she reaches 60, her title to retirement pension will be based on her record from entry into insurance up to her 60th birthday. Her pension will not in any event be reduced below 10s.



## XIII—DEATH GRANT

## Rates

132. The Government propose to introduce a death grant as follows:—

	£
For those dying below 3 years of age ... ..	6
For those dying between 3 and 6 ... ..	10
For those dying between 6 and 18 ... ..	15
For those dying over 18 ... ..	20

133. As a transitional arrangement persons between the ages of 55 and 65 at the beginning of the scheme will be eligible for a grant of only £10. The age limit of 60 proposed in the Report would mean that a number of men over that age would contribute without any possibility of grant being paid.

134. The Government further propose that the grant should not be available for children dying below the age of 10 unless they were born after the beginning of the scheme. Otherwise the total amount insured on the death of a child might be above the limit fixed by law.

135. Contribution conditions will be such as to make it easy for persons to keep in benefit; they will be limited to those needed to establish that the deceased was in current insurance or was the wife or child of an insured person, or was a pensioner.

## Industrial Assurance

136. The introduction of a death grant as part of the Social Insurance scheme makes it desirable to review such questions as insurance for indirect expenses connected with funerals and these are being reserved for separate examination.

## XIV—BENEFIT WHILE IN HOSPITAL

137. Under the new National Health Service, treatment in hospital will be available without charge to any member of the community. This means that ordinary maintenance—food, fuel and light, bedding and the various necessary personal services which can be distinguished from strict medical treatment—will also be provided free of cost. Social insurance benefits, however, are also designed to make substantial provision for ordinary maintenance. It therefore seems reasonable that benefit should be adjusted when the recipient is in hospital.

138. The Government propose that the rate of benefit during maintenance in hospital should be 10s. a week less than the standard rate (ordinary sickness benefit, instead of being at the rate of 40s. for a married couple or 24s. for a single person, would become 30s. for a couple or 14s. for a single person). Except in the case of joint retirement pension, the reduced rate will be paid only when the person entitled to benefit is himself (or herself) in hospital, and not when his (or her) dependant is in hospital. If, while a man is on sickness or unemployment benefit, his wife goes into hospital, the standard rate of benefit will be paid.

139. This special rate of benefit will take effect after the 28th day in hospital. Payment of benefit at the standard rate for the first 28 days is proposed in view of the additional expense usually incurred on going into hospital, and of the need in many cases for making temporary domestic arrangements. As sickness benefit will not be paid to a person in Class II until the illness has lasted for four weeks, the 28 days will, in his case, be reckoned from the end of the fourth week of illness or from the date of going into hospital, whichever is the later.



In calculating the 28 days, periods in hospital separated by a short interval (still to be fixed) will be treated as continuous.

140. The special rate will be applied to the following benefits: sickness and invalidity benefit, maternity benefit, widow's benefit, guardian's benefit, widow's pension and retirement pension.

141. Since family allowances are intended to be a general contribution to the needs of families with children, no reduction will be made in family allowances while a child is in hospital; nor will a 5s. family allowance be paid to the authorities of any hospital (or other institution) in which a child is being maintained.

142. There are special considerations affecting old persons who are being maintained in institutions or homes for reasons other than sickness. The arrangements for them are under consideration.

### XV—TREATMENT OF THE BLIND

143. Under the proposed insurance scheme most blind persons will have been insured before the onset of blindness and they will therefore on the usual conditions become entitled to sickness or invalidity benefit if their blindness prevents them from working, and to retirement pensions at the appropriate age.

144. The Disabled Persons (Employment) Act, 1944, which will be brought into operation at the appropriate stage in the transition from war to peace conditions, is designed to facilitate the employment of disabled persons generally (including the blind), and will mean that fewer blind people will have to rely on insurance benefit or assistance. Employers will be required to employ a quota of disabled persons under ordinary conditions, some classes of employment will be reserved for the disabled, and workshops will be established under the control of the Ministry of Labour and National Service to provide employment under sheltered conditions for those who are so severely disabled that they could not otherwise get employment. The Ministry of Labour can make payments to any voluntary association or local authority or any specially established company for expenses incurred by them in providing, under arrangements made with the Minister, special facilities for the employment of disabled persons.

145. In these new circumstances the Government propose that the responsibility for cash payments to the blind, other than insurance benefits and remuneration for employment, should rest on the central Department responsible for administering National Assistance; that the general responsibility for other special welfare services for the blind should remain with the local authorities; and that the system of paying non-contributory pensions to the blind should be brought to an end. Persons who have blind pensions when the new scheme starts will keep these; and the rate of pension may be increased for them as for other non-contributory pensioners. (See paragraph 104.)

146. These arrangements are in line with the proposals in the Report, which recommended in addition a special system of partial incapacity allowances. Apart from the difficulty of assessing the degree of incapacity of people only partially disabled by blindness, the Government see no need to institute a special system of allowances for partial incapacity. A blind person who is wholly incapable of work will normally be entitled to sickness or invalidity benefit; if he is only partially incapable he will get sheltered employment; and if his benefit in the one case, or his earnings in the other, are not sufficient for his needs, he will be able to get additional help in the form of National Assistance.



## XVI—DUPLICATION OF BENEFITS

### With other Social Insurance Benefits

147. Not more than one social insurance benefit or pension will be payable to an individual at any one time. Where there is title to more than one, the larger will be paid, e.g. maternity benefit instead of sickness benefit. On the other hand, a grant or allowance will be payable in addition to benefit, e.g. maternity grant as well as maternity benefit.

### With War and Industrial Pensions

148. It is difficult to determine in what circumstances and within what limits those receiving war or industrial pensions or allowances should be allowed to draw social insurance benefits for which they may qualify.

149. The Government consider that some adjustment will be necessary where the same person is eligible both for a war or industrial pension or allowance and for an insurance benefit, but at this stage it is not practicable to propound a solution for all the different types of case that may arise.

150. The case for adjustment is strongest in relation to dependants' benefits. A pension given to a war or industrial pensioner may be given for a variety of reasons, including deprivation of personal capacity for enjoyment of a full life; the position of his dependants who have sustained no impairment is different and, if he is drawing a larger pension because of their existence, other benefits to which he may also be entitled need not also include a supplement in respect of them. To some extent, the same argument holds as regards a woman who, although widowed by war or industrial accident, is not herself disabled. Further, it does not follow that any solution which is accepted for the pensioner himself in regard to short-term benefits should necessarily be applied to the long-term benefits.

151. Adjustment may also be required in those more specialised cases when illness, for instance, occurring in later life, can clearly be attributed in whole or in part to an earlier war or industrial injury for which a pension is being paid.

## XVII—ADMINISTRATION

### Minister of Social Insurance

152. The Government have announced their intention of consolidating the administration of a comprehensive insurance scheme in one organisation. They reserved the question whether the organisation should be a new Ministry or an administrative Board. But they are satisfied that the most effective and the quickest way to bring the scheme as a whole into final legislative form, and to secure its smooth running during the difficult transitional period, will be to appoint at this stage a Minister of Social Insurance. This Minister will be responsible for the legislative and other preliminary work in launching the new insurance scheme; and, as it is essential that he should in this task have freely at his disposal the resources and assistance of staffs experienced in the organisation and administration of national insurance, the Government propose to transfer to the new Minister responsibility for the existing schemes of social insurance. This transfer will not disturb the existing arrangements for payment of benefit under these schemes, which will continue until the new scheme is operating.

153. The organisation outlined above is framed to meet the position at the beginning of the new scheme. When the scheme is in operation, and administrative policy clearly defined and established, the position will be



reviewed. At that stage it may well be found that some other form of administrative organisation is more suitable or that some rearrangement of central machinery may be desirable.

154. Responsibility for the bringing into operation and administration of the Family Allowances scheme will also be assigned to the Minister of Social Insurance.

155. The present work of the Assistance Board is closely associated with the pensions and unemployment insurance schemes, responsibility for which will be transferred to the new Minister, and the Government propose that Ministerial responsibility for the Board's work should be placed on him.

156. The question whether it is desirable to establish a Social Insurance Statutory Committee on the lines of the present Unemployment Insurance Statutory Committee must be reserved for decision when the plan of the new organisation is nearer finality.

#### **Local Offices**

157. Under the new scheme a wide network of local offices will be established at which the public may lodge claims, seek information or guidance, and obtain payment of certain benefits. Sickness benefit will be payable, according to the claimant's choice, either by postal draft or in cash at the local office to a deputy appointed by him, but where in the circumstances of his case neither of these methods is appropriate it will be paid in cash at his home. For some benefits it will be more convenient for payment to be made through the agency of other Departments, e.g., the Post Office for pensions and the Employment Exchanges for unemployment benefit.

#### **Employment Exchanges**

158. The Report proposed that the task of placing people in work should either be transferred from the Ministry of Labour and National Service to a Ministry of Social Security or at any rate be conducted at the local Security Offices. In the Government's view neither of these suggestions would be right. Unemployment benefit is designed merely to fill a temporary gap in wage-earning employment. The latter should represent the insured person's normal condition. The employment service fulfils two functions: it helps the worker to secure suitable employment and it enables industry to obtain labour as quickly as possible. There must be a close connection between paying unemployment benefit and placing people in work, but to make the organisation of the latter dependent on that of the former would be to put the emphasis in the wrong place. The employment service should remain in the Employment Exchanges and under the Ministry of Labour.

### **XVIII—NATIONAL ASSISTANCE**

159. It has been stated that when the new insurance scheme is in operation there will be in reserve the National Assistance scheme to meet the requirements of the specially necessitous case. The Government propose that the scope of National Assistance (now confined broadly to persons in receipt of old age pensions, widow pensioners with children and able-bodied persons normally employed in insurable occupations) should be extended to include financial assistance to all on proof of need; and that the administration of National Assistance should be centralised in one Department.

160. Detailed proposals for bringing to an end the present system of public assistance are being worked out and will include any necessary adjustments of the existing provisions relating to the "disregard" of certain types of



resources. It suffices here to say that the health functions of the public assistance authorities will be merged in the new National Health Service; that the care and maintenance of orphaned and deserted children will remain within the sphere of local government, as will the provision of accommodation for such old persons as need it. On the other hand, the duty will be placed on the Assistance Board of making suitable provision for those, other than the sick, the young and the old, for whom assistance in cash is not appropriate. The Board will also be given the functions of the Customs and Excise Department in respect of non-contributory pensions, so far as they continue.

161. The Government consider that ultimate responsibility for both insurance and assistance should rest upon a single Minister; but in actual administration they attach great importance to the preservation of the distinction between insurance and assistance, and it is proposed to retain in the final arrangements separate administration for Social Insurance and National Assistance. It is true that insurance benefit arises as of right and that assistance is available only subject to proof of need and examination of means and that this is an important distinction in itself, but the Government doubt whether, if both are dealt with by the same staff, the distinction would be sufficiently preserved. Any overlapping of inspections or visits or duplication of staffs can be avoided by providing for agency arrangements between Departments as at present, e.g., a man who now exhausts his right to unemployment benefit and has to have recourse to assistance, draws the actual payments, after his case has been examined and assessed by the officers of the Assistance Board, in the same way as he would have drawn unemployment benefit.

