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Welfare: from Beveridge to the fourth industrial revolution

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75th Anniversary of the Beveridge Report

Introduction

Seventy five years ago, in the depths of war, William Beveridge produced the report that became the foundation of the modern welfare state.

Seventy five years on, it is still at the centre of discussions on welfare. It is that rare thing - a government Command Paper which seized the imagination of the nation, and became a focus of hope for the post-war future.

The principles he set out – and the challenges he identified – remain an important part of the system we have today. Much has stood the test of time. But the world Beveridge knew has changed in some profoundly important ways.

We need to celebrate the strengths of the system we have, which day-in and day-out, provides essential support to millions of people.

But we need to be ready to think – as he did – about new solutions to new challenges. To test the system of today against the needs of tomorrow.

I will be arguing that the future welfare state must continue to hold work at its heart, while becoming ever more personalised and holistic, in order to meet the needs of future populations.

Above all, we need the confidence to change and adapt, to build a welfare system for the 2020s and 2030s - as Beveridge did for the 1940s and 1950s.

Beveridge’s principles

Beveridge wanted a system which was universal for those in work. He recognised, as we do today, that the state should provide support - but should never be the whole answer.

The State [he wrote] should offer security for service and contribution. The State, in organising security, should not stifle incentive, opportunity, responsibility; in establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than the minimum for himself and his family.

And those words also remind us that Beveridge’s system was fundamentally based on contributions – it was, above all, a national insurance system.

Beveridge in practice

Beveridge's proposals were hugely popular. I can tell you with some confidence that a policy with 86% popular support, and only 6% opposition, is one of which politicians' dreams are made.

But political and economic realities intrude even on the most popular of policies. The post-war welfare state differed in some important ways from Beveridge's vision. The country never got the contributory system that he quite envisaged.

It would have been politically unacceptable to defer the introduction of the new retirement pensions until the contributory fund had matured, necessitating the pay-as-you-go approach we still see today. We have always had a national insurance system in name only; since its foundation, it has been supplemented by taxpayers.

Perhaps more fundamentally, Beveridge didn't, and probably couldn't have anticipated, the profound social and economic changes of the second half of the last century.

75 years on

Seventy five years on, the social, economic and political context has been transformed. Real disposable income per head has almost quadrupled.

Life expectancy at birth has risen by almost 15 years.

Life expectancy at age 65 has risen by over 8 years.

Child mortality has fallen from over 55 per 1000 live births in 1931, to just 3.7 by 2015.

And the proportion of people who own their homes has more than doubled.

Those changes are closely linked to changes in patterns of employment.

Today, more than 70% of women are in work – up from just over a quarter in 1939.

15 percent of all workers are now self-employed – almost double what it was in 1950. A further 4 percent are estimated to work in the gig economy – something which did not exist a decade ago.

And there has been increasing recognition in recent decades of the need to support people in low-paid work, in addition to those who are without work altogether.

So the context for welfare has moved a long way since Beveridge, as have our expectations of it.

So, where are we now?

Our vision for welfare is one with work at its heart.

One that is personalised, using professional Work Coaches and modern digital tools to provide tailored, holistic support.

One which recognises and supports progression within work, as well as the initial move into work.

And one which balances that support with clear expectations of the claimant.

The new contributory principle

Beveridge's principles, however, remain a good starting place for thinking about the modern welfare system. He recognised the importance of putting something in, as well as taking something out.

His was fundamentally a contributory system: you were insured because you paid your stamp – quite literally for many people. That's still true today – though the stamps are long gone.

But our expectation now is that people also contribute in a broader sense – where they are able to do so.

That may be by looking for work.

It may be by building-up hours in work.

It may be by developing skills and earning potential.

We have a right to expect people to support themselves whenever they can, and to the full extent of their capability.

We have built these expectations into the Claimant Commitment, where welfare recipients agree to a specific set of actions to ensure that they move towards and enter work. The Commitment – and the work-focused approach behind it – is in fact the embodiment of the new contributory principle.

In other words, for many, the financial support provided by benefits is conditional upon demonstrating their determination to eventually support themselves from their own earnings.

But at the same time, we also recognise that some people will always need support from the state, and from society as a whole.

Welfare Attributes

A modern welfare system should support aspiration, helping people to fulfil their potential.

It should be focused on work, enabling success in the labour market.

It should be based on evidence, continuously learning and building on the approaches that achieve its aims.

It should be both affordable and sustainable, supporting economic growth.

And it should be personalised. People are not all the same - they have different needs. So we should offer different support, with tailored expectations that reflect individual circumstances.

This mirrors changes in the wider environment. We increasingly expect personalised services in other aspects of our lives. We should expect no less of our welfare system.

