

## **The Smith Institute**

## **The Webb Memorial Trust**

### **What was Beatrice Webb thinking and why should we still care?**

#### **A hundred years of the Minority Report**

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*“Presently there sailed into view, pedalling vigorously, a small beetle-like figure, crouched over the handle-bars of a bicycle made for two, and perched majestically behind him, what appeared to be a large grey bird.”*

This is how Kitty Muggeridge, a biographer of Beatrice Webb, describes her first glimpse of her aunt. Beatrice’ first biographer, Mary Agnes Hamilton, encountered her for the first time at the height of the Poor Law campaign, debating with her at the White City in Shepherd’s Bush:

*“She was magnificent in a great hat with ostrich feathers, and of course swept her audience with her moving picture of the morass of destitution. I thought her arguments a trifle on the unscrupulous side, but she was not only a far better speaker but she had a better case, and it was not long before I saw it.”*

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I would like to thank the Webb Memorial Trustees and the Smith Institute for commissioning me to work on this subject.

Tonight’s launch event is taking place, appropriately, at the London School of Economics in association with the New Statesman. In her diary entry for 14 September 1936, Beatrice wrote:

*“In old age it is one of the minor satisfactions of life to watch the success of your children, literal children or symbolic. The London School of Economics is undoubtedly our most famous one; but the New Statesman is also creditable – it is the most successful of the general weeklies, actually making a profit on its 25,000 readers.”*

This publication is about Beatrice’s 1909 Minority Report of the Royal Commission on the Poor Law, and its continuing impact on debates around the welfare state. I will start with the story of the Minority Report, and the campaign

which followed it, and then go on to look at one of those debates – the issue of the insurance or contributory principle.

In October 1911, Sidney and Beatrice were in Japan and Korea, on a round the world trip. By the time they sailed from Liverpool, in June, they already knew that their campaign in support of the Minority Report had been unsuccessful. The Poor Law was not finally abolished until 1948.

The Poor Law with which the Webbs were concerned was essentially the New Poor Law of 1834, although its origins could be traced to the Poor Relief Act of 1601 and even earlier. In 1832 a Royal Commission was appointed to review the Poor Law, and in particular to restrict the use of outdoor relief – payments to poor people outside the workhouse. In their 1834 Report, the Commission laid down three core principles which underpinned the subsequent legislation:

- Less eligibility

The position of the poor person on relief “shall not be made really or apparently so eligible as the situation of the independent labourer of the lowest class.”

“Every penny bestowed that tends to render the condition of the pauper more eligible than that of the independent labourer is a bounty on indolence and vice.”

- The workhouse test

“All relief whatever to able-bodied persons or to their families, otherwise than in well-regulated workhouses....shall be declared unlawful and shall cease.”

- The central authority

The establishment of a central board, with the power to make and enforce national regulations, and to group parishes into Poor Law Unions. This was the Poor Law Commission, which subsequently became the Poor Law Board and then the Local Government Board (LGB).

From their headquarters in Somerset House the Commissioners set to work quickly, grouping parishes into Unions, and imposing new regulations in keeping with the new legislation. They quickly became unpopular, attracting the scorn of Dickens, Cobbett and others. The new workhouses were dubbed the Bastilles, and the Commissioners themselves, the “three Bashaws of Somerset House.” Edward Thompson wrote of their regime that it was “perhaps the most sustained

attempt to impose an ideological dogma, in defiance of the evidence of human need, in English history.”

There was no further major review of the Poor Law in the nineteenth century, although policy and practice, especially in the large towns, drifted away from the pure principles of 1834. The New Poor Law failed to eliminate two of the practices most criticised by the Royal Commission: the General Mixed Workhouse, and the provision of outdoor relief to the able bodied.

Just before leaving office in 1905, Arthur Balfour, the Conservative Prime Minister, appointed another Royal Commission and included Beatrice among its members. She was under no illusions as to the purpose of the inquiry: the LGB civil servants would propose some administrative changes, including the abolition of the Boards of Guardians: “But we were also to recommend reversion to the principles of 1834 as regards policy.”