## **XIX—AGENCY ARRANGEMENTS FOR PAYING BENEFIT**

### **Sickness Benefit**

162. The Government fully recognise the value of the services rendered by Approved Societies in the development of the National Health Insurance scheme, and they have given the most careful and sympathetic consideration to the possibility of retaining the services of the Societies in some form in the administration of the new scheme.

They have not overlooked the considerations that if voluntary and State insurance were administered by the same body it would help the development of voluntary insurance and possibly secure some diminution in administrative costs.

163. On the question of the continuance of Societies as independent financial units nothing has emerged to modify the views tentatively expressed by the Government in the debates in 1943 that there is no place for such bodies in a unified insurance scheme providing equal benefits for uniform compulsory contributions.

164. On the question of the employment of Societies as agents, the Government have examined closely the alternatives of retaining them either as responsible agents taking decisions and authorising payments, or simply as paying agents acting on directions from the Central Authority, but have found each of the alternatives open to weighty objections. Certain proposals (involving substantial modifications of the existing structure of Societies) made by organisations of Approved Societies, have been given very careful consideration, but the Government cannot find in them any satisfactory solution of the major difficulties which are inherent in any project for indirect administration.



165. In the result, therefore, they have been reluctantly forced to the conclusion that it is not practicable to retain Approved Societies as agents on any basis, and that the only sound course is to administer benefits solely through the Social Insurance Department. In view of the importance of the matter, it has been thought desirable to set out in detail the considerations which have led the Government to this conclusion, and these are given in Appendix II, together with a summary of the alternative proposals made in the Report and of the wider proposals submitted on behalf of the Approved Societies.

166. The Social Insurance Department will work largely through local offices and will thus maintain close contact with the insured population. The Government are satisfied that, with the number of persons who have had practical experience in administering the existing health and unemployment insurance schemes and other social services, the Department will be able to obtain an adequate staff of officers of the right type and suitable qualifications to whom the necessary measure of responsibility can be entrusted, and so to provide a service that will be efficient and in accord with the needs and convenience of insured persons.

#### **Unemployment Benefit**

167. The Government have at the same time decided that the payment of State unemployment benefit through Trade Unions in accordance with Section 68 of the Unemployment Insurance Act, 1935, cannot any longer be justified and they propose to abolish that arrangement. Nor, in abolishing the special schemes of unemployment insurance for the banking and insurance industries, do the Government propose that the organisations which have administered those schemes should act as agents for the payment of unemployment benefit.

### **XX.—THE FINANCE OF THE SCHEME**

168. The finance of the scheme is explained fully in a Memorandum by the Government Actuary which forms Appendix I to this Paper. The Memorandum gives in detail the contributions to be paid for the various Classes and shows how they have been arrived at. It also contains a series of tables showing the estimated cost of the scheme at different dates, and the distribution of the load as between the contributor and the general taxpayer. The Memorandum is one which requires study as a whole but there are certain outstanding features which should be mentioned here.

#### **Tripartite Scheme of Contribution**

169. The method of financing the scheme by contributions from the beneficiaries, their employers (where they have one) and the Exchequer, which has been an essential feature of British Social Insurance, is being continued.

For the main benefits (except unemployment benefit) five-sixths of the necessary contribution will be derived from the insured person and his employer (if he has one) and one-sixth from the Exchequer. For unemployment benefit the contribution will continue to be shared equally between the employed person, his employer and the Exchequer.

In addition the Exchequer bears the cost of admitting the existing population of all ages to the same benefits as are given to those who enter at age 16 and pay contributions throughout their working lives.

#### **National Health Service**

170. Towards the cost of the National Health Service insured men and women will contribute 10d. and 8d. a week respectively. Of this the employer



(where there is one) pays 1½d. This figure of 1½d. represents approximately the amount which the employer at present contributes towards the cost of medical benefit and has been adopted for that reason.

### Cost of the Scheme

171. The following Table shows the estimated income and expenditure of the new scheme at ten-yearly intervals. The year 1945 has been taken for convenience of comparison and it has been assumed for this purpose that stabilised post-war conditions will apply in that year. It will be appreciated that the scheme cannot in fact be in operation in that year; nor could the assumed stabilisation by then have been realised.

*Social Insurance and Allied Services Budget, 1945-1975*  
(in £ millions).

	1945	1955	1965	1975
<i>Estimated Expenditure</i>				
Social insurance benefits ... ..	374	428	500	542
National assistance ... ..	69	73	70	67
Family allowances ... ..	59	60	56	52
Health service ... ..	148	170	170	170
Total expenditure ... ..	650	731	796	831
<i>Estimated Income</i>				
Receipts from contributions of insured persons and employers.	283	280	275	259
Interest on existing funds ... ..	15	15	15	15
Balance of expenditure, to be met from Exchequer (or local rates).	352	436	506	557
Total income ... ..	650	731	796	831

172. The estimated expenditure on retirement pensions, which is included under the heading "Social insurance benefits" in the Table is as follows:—

£ millions			£ millions		
1945	...	169	1965	...	272
1955	...	203	1975	...	324

It will be seen that from 1955 onwards the continuous increase in the rate of total expenditure is more than accounted for by the growth in pension charges.

### Comparison with Cost of Existing Schemes

173. For purposes of comparison the approximate cost of the existing social insurance schemes and allied services may be put at about £411 millions in 1945. This would be the position on the basis that stabilised post-war conditions applied in that year. It is estimated that if the new scheme were in force in that year the total cost would be £650 millions.

The extra cost of the new scheme would therefore be about £240 millions and this would be attributable in more or less equal shares to the increase in the pension rates, the raising of the rates of other insurance benefits, the new scheme of family allowances and the enlarged National Health Service.

174. If the existing schemes were in operation in 1945 it is estimated that the charge to be met by taxation or local rates would be £278 millions. If the new scheme were in operation in that year it is estimated that the charge to be so met would be £352 millions. Thus at the outset the increased cost of



the new scheme to the Exchequer and local rates is estimated at £74 millions. It is not possible at the present time to allocate this increase of £74 millions between the Exchequer and local rates.

175. The estimates given in the Government Actuary's Memorandum do not take any account of the Government's proposals under the scheme of Family Allowances to increase substantially the benefits given in kind to children. These proposals, as stated in paragraph 51 of this Paper, are estimated ultimately to involve expenditure of the order of £60 millions a year in the provision of meals and milk for children at school. This is exclusive of the provision for children under school age, for which no estimate can at present be given. Nor do the estimates in the Government Actuary's Memorandum take account of the proposals referred to in paragraph 71 of this Paper for training allowances to unemployed people who take courses of approved training. As stated in that paragraph, the cost of these allowances will be met from the proceeds of taxation and although an annual contribution from the Social Insurance Fund of an amount not exceeding £500,000 will be made, this is no index of the prospective cost of the training scheme to public funds.

#### **Financial Adjustment with Local Authorities**

176. The introduction of the new scheme will involve a financial adjustment between the Exchequer and local rates on account of a number of services, particularly the National Health Service and Public Assistance, and also the school meals and milk service. Until this adjustment has been worked out after discussion with local authorities, it is not possible to make an allocation of the charges falling respectively on taxes and on local rates.

#### **Estimate of Unemployment**

177. It will be seen from paragraph 8 of the Government Actuary's Memorandum that the Government have instructed him to assume, for the purpose of framing his financial estimates, a notional figure of  $8\frac{1}{2}$  per cent. of insured persons out of work. This needs explanation. It does not mean that the Government expect that year in year out this will be the percentage figure of unemployment; they hope it will be lower. But in framing estimates, assumptions have necessarily to be made and in making the calculations for a scheme of such magnitude it was thought a matter of financial prudence to assume a figure of  $8\frac{1}{2}$  per cent.

#### **Assets of Existing Schemes**

178. The inclusion in the estimated income of the new scheme (see Table VI in the Memorandum by the Government Actuary) of a sum of £15 millions on account of interest on existing funds is based on the setting free of sums amounting to some £550 millions which, at the start of the new scheme, will be standing to the credit of the existing National Health Insurance funds, pensions accounts, and unemployment fund. Of this amount, approximately £245 millions represent moneys in the National Health Insurance funds consisting chiefly of the assets of Approved Societies.

179. Under the Government's proposals social insurance will no longer be administered through a number of independent financial entities and it will be unnecessary therefore to accumulate actuarial reserves for any part of the scheme. The funds which stand to the credit of Approved Societies consist mainly of the reserves, accumulated over a long period, which would have been required under the existing system to enable the individual societies to meet in future their statutory liabilities to their present members; though to a minor extent also they comprise surplus funds which would in due course have become available for the provision of additional benefits over a limited period.



180. In view of the substantial increase in the rates and scope of benefits under the new scheme, and having regard to the fact that persons of all ages at the outset will pay the same contributions for these extended benefits as future entrants at age 16 (involving a substantial liability on the fund, which will fall on the Exchequer), the Government propose that the whole of the sums standing to the credit of the existing funds should be merged in the new fund from which the social insurance benefits will be provided in future.

### XXI—TRANSITIONAL PROBLEMS

181. Various transitional problems affecting contributors and beneficiaries will inevitably arise on the introduction of a comprehensive insurance scheme.

182. The transitional arrangements for retirement pensions and widow's benefits are set out in this Paper. There will, however, be a number of others and in view of their complexity their solution will have to wait until the scheme has taken final form. It is not at the moment possible to say more than that in the preparation of a nation-wide scheme of social insurance, which must of necessity undergo many changes in its development, it would be neither practicable nor desirable to lay down a hard and fast rule that all accruing rights must be safeguarded on each occasion of change. This would produce so many transitional provisions as to make change almost impossible.

183. It will also be necessary at a later stage to work out in detail the arrangements for transferring functions from the existing agencies which it is not proposed to utilise in the new scheme, and for winding them up.

### XXII—LEGISLATION

184. As a first step the Government propose to introduce legislation at the earliest possible moment to set up a Ministry of Social Insurance and to transfer to that Ministry responsibility for the existing social insurance schemes. The next step will be a Bill dealing with family allowances, but it is intended that the coming into operation of the scheme should be deferred till after the war.

185. The Bill to implement the scheme of comprehensive social insurance will inevitably be a measure of great length and complexity. Subject, of course, to the discussion by Parliament of the proposals set out in this Paper, it is intended to press on with the preparation of the Bill and to introduce it as soon as possible.

### XXIII—CONCLUSION

186. In conclusion the Government wish to place on record their gratitude to Sir William Beveridge for the great work which he did in preparing his comprehensive and imaginative Report. Their main tribute is the embodiment of so much of his plan in the proposals set out in this White Paper—proposals which will, in their belief, afford an adequate basis of social insurance for many years to come.

They round off a notable chapter in the history of British social insurance, which since its beginning thirty-three years ago in the National Insurance Act of 1911 has grown steadily in scope and thoroughness. When the scheme here outlined, with such adjustments as parliamentary debate and public discussion may suggest, is given the force of law, provision will have been made against every one of the main attacks which economic ill-fortune can launch against individual well-being and peace of mind. Social insurance is but a means to achieving positive effort and abundant living. Yet it is a necessary means. When the new scheme is in operation it will be for the nation to respond by a fresh outburst of that creative energy which has marked the greatest periods of our history and is vitally necessary in the years now before us.



## APPENDIX I

## Memorandum by the Government Actuary on the Finance of the Government's Proposals

In this memorandum the value of the social insurance benefits is expressed in terms of contributions, and estimates are given of the expenditure and income in a series of future years, under the Government's proposals in Part I of the White Paper on Social Insurance.