Because, of course, welfare always operates within a wider economic and social context. Beveridge designed his welfare system for the world of his time, and we must do the same for ours.

Future challenges

We are now facing the challenge of what some have called the fourth industrial revolution.

The first industrial revolution harnessed the power of water and steam for mechanisation. The second brought electric power and increasing mass production. The third was about automation driven by computers.

And now the fourth heralds the arrival of a range of new technologies, which bring both great opportunities and enormous changes.

Each of the first three revolutions brought huge increases in productivity and in standards of living. We are immeasurably better off because of them.

But each of those revolutions also disrupted many people's lives. Jobs which had looked secure from generation to generation vanished – sometimes with great speed. Each revolution has created many more jobs than it destroyed – but that does not mean that it was always easy for those affected.

The fourth industrial revolution brings the same challenges, and the same opportunities.

We are already seeing impacts on the pattern of jobs, as well as their content. The gig economy matches people and tasks much more dynamically than we have been used to. Communications technology allows people to access services not just here, but from the other side of the world.

There is a real opportunity though – as Matthew Taylor has argued in his report to the Prime Minister – to focus on 'good work'. Work organised to be fulfilling in itself, as an enriching part of our lives.

We need increasingly skilled workers to deliver increasing value – for themselves, for their employers, and for the wider economy.

And good employers know how to unlock that value by investing in their people through training and development - and by being flexible in helping employees manage the balance between their work and wider lives.

Every past industrial revolution has created jobs which were unimagined – and unimaginable – from the perspective of the old world. In 1900, 13% of the workforce was employed in agriculture. That proportion is now 1%. But we are not surrounded by unemployed farm workers. The descendants of those farm labourers of a century ago work in an economy with unemployment at historically low levels, doing jobs their great-great-grandparents could not have dreamed of.

The transition will undoubtedly be challenging. For some, it will be personally stressful and painful. For others it will be a time of enormous new opportunities. But I strongly believe that the fourth industrial revolution will deliver the same positive step change in our collective wealth and wellbeing that resulted from the first three.

We need new technologies to be spread more widely, in order to improve productivity and make jobs better. Our mission is to best position the workforce to take advantage of these new opportunities. Automation promises to liberate us from dull, dirty, difficult and dangerous jobs - to free us to work with technology to create new products, new work, and new roles - the like of which we have yet to imagine.

The fourth industrial revolution presents so many new opportunities. In our Industrial Strategy, we set our sights on making the UK a global centre for artificial Intelligence and data-driven innovation. We are determined that this country should be among the world leaders in adopting the next generation of technology. And we are determined that everyone should benefit from the changes it brings.

Universal Basic Income isn't the answer

Of course, there is an alternative, gloomy view: that the future will be worse, that work will wither away. That a significant proportion of the workforce will become effectively unemployable, and that others will live in fear that their job will be next to go.

This leads some to conclude that the most we can do is pay out cash to everyone to compensate for this state of affairs. In other words, a Universal Basic Income.

The more positive case, I suppose, is that technology does the work, and we humans can relax and enjoy ever greater leisure time.

There's a seeming simplicity in having no forms to fill in, no conditionality, no Jobcentre to go to, no one trying to advise you. The security of knowing that you would have a stable, predictable income, indefinitely, without effort.

I have to say I am far from convinced. The arguments against a Universal Basic Income are formidable; in my view, technological and economic change is making the case weaker, not stronger. Some jobs will disappear. But work will not.

Work matters now and will matter in the future. Not just because of the income it provides, but because of the place that it gives people in society. Work can give the worker self-respect, dignity and the confidence that they are involved, that they are contributing - that what they do matters.

We cannot give up on this.

Those receiving support have a right to expect that the Government will be helping them to find work and to adapt to economic change. That is not something to be ashamed of.

A Universal Basic Income would be a retreat from the future. It would mean that we give up on this effort, that we give people a hand-out, not a hand-up.

And we shouldn't give up on the principle of something for something. Those who can contribute, should do so.

I have talked about the importance Beveridge attached to contributions, and how we have carried that principle forward into the modern welfare system.

Payments are conditional on making a contribution – either financial, or in terms of effort to get into the labour market.

An unconditional Universal Basic Income is completely at odds with that principle.

It requires that hard-working people subsidise those who have chosen not to work. That there is no need to contribute. And human nature being what it is, we should be concerned at the prospect of legitimising the decision to simply to opt out, creating whole communities of workless dependents.

Moreover, a true universal income is – by definition – poorly targeted. The same payment, given to everyone, will not take account of disability or caring responsibilities.

It requires that we ignore the specific needs of those who most deserve our collective support.

An affordable basic income would be inadequate, and a basic income that's adequate for all would be unaffordable.

