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Blair must not repeat Attlee's pensions mistake

Last week, John Hutton trumpeted that “Clement Attlee’s post war Labour Government implemented the Beveridge reforms”. If only it had.

Ironically, it was Attlee’s failure to adopt the key recommendations of William Beveridge’s 1942 report on social insurance that entrenched the problems Hutton is grappling with today. The Blair government risks making the same mistake, by ‘cherry-picking’ from the Turner Report as Attlee cherry-picked Beveridge.

Like Turner, Beveridge proposed a basic, universal, state pension ‘to provide the minimum income needed for subsistence in all normal cases’, introduced by stages over 20 years to make it affordable. He aimed to restrict means-testing to emergency cases, believing it excluded too many in need and discouraged saving.

Under pressure from the Treasury, the government’s 1946 National Insurance Act, which established the present state pension system, ignored these proposals. From the start, hundreds of thousands of pensioners, most of them women, were dependent on means-tested supplements and millions have been ever since. Many more in need have failed to apply for them. Currently up to 40% of eligible pensioners do not receive the Pension Credit.

The Blair government claims it is being more generous, but, so far, we have just the promise of reform, not firm legislation. Delaying the link between the basic state pension and earnings until 2012, or later if the Chancellor has his way, will perpetuate for years the pensioner poverty Turner seeks to end

Beveridge shared Turner’s concern about the ageing of the population. Before the war the birth-rate dropped sharply and life expectancy rose. There were highly publicized projections of the looming costs of a falling ratio of workers to pensioners. Beveridge built into his proposals incentives for delayed retirement: substantially higher pensions for each extra year

of work beyond the minimum pension age. In 1946 retirement at 60 or 65 was not yet a universal expectation. If Beveridge's advice had been followed, the pension system would have had a mechanism for encouraging later and more flexible retirement ages.

The Attlee government - again pressed by the Treasury - offered incentives so minimal that retirement at age 65 became more, rather than less commonplace after the war. It is now so firmly entrenched that it is hard to reverse - precisely what Beveridge sought to avoid.

This government proposes to raise the state pension age absurdly slowly, given changing life expectancy. This is close to Turner's own recommendation, but his report was prepared in the shadow of the government's known reluctance to raise retirement ages.

A third major problem, recognized as clearly by Beveridge as by Turner, is that most older people, and most of the poorest, are women. Then as now, women live longer, have more irregular records of paid work due to caring responsibilities and earn less than men. They do badly in our system, which ties state and occupational pensions to work and earnings.

This was an important reason why Beveridge proposed that all citizens receive state benefits adequate for subsistence. He assumed that most women would be, and remain, married, so husbands' contributions would provide a pension both could live on. But he recognised that, even in 1940s Britain, marriages did not always last, and recommended an allowance for separated and divorced women to provide subsistence while they were rearing children and then training to re-enter the labour market and become self-supporting. Again, the Treasury resisted the cost and it did not happen.

This government promises 'a new deal for women' pensioners. But they will suffer most if the link with earnings is delayed. The proposal for reduced years of contributions will take years to benefit many women, and still require 30 years' paid work.

Above all, we have to see whether the government will hold out against business resistance to Turner's proposed NPSS, which is crucial if many are to receive more than the most basic pensions in future. Business has successfully resisted similar proposals since the 1950s. Will this government have more courage than its predecessors?

For all their inadequacies , the Attlee government improved pensions. New Labour proposes to do the same, though we have yet to see what they will really deliver. Both Turner and Beveridge tried to match their proposals to the real fiscal and political difficulties of financing pensions. Tomorrow's white paper will reveal whether Turner suffers the same fate as Beveridge - to go down in history as the author of a Labour government's miscalculations.

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