## SUMMARY OF THE PROPOSALS

I. For convenience of reference the cash benefits payable under the Government's proposals to or in respect of a person aged 18 or over (referred to hereinafter as an adult) insured as a contributor in Class I, i.e., a person normally working for an employer, are summarised below.

## Sickness, Invalidity and Unemployment Benefits and Retirement Pensions

The weekly rates of benefit are:—

	Sickness Benefit	Invalidity Benefit	Unemploy- ment Benefit	Retirement Pension
	s. d.	s. d.	s. d.	s. d.
Single man or woman ...				
Married man with gainfully occu- pied wife }	24 0	20 0	24 0	20 0
Married man with wife not gainfully occupied }	40 0	35 0	40 0	35 0
Married woman, gainfully occupied...	16 0	16 0	20 0	20 0
Dependant's allowance, where payable	16 0	15 0	16 0	—

The above rates are increased by 5s. where the beneficiary has a single dependent child, or, if he has more than one such child, by 5s. in respect of the first child.

For sick persons who are maintained in hospital the ordinary rate of benefit or pension is subject to a reduction of 10s. a week commencing after 28 days of residence.

Sickness benefit is payable for not more than 3 years of "linked-up" sickness, and when exhausted is followed by invalidity benefit. Unemployment benefit is payable for not more than 30 weeks of "linked-up" unemployment (subject to the provision regarding additional days for persons with a good record) and when exhausted may be followed by payments under national assistance. Spells of sickness or of unemployment are "linked-up" if separated by less than 3 months.

Retirement pension is payable at age 65 (men) or 60 (women) or later, on cessation of work. Deferment of pension, and payment of further insurance contributions after the pensionable age, entitles the pensioner to an increase of 1s. a week (2s. in a joint pension) for each further year's contributions paid.

## Benefits to Widows

(i) *Widow's benefit* at 36s. a week (with the addition of 5s. if she has one or more dependent children) for the first 13 weeks of widowhood; followed either by

(ii) *Guardian's benefit* at 24s. a week (plus 5s. for the first child) if, and for so long as, she has dependent children, and *widow's pension* at 20s. a week



on termination of guardian's benefit if she is then over 50 and not less than 10 years have elapsed since marriage; or by

(iii) *Widow's pension* at 20s. a week if (having no dependent children) she was over 50 at widowhood and had been married for not less than 10 years.

#### Maternity Benefits

(i) *Maternity grant* of £4 to all married women and to other women who are contributors in any Class.

(ii) *Maternity benefit* at 36s. a week for 13 weeks to gainfully occupied women, whether paying contributions or exempt.

(iii) *Attendant's allowance* at 20s. a week for 4 weeks to married women who are not gainfully occupied and to other women who are contributors in Class IV.

#### Death Grant

(i) On death of an adult, whether a contributor, wife or dependant: a payment of £20.

(ii) On death of a dependant or contributor under age 18: if under 3 years, £6; between 3 and 6, £10; between 6 and 18, £15.

Title to benefit or pension at the full rate depends in most cases on the satisfaction of certain contribution qualifications by the person on whose insurance the payment arises. Further, in the early years of the scheme, pension and widows' benefits and grants on death will be subject to special conditions under transitional arrangements.

2. Persons falling into Class II, viz., those following a gainful occupation but not working for an employer, are insured for the same benefits as Class I except that (i) they are not eligible for unemployment benefit and (ii) they receive sickness benefit only from the fifth week of illness, with modifications in the case of residence in hospital. Persons of working age (other than married women) who are not gainfully occupied are compulsorily insured in Class IV but are not eligible for sickness and unemployment benefits.

3. Forming part of the Government's proposals, but not among the social insurance benefits, are the universal schemes for a national health service, family allowances and national assistance. The health service does not include any benefits by way of cash payments and is relevant to this memorandum only in that (i) a contribution towards the cost of the service is to be part of the social insurance contribution, and (ii) its total cost falls to be brought within any budget covering the expenditure under the various heads of social insurance and allied services. Similarly, such a statement should include the cost of the family allowances—at the rate of 5s. a week for every child under age 15 (or up to 31st July following age 16 if the child is at school) except the first such child in a family—and the cost of national assistance payments, which supplement social insurance benefits, or take their place where they are not payable, according to the individual needs of the recipient.

4. The estimates included in this memorandum do not cover the proposed new scheme for industrial injury insurance which is to take the place of the present workmen's compensation scheme. This is being dealt with separately, except that the requisite contribution for employed persons will be included with the social insurance contribution in a single stamp.

5. Contributions, at the rate for the appropriate Class, are payable compulsorily by all persons (except married women) aged between 16 and the minimum pensionable age of 60 (women) or 65 (men) and by persons over the



pensionable age who continue at work. Payment of contributions is excused (i.e., for certain purposes they count for benefit as if paid) to full-time students, to unpaid apprentices and to persons who are unemployed (if in Class I) or sick (if in Class I or II) or in receipt of the weekly maternity benefit (if a woman in Class I or II) or widow's or guardian's benefit (if a widow in Class IV). Exemption from payment of contributions may be claimed by persons in Class II or IV whose total income is less than £75 a year but the unpaid contributions are not excused, i.e., they are not deemed to have been paid in assessing rights to benefit. Special options as to payment of contributions and special conditions as to compulsory exemption in certain circumstances apply to married women only.

The appropriate rates of contribution for the several Classes are set out below, their basis being described in the following paragraphs:—

#### Weekly Rates of Contribution for Social Insurance and Health Service

	Class I			Class II	Class IV
	Insured Person	Employer	Total		
	s. d.	s. d.	s. d.	s. d.	s. d.
<b>MEN</b>					
Aged 18 and over ...	3 7	2 10	6 5	4 2	3 4
Between 16 and 18 ...	2 3½	1 11½	4 3	2 9	2 2
<b>WOMEN</b>					
Aged 18 and over ...	2 10	2 3	5 1	3 6	2 8
Between 16 and 18 ...	1 11	1 6	3 5	2 5	1 10

It is to be noted that, when the contributions to be charged under the separate scheme for industrial injury insurance, viz., 6d. for men and 4d. for women aged 18 and over, are added, the total rates of contribution for adults in Class I will be 6s. 11d. for men and 5s. 5d. for women, of which the insured person's share will be 3s. 10d. for men and 3s. for women. In the case of contributors under the age of 18 the contributions for industrial injury insurance are 3d. for boys and 2d. for girls, shared equally between the insured person and the employer; the total rates of contribution for these persons will thus be 4s. 6d. and 3s. 7d., of which the insured person's share will be 2s. 5d. for boys and 2s. for girls.

#### ACTUARIAL BASIS OF THE ESTIMATES

6. In the estimates which follow I have made use of the most recent pre-war data relating to mortality, marriage and other vital statistics, and have assumed the maintenance, after the war, of fertility rates and death rates at the immediate pre-war level. I have not allowed for an increase in longevity in the future—which might substantially affect the cost of pensions in later years—or for a change in the fertility rate (either upward or downward) which would affect the cost of family allowances at once and, in due course, the other items of expenditure as well as the contribution receipts. It is not to be understood from this that in my considered view stabilisation at pre-war levels represents the most probable trend over the period to which the estimates relate but that, for the particular purpose of these estimates and in view of the uncertainties due to the war, it has been thought better to adopt the assumption indicated rather than to allow for conjectural modifications of recent experience or to prepare estimates on alternative bases, either of which courses would appear inappropriate at the present time.



7. As regards sickness benefits I have assumed that sickness claims\* will be at rates averaging  $12\frac{1}{2}$  per cent. above those adopted in the present national health insurance scheme, having deemed it essential, in view of the fundamental changes from the existing scheme, to provide for an appreciably higher claim rate than that prevailing hitherto. Two factors should be mentioned: first, there has been a considerable increase of sickness claims of short duration during the course of the war and, secondly, the scale of benefits proposed (including dependants' allowances) is substantially higher than the existing benefits of the national health insurance scheme. While I have taken the favourable view that the current heavy sickness is a result of war-time difficulties and will gradually pass away, I have thought it right to make some allowance for the second factor mentioned. The addition I have made to the sickness rates deduced from the experience of the past, under materially different conditions, is, however, of moderate amount and if it is not to be exceeded a high standard of medical certification will be essential, as well as the active co-operation of the insured persons themselves, supported by adequate arrangements for medical referees and sick visiting.

8. In fixing the contribution for unemployment benefit, and assessing the corresponding expenditure, I have assumed that, on average,  $8\frac{1}{2}$  per cent. of insured persons will be out of work at any time, i.e., an over-all rate of unemployment among the population in Class I corresponding to 10 per cent. for the occupations covered by the present general scheme of unemployment insurance. This notional basis has been adopted on the instructions of the Government.

The proportion of the unemployed who will qualify for benefit is affected by the maximum limit of 30 weeks of linked-up benefit (modified by the additional period allowed to persons with a good contribution record in the preceding five years) and must depend on the composition of the register as regards incidence and duration of unemployment under the assumed conditions. I have adopted the following proportions, viz.,  $72\frac{1}{2}$  per cent. entitled to benefit and 20 per cent. granted assistance, the balance of  $7\frac{1}{2}$  per cent. comprising persons who are disentitled to benefit or have exhausted benefit rights and do not or cannot claim assistance.

9. Where the element of compound interest enters into a calculation, as in the rates of contribution, a rate of 3 per cent. per annum has been assumed.

The general lines adopted in the assessment of the rates of contribution, and the actuarial bases of the estimates, are the same as those followed in the preparation of financial estimates in connection with the proposals of Sir William Beveridge's Report on Social Insurance and Allied Services, which involved similar actuarial considerations; a fuller account of these is given in Appendix A to that Report (Cmd. 6404).

#### RATES OF CONTRIBUTION

10. On the bases indicated in the preceding paragraphs I have estimated the value of the social insurance benefits in terms of the weekly contribution which would be required during the whole of his working lifetime in order to provide, for an entrant at the age of 16, the full cost of the benefits to which he and his dependants will become entitled: this has been termed the

\* It should be noted that under the Government proposals, as under the existing national health insurance scheme, sickness and invalidity benefits are not payable during periods of incapacity due to industrial injury or disease. The rates of sickness used in computing the cost of sickness and invalidity benefits have due regard to this fact. In assessing the loss of contributions during sickness, however, the sickness rates have been appropriately increased to allow for the fact that the payment of contributions is excused during any period of total incapacity, including that due to industrial injury or disease.



full actuarial contribution. The contribution thus assessed has been thought in the past to represent a fair basis for determining—subject to any relief which may be afforded by the Exchequer—the joint rates of contribution to be charged to the insured and their employers.

In the case of long-term benefits (pensions, sickness, etc.) the contributions proposed to be charged represent five-sixths of the full actuarial contributions, the State thus assuming liability for the remaining one-sixth. This does not, however, represent the full liability of the Exchequer for such benefits since, owing to a flat rate of contribution being charged for persons of all ages at the outset, there is a deficiency in the case of persons not previously insured (mainly in Classes II and IV) and to a less extent—owing to the accumulation of some reserves in the past—in the case of persons now insured for health and pensions insurance, which will fall ultimately to be met by the State. In addition, the Exchequer assumes liability for the cost of raising existing pensions to the new rates. The method by which the State will meet its liabilities under these heads is discussed in paragraph 30 below.

