

Cost of the British Social Services, 1938-52

Political and Economic Planning (PEP), a private research organization in England, recently published a study of changes in the cost of British social services between 1938 and 1952.¹ The pamphlet is offered both as a contribution to the current discussion of the cost of social services and as an aid in assessing developments in social policy since the war. The social services included in the study are education, health, social insurance and assistance, war pensions, family allowances, vocational rehabilitation, nutrition, housing subsidies, and, for some purposes, food subsidies—"those services, provided or financially assisted by the public authorities, which have as their object the enhancement of the personal welfare of individual citizens." Because of the interest in the costs of health, education, and welfare in this country during recent years, the PEP study, with a few minor omissions, is being presented as a service to BULLETIN readers. Prefacing the excerpts is an introductory background statement prepared by PEP for the BULLETIN.

PUBLIC discussion in Great Britain about the social services has passed through two phases since the war and has now entered a third. During the war there was a large measure of agreement on the social reforms that seemed to be called for. The evidence of a number of social surveys carried out in the 1930's, the Beveridge Report on Social Insurance and Allied Services, the Coalition Government White Papers on various social services, and the passing of the Education Act of 1944—all prepared the way for the emergence of the so-called "Welfare State." Immediately after the war, discussion centered on the problems of putting into practice many of the agreed reforms and the years 1945-48 were occupied mainly with the legislative machinery required for dealing with Beveridge's five "giants"—want, disease, ignorance, squalor, and idleness.

¹ "The Cost of Social Services, 1938-1952," *Planning*, Vol. XX, No. 354, London, June 15, 1953.

By 1950, national economic difficulties, accentuated by increasing expenditure on defense, led to the imposition of restrictions on the growth in cost of the social services. A number of proposed reforms, such as the provision of health centers, the reorganization of schools, and the building of county colleges, were temporarily shelved. Economies were made throughout a wide range of services; Health Service charges, such as the charge for medical prescriptions and appliances, were introduced. The accent was on economy and efficiency without, as one Minister put it, "destroying the fabric of the existing service." An example of the economies achieved in new school building may be given. In 1949 the average cost of providing a new primary school place was £195; by 1952 the cost had been brought down to £140, despite the continuous rise in prices since the earlier year. In the second

phase, then, there has been much public discussion about the "burden" of the cost of the social services and the relative priority that should be given to each of the services.

In discussing the question of costs people have argued from two main standpoints: on the one hand, that costs have increased by leaps and bounds and that they cannot be maintained at this level without damage to the country's economy; on the other hand, that much more has yet to be done to put the agreed plans of the war and early postwar years into practice. These arguments have tended to be unreal. The new legislative machinery has not been in operation long enough for sufficient evidence about its working and its social effects to be collected. The statutory review of the first 5 years' operation of the social security scheme has yet to take place, and there has been very little critical examination, based on systematic re-

Table 1.—Public expenditures for social services in the United Kingdom as a percent of national income,¹ selected years

(Amount in millions)

Type of service	1938-39		1947-48		1950-51		1951-52 ²	
	Amount	Percent of national income	Amount	Percent of national income	Amount	Percent of national income	Amount	Percent of national income
Total (including food subsidies)	£527.4	9.2	£1,395.2	12.8	£1,892.1	14.1	£2,011.0	13.7
Total (excluding food subsidies)	527.4	9.2	1,080.5	9.9	1,568.3	11.7	1,679.9	11.5
Social security services ³	310.5	5.4	559.8	5.1	673.2	5.0	709.0	4.8
Education	111.8	2.0	222.8	2.0	288.7	2.2	328.2	2.2
Health, hospital, and domiciliary services ⁴	74.4	1.3	174.7	1.6	462.7	3.5	489.2	3.3
Training, rehabilitation services, etc.	6.0	.1	12.7	.1	6.3	0	5.5	0
Housing subsidies ⁵	23.7	.4	55.6	.5	74.7	.6	77.6	.5
Nutrition services ⁶	1.0	0	54.9	.5	62.7	.5	70.4	.5
Food subsidies ⁷			314.7	2.9	323.8	2.4	331.1	2.3

¹ Gross national income at market prices

² Includes some estimates for Northern Ireland.

³ Represents social insurance, assistance, war pensions, family allowances (except for 1938-39), and, for 1938-39 and 1947-48, poor relief. Excludes, for 1938-39, expenditures for privately administered services of about £10 million paid out by employers for workmen's compensation and £12-15 million paid by Friendly Societies in sickness and other benefits.