Four senior LGB officials were on the Commission, and six leading members of the Charity Organisation Society – the Society for Organising Charitable Relief and Repressing Mendicity – whose aim was described by one of its founders as “decreasing, not suffering, but sin.” There were also five Poor Law Guardians (including George Lansbury), four representatives of churches, and a trades unionist.

Beatrice perceived the LGB and COS members of the Commission as a solid block in favour of a return to 1834. In “My Apprenticeship”, published in 1926, she describes how, in the 1880s, she had first worked with the COS, and then broken with them, calling them “my friend the enemy”, and referring to their “self-complacent harshness of doctrine.” She appears quickly to have reached the view that she would not be able to sign a unanimous report: by the summer of 1906, she was launching her own research programme (funded by George Bernard Shaw’s wife Charlotte); by the following year, she was circulating her own draft report – at first to Commission members, and then to leading Liberal Ministers and members of the Conservative opposition.

That draft eventually became a substantial Minority Report, signed by Beatrice, by George Lansbury, and by two other members. The Majority, however, did not recommend a simple restoration of the status quo ante: both Reports recommended that the separate Boards of Guardians should be wound up, and the services transferred to local government. The critical difference was this: whereas the Majority wanted the Guardians subsumed under local authorities as distinct, continuing Public Assistance Authorities, the Minority argued that the Poor Law should be broken up. Services for children should become part of the education service; services for the elderly grouped with other services for older people, and health services integrated into a unified health service.

Beatrice wanted the *prevention* of destitution, rather than its relief.

Part II of the Minority Report was concerned with unemployment; while both Majority and Minority proposed the establishment of a national network of Labour Exchanges (which the Liberal Government was already beginning to implement), the Minority Report went beyond this in arguing for a Ministry of Labour to organise the labour market so as to prevent or minimize unemployment.

Following the publication of the reports, in February 1909, Beatrice took what she later described as the 'plunge into propaganda': "It is rather funny to start at my time of life [she was 51], on the war-path, at the head of a contingent of young men and women." Offices were rented, telephones installed, staff engaged, and Beatrice herself spoke at meetings all over the country. The 'young people' included Rupert Brooke and Hugh Dalton, leafleting Cambridgeshire villages from a cart; Clement Attlee in the office, organising meetings; and CM Lloyd, later head of the LSE Department of Social Science, as an organiser. The campaign newsletter, the *Crusade*, evolved into the *New Statesman*. It was a prototype modern political campaign.

But it did not succeed. There was no legislation before the First World War to implement either the Minority or the Majority Report. Instead, the Government, as well as setting up Labour Exchanges, introduced the first national insurance scheme to cover sickness and unemployment for a restricted part of the labour force. The key ministers were David Lloyd George and Winston Churchill, the key civil servant the young William Beveridge – "the boy Beveridge", as Beatrice called him when she recommended him to Churchill. The President of the Local Government Board, John Burns, was sidelined. The TUC, and most of the Parliamentary Labour Party (including its leader, JR Macdonald, an old enemy of the Webbs), supported the contributory principle rather than the Minority Report.

Up to the time of the Royal Commission, the Webbs had operated as highly effective, cross party political networkers. They mixed easily, constantly, with leading figures from the Conservative and Liberal front benches, entertaining them, dining with them, staying at their country homes. As a political style, it had served them well in securing educational reforms from the Conservative Government before 1905.

They continued networking while the Royal Commission sat. But as the Poor Law campaign gathered strength, so the Webbs' other links fell away. Beatrice confided to her diary in 1910: "We have been quite strangely dropped by the more distinguished of our acquaintances and by the Liberal ministers in particular. I have never had so few invitations as this season." When they came back from their world tour, the Webbs moved quickly to wind up the national campaign. The Fabian Society and the Independent Labour Party began to campaign together under the banner of the War against Poverty. The politics of the salon became less important.