II. A brief statement is necessary of the general basis on which the cost of the various benefits has been allocated between men and women respectively in the determination of the rates of contribution.

As regards retirement pensions, the women's contribution is assessed at the sum which, if paid by all women up to pension age, would meet the cost of the pensions to which women become entitled at or after age 60, whether as the wives or widows of insured men or on their own insurance as single or married women or widows. In this calculation account is taken of the fact that a wife's pension is 15s. and not 20s., unless she is entitled to pension on her own insurance, and of the postponement of grant of pension after age 60 where the wife is not at least 5 years younger than her husband.

The man pays for his own pension and for that portion of pensions to wives (and widows over age 60) which is left unprovided for because most women on marriage cease to pay contributions.

The whole cost of widows' and guardians' benefits up to age 60 (including the allowance in respect of the first child in a family) and the contributory portion of orphans' allowances (see paragraph 21 below) is placed upon the men's contributions.

In the case of unemployment benefit the relative contributions of men and women have been assessed by apportioning the total cost of unemployment benefit, including dependants' allowances, in proportion to the average rates of benefit (plus allowances) for adults of each sex. For men this means taking into account the average value of the supplements for wives, adult dependants, and the first child in a family; for women it involves only the value of the supplements for adult dependants of insured women, the average amount of which is very small.

The contributions for sickness and invalidity benefits are related to the value of the benefits to contributors of each sex respectively, including as in the case of unemployment benefit the allowances for wives and other dependants.

The cost of the weekly maternity benefit to gainfully occupied women has been placed upon the contributions of women in Classes I and II, whilst expenditure on the other maternity benefits, i.e., the lump sum grant and the attendant's allowance, is shared equally between men and women contributors.

In the case of the death grant the contribution charged to women is related to the cost of the benefit for an individual person, whereas the man's contribution includes also the amount necessary in respect of the grants payable on the death of dependants, whether adults or children.



As already indicated, the rates of contribution have been determined separately for each sex; but it is impracticable to assess and charge a separate contribution for each category of contributor according to marital status. It may be remarked, however, that, as a result of the process of averaging, a woman who does not marry pays an appreciably lower contribution for her pension, and in total, than would be necessary if this group could be considered in isolation and not as a part of the aggregate of women contributors.

12. The results of these calculations are given in the following statement (Table I), column (1) of which shows, for a person in Class I, the amount of the contribution payable from age 18 on the assumption that for young persons under that age the contributions will be fixed at two-thirds of the adult rates. In columns (2) to (4) the contribution is subdivided into the shares due from the insured person, the employer and the Exchequer on the basis that (i) the Exchequer meets one-third of the cost of unemployment benefit and one-sixth of the cost of other benefits (excepting death grant) and (ii) the balance of the contributions is shared equally between insured person and employer, except for maternity grant and attendant's allowance (but not the maternity benefit for gainfully occupied women) and death grant, which are charged to the insured person.

**Table I—Rates of Contribution required for Social Insurance Benefits for an Adult in Class I**  
(in pence per week)

	Full Actuarial Contribution	Contribution from		Balance not provided for, forming part of Exchequer contribution to scheme
		Insured Person	Employer	
	(1)	(2)	(3)	(4)
<b>MEN</b>				
Retirement pensions ...	28.8	12.0	12.0	4.8 (1/6th)
Widows' and guardians' benefits	6.3	2.6	2.7	1.0 (1/6th)
Unemployment benefit ...	28.7	9.6	9.6	9.5 (1/3rd)
Sickness and invalidity benefits	14.7	6.1	6.1	2.5 (1/6th)
Maternity grant ...	1.2	1.0	—	.2 (1/6th)
Death grant...	1.8	1.8	—	—
Cost of administration ...	4.2	1.6	1.5	1.1*
Total for social insurance benefits	85.7	34.7	31.9	19.1†
<b>WOMEN</b>				
Retirement pensions ...	26.8	11.2	11.1	4.5 (1/6th)
Unemployment benefit ...	19.1	6.3	6.4	6.4 (1/3rd)
Sickness and invalidity benefits	11.7	4.8	4.9	2.0 (1/6th)
Maternity grant and benefit (including attendant's allowance)	4.3	2.7	.9	.7 (1/6th)
Death grant...	1.1	1.1	—	—
Cost of administration ...	4.2	1.6	1.5	1.1*
Total for social insurance benefits	67.2	27.7	24.8	14.7†

\* Exchequer share taken at one-third of the cost of administration for unemployment benefit and one-sixth for other benefits.

† On average the Exchequer proportion is about 22 per cent. of the full contribution.



13. The contributions for persons in Class I are based on the results in columns (2) and (3) of Table I rounded to the next higher penny, and those for persons in Classes II and IV have been assessed on similar lines, allowing for the differences in respect of those Classes, viz., (i) the absence of unemployment benefit and the exclusion of the first 4 weeks from sickness benefit in Class II, (ii) the absence of both sickness and unemployment benefits in Class IV, and (iii) the necessarily differing conditions governing excusal of contributions. In all three Classes the rates of contribution proposed to be charged are to include a payment towards the cost of the national health service, which has been fixed at 10d. a week for men and 8d. for women, with a reduced payment of 6d. for young persons under age 18. The make-up of the contributions is as follows (Table II):—

**Table II—Rates of Contribution for Adults in Classes I, II and IV**  
(in pence per week)

	Class I				Class II		Class IV	
	Men		Women		Men	Women	Men	Women
	Insured Person	Employer	Insured Person	Employer				
For social insurance benefits	34.7	31.9	27.7	24.8	39.3	33.7	29.5	23.7
Towards health service	8.5	1.5	6.5	1.5	10.0	8.0	10.0	8.0
Total contribution required	43.2	33.4	34.2	26.3	49.3	41.7	39.5	31.7
Rates of contribution proposed	s. d. 3 7	s. d. 2 10	s. d. 2 10	s. d. 2 3	s. d. 4 2	s. d. 3 6	s. d. 3 4	s. d. 2 8
	6s. 5d.		5s. 1d.					

The insured person's share of the contribution in Class I is 9d. greater than the employer's share (7d. for women) partly on account of the differences appearing in Table I, but mainly because the bulk of the payment towards the health service falls upon the person himself, the employer paying a sum approximately equal to his contribution towards the medical treatment of his employee under the existing national health insurance scheme.

14. It may be noted that the principal rates of contribution, viz., 6s. 5d. a week for men and 5s. 1d. a week for women in Class I, are 1s. 1d. and 11d. respectively less than the corresponding contributions proposed in the Beveridge Report.\* The reduction in contributions is the net effect of a number of factors, the most important of which are set out below, the saving or addition shown in each case incorporating the effect of payment of the adult rate of contribution (and where appropriate the adult rate of benefit) from age 18 instead of age 21:—

(i) the treatment of workmen's compensation in a separate scheme—saving (in the social insurance contribution) about 3d. for men and 2d. for women, including cost of administration;

\* When the separate contributions for industrial injury insurance are added (see paragraph 5) the total rates of contributions are 7d. less, for each sex, than those proposed in the Beveridge Report.



(ii) the fixing of the retirement pension contribution by reference to a pension of 20s. single or 35s. joint (immediately) instead of 24s. single or 40s. joint (ultimately)—saving about 5½d. for men and 4d. for women;

(iii) the limitation of unemployment benefit to a maximum duration of 30 weeks (apart from added days)—saving about 7d. for men and 4½d. for women, but placing a substantial liability on the Exchequer for unemployment assistance;

(iv) the reduction of sickness benefit (a) to the invalidity rate in cases of long-term sickness and (b) by 10s. where the person has been in hospital for 28 days—combined saving of about 1d. for both men and women;

(v) the omission of the cash grant on marriage of an insured woman and the substitution of an attendant's allowance on confinement and certain minor concessions in regard to married women's insurance—net saving about ½d. for women;

(vi) the grant of pensions to certain widows over age 50—adding about 1½d. for men;

(vii) the transference to a contributory basis of the allowances payable in respect of the first child where the parent is in receipt of a social insurance benefit—adding about 2d. for men and ½d. for women.

#### CLASSIFICATION OF POPULATION

15. The population of Great Britain at the present time is estimated to be about 47½ million persons, and this figure has been taken for practical purposes as the population at the commencement of the new scheme. Assuming the restoration under peace-time conditions of a distribution by occupational status corresponding in general to the pre-war position, the classification of this total for the purpose of the scheme is as follows:—

Table III—Classification of Population

Class	Numbers in thousands		
	Men	Women	Total
I Employed persons ... ..	13,350	4,750	18,100
II Others gainfully occupied ... ..	2,150	450	2,600
III Housewives, including those gainfully occupied	—	9,650	9,650
IV Other persons of working age ... ..	1,000	1,250	2,250
V Children under 15, or 15–16 at school ... ..	5,150	4,950	10,100
VI Persons above working age who have retired ...	1,200	3,600	4,800
	22,850	24,650	47,500

This allocation is based on the occupational distribution at the Census of 1931, with allowance for estimated changes therein up to the beginning of the war. It includes in Classes I and II those persons above pensionable age who are assumed to be still working. Blind and crippled persons and chronic invalids, if under pensionable age, are included in Class IV. The number of children in Class V assumes a minimum school-leaving age of 15.

#### ESTIMATED EXPENDITURE

16. In Table IV which follows, an estimate is given of the annual expenditure at ten-yearly intervals on the various social insurance benefits and the allied services which are comprised in the Government's proposals. For convenience



of comparison with previous estimates the year 1945 is taken as the first year in which the social insurance scheme will be in full operation except for persons newly brought into insurance. It is evident, at this date, that the scheme cannot be brought into effect in time for this assumption to be realised, but the general appropriateness of the tables in this memorandum is not thereby materially affected except for two points. The cost for the actual first year will be slightly greater than that shown for 1945, mainly because the natural increase in the aged population results in a heavier pensions charge in each succeeding year; 1955, 1965 and 1975 would somewhat understate the cost for the 11th, 21st and 31st years, for the same reason. Further, with the introduction of the scheme in a later year than 1944, the cost in 1955 will be appreciably less than that shown, because new classes brought in at the outset will not qualify for pension benefits for 10 years.

Subject to these reservations the figures in the table give a broad picture of the cost of the scheme starting with the first full year's expenditure and for the 10th, 20th and 30th years thereafter.

**Table IV—Estimated Expenditure: 1945-1975**

(in £ millions)

	1945	1955	1965	1975
<i>Social Insurance Benefits</i>				
Retirement pensions ... ..	169	203	272	324
Widows' and guardians' benefits ...	34	41	40	36
Unemployment benefit ... ..	87	87	85	80
Sickness and invalidity benefits ...	55	66	68	65
Maternity grant and benefits ... ..	9	8	8	7
Death grant ... ..	4	7	11	14
Cost of administration ... ..	16	16	16	16
<b>Total ... ..</b>	<b>374</b>	<b>428</b>	<b>500</b>	<b>542</b>
<i>National Assistance</i>				
Assistance pensions ... ..	37	41	39	37
Unemployment assistance ... ..	22	22	21	20
Other assistance ... ..	6	6	6	6
Cost of administration ... ..	4	4	4	4
<b>Total ... ..</b>	<b>69</b>	<b>73</b>	<b>70</b>	<b>67</b>
<i>Family Allowances</i>				
Allowances ... ..	57	58	54	50
Cost of administration ... ..	2	2	2	2
<b>Total ... ..</b>	<b>59</b>	<b>60</b>	<b>56</b>	<b>52</b>
<i>Health Service</i>				
... ..	148	170	170	170
<b>Total Expenditure ... ..</b>	<b>650</b>	<b>731</b>	<b>796</b>	<b>831</b>

17. From 1955 onwards the continuous increase in the rate of total expenditure—from £731 millions in 1955 to £831 millions in 1975—is more than accounted for by the growing cost of retirement pensions, viz., from £203 millions to £324 millions. In the first ten years the growth of expenditure is affected by a number of special factors which influence the cost of widows' and guardians' benefits, sickness and invalidity benefits and the health service.