⁴ Includes government and local authority health services, approved schools and child care, war-pensions, medical services, central and local health administration, maternity and midwifery services, and school health services. For 1938-39 and 1947-48, also includes miscellaneous government grants to voluntary hospitals and services and the cost of similar benefits under the National Health Insurance Acts. For 1950-51 and 1951-52, includes the net cost of the

National Health Service, plus the grant of more than £40 million contributed from the National Insurance Funds.

⁵ Central and local government expenditures on housing (including emergency housing) net of rents received.

⁶ Includes expenditures for school meals and milk.

⁷ Excludes crop acreage payments, subsidies to the whitefish industry and for fertilizers and attested herds, the cost of welfare foods (shown under nutrition services), and administrative expenses.

Source: Annual Abstract of Statistics, Civil Appropriation Accounts, Local Government Financial Statistics, Memoranda on the Ministry of Education Estimates, Ulster Year Books, Education in Scotland (Annual Reports), and Ministry of Food Trading Accounts. Some Government departments were consulted.

Table 2.—Central Government expenditures in the United Kingdom, by purpose, selected years

Purpose	1938-39	1947-48	1950-51	1951-52	1952-53	1953-54
Amount (in millions)						
Total.....	£962	£3,444	£3,522	£4,197	£4,151	£4,259
Defense.....	256	922	824	1,484	1,549	1,636
Social services.....	266	662	1,100	1,122	1,150	1,215
Food subsidies ¹		315	324	331	219	126
National debt.....	230	525	490	535	575	615
Other expenditure.....	201	1,022	784	725	658	667
As percent of total expenditures						
Total.....	100.0	100.0	100.0	100.0	100.0	100.0
Defense.....	26.9	26.8	23.4	35.3	37.3	38.4
Social services.....	27.8	19.2	31.2	26.7	27.7	28.5
Food subsidies ¹		9.1	9.2	7.9	5.3	3.0
National debt.....	24.2	15.2	13.9	12.8	13.8	14.4
Other expenditure.....	21.1	29.7	22.3	17.3	15.9	15.7

¹ See footnote 7, table 1.

Source: Annual Estimates.

search, of the effects of the new services on the population and of the claims that they make on present and future national resources.

Secondly, there has been little study of the extent to which social needs have changed, and how far the proposals for social reform made at the end of the war are still valid. Society changes, as do its needs, and the pattern of the social services has to change too. Most of the proposals for educational reform in the Education Act of 1944 have still to be realized, simply because the school population has been swollen by the exceptional number of children born in the years following the war, and all the additional teachers and new schools are required to meet their needs. For the above reasons the discussion about costs and priorities is gradually giving place to arguments about the ends of social policy.

In the next ten years the number of children to be educated and the number of old-age pensioners will continue to increase. (Although the number of people of retirement age will grow by only 2 percent a year, the number of pensioners will increase more rapidly and in 25 years will be double the present number.) This fact, together with the likelihood that defense expenditure will remain high for some years to come, makes it important to review the claims of the social services on present resources, to discuss the ends of social policy, and

to decide what must be given priority in a restricted economy. The P E P study on the cost of the social services in 1938-52 was intended to be a factual contribution to the debate that is going on in Great Britain. Excerpts from the study follow immediately.

Changes in Cost Since 1938

TABLE 1 SHOWS the scale of expenditure on the social services in the United Kingdom in four selected years: in 1938-39 (immediately before the war), in 1947-48 (immediately before the start of the National Health Service and the new National Insurance Scheme), and in 1950-51 and 1951-52 (the two latest years for which information is complete). * * *

It will be seen that expenditure on the social services increased threefold between 1938 and 1951. But the fall in the value of money makes it important to find some measure of the increase in real terms. The official retail price index is not the best measure for this purpose. A better comparison for the different years is afforded by expressing social service expenditure as a percentage of the gross national income. Expressed in this way, social service expenditure increased from 9.2 percent in 1938-39 to 11.7 percent in 1950-51, and declined slightly to 11.5 percent in 1951-52. If the food subsidies were included, the last two figures would be 14.1 and 13.7, respectively.

This is not such a striking expan-

sion as the mere totals of expenditure would seem to indicate, and there are a number of other factors which must be taken into account to get a true comparison.

In the first place, there has been a change in the structure of the population. Between 1938 and 1951 the population of the U.K. increased by 2,800,000, but nearly 2,500,000 of this increase took place in the dependent age-groups, those over retirement age and those under 15. Had the population structure been the same in 1938 as in 1951 a further £50-£80 millions would have been added to the cost of the social services in 1938, bringing the proportion of such costs to between 10 and 11 percent of the national income in that year.