During the First World War, Sidney became closer to the Labour leadership, working with them on the War Emergency Workers National Committee. For the early part of the war, Beatrice, shocked and depressed by the war itself, had little public role. In 1917, however, she was appointed by Lloyd George to the Government's Reconstruction Committee, and then to a sub committee on local government – which recommended along the lines of the Minority Report. But this, like many other reforms, was shelved after the war: again, there was no Poor Law legislation. One of the few reforms that was carried through was the extension of the pre war unemployment insurance scheme, restricted to a small number of sectors, to virtually the whole working population.

The war had absorbed much of the surplus labour: pauperism fell, wages rose, and the economy boomed. The boom lasted until late 1920. Unemployment had been running at 2%; by December 1920 it was at 7.8%. Throughout the interwar period, the level only fell below 10% for a few short periods.

The insurance system could not cope. Workers rapidly exhausted their entitlement to benefit. In many parts of the country, there was no realistic prospect of unemployed people finding new jobs. They were thrown back on the tender mercies of the Guardians.

But now, when Guardians tried to enforce the principles of less eligibility and the workhouse test, they were met with organised resistance – from ex service organisations, from the new Unemployed Workers Movement, and the Communist Party. Aneurin Bevan describes, in “In Place of Fear”, how the Tredegar Guardians were locked in the workhouse for two days and nights. Wal Hannington describes many similar incidents.

Governments resorted to one short term expedient after another to patch up the system – on the one hand, putting extra funds into unemployment insurance; on the other, policing Boards of Guardians that paid what were perceived as “generous” or “extravagant” scales of relief.

Limited change came in 1929 – transferring the *administration* of the Poor Law to County Councils, without any reform of the *services* themselves. It was a cautious version of the Majority Report. There remained two overlapping sets of cash payments to unemployed people – poor relief, now rebranded Public Assistance, coming from the local rates; and unemployment benefits, coming from the national government. In the years before the Second World War, this changed, with the creation of the National Assistance Board to assume responsibility for what had been outdoor relief for unemployed people.

Finally, thirty nine years after the Minority Report, after the deaths of both Beatrice and Sidney, the 1948 National Assistance Act declared that “the existing Poor Law shall cease to have effect.” Introducing the Bill, the Minister, Aneurin Bevan, paid tribute to the contribution the Webbs had made.

So much for the story. Why, a hundred years after the Minority Report, and more than sixty years after the National Assistance Act, should we still care?

The record remains contentious: writing in 1945, Margaret Cole said that the Majority Report “was so inadequate to twentieth-century problems as to be to all intents and purposes still-born.” In 1963 Eric Hobsbawm wrote of “the entirely stillborn Minority Report of the Poor Law Commission.” In 1910, John Burns, writing to another critic of the Webbs, HG Wells, wrote of “the new helotry in the servile state run by the archivists of the School of Economics means a race of paupers in a grovelling community run by uniformed prigs. Rely on me saving you from this plague.”

The Minority Report is not a blueprint for the future welfare state – not a sacred text to be implemented to the letter. It is a document of its time, addressing the agenda and the debates of the early twentieth century. It is a substantial report of over 700 pages. David Marquand describes the Webbs’ books as “learned, solid and mostly indigestible”. Writing about another of their works, “Industrial Democracy”, Royden Harrison said that there had been “a pronounced tendency to genuflect before it rather than to respect it,” and talks of “this or that preconceived and tendentious interpretation of what the Webbs ‘really meant’”.

The Minority Report is an extraordinary piece of sustained polemical writing in the tradition of Dickens and Cobbett. . It outlines, in forensic detail, based on the research Beatrice commissioned, all the shortcomings of the New Poor Law. Even though the 1834 Report had condemned the general mixed workhouse, in which all sorts of paupers, young and old, sick and well, children and adults, were housed side by side, Beatrice documents the survival of these institutions through to 1909. She argues that the exclusive focus on destitution, rather than its causes, made it hard for Guardians to change. The Report goes on to indict the treatment of sick people, children, elderly people and the unemployed.

