

## Founding the welfare state

Fringe meeting, 14 September 2008, with Ian Packer and Joe Harris; Chair: Lady Jane Bonham Carter

Report by **Graham Lippiatt**

**A** HUNDRED YEARS ago, in 1908, the Liberal government of Herbert Henry Asquith introduced the Old Age Pensions Bill. This was just the beginning of a comprehensive Liberal programme of social reform including national insurance, minimum wages, labour exchanges and compulsory school meals, amongst much else. Was this programme evidence that nineteenth-century notions of the minimal state had finally been abandoned, or was it an attempt to counter the challenge of the emerging Labour movement?

Lady Jane Bonham Carter introduced the meeting with a plea for the role of Prime Minister H. H. Asquith (her great-grandfather) to be given its proper recognition by history. The Old Age Pensions Act of 1908 had become linked in the popular mind with the work and personality of David Lloyd George; it was enacted soon after Lloyd George became Chancellor of the Exchequer and has been widely seen as a prelude to the other social reforms heralded in and paid for by Lloyd George's People's Budget of 1909. Indeed, a colloquial term for being in receipt of the pension was 'being on the Lloyd George'. As Bonham Carter reminded the meeting, however, it was Asquith who, as Chancellor in 1906–08, had been the driving force behind the championing of pensions by the Liberal government and it was Asquith who, although by now Prime Minister, piloted the 1908 budget, in which pensions were introduced, through the House of Commons. Lloyd George handled the separate legislation on pensions later in 1908 and, as a result, began to

accrue more credit for the policy than he was entitled to.

Dr Ian Packer of Lincoln University (author of *Liberal Government and Politics, 1905–15*) delivered a broad overview of the social welfare legislation enacted by Asquith's government between 1908 and 1914, and its significance in the administration's programme. Social reform as an agenda for central government was the outcome of the breakdown of the mid-Victorian idea of the minimal state, embodied in the concepts of low taxation and the least possible government interference in society and the economy. In the 1880s and 1890s the dominance of this idea was increasingly challenged as it became clear that the minimal state could not solve a wide range of problems, including an economy that was falling behind major international competitors, the spiralling cost of national defence and the persistence of poverty in what was, comparatively, a very wealthy society. Tories turned to imperialism and taxes on imports to promote economic growth. The Labour and socialist movements argued for measures like the eight-hour day as solutions to unemployment and poverty. The trend towards collectivism was reflected in many areas of thought, including sociology, philosophy and theology, so it was unsurprising that it also became a feature of Liberalism.

Many nineteenth-century Liberals had been hostile to the state because they saw it as controlled by a narrow clique who acted in their own and not the wider public interest. But as the extension of the franchise brought the state increasingly under popular control (or at

least accountability) it became possible for Liberals to imagine it as a liberating influence. Liberal thinkers, most famously L. T. Hobhouse and J. A. Hobson, started to promote the 'New Liberalism', with social reform added to the list of traditional Liberal demands, like democracy, religious equality and Irish home rule. They painstakingly demonstrated that social reform was merely an extension of existing Liberal precepts, entirely compatible with Liberal ideas and language. Moreover Liberals were starting to think about ways in which rising government expenditure might be paid for. Their determination to preserve free trade ruled out the Tory solution of taxes on imports. This left the party with no option but to defend increases in direct taxation, especially on the very wealthy, as the fairest way to raise revenue – a policy first seen in Sir William Harcourt's budget of 1894, which consolidated and graduated death duties.

However, while increased direct taxes might provide the means to pay for social reform, the abstract arguments of thinkers like Hobhouse and Hobson did not commit a Liberal government to any particular course of action and did not determine the form or timing of legislation in 1905–14. In fact there were three distinct waves of Cabinet initiatives on social reform in this period, the first of which was largely a response to the political agenda that had built up in the previous decade of Tory government. Its centrepiece was undoubtedly the Old Age Pensions Act of 1908. There had been discussion around the feasibility of a scheme of state pensions since the 1870s, but, ironically, pensions had become a front-rank political issue only when Joseph Chamberlain had taken them up during the 1895 general election on behalf of the Tories; and the Liberal government's pensions legislation was