The pensions cost in 1945 is not precisely comparable with later years because it does not include any pensions for persons brought into insurance for the first time (mainly in Classes II and IV) since these do not qualify for pensions until they have been insured for 10 years, or for persons in Class VI at the outset who had not been granted pensions under the existing schemes. Apart from this, the rising cost of pensions is mainly due to the natural increase in the population of pensionable age, which will grow steadily throughout the 30 years.



The increase in the cost of widows' and guardians' benefits and sickness and invalidity benefits between the first and the eleventh year is also due mainly to the fact that, owing to the qualifying condition for these benefits, the full cost does not mature immediately. Similarly the continuing growth in the cost of the death grant over the whole period is mainly the result of the exclusion from this benefit of persons over 65 at the outset and of the payment of reduced grant in respect of those then aged between 55 and 65.

Again, the inclusion of a lower figure for the health service in 1945 than for later years results from the fact that it will be impracticable to bring all the various services fully into operation in the first few years of the scheme.

18. *Retirement pensions.*—The estimates make allowance for postponement of retirement, and consequent increase in rate of pension. Thus in Class I the broad assumption is that 50 per cent. of men and women will give up work immediately on reaching pensionable age, that a further 25 per cent. will retire in the course of the ensuing five years, and that the balance of 25 per cent. will have ceased work during the next five years, i.e., by age 75 (men) or 70 (women). The net effect of the retirement condition on the expenditure, i.e., the difference between the pension payments saved by postponement and the sum of the sickness and unemployment benefits payable during the period of postponement and the higher payments becoming due on retirement, is estimated to be a saving of expenditure somewhat exceeding £10 millions a year at the outset, rising to between £15 millions and £20 millions in twenty years' time.

As regards persons over pensionable age at the outset, allowance is made for bringing up to the new pension rates those contributory pensioners who accept the retirement condition as provided by the proposals. The corresponding cost of increasing the pension of non-contributory pensioners is included in the cost of assistance pensions.

19. *Unemployment benefit and assistance.*—Only 72½ per cent. of the unemployed, on the assumed average rate of 8½ per cent. unemployment, are included in the cost of benefit. A further 20 per cent. are assumed to receive assistance on the scales at present in force, the cost of which falls upon the Exchequer. The item of unemployment assistance includes also a small sum for supplementation to meet special needs of persons on unemployment benefit. As regards the cost for the first year, it should be borne in mind that the estimates assume stabilised post-war conditions, and make no allowance for disturbance resulting from war conditions or on demobilisation.

The cost of unemployment benefit and of assistance will be reduced as a result of the separate scheme providing, at the cost of the Exchequer, training allowances (in lieu of benefit) to unemployed persons undergoing approved training. On the other hand the social insurance fund is to be liable for a payment to the Exchequer not exceeding £500,000 a year in respect of this relief. The net effect on the fund is likely to be small and has been ignored in the present estimates. It will depend on the number of unemployed persons who are able to take advantage of the scheme and the proportion of their periods of training during which they would otherwise have received unemployment benefit.

20. *National assistance.*—Under this head is included not only unemployment assistance, as already mentioned, and assistance to meet the needs of other persons under pensionable age, but also assistance pensions. These comprise (i) pensions at rates varying from the present 10s. a week (or less) up to the new full rates of pension, on an appropriately modified means scale, to existing non-contributory old age pensioners, (ii) supplementation to existing pensioners, and future pensioners from Class I, II or IV, and (iii) pensions according to need to persons in Class II or IV who are



unable to qualify for retirement pensions or, having small incomes, have elected to be exempt from contributions.

21. *Family allowances.*—The cost of the 5s. benefit for the first child in family, where payable, is included with the related benefit, i.e., widows' and guardians', unemployment, or sickness and invalidity benefits—as is done in the calculation of the rates of contribution given in paragraph 12 above. The 5s. for the second and subsequent children in each family constitutes, with 5s. a head for orphaned children, the cost shown for family allowances. The balance of the orphan's 12s. benefit, i.e., 7s. a week, which is to be provided from social insurance funds, is included in the contribution and the cost for widows' and guardians' benefits.

For the purpose of the present estimates, the minimum school-leaving age is taken as 15 at the outset (with allowance for children remaining at school after that age until 31st July following their 16th birthday) and 16 for the other years, on the assumption that by 1955 it will have been possible to raise the school-leaving age to the full extent (viz., to age 16) proposed in the Education Bill now before Parliament.\*

As indicated in Table IV, I estimate the cost of these allowances to be £57 millions in 1945.† Their cost in later years will depend increasingly upon the future trend of the fertility rate, i.e., upon the number of births per married woman at each age. If the fertility rate after the war is stabilised at about the pre-war level, the number of eligible children will decrease. The figures of expenditure on family allowances have been computed on the assumption that fertility rates in the future will be the same as in recent pre-war years, and accordingly show a drop to £50 millions in 1975. The small increase of expenditure between 1945 and 1955 is the net result of this factor and of the effect of the assumed increase in the school-leaving age.

22. *Health service.*—In the White Paper on a National Health Service (Cmd. 6502) a rough estimate of £148 millions is given for the annual cost of the scheme for Great Britain soon after the outset; this figure has therefore been adopted for 1945 in the present memorandum. As indicated in the White Paper, however, the cost is likely to grow for some years as the services which are proposed come into fuller operation, and a round figure of £170 millions has been taken as a reasonable allowance for 1955 onwards, after consultation with the Ministry of Health and the Department of Health for Scotland.

The payment towards the cost of the health service included in the social insurance contribution, viz., 10d. (men) and 8d. (women), with 6d. for young persons under 18, will, it is estimated, produce about £39 millions a year at the outset, falling to about £36 millions in thirty years' time. Thus the cost of these services met from taxes (or rates) will rise from £109 millions in 1945 to £134 millions in 1975.

23. *Expenses of administration.*—A total of £22 millions has been included under this head, of which £16 millions relates to insurance benefits. These figures have been assessed broadly by reference to the cost of administering the existing schemes, taking into account the probable effect of the changes, e.g., the increased complexity of some of the benefits, the larger numbers involved, and the economies which may be expected to result from unification.

#### COMPARISON WITH EXISTING SYSTEM

24. It is possible to compare in broad groups the expenditure under the Government proposals with that which would be incurred under the existing analogous schemes, and this has been done for the year 1945 in Table V.

\* The Bill received the Royal Assent on 3rd August, 1944.

† In addition, the cost of the 5s. benefit for the first child, where payable, amounts to £12 millions in 1945.



**Table V—Comparative Statement of Estimated Expenditure in 1945**  
(assuming stabilisation under post-war conditions)

Under Present Social Insurance Schemes and Allied Services				Under Government Proposals			
£ millions				£ millions			
PENSION BENEFITS							
Contributory pensions :							
Age and widows' over 60	...	95	177	Retirement pensions	...	169	240
Widows' under 60	...	14		Widows' and guardians' benefits	...	34	
Non-contributory pensions	...	11		Assistance pensions	...	37	
Supplementary pensions	...	57					
UNEMPLOYMENT							
Unemployment benefit	...	64	87	Unemployment benefit	...	87	109
Unemployment assistance	...	23		Unemployment assistance	...	22	
SICKNESS (including Maternity)							
National health insurance :							
Sickness and disablement benefits	...	27	30	Sickness and invalidity benefits	...	55	64
Maternity benefit	...	3		Maternity grant and benefits	...	9	
CHILDREN'S BENEFITS							
Allowances for second and subsequent children payable under above schemes...	...	4		Family allowances	...	57	
OTHER ASSISTANCE							
Public assistance	...	15		National assistance (apart from assistance pensions and unemployment assistance)	...	6	
OTHER CASH BENEFITS							
ADMINISTRATION							
Cost for above services	...	18		Death grant	...	4	
HEALTH SERVICES							
Included in national health insurance	20	80		Comprehensive national scheme	148		
Others, met from public funds...	60						
Total	...	411		Total	...	650	

*Note.*—The figures for children's benefits, both under existing schemes and under the Government proposals, relate to allowances for second and subsequent children. Similar allowances for the first child are included with the pension, unemployment or sickness benefit with which they are associated.

25. In interpreting the figures it must be borne in mind that the populations insured under the existing and the proposed schemes are different; the nature and grouping of the benefits has changed in various respects; and the extent to which particular needs are met from State and private resources, from insurance and assistance, or from local and national funds, has changed. The inferences to be drawn must be qualified accordingly.

There is the further reservation that the statement has had to be prepared on the footing that stabilised post-war conditions will apply during the year. For various reasons the expenditure under the present schemes in 1945 will be affected by abnormalities due to the war and the actual outturn for certain items will differ materially from the figures given. But as both sets of figures have been based on the same assumptions, they give a valid comparison of the schemes.

26. The statement shows that in the aggregate the services brought within the scheme will cost about 60 per cent. more than the comparable existing services met from public funds. Very broadly the increase, of about £240 millions, can be attributed in more or less equal parts to:

(i) the increase in the rates of pension, both contributory and non-contributory;



(ii) the raising of the rates of insurance benefit during unemployment and sickness (including the introduction of wives' allowances not previously granted in the latter) and the expansion of maternity benefits;

(iii) the introduction of universal family allowances, as compared with the allowances for children and orphans now included in unemployment benefits and widows' pensions; and

(iv) the enlargement of the existing national health insurance medical service and the health services provided by local authorities into a comprehensive national health service covering the whole population.

27. As compared with the initial cost of the plan proposed in the Beveridge Report, viz., £697 millions for 1945, the proposals show a saving of £47 millions. This is due mainly to (i) the omission of industrial disability benefits (including administration), which are to be dealt with separately (£17 millions); (ii) the allowance for non-emergence of the full cost of the health service at the outset (£22 millions); (iii) a net saving on family allowances (about £40 millions); and (iv) a net reduction in the cost of unemployment and sickness benefits and related assistance (about £10 millions); against which must be set (v) the extra cost of enlarged retirement pensions and widows' benefits (about £45 millions including £8 millions for the effect of the new scale of supplementary pensions introduced subsequent to the submission of the Beveridge Report).