A second consideration is the nature of the comparison which it is desired to make. If it is a question of the increased call the social services make on national resources then the public accounts do not provide the answer. For example, expenditure on the National Health Service is not strictly comparable with that on health before the war. Most of the apparent increase is merely a transference of cost from the private to the public sector. The nation is not after all spending seven times more on health than was spent before the war. The fact is that before the war private expenditure was proportionately much higher than now. To ascertain the comparative real costs means answering the question: How much more in real terms was the nation spending, publicly and privately, on health after the introduction of the National Health Service? This is one of the questions which face the Guillebaud Committee of enquiry into the cost of the National Health Service, but it is a question to which it is difficult, if not impossible, to give a precise answer.

One other qualification must be made to table 1. In 1938-39 about £10 millions was paid out in workmen's compensation by employers, and from £12-£15 millions by Friendly Societies in sickness and other benefits. These sums, because they were privately administered, could not be shown in the public accounts in table 1; but in a strict comparison of present expenditure with prewar expenditure they should be included, because similar

services are now provided by the publicly operated national insurance and industrial injuries schemes.

Costs and the National Income

The main conclusion to be drawn from table 1 is that expenditure on the social services, as a proportion of the national income, increased by one quarter between 1938-39 and 1951-52. This increase is ascribable almost entirely to the health and nutrition services, but, as explained earlier, only a part of this rise in public expenditure represents a larger claim on real resources. If the food subsidies are included as a social service, the increase is slightly less than one half.

A consideration of the trends in costs of individual social services bears out this general interpretation. Between 1938 and 1951 the percentage of the national income allocated to education rose slightly, from 2.0 to 2.2. This

Table 3.—Public expenditures for social security¹ in the United Kingdom, by type of payment, selected years

Payments for—	[In millions]			
	1938-39	1947-48	1950-51	1951-52 ²
Total.....	£310.5	£559.8	£673.2	£709.0
Retirement:				
Contributory pensions	55.3	205.8	253.4	280.2
Noncontributory pensions	16.2	29.3	26.5	25.0
Supplementary assistance	(3)	11.7	30.2	35.0
Unemployment:				
Insurance	57.4	21.6	18.4	16.2
Assistance	37.1	2.6	5.9	5.6
Sickness, injury, disablement, and death	17.2	25.1	88.0	84.7
Widows and guardians	25.1	46.5	22.8	25.0
Maternity	1.8	2.7	8.9	8.7
Family allowances		58.0	64.4	65.8
Other payments under Insurance Acts			.7	
Outdoor relief	26.5	16.4		
Indoor relief ⁶	14.7	26.6		
Other payments under assistance acts		.8	38.1	46.0
War pensions (excluding medical services)	37.4	81.4	77.5	75.7
Administration of services listed ⁷	21.7	31.3	38.4	41.1

¹ As defined in footnote 3, table 1. Medical and similar benefits under the earlier National Health Insurance Acts are excluded from social security expenditures and included under the "health" classification in table 1. For totals representing transfer payments only, see the text tabulation, page 13.

² Includes some estimates for Northern Ireland.

³ Other assistance for the old included in outdoor relief.

⁴ Calendar-year data (1938 and 1947).

⁵ Includes assistance to blind.

⁶ Excludes maintenance of rate-aided patients in mental hospitals.

⁷ Includes estimated amount for poor relief (excluded from figures for outdoor and indoor relief given above).

Source: Monthly Digest of Statistics, Annual Abstract of Statistics, Civil Appropriation Accounts, Local Government Financial Statistics, and Ulster Year Books.

Table 4.—Social security payments, made with and without test of means, in the United Kingdom, selected years
[Amount in millions]

Type of payment	1938-39		1947-48		1950-51		1951-52	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total.....	£274.1	100.0	£501.9	100.0	£626.2	100.0	£656.9	100.0
On test of means.....	79.8	29.1	60.8	12.1	90.9	14.5	100.6	15.3
As of right (through social insurance, etc.)	194.3	70.9	441.1	87.9	535.3	85.5	556.3	84.7

slight increase equaled the increase in the numbers of school children, owing both to the rise in the birthrate and the raising of the school-leaving age. To be precise, between 1938 and 1951 the number of children in the 5 to 14 age-groups attending grant-aided schools rose by about 10 percent, and the proportion of national income allocated to the current costs of education rose by the same amount.