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at least partly a rebuff to the Tories for not introducing pensions during their term of office. Pensions, though, were probably not a response to Liberals' fears about the appearance of the Labour Party, which won 29 seats in 1906. Labour fought that election largely in alliance with the Liberals and the party was already in favour of pensions, an idea endorsed by 59 per cent of Liberal candidates in 1906. Asquith had promoted the idea of pensions well before Labour won two by-elections from the Liberals in 1907 at Jarrow and Colne Valley, so fear of Labour does not seem to have been a significant factor in the genesis of pensions. What was crucial about the Pensions Act was its introduction of important new principles in welfare legislation, principles the Liberals were to develop further – particularly the idea that welfare provision should be separated from the Poor Law and given to recipients as a right, rather than the humiliating and grudging relief given to paupers.

It was the perceived popularity of pensions and the advantage they gave in the battle with the Tories that allowed Liberals to regard themselves as a party particularly associated with social reform. This process was hastened once pensions became entwined with Lloyd George's 'People's Budget' of 1909 and the constitutional struggle between the Lords and Commons which followed when the Lords rejected the Budget. For many Liberals, social reform became inextricably linked with other items in the party's agenda, especially graduated direct taxation and the achievement of democracy. However, while pensions were not alone among the Liberals' achievements in the field of social reform in 1906–08, they were by far the most eminent and the only measure that captured the imagination of the party or sustained public attention. Other

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legislation was more limited: it was either non-controversial, like the provision of school meals, which had passed the Commons in 1905 in the last year of the Unionist government; or it was the result of pressure group activity such as the extended 1906 Workmen's Compensation Act, a concession to lobbying from the TUC, the maximum eight-hour day for miners in 1908, prized by the coal miners' unions, then still a powerful force within the Liberal Party, and the Trade Boards Act of 1909, which set minimum wages in four areas of, mainly female, home-working, which was the outcome of vigorous lobbying by the National Anti-Sweating League. This certainly did not amount to a coordinated programme, though it did establish some important, if limited, precedents – especially in the case of the Trade Boards Act, which created Britain's first modern regulation of wages.

At the elections of January and December 1910, pensions were the only social policy having a prominent role, being mentioned by 75 per cent of Liberal candidates in their election addresses. But even they were outstripped by other issues. In January 1910 the fate of the House of Lords, free trade and the 1909 Budget were all mentioned more often than pensions by Liberal candidates; in December 1910 these issues were joined by defence and Irish home rule. So, while social reform was an important component of Edwardian Liberalism, it was only one.

In 1908, a second wave of initiatives began to take shape, carrying the administration much further. Whilst the earlier reforms stemmed from long-standing issues and were handled by a variety of ministers, the new departures of 1908 represented a fresh agenda and were largely the work of two ministers – Lloyd George and

Churchill. The key to their ideas was National Insurance. Lloyd George's experience of piloting the pensions legislation through the Commons had convinced him that social reform made the party popular and stimulated his interest in schemes to provide sickness benefits for widows and orphans. Lloyd George was also convinced that future schemes could not be financed out of general taxation alone. National Insurance was devised by the Welshman and his eclectic group of advisers as a way of spreading the cost between the state, employers and employees. Under what became the National Insurance Act of 1911 everyone in work earning under £160 pa was compulsorily enrolled in a state scheme, in which they paid 4d a week, their employers 3d a week and the state 2d a week, in return for the right to sickness benefit. This ingenious scheme made use of the insurance principle that was already familiar to millions of people and of the expertise of existing friendly societies who would administer it. In some ways, Lloyd George was just extending and subsidising existing forms of insurance provision. But to be successful it had to be compulsory, making it a massive advance in the state's role in welfare provision; and, as with pensions, it rested on rights and entitlements to relief. People received benefits on the grounds that they were part of, and had contributed to, an insurance scheme.