#### COST TO THE EXCHEQUER

28. The income available to meet the cost of the proposed schemes consists of the receipts from the contributions payable by persons (and their employers) insured in Classes I, II and IV, together with interest from the existing social insurance funds, assuming these to be retained as a reserve for the benefit of the new scheme; the balance of expenditure has to be met from general taxation or from local rates. In Table VI which follows I have summarised the estimated expenditure as shown in Table IV and the income from each source in the form of a budget covering the social insurance scheme and allied services:—

**Table VI—Social Insurance and Allied Services Budget: 1945-1975**

(in £ millions)

	1945	1955	1965	1975
<i>Estimated Expenditure</i>				
Social insurance benefits ... ..	374	428	500	542
National assistance... ..	69	73	70	67
Family allowances... ..	59	60	56	52
Health service ... ..	148	170	170	170
Total expenditure ... ..	650	731	796	831
<i>Estimated Income</i>				
Receipts from contributions of insured persons and employers.*	283	280	275	259
Interest on existing funds... ..	15	15	15	15
Balance of expenditure, to be met from Exchequer (or local rates).	352	436	506	557
Total income ... ..	650	731	796	831

\* In this table, and throughout the memorandum, receipts from contributions relate to the contributions for social insurance benefits and health service and do not include the contributions for industrial injury insurance; the related expenditure and State grant are similarly omitted.



29. In the above statement the receipts from contributions are based on the rates set out in paragraph 5 above, allowing for the estimated loss due to non-payment of contributions (i) by persons whose contributions are excused during sickness, unemployment, etc., as provided for in the scheme, (ii) by married women who, though gainfully occupied, elect to be exempt from contributions, or are compulsorily exempt on the ground of low earnings, (iii) by persons in Classes II and IV who exercise the option not to contribute owing to their income being below a certain figure. In the case of Class I the contributions include the employers' share, which accounts for about 40 per cent. of the total sum yielded by all contributions.

30. As indicated in paragraph 10 above, the rates of contribution proposed represent, for benefits other than unemployment benefit and death grant (to which special considerations apply), five-sixths of the actuarial contribution for the benefits in question. These contributions are in effect insurance premiums and in the case of a private scheme, or in a national scheme involving (as does the existing national health insurance scheme) the maintenance of a number of independent financial units, it would be necessary to accumulate the contributions in a fund from which emerging expenditure would be met as it arose. Under the Government proposals all branches of social insurance are to be administered as a unified scheme, and the Exchequer grant will take the form of meeting the balance of all expenditure as it falls due, in so far as it is not met by the current proceeds from contributions. It will, therefore, be unnecessary to maintain accumulative funds either for the scheme as a whole or for any parts of it. It follows that the invested assets of the existing schemes, in part built up (in the case of health insurance) to provide actuarial reserves and in part (as in unemployment and pensions) as a result of the special conditions of the war, are set free by the supersession of the existing system and may be regarded as available for utilisation in the most suitable manner for the support of the new scheme.

In view of the greatly increased burdens placed upon the Exchequer by the enlargement of the benefits of existing insured persons, it would seem equitable that the Exchequer should have the advantage of the existing funds and the Government have decided that they shall be utilised in this manner. I have accordingly assumed that the interest thereon is to be set against expenditure in arriving at the cost of the scheme to the Exchequer.

31. The allowance of £15 millions for interest on funds, as shown in Table VI, assumes the retention for this purpose of £550 millions from the assets of the existing health, pensions and unemployment insurance systems, and has regard to the average interest yielded on the securities held. At 31st December, 1943, the total invested assets of the health insurance system, held partly by the approved societies and partly by the central departments or the National Debt Commissioners, amounted to about £245 millions. At 31st March, 1944, the balances in the unemployment fund amounted to £252 millions and those in the pensions accounts to £76 millions. All these balances, amounting now to a total of over £575 millions, will continue to grow so long as the abnormal conditions of the war remain; thereafter the position, more especially as regards the unemployment fund, will depend largely on the steps taken to deal with post-war demobilisation and unemployment.

Bearing in mind that these assets will be supplemented by very considerable payments which will become due from the Service departments to the unemployment fund on general demobilisation,\* I have reached the conclusion that,

\* During service in the Forces, the ordinary weekly unemployment contributions are not payable, an appropriate capital sum being paid by the departments on a man's discharge. ©



after allowing for the retention of a substantial reserve to meet the possible strain of post-war adjustment, the assets set free will be of the order of £550 millions, producing an annual income of £15 millions.

32. It will be seen from Table VI that the balance of expenditure to be met from taxation or rates, as thus assessed, amounts to £352 millions in 1945, increasing steadily throughout the thirty years to reach a figure of £557 millions (i.e., practically 60 per cent. greater) in 1975. The Exchequer charge at the outset under the Government proposals is compared with the corresponding charge under the existing schemes in paragraph 33, and the growth of the charge in relation to the total expenditure under the proposals is examined further in paragraphs 35 and 36.

33. A comparison of the sources of the income required under the existing and proposed schemes is given for 1945 in Table VII which follows:—

**Table VII—Comparative Statement of Estimated Income in 1945**

(assuming stabilisation under post-war conditions)

	Under Present Social Insurance Schemes and Allied Services		Under Government Proposals	
	£ Millions	Percentages	£ Millions	Percentages
Receipts from contributions of insured persons and employers	136	32	283	44
Interest on existing funds ...	15	3	15	2
Expenditure to be met from Exchequer (or local rates)	278	65	352	54
	429*	100	650	100

\* This figure is £18 millions greater than the corresponding expenditure, viz. £411 millions, given in Table V. This is due partly to the occurrence of small excesses of income which remain in the contributory pensions and health insurance schemes as now financed but mainly to the changes in the financial position of the unemployment scheme, due first to interest on the substantial balances which have been built up in the fund as a result of the war, and secondly to the fact that the existing unemployment contribution is based on a higher rate of unemployment than has been assumed for the post-war period.

The charge on the Exchequer and local rates at the outset is thus £74 millions more than the estimated charge which would have been incurred if the existing system had remained in force in 1945 (subject to the limitations indicated in paragraph 25 above) whilst contributions of insured persons and employers provide an extra £147 millions.

34. As regards the share to be borne by local authorities, under the existing schemes local authority expenditure arises on public assistance and health services. The amount included for them in the estimates is £75 millions a year out of the total of £278 millions to be met from national and local taxation, as will be seen from Table V.

Under the Government proposals local authorities will meet part of the cost of the national health service (as explained in Cmd. 6502). Public assistance will be transferred to national assistance, and on this transfer a financial adjustment will, it is understood, be negotiated with local authorities. It is estimated that, of the £352 millions falling to be met from national and local taxation in 1945, £53 millions will fall to be met from rates (and general Exchequer contributions to local revenues) in respect of local authorities' expenditure on health services. Financial adjustments between the Exchequer and the local authorities consequent on the transfer of public assistance have



yet to be determined. Thus the allocation of the balance of expenditure shown in Table VI for 1945 and later years cannot be indicated at the present time.

35. It will be observed that at the outset the Exchequer charge—though much increased in amount—forms a smaller proportion than before of the total income required to provide all the services (54 per cent. against 65 per cent.). The Exchequer proportion increases greatly with time, however; by 1965, as may be deduced from Table VI, it will have grown to 64 per cent. on a much larger budget, and in 30 years' time fully two-thirds of all expenditure will be met from national and local taxation, less than one-third coming from social insurance contributions.

36. Taking social insurance benefits alone, the Exchequer share will be nearly one-third at the outset, growing to one-half in 1965, with a further increase to about 55 per cent. when the scheme has been in force for thirty years. The proportion of the cost met by the Exchequer in the case of social insurance benefits thus very greatly exceeds the proportion of the actuarial contribution allocated to the Exchequer, viz. about 22 per cent. taking all benefits together (see Table I in paragraph 12). There are two main reasons for this. First, in addition to this direct subsidy to all contributors there is a further subsidy due to admitting the existing population of all ages for the ordinary benefits at the same rate of contribution as is charged to new entrants at age 16. Secondly, the liability thus undertaken by the State is not extinguished over a fixed period of years as would be the case if a series of deficiency payments were made to an accumulative fund.

The State will in fact discharge its liabilities, as regards both the proportion of the contributions which it undertakes to meet and the strain of admitting the existing population at the flat rate of contribution, by making good the excess of expenditure over income from contributions as it emerges year by year. The result is a charge on the taxpayer which will increase for a considerable period, as the expenditure on pensions gradually matures, and will last in perpetuity—this burden being attributable mainly to the proportion of the contributions undertaken by the Exchequer and to the substantial increase made in pensions provision and, to a less extent, to the increases in sickness benefits.

#### CONCLUSION

37. The estimates in this memorandum are necessarily based on peace-time conditions which have perforce been related to those obtaining before the beginning of the war. Clearly it is impracticable at the present time to attempt to measure with any precision the changes which may occur in the social constitution of the population as it is now, or was immediately before the war, and as it will be after the immediate disturbances due to the war have passed away. Further, the war is not yet finished and it is impossible to assess the extent of future casualties.

Many of these changes will, no doubt, have direct or indirect consequences which may materially affect the realisation of the estimates. As instances, reference may be made to (i) the future level of unemployment and the proportions of the unemployed who will be entitled to unemployment benefit and to national assistance respectively, these factors being fundamental elements in the financial structure of the scheme; (ii) the future level of sickness, in respect of which conditions will differ radically from those under which the available sickness tables have been compiled; and (iii) the effect on the cost of pensions of making the grant of pension dependent on retirement from work, as to which no past experience under comparable conditions is available.

In the circumstances, having regard to the fundamental nature of the changes from the various schemes of social insurance now existing for contributory



pensions, national health insurance and unemployment insurance—the past experience of which has had to be used, with modifications, as the basis of the new estimates—it will be appreciated that the actual experience when the new scheme has been brought fully into operation may prove to differ materially from the assumptions made. The working of the scheme in all its aspects will clearly have to be tested by periodical actuarial investigations. These will have regard primarily to long-term trends as affecting the financial equilibrium of the various parts of the scheme, the continued suitability of the rates of contribution prescribed, and the growth in the charge falling upon the Exchequer. In the light of these reviews the Government will be in a position to take early action, by modifications in the rates of contribution, or otherwise, in order to maintain the financial balance of the scheme.

G. S. W. EPPS.

Government Actuary's Department,  
London, S.W.1.

June, 1944.

## APPENDIX II

### APPROVED SOCIETIES

1. Arrangements for the employment of Approved Societies as agents for paying benefit under a unified scheme of social insurance might take one of two forms:—

(i) The Society might be a responsible agent taking decisions, authorising payments and making provision for sickness visitation, subject only to general supervision and audit.

(ii) The Society might be merely a paying agent acting on directions from the central authority.

The agency proposals in the Report contemplated a system on the lines of (i).

2. The Report suggested that the conditions for such a system should include:—

(i) That the Society gave a substantial sickness benefit from its own resources, i.e. from the voluntary contributions of its members

(ii) That it had an efficient system for visiting its members wherever they might be.

(iii) That it was effectively self-governing.

(iv) That it did not work for profit and was not associated with any body working for profit.

(v) That it was registered under the Friendly Societies Acts or the Trade Union Acts or, if not registered, that it conformed substantially to the requirements for registration.

Societies satisfying the conditions proposed would cover only a limited part of the field. Societies associated with the Industrial Assurance Companies and Collecting Societies would be ineligible under conditions (i) and (iv). Condition (i) would also exclude a number of other Approved Societies which make no provision for voluntary sickness benefit. In fact, the only bodies which would be eligible as agents would be certain Friendly Societies and Trade Unions whose aggregate membership would be unlikely to cover more than between one quarter and one third of the total number of persons who will be insured for sickness benefit under the new scheme. For the remainder provision would have to be made by the Central Department.