One of Beatrice’ key insights was that the Poor Law medical service, under which care was restricted to the destitute, militated against healthy recovery: “it has been demonstrated to us beyond all dispute that the deterrent aspect which the medical branch of the Poor Law acquires through its association with the Destitution Authority, causes, merely by preventing prompt and early application by the sick poor for medical treatment, an untold amount of aggravation of disease, personal suffering and reduction in the wealth-producing power of the manual working class.”

Beatrice saw, too, that services provided exclusively for the poor tend inexorably to become poor services. This insight provides an important link to the modern anti-poverty movement: as Richard Titmuss wrote in 1966, “Separate state systems for the poor, operating in the context of powerful private welfare markets, tend to become poor standard systems.”

I believe that the real significance of the Minority Report today is the light it continues to cast on debates around the scope and nature of government action to combat poverty.

Tonight I want to focus on one of these debates: contributory versus non contributory benefits – the stubborn survival and strange renaissance of the contributory principle.

This is the centenary year of national insurance: it was the insurance principle that famously “dished the Webbs”. Insurance was the point which divided the Webbs from Lloyd George, Ramsay MacDonald, the TUC, and the leadership of the Parliamentary Labour Party.

The grounds upon which Beatrice opposed National Insurance were highly specific: she did not want to see the state “enter into competition for the workers’ weekly pence with the Friendly Societies and Trades Unions”; and she believed that state-backed insurance would create an unconditional entitlement to benefit without any reciprocal obligations on the part of the recipient. This was the basis, after all, of Beatrice’ objection to the administration of outdoor relief under the Poor Law: “no attempt is made by the Destitution Authority even to ascertain how the household is actually being maintained upon the Outdoor Relief that is granted, still less to effect any necessary improvement in the home.”

Sidney was a little more pragmatic: he thought that if parliament was prepared to vote all that money, you should let it go through, and then change the details afterwards.

Lloyd George’s original, limited 1911 insurance scheme, as extended in 1920, buckled under the strain of mass unemployment between the wars: not enough had been paid in, while too many unemployed people were claiming. Beveridge’s 1942 proposals restored the insurance principle to pride of place: one card, one stamp, all benefits. The plans were based on the assumption that governments would use their powers to ensure full employment. This commitment was expressed in the wartime coalition’s 1944 Employment White Paper: “The Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war.”

But although full employment was maintained, it was clear by the end of the 1960s, if not earlier, that the Beveridge settlement had not finally eliminated Want. There were three main reasons for this.

In the first place, Beveridge was never fully implemented. Beveridge had proposed that benefit rates “should aim at guaranteeing the minimum income necessary for subsistence”. This did not happen. Although the new insurance-based state pension was set at such a level, it was not subsequently uprated

sufficiently to keep pace with inflation. The other key benefits – the non contributory Family Allowance, and the contributory unemployment and sickness benefits – were neither set at the subsistence level Beveridge had advocated, nor subsequently uprated. As Howard Glennerster wrote in 2004 “The cost of what Beveridge wanted to do was simply not acceptable to the Treasury then or subsequently. In trying to squeeze the package into an acceptable cash constraint the integrity of the package fell apart.”

Second, the world changed: Beveridge was based on assumptions about women’s participation in the labour market that became increasingly unrealistic. As time passed, women began to be credited with contributions for periods when they had been absent from paid work outside the home.

And third, the scheme did not take adequate account of regional variations in housing costs. Beveridge attributed this problem to “the failure to distribute industry and population and of failure to provide housing accommodation according to needs. No scale of social insurance benefits free from objection can be framed while the failure continues.” But it did continue.

In addition, the insurance-based unemployment and sickness benefits, never completely unconditional, have become (and with the current Welfare Reform Bill are becoming more) conditional – interestingly, thus meeting one of Beatrice’ original objections to the insurance principle.