The party accepted the legislation of 1911 willingly, hoping for another triumph on the lines of old age pensions. The only real opposition to the legislation came from interest groups like the BMA who feared that their position would be affected. However, while National Insurance was undoubtedly a parliamentary triumph for Lloyd George, and a milestone in welfare provision, it failed to repeat the political success of pensions, being

overshadowed by the crisis over the reform of the Lords. Once it came into operation in 1912–13 it became clear that many people resented paying a flat rate tax of 4d per week to belong to the National Insurance plan, and it was blamed for the party's poor performance in a series of by-elections. Nevertheless, the Liberals pressed ahead with the second part of the scheme which Churchill had presented to the Cabinet in 1909. This created a system of unemployment insurance for 2.5 million workers in trades like shipbuilding, where cyclical and seasonal unemployment were common. Together with the first labour exchanges, which had been introduced in 1909, unemployment insurance was a rather belated response to the unpopularity the government had suffered in 1908 when a trade depression had produced rising levels of unemployment.

While National Insurance proved a lasting achievement, its initial unpopularity meant that the political imperative that drove the role of social reform in the government's programme suddenly looked much less compelling. After 1911, it was entirely possible that the Liberal commitment to social reform would have died away, as Irish home rule and Welsh disestablishment came to dominate the parliamentary timetable. By 1911, too, Churchill was at the Admiralty, removed from domestic affairs. The third wave of Liberal proposals in the field of social reform was not, therefore, inevitable. It was sparked by a political crisis – the national miners' strike in favour of a minimum wage in March 1912. A compromise bill set up boards in each mining district to determine local minimum wages, representing an unforeseen extension of the principle of the 1909 Trade Boards Act to a major industry. Lloyd George leapt on this concept and took it in a new direction, suggesting the introduction of a minimum

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wage for agricultural labourers, arguing that low rural wages depressed earnings in the towns. This rather crude analysis was not a personal foible of Lloyd George's, but a reflection of a widely held view in the Liberal Party that many industrial difficulties could ultimately be traced back to the unreformed social structure of the countryside. Liberals were deeply suspicious of the role of landowners, holding them responsible for rural poverty by monopolising power for their own ends. This feeling had crystallised after the mass desertion of Liberal landowners in 1886 over Irish home rule and the hostile attitude of the House of Lords.

Policies to challenge the role of landowners became increasingly popular amongst Liberals – hence their enthusiasm when Lloyd George put land taxation at the centre of his 1909 budget. In 1909 hostility to landowners and social reform had become entwined because the land taxes were one of the most high-profile elements of the budget that was raising the money for pensions and because the House of Lords had rejected the budget. This helped unite Liberals by fusing traditional radicalism with the new agenda of social reform, demonstrating that there was no contradiction between them. Lloyd George launched his own land enquiry, headed by the social investigator, Seebohm Rowntree, which provided the arguments to support his idea of a minimum wage for agricultural labourers and extended the land reform agenda by producing a programme of rent courts and security of tenure in the countryside and state encouragement for urban house-building. The new strategy was called the land campaign. Its rural side was launched in October 1913 and its urban elements were being discussed and approved by the Cabinet in the months before war broke out in 1914. The

intention was that these ideas would form the centrepiece of the government's manifesto when the next general election occurred in 1915.

The achievements of the Edwardian Liberal governments in the field of social reform were truly outstanding and long-lasting. The concept of a centralised state welfare system first took form in 1905–14. The longer the Liberal government spent in power, the more committed it became to social reform. Moreover, its agenda on social reform underwent continuous internal renewal and by 1914 it was more bound up than ever before with other elements of Liberal ideology. But this position was also fragile, depending for its success on leadership from the top, particularly from the commanding and ingenious figure of Lloyd George. But Asquith played a vital role in this process too. More than anyone, it was he who was responsible for committing the Liberal government to old age pensions. And, as Prime Minister, he supported Lloyd George's great initiatives of the People's Budget, National Insurance and land reform, uniting the cabinet behind these policies. If it is the enmity between the two men that has been remembered for the period after 1916, it should not be forgotten that before 1914 they formed a remarkable team that led Liberalism in the direction of social reform.