3. *In favour* of such an arrangement it may be said that within the limited field which it would cover—

(i) It would continue those features of personal contact and friendly relationship which are associated with the administration of benefits by certain types of Approved Societies.

(ii) It would enable private benefit to be administered in association with State benefit of similar character, possibly with some economy in the running costs of the private sides of Societies.



(iii) It would help to maintain the administration of benefits on a local and self-governing basis.

(iv) It would avoid the displacement of a number of Approved Societies' officials and would enable them to continue with the work in which they had become experienced.

4. The main arguments *against* may be summarised thus:—

(i) Societies satisfying the conditions proposed would be unlikely to cover more than, at most, one third of the population insured for sickness benefit.

(ii) The condition that the Society should give a substantial benefit from its own resources (essential as an incentive to careful administration) might be expected to give rise to difficulties in practice. Few Societies give substantial sickness benefits on the private side for more than a limited period of sickness; thus Societies would frequently be paying State sickness benefit for prolonged illnesses where voluntary benefit had become small in amount or had ceased altogether, and in such cases the incentive to review the claims with due care would be much reduced.

(iii) It is difficult to see how a Society with a scattered membership could maintain personal contact with its members.

5. If the alternative plan were adopted of allowing Societies to be mere paying agents, without being responsible for controlling claims, there would be no case for retaining the conditions set out in paragraph 2 above, or for excluding any particular type of Society.

6. The one substantial argument that can be advanced *in favour* of such an arrangement is that it would enable the Central Department to make immediate use of the extensive organisation of agents and officials, which covers practically the entire country. This would ensure the continuance, on a much wider scale than would be possible under the more restricted agency arrangement, of the method of paying sickness benefit to which people have become accustomed.

7. *Against* the arrangement the principal argument is that on general grounds of policy it is undesirable to entrust the disbursement of State funds on a large scale to agencies which have no direct responsibility for administration, and whose officers are neither the servants of the Government nor under direct Government control. The adoption of an agency arrangement would also perpetuate the undesirable overlapping of territory between local agents of different bodies with resulting duplication and waste of effort.

8. Under either alternative there would be a dual system of administration, since it would be necessary for the Central Department to maintain local offices to administer (i) the benefits, other than sickness benefit, of insured persons generally and (ii) the sickness benefits of those who did not choose to join an Approved Society. There would be a very large measure of duplication in the work of compiling and maintaining the contribution records of insured persons and other data relating to their insurance.

9. The Government have had an opportunity of receiving the considered views of the Approved Societies through deputations representing most types of Society. The first of these deputations was a joint one, from the National Conference of Friendly Societies and other bodies representative of Approved Societies, including the National Conference of Industrial Approved Societies. The total number of insured persons covered by the constituent Societies of these organisations amounts to approximately 18 millions, about 85 per cent. of the total insured population. The second deputation was from the National Federation of Employees' Approved Societies, the constituent Societies of which have a membership of some 300,000. These deputations did not accept the arguments for the abolition of Approved Societies, but as an alternative to the retention of Societies as independent financial units, they both submitted detailed proposals under which the Societies would act as responsible agents taking decisions and authorising payments, but without the limitations and safeguards recommended in the Report.

10. Summarised, the proposals of the National Conference of Friendly Societies, and of the bodies associated with them in the deputation, are on the following lines:—

(i) "Approved Agencies" should be established. Any body consisting of not less than 5,000 members should be approved provided:—

(a) The body had efficiently administered a scheme of sickness benefit (on a voluntary basis or under a State compulsory scheme) for not less than twenty-five years.



(b) The affairs of the body were subject to effective self-government by its members.

(The Approved Agencies would be in effect the larger of the existing Friendly Societies and the Industrial Approved Societies, though the smaller ones would be allowed to combine, on the State side only, in order to reach the minimum qualifying membership.)

(ii) Every insured person should have complete freedom of choice of Approved Agency with the right to transfer at recognised periods. If a person did not exercise his choice he would be assigned to an Approved Agency by the Minister.

(iii) The principal functions of an Approved Agency would be:—

(a) To receive State contribution cards from its members and record, in such manner as the Minister might determine, payments made by its members.

(b) To authorise and pay all claims made by its members for not only sickness benefit, but industrial disability benefit, maternity benefit, maternity grant, widows' benefit, dependant's allowance, marriage grant and funeral grant.

(c) To administer an effective system of sickness visitation among its members.

(d) To submit its accounts in respect of payments made on behalf of the State to Government Auditors.

(e) Generally to comply with any Regulation made by the appropriate Minister affecting Approved Agencies.

(iv) A Central Registry (or a number of Regional Registries) of insured persons should be established under the supervision and control of the Minister which would serve as a Clearing House by means of which all the insurance data relating to any particular individual would be made available to the various organisations responsible for the administration of the several types of social insurance benefits.

(v) Approved Agencies should be remunerated on a *per capita* basis.

(vi) If the Minister were satisfied that an Approved Agency was not complying with the conditions under which it became "approved," the Minister would have power to withdraw approval, subject to the right of the body to appeal to an independent Tribunal.

II. These proposals of the National Conference, which have a much wider scope than the agency arrangements proposed in the Report, have been examined with the greatest care but have been found to be open to weighty objections, viz.:—

(i) The Agencies would have no direct financial incentive to administer social insurance benefits carefully. This incentive to efficient administration is one to which the Government attach the utmost importance. Provision is made in the proposals for supervisory measures such as Government inspection and audit, but these are normal features of any scheme involving expenditure of public funds; they are subsidiary to, and in no way a substitute for, the safeguard of direct financial responsibility.

(ii) The proposed system would place upon the Approved Agencies the duty of forwarding to the Central Registry all the insurance data required for the purpose of claims for benefit (e.g. unemployment benefit) which the Agencies themselves would not administer. This would involve a great deal of duplication in the compilation and maintenance of records and a cumbersome interchange of detailed information between the Approved Agencies, the Central Registry and the organisations responsible for the administration of social insurance benefits other than those administered by the Agencies.

(iii) The free right of transfer would inevitably lead to undesirable competition between Agencies.

(iv) The proposal that a Central Department should arbitrarily assign a person who does not exercise his choice to a particular agency is full of difficulties. It involves an invidious jurisdiction and opens up the possibility of unbecoming disputes.

12. The National Federation of Employees' Approved Societies are at one with the National Conference of Friendly Societies in urging that all insured persons should receive their benefits through Approved Agencies but they feel that the difficulty of ensuring financial responsibility in the absence of financial autonomy might be met more adequately. They propose:—

(i) To make the existing representative Associations of Approved Societies the units for the administration of benefits on an agency basis, the individual Societies being conducted as branches of the Associations;



(ii) To set up a Statutory Committee consisting of a representative of each Association and representatives of the Government with an independent Chairman appointed by the Minister.

The functions of this Statutory Committee would include the investigation of excessive sickness claims, the co-ordination of arrangements for sick visiting, the investigation of cases of alleged maladministration, and the co-ordination of administrative procedure.

The underlying basis of this suggestion is that the presence, in such aggregations, of individual Societies giving substantial voluntary sickness benefits would ensure economical administration throughout the whole unit. There seems little substance in this argument and in any event the largest of the various aggregations proposed would not include any constituent Society providing a voluntary sickness benefit.

### APPENDIX III

#### MISCELLANEOUS POINTS IN THE SCHEME

1. This Appendix sets out the Government's proposals on a number of miscellaneous matters, mostly connected with machinery or procedure.

It does not purport to be exhaustive. It would be impracticable to enumerate in a Paper of this character all the points of detail requiring settlement in the preparation of a comprehensive scheme of social insurance. The items mentioned are included, partly as being of sufficient importance in themselves to justify mention, and partly by way of illustration of the various problems that arise.

#### CONTRIBUTIONS, EXCUSALS, EXEMPTIONS, ETC.

2. The following is a broad outline of the proposed arrangements for payment of contributions.

3. **Weekly Contribution.**—There will be a single weekly contribution for all purposes for each person, though the amount will depend upon sex and classification, with lower rates for persons under age 18.

The rates of contribution are set out in paragraph 48 of the Paper. The method of payment will normally be by purchase of the appropriate stamp to be affixed to the insurance card. The payment of contributions due will be enforceable by legal proceedings.

Every week in the year should be accounted for either by contributions or by the exemptions or excusals referred to below, which may be granted in special circumstances.

4. **Contribution Record.**—A person's contribution record, i.e. the number of Class I, II or IV stamps and excusals, will determine his right to the various benefits to be provided under the scheme for each insurance Class. The position of a married woman unless she is separately insured will be governed by her husband's contribution record.

5. **Excusals.**—Contributions will be "excused," i.e. will be deemed to have been paid for the purpose of certain contribution conditions, as follows:—

<i>Excusal from</i>	<i>Grounds</i>
Class I contributions	Certified sickness, maternity and unemployment.
Class II contributions	Certified sickness and maternity.
Class IV contributions	Receipt of widow's or guardian's benefit or widow's pension (other than the ros. widow's pension payable under the existing scheme or the transitional arrangements); full-time educational instruction of students and others, subject to certain conditions; and unpaid apprenticeship.
All contributions	Receipt of training allowance.

6. **Exemptions.**—It is proposed to exempt persons in certain circumstances from payment of contributions. Contributions in such cases will not be exacted from the exempt person although if he has an employer the employer's share of the contribution will be payable. Except in the case of maternity benefit, contributions from which persons are exempted will not be deemed to have been paid for the purpose of satisfying the contribution tests. (The rights of exempt persons under the National Health Service will not be affected by the fact that they are exempt from the payment of social insurance contributions.)



The circumstances in which exemption will be granted are as follows:—

(i) *Exemption on account of low income (Class II and Class IV).*

Persons falling into Class II or Class IV whose total income is below £75 a year will be permitted to claim exemption.

The Report suggests that here there might be the alternatives of total exemption or exemption from the payment of contributions other than the part allocated towards the cost of medical services. The Government doubt whether the proposal to sub-divide persons exempt on grounds of low income into those who can and those who cannot pay the proportion of the weekly contribution in respect of medical services is administratively practicable or desirable and think it better that total exemption should be granted in all such cases.

(ii) *Persons over pension age who take up employment after having accepted retirement pension.*

Persons in these circumstances will, as under the present schemes, be exempt from payment of contributions.

(iii) *Widows in receipt of guardian's benefit or widow's pension.*

Widows entitled to guardian's benefit will, if gainfully occupied, have the option of being exempt from payment of Class I or Class II contributions. (If not gainfully occupied, they will, as already explained, be excused payment of Class IV contributions.)

Similar treatment will be accorded to those who are entitled to widow's pension (other than the 10s. pension payable under the existing scheme or the transitional arrangements). It is not thought that there are sufficient grounds for allowing exemption to gainfully occupied widows without dependent children who are in receipt of the short-term widow's benefit.

(iv) *Gainfully occupied married women.*

The question of exemption, whether optional or compulsory, for such women is dealt with in paragraphs 108-111 of the Paper.

(v) *Insured persons in prison.*

No formal grant of exemption will be given but evidence of detention will be accepted as explanation of non-compliance during the relevant period. It will be open to the insured person to arrange for contributions to be paid on his behalf at the Class IV rate.