Major welfare reforms

I have already said that the future lies in support that is increasingly tailored to the needs of the individual, not a crude single-serving for everyone. It should help the working-age population to make the most of a changing economy, not turn away from it.

This approach is already underpinning the reforms that we have introduced since 2010.

Take Universal Credit.

UC reinforces the huge practical advantages of a single, integrated support system.

It is designed so that support is withdrawn gradually, as people become more self-sufficient. The transition from unemployment into work is no longer abrupt, with far less financial disruption and uncertainty.

And it is designed to help people progress further once they are working.

It is no surprise that poverty rates are higher in families where no-one works full time. This is why we must continue to use UC, to support more people, in more households, to work full-time where they are able to do so.

A similar situation arises for those who are self-employed but on low pay. Again, we must use our integrated system to help people build-up to greater self-sufficiency.

Our pensions reforms – and our approach to Fuller Working Lives – demonstrate our response to the need to adapt – in this case, to an ageing society.

Auto-enrolment has used behavioural science to increase the number of people saving into workplace pensions.

The steps to introduce the new State Pension, and to end contracting-out, have also let people know what they can expect from the state.

This means that we are getting the right balance between the contributions people make during their working lives, and the support they receive in later life.

These measures have simplified the pensions saving journey for individuals; a clearer offer from the state allows people to plan and save for their retirement more easily, with more certainty.

Looking to the future

Implementing these current reforms is at the heart of my role. But it is also important to think about where we will go next.

Our relentless focus on helping people to get into work has delivered results. When unemployment fell to 5% early last year, many people thought it couldn't get much lower, and yet it now stands at 4.3%.

This achievement should not make us lose sight of the need to support people still further, especially those on low incomes, to get into work and progress once in work.

We know that the jobs of the future will be different. So we should help people to benefit from the new opportunities that the coming change will bring. People will need to gain new skills to secure meaningful and productive employment throughout their lives.

In the Budget we announced a unique partnership between employers, unions and government - a new National Retraining Scheme to help people adjust to the changing world of work.

We also know that new ways of working can enable those with caring responsibilities to work flexibly, and those with health conditions to stay in work. We should seize these new possibilities too.

It means we need to build on a Work Coach's ability to connect with people – to provide encouragement and support, build resilience, and develop potential. Just last week I announced a new programme of mental health awareness training for Work Coaches, in order to further these aims.

New technology will provide us with additional opportunities. Increased automation, machine learning and big data will provide ways of tailoring our services.

This offers huge potential to improve the customer experience, identify those most in need of help, and to successfully target the important support that only Work Coaches can provide. We are exploring new ways of providing support online, using a 'test and learn' approach to see how people respond, and making adjustments as we go along.

We are also testing new data sources, including online vacancy data. This data has the potential to help us to understand changing job and skill demands, enabling us to better signpost people to the opportunities that are out there.

We are also learning from other countries. Just this week my officials met their Dutch and Belgian counterparts. They shared insights, and built on their pioneering use of data to identify those people who need different kinds of support, so it can be better targeted towards them.

In early 2018 we will publish our Areas of Research Interest, to increase collaboration with academics in putting evidence at the heart of our decisions.

Public expectations are changing. Our own data tells us that people access their online benefit claim accounts 24 hours a day. In the rest of our lives, we are all coming to expect services – from online shopping to social media – that respond and develop to suit us and our lifestyles. The welfare state needs to be able to keep up.

We must not forget, though, that we also need to do more to support those who face the greatest barriers to work, including people with disabilities; mental health issues; lone parents with young children, and others with caring responsibilities; and those experiencing several barriers in the same household.

We will explore how to improve access to occupational health services, as well as improving interaction between people and health and welfare services.

We are keen to make the best use of technology which can provide crucial support to removing barriers to work.

We will support and encourage employers to confidently recruit and retain those with health conditions.

Most importantly, we will continue to build our offer of personalised employment support.

Beyond Beveridge

More personal, more tailored, more holistic. That is the welfare state that I envisage.

Over the 75 years since Beveridge produced his report, the welfare system has constantly adapted to changing circumstances, to new priorities and to expectations.

Today's welfare state, work, economy and society all look vastly different from those of the 1940s. The fourth industrial revolution brings with it fresh new challenges.

The best welfare systems help to ensure that societies can embrace change.

To enable people to make the most of the opportunities created by a new and fast-moving economy;

To build on new technologies to improve the support we give;

To keep hold of the principle of support for those who need it, in exchange for a commitment to contribute.

And to keep work at its heart – adapting to help those who can, while supporting those who can't.

If we are optimistic about the future, as Beveridge was;

If we take the opportunities presented by a changing world, as Beveridge did;

Then we can look forward to the next seventy-five years with confidence.

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