If Ian Packer reviewed the Liberal position on old age pensions from the point of view of elite politics in the context of party competition with the Conservatives, Joe Harris, General Secretary of the National Pensioners Convention, and author of *Paupers' Progress: From Poor Relief to Old Age Pensions*, preferred to approach their introduction from the perspective of grassroots campaigning amongst working-class organisations, religious and charitable institutions, trade

unions, friendly societies and prominent and concerned individuals. At the root of the crusade was the desire to relieve the social conditions experienced by most older people in the nineteenth century who had to resort to Poor Law provision and the workhouse to survive. That this state of affairs should be necessary in economically developing, wealthy, industrial, Victorian Britain disturbed the conscience of the nation. This campaign of nationwide pressure was rewarded when the Old Age Pensions Bill, moved by Asquith and John Burns (the first working class man to hold government office) received Royal Assent on 1 August 1908. It established for first time the right of the poor to a minimum income as an alternative to the perceived charity of the Poor Law and the cruelty of the workhouse and was truly an historic measure.

There was little moral argument against such provision, with ideas about public funding to support the old and infirm going back several centuries. Numerous government committees had previously 'investigated how to improve the condition of the aged and deserving poor,' discussing possible systems and costs. As early as 1892, the reformer and sociologist Dr Charles Booth had proposed a practical old age pension plan, while on 20 November 1898 the Congregationalist Reverend Francis Stead, warden of the interdenominational Browning Settlement in Southwark, convened a meeting of councillors, MPs, and trade unionists to consider what could be done to pressurise the government to introduce old age pensions along the lines already operating in New Zealand. On 13 December 1898 the National Pensions Committee was formed with Stead and Frederick Rogers, a former bookbinder and trade unionist, as joint secretaries.

The Committee was backed by many well-known public figures, including philanthropist Edward Cadbury, labour and feminist organiser Margaret Bondfield, who would later become Britain's first female cabinet minister, future pensions minister George Barnes, Lib-Lab candidate and journalist Fredrick Maddison, and Will Crooks, the trade unionist and Fabian Society stalwart. Bernard Shaw, Cardinal Vaughan and the Archbishop of Canterbury also declared their support. Mass rallies took place in Newcastle, Leeds, Manchester, Glasgow, Bristol and Birmingham. Five hundred and sixty petitions containing 799,750 signatures were presented to Parliament by Fred Jowett, the Labour MP for Bradford West. For ten years, from 1898 to 1908, the Victorian and Edwardian conscience was stirred and the public campaign for old age pensions filled halls and assembly rooms across the country.

The first positive response came from Salisbury's administration, with the appointment of a Select Committee on 'Improving the Condition of the Aged Deserving Poor' in 1899 under the chairmanship of Henry Chaplin, a Unionist who was President of both the Board of Agriculture and the Local Government Board. The committee contained Unionists and Liberals, including Lloyd George. They accepted the moral case to provide for those 'whose conduct and whole career has been blameless, industrious and deserving but find themselves, from no fault of their own ... with nothing but the workhouse or inadequate outdoor relief as the refuge for their declining years'. The Chaplin committee reported to Parliament on 26 July 1899 and recommended a non-contributory scheme for the deserving poor, hedged with many conditions. However the Conservative government took no action. Its resistance was on the grounds of cost, mainly

because of the growing bill for the Boer War which had begun in 1899.

Although not acted upon, the work of the Chaplin committee was important in inspiring a number of proposals for pensions legislation over the next few years. The committee also met again in 1903 but all efforts to pass bills incorporating pensions provision into law between 1900 and 1908 failed. In December 1905 the Conservative administration of Arthur Balfour was replaced with the Liberal administration of Sir Henry Campbell-Bannerman, whose government won a landslide victory in the general election of the following year. Campbell-Bannerman promised a pensions bill but died four months before it became law and his name is now rarely associated with the measure. Asquith, however, kept his predecessor's promise. In July 1908, 304 Liberals, 20 Lib-Labs, 23 Labour, 23 Irish Nationalists, 43 Unionists and 1 Socialist voted for the first old age pension bill; only 29 MPs opposed it. The act received Royal Assent on 1 August 1908. The battle for the provision of old age pensions had been won.

Lloyd George paid out the first pensions in January 1909 through local Post Offices; but the means-tested maximum of five shillings weekly for the over seventies, hedged with many conditions, was a long way from the 'endowment of old age' that Booth had envisioned and for which the trade unionists, philanthropists and Christian Socialists had fought. As a plaque erected at the Browning Hall Settlement to celebrate that first pension stated, it was a first step and the struggle for a universal pension above the official poverty level for all men and women. The struggle for that continues today.

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