All this has had two consequences. First, the link between contributions paid and benefits receivable has been seriously eroded. The end result was described by John Hills in 2003: “What we have is in fact a very weak contributory principle: benefits *mainly* depend on the fact of having made contributions, *but* you can receive ‘contributory benefits’ without having made contributions, and you can be ruled out of entitlement despite having made contributions.”

And second, because insurance benefits have not been adequate for subsistence, the safety net of means tested, discretionary benefits – National Assistance, then Supplementary Benefit, then Income Support – continued. A non-contributory top-up became a permanent feature. As Howard Glennerster has written: “The comprehensive post-war social insurance schemes never eliminated poverty or major dependence on the old public assistance tradition.”

And so there was the re emergence of poverty as a political issue at the end of the 1960s, and the critique of the record of the 1960s Wilson Government by the Fabian Society, and academics in the LSE Social Administration Department.

What was the Webbs’ alternative?

In her later years, Beatrice doubted whether unemployment could be ended under capitalism. When Beveridge’s report was published, in December 1942,

she said that it was “based on what seems to me a radically false hypothesis: that it is consistent with the continued existence of the capitalist and the landlord as the ruling class.”

But the policy they developed before 1914, not only in the Minority Report but also in Sidney’s Fabian Tract “The Necessary Basis of Society”, in “English Poor Law Policy”, and elsewhere, was the National Minimum: a statutory minimum wage for those who could work, maintenance out of national taxation for those who could not, together with measures of compulsion, including training and labour colonies, with reserve powers of compulsion. Beatrice was no liberal on the issue of conditionality.

Despite experience since Beveridge, there appears now to be overwhelming nostalgia, and growing political support for the contributory principle. In the 2011 Budget, the Coalition announced that it favoured integrating the operation of income tax and NICs – but said in the same breath that the Government would “maintain the contributory principle and will reflect this in any changes it brings forward.”

Even when Universal Credit is introduced contributory benefits will continue separately. The Government state: “Claimants recognise and strongly support the contributory principle and the Government believes it is right that people are able to access support after paying into the system.”

This consensus is not confined to the Government: Ed Miliband, Liam Byrne, and the authors of the Purple Book have all spoken out in support of the contributory principle.

They have now been joined by the New Statesman, whose editorial for 3 October 2011 declares “As David Lloyd George and William Beveridge both understood, the contributory principle is essential to maintain fairness and public support for the welfare state.”

There are significant arguments in favour of restoring the central place of the contributory principle:

- it renews the bargain between the citizen, the state, and the employer;
- it emphasises the link between contribution and benefit – between paying-in and receiving;
- it rewards effort;
- and it is perceived to be fair.

It is important to be clear about the purpose of restoring the contributory principle: preventing poverty, and rewarding effort, are not necessarily the same thing, although both could be described as moral as well as political objectives.

If the contributory principle were to be reinstated at the heart of the welfare state, a new settlement would have to overcome the problems that have led to its erosion:

- Resources

The resources would have to be sufficient to pay benefits at the level originally envisaged by Beveridge – the non-contributory Child Benefit as well as the insurance based unemployment and sickness benefits and the state pension. Employers' and employees' contributions and the Government's own contribution would need to be set at levels which would sustain the benefits in real terms. Without this there would be no escape from the safety net of means tested benefits.

- Gender Inequality

A new approach would be needed, treating men and women equally while maintaining the link between contributions and benefits.

- Housing costs

Again, a new solution is required: how can the continuing reality of regional variations in housing costs be accommodated within an insurance-based system?

If the insurance principle is to be restored, this time it needs to be done properly. Above all, that means finding the money, on a scale which no government since 1945 has been ready to provide.

I do not underestimate the difficulty of achieving this. I think it would be hard without a cross party consensus, and I think such a consensus would itself be hard to achieve. But the alternative seems to me to be to abandon the pretence of insurance, and to revert to a National Minimum funded from general taxation, backed up by appropriate conditions. And that is what Beatrice and Sidney Webb were arguing for a hundred years ago.

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