**7. Change of Insurance Class.**—The insurance card will show the normal insurance Class for contribution purposes. Many people will remain in the same insurance Class during their whole working life, or for very substantial periods. Change of occupation involving change of insurance Class may, however, take place frequently. The holder of a Class I insurance card normally employed under contract of service may from time to time take up work on his own account and so find himself in an occupation where a Class II stamp is appropriate; or he may give up work for a week or two and fall into Class IV. Similarly a man engaged in business on his own account holding a Class II insurance card may engage from time to time in employment under contract of service and during these periods will fall into Class I.

For each insurance week a contribution appropriate to the insurance class into which the contributor falls in that week will be payable whatever the class of insurance card held.

**8. Liability to Contribute in more than One Class in One Week.** Cases will arise where part of a week is spent on work which does not correspond to the insurance card held, e.g., where a man does three days of employment under a contract of service and three days of work on his own account.

Subject to the exceptions mentioned in the following paragraph, any insurable employment under contract of service on any day of the week will carry a Class I stamp and no other stamp will be due in that week. To facilitate this arrangement, the liability of a person to pay a Class II or Class IV contribution will not arise in each week until the end of that week, but for Class I the present principle that the first employer in the week is liable for the contribution will continue.

**9. Subsidiary or Inconsiderable Employments.** Under existing law persons engaged in an employment specified by Special Order as being ordinarily adopted as subsidiary employment and not as the principal means of livelihood are excepted from all the social insurance schemes, and persons employed only to an extent which is regarded as inconsiderable are excepted from the unemployment insurance scheme. The Government propose to apply these exceptions in the new scheme. In the rules for stamping in Class I, no account will be taken of work which is for the above reasons excepted. Similarly, the question whether the contribution should be at the Class II or Class IV rate will depend on whether, in the particular case, the employment or occupation is substantial enough to bring the person within the "gainfully occupied" class.



**10. Family Employments.** Persons engaged in family employment (i.e., employment of one member of a family by another forming part of the same household) who strictly fall under Class I, will be excluded from that Class and will fall into Class II. The exclusion from insurance of a married woman employed by her husband, which appears in the existing scheme, will be continued. In view of the provision which the new scheme proposes for married women on their husbands' insurance, the exclusion will extend to married women who are associated in employment with their husbands, whether as partners, employers, or employees.

**11. Method of Payment.** Payment will normally be made by affixing the appropriate stamp each week to the insurance card, but in suitable cases the use of high value stamps covering a number of weeks may be authorised. Consideration will be given to alternative methods of payment of contributions to meet exceptional circumstances, e.g., by remittances supported by schedules, and possibly in Classes II and IV by means of cheque, money order, etc.

Contributions at the Class I rate will in no circumstances be payable otherwise than for weeks in which there has been *bona fide* employment in respect of which such contributions are appropriate (including weeks of paid holiday).

**12. Payment of Qualifying Contributions.** Title to benefit will not arise until a number of initial qualifying contributions have been actually paid.

The right to pay such initial qualifying contributions during sickness or unemployment is a feature of the existing Health and Pensions schemes; but under the Unemployment Insurance scheme contributions cannot be paid at present for weeks of unemployment.

Since the main object of the initial qualifying contribution conditions for benefit is to restrict the benefits payable in any Class to persons who have established a status in that Class, there is considerable objection to allowing payment of qualifying contributions during sickness or unemployment and it is not proposed to permit it.

**13. Fractional Contributions.** Consideration has been given to a suggestion in the Report that a reduced contribution should be provided for a short period of employment, e.g., two or three days. This would involve as a minimum the use of half-rate stamps, excusals for "half weeks" and probably half-size stamps.

It is considered that the practical objections are so great that no provision should be made for the payment of fractional contributions. Many of these cases will be covered by the subsidiary or inconsiderable employments provisions.

**14. Employment by Several Employers.** Provision has been made in the existing Health and Pensions schemes for the approval of agreements by employers to pay contributions in rotation. Formal agreements are rare but informal arrangements are frequently made. The existing facilities for formal agreements will be available under the new scheme.

**15. Distribution of Joint Contribution between Employers and Employees where Wages are low.** The position of low wage earners up to age 18 will be met by the lower contribution due. In the case of persons aged 18 and over earning wages at a rate below 30s. a week the Government propose that the joint contribution (including the industrial injury contribution) should be distributed as follows:—

Men: Employee's share 2s. 6d. Employer's share 4s. 5d.

Women: Employee's share 2s. 0d. Employer's share 3s. 5d.

The Government do not feel justified in making any redistribution of the contribution in cases where the employee receives board and lodging together with a small money payment or has other sources of remuneration from his occupation (e.g. a waiter who relies partly on tips).

#### PROCEDURE FOR THE DETERMINATION OF QUESTIONS AND APPEALS

**16. The Government propose the following arrangements:—**

(i) *Liability to contribute.* Disputes on liability to contribute, Class or rate of contribution, etc., will be determined by the Minister, who will have the right to submit the question for decision to the High Court.\* A party aggrieved by a decision of the Minister will have a right of appeal to the High Court\* on questions of law.

(ii) *Unemployment benefit.* Decisions will be taken in the first instance by Insurance Officers. An appeal will lie to a local tribunal constituted on the lines of the existing Courts of Referees under the Unemployment Insurance Acts. Appeals from the local tribunals will lie to an Umpire appointed by the Crown, and his decision will be final.

\* In Scotland the Court of Session.



(iii) *Sickness, invalidity and maternity benefits and maternity grant, including attendant's allowance.* Decisions will be taken in the first instance by Insurance Officers but, in view of the medical issues which may arise, the appeal arrangements outlined above for unemployment benefit will need to be modified to make them suitable for appeals on questions relating to the benefits dealt with under this heading. Provision will be made, as at present, for enabling references to be made to the High Court\* on questions of law arising in the course of appeals.

(iv) *Pensions and widow's and guardian's benefit.* Claims for pension and widow's and guardian's benefit will be decided by the Minister subject to appeal to the Umpire, whose decision will be final. The existing right of reference to the High Court\* on questions of law arising in the course of appeals will be retained.

#### POSITION OF PERSONS LEAVING OR COMING TO GREAT BRITAIN

##### Reciprocal Arrangements with Other Countries

17. Under the legislation governing the present schemes certain powers are given to make reciprocal arrangements where similar schemes are in operation. It is only in Health Insurance that the power extends beyond the British Commonwealth.

18. The position of Northern Ireland is exceptional. In Health Insurance, the same legislation applies to the whole United Kingdom of Great Britain and Northern Ireland. As regards Contributory Pensions and Unemployment Insurance, reciprocal arrangements have been made between the two countries, enabling persons in one country to retain their rights when they go to reside in the other country. Thus, over the whole field of the existing schemes of social insurance in Great Britain and Northern Ireland there is, in effect, complete integration. The Government of Northern Ireland having already announced that they intend to introduce a scheme of social insurance substantially corresponding to the new scheme in Great Britain, it will be possible to maintain this position.

19. Reciprocal arrangements have been made with the Isle of Man and Eire, enabling persons in one country to retain their Health Insurance rights when they go to reside in the other country. Reciprocal arrangements have also been made with the Isle of Man as regards Contributory Pensions.

20. The institution of a comprehensive scheme of social insurance will call for a review of the reciprocal arrangements referred to in the preceding paragraph. The present arrangements will, so far as possible, be continued, but it must be recognised that the contemplated improvement of benefits may seriously complicate the position.

21. The Government propose to include in the new legislation enabling powers with respect to reciprocal arrangements. These powers will not be confined to making arrangements only where the other country provides benefits corresponding to all the benefits of the British scheme, but will permit limited arrangements also, e.g. for sickness or unemployment benefit or retirement pensions or for a combination of two or more of the benefits. The possibility of further provisions governing the insurance position of those who migrate to other parts of the British Commonwealth will be examined, but a good deal turns on the nature of the various social insurance schemes that are being or may be developed.

##### Persons Leaving Great Britain Temporarily or Permanently

22. It is clear that many people will leave this country in circumstances which reciprocal arrangements would not cover, and provision must be made to enable such persons to maintain, so far as possible, their insurance rights while abroad.

23. Under the peace-time provisions of the existing schemes liability of persons abroad to compulsory insurance was confined broadly to the insurance against unemployment of persons who were engaged on some particular work and were in the employment of British employers. Voluntary insurance for health and pensions purposes was available to qualified persons who were abroad temporarily, or, for pensions insurance, to persons resident permanently in other parts of the British Commonwealth. Wider emergency provisions have been introduced to meet the war situation.

24. Unemployment insurance benefits are not payable outside the United Kingdom. Health insurance benefits are not normally payable outside the United Kingdom, but (apart from the above-mentioned reciprocal arrangements) may be paid, subject to certain conditions and to some extent at the discretion of the authority administering benefit, to persons temporarily abroad. Contributory pensions are not payable unless the pensioner is in the United Kingdom or in some other part of the British Commonwealth.

\* In Scotland the Court of Session.



25. In order that any accruing rights under the British scheme may be available under the usual conditions when the person concerned returns to this country, the Government propose to make the following provision for persons going abroad to countries with which reciprocal arrangements are not in force.

26. *Persons employed under contract of service.* Liability to insurance in Class I will arise where—

- (i) the employee is sent abroad for the employment; and
- (ii) the employer is resident or has his principal place of business in the United Kingdom; and
- (iii) the employment is such that it would have been employment in Class I if it had been in the United Kingdom.

Liability will continue if the employee changes his employer while abroad, provided that conditions (ii) and (iii) are satisfied. It is proposed that a reduced Class I contribution should be payable in such cases in view of the fact that the employee will not be in a position to obtain certain of the benefits while abroad.

27. *Persons who go abroad in other circumstances.* Here it is necessary to distinguish between temporary absences abroad and absences of a permanent or semi-permanent character which may extend up to pension age. In the latter case it seems practicable to provide for the maintenance of pension rights only. Title to continue insurance contributions will be on the following lines:—

Payment of Class IV contributions will be permissible, but if the absence does not extend beyond thirteen weeks and the person was before going abroad in Class I or Class II, payment of Class II contributions will be permitted. This will enable every person going abroad to maintain his pensions cover, and where the absence is short it will allow existing rights to sickness benefit to be maintained as far as possible.

Consideration is being given to the methods of payment of contributions in such cases and to the question of allowing payment of a limited number of contributions on return to this country.

28. *Benefits abroad.* The Government intend generally to follow existing practice under the various schemes, though it will be appreciated that the retirement condition in relation to old age pensions, and the reduction of guardian's benefit, widow's pension and retirement pension to take account of earnings, introduce serious complications.

#### **Persons coming to Great Britain**

29. *Persons taking up employment under contract of service* will be compulsorily insured in Class I during the whole of the employment.

30. *Persons from abroad engaged in business on their own account or in some gainful occupation excepted from Class I* will fall into Class II. In order to meet the case of professional or business men who come to this country for a comparatively short time and to provide a margin of time for classification in other cases, it is proposed that the test for requiring Class II contributions should be that they have become "ordinarily resident," and that for this purpose a person should be deemed to be "ordinarily resident" in Great Britain if he has been residing here for over six months, except where residence is only for the purpose of attending a course of education or study.

31. *Persons who come to Great Britain and do not take up any definite occupation* will become liable to insurance in Class IV from the date of becoming "ordinarily resident," defined as above.

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