The proportion of the national income devoted to the social security services dropped from 5.4 in 1938-39 to 5.0 in 1950-51 and to 4.8 in 1951-52. But this is perhaps not the most suitable form of comparison for services which chiefly involve transfers of income; a better method is to express social security payments as a percentage of total personal income before tax. The result is as follows:

Year	Total personal income (before tax)	Social security payments (transfers only)	
		Amount	As percent of total personal income (before tax)
1938-39.....	£ 5,025	£ 274	5.5
1947-48.....	9,367	502	5.4
1950-51.....	11,124	625	5.6
1951-52.....	12,007	657	5.5

¹ Data for 1938.

Social security payments remained at about 5½ percent of all personal income. Thus social security payments do not occupy a larger place in personal incomes today than before the war. If expenditure on the social security services is considered in terms of average expenditure per head of the population at 1938 prices, the result is also about the same as before the war: £6 10s. in 1938-39 and £6 15s. in 1951-52.

Other Trends in Social Expenditure

Table 2 shows the place of the social services in total Government outlay. In 1938-39 they accounted for about 28 percent of Government expenditure. This proportion increased to a peak of 31 percent in 1950-51 (40 percent if food subsidies are included) and declined to some extent in later years. For 1953-54 about 28 percent of Government outlay has been set aside for the social services (about 31 percent if food subsidies are included).

One of the other significant changes in the distribution of social costs between central government, local government and insurance contributions since before the war has been the diminishing share of local government. About 30 percent of the cost of the social services before the war was borne by local government, compared with 50 percent by central government and 20 percent by insurance contributions. By 1951-52 the share of local government had declined to about 11½ percent, excluding the food subsidies, while the share of central government had increased to 65 percent and that of insurance contributions to 24 percent.

Transfer payments,² which accounted for 53 percent of the cost of the social services in 1938-39, accounted for only about a third of the cost in 1951-52. The various forms of subsidy accounted for a much higher proportion in 1951-52.

Expenditure on Social Security

The largest single provision in the social budget is for social security.

² All social security payments plus aid to pupils and students.

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Table 9.—Average payments including vendor payments for medical care, average amount of money payments, and average amount of vendor payments for assistance cases, by program and State, November 1953¹

State	Old-age assistance			Aid to dependent children (per family)			Aid to the blind			Aid to the permanently and totally disabled		
	All assist- ance ²	Money pay- ments to recip- ients ³	Vendor pay- ments for medical care ²	All assist- ance ²	Money pay- ments to recip- ients ³	Vendor pay- ments for medical care ²	All assist- ance ²	Money pay- ments to recip- ients ³	Vendor pay- ments for medical care ²	All assist- ance ²	Money pay- ments to recip- ients ³	Vendor pay- ments for medical care ²
Total, 53 States ⁴	\$51.07	\$48.71	\$2.52	\$83.45	\$81.69	\$1.87	\$55.36	\$53.77	\$1.74	\$52.93	\$47.50	\$6.07
Alabama.....	23.52	23.50	.02	36.42	36.37	.05	.....	.....	.....	23.52	23.52	(⁵)
Connecticut.....	80.24	68.24	12.00	126.85	112.85	14.00	91.56	76.56	15.00	(⁶)	(⁶)	(⁶)
Delaware.....	.....	.....	.....	88.16	87.51	.64	.....	.....	.....	.....	.....	.....
District of Columbia.....	53.51	53.47	.05	106.91	106.87	.04	.....	.....	.....	59.19	59.03	.16
Hawaii.....	40.34	35.37	4.97	91.30	85.68	5.61	47.01	43.08	3.93	54.25	48.21	6.05
Illinois.....	55.04	40.39	15.00	123.50	115.66	8.00	61.66	49.81	12.00	71.45	39.82	32.00
Indiana.....	44.73	37.93	7.22	83.75	79.23	4.62	54.08	46.29	7.99	(⁷)	(⁷)	(⁷)
Kansas.....	63.02	58.72	4.49	107.16	100.10	7.64	68.37	63.78	4.91	66.98	58.40	8.89
Louisiana.....	61.15	51.14	(⁸)	62.71	62.56	.15	48.12	48.06	.06	41.53	41.44	.09
Massachusetts.....	74.08	66.24	7.99	121.23	114.60	6.87	.....	.....	.....	88.08	56.90	36.14
Michigan.....	52.57	52.04	1.35	.....	.....	.....	60.77	60.41	1.09	68.32	66.85	9.64
Minnesota.....	61.06	44.89	16.59	111.74	103.65	8.50	73.50	57.45	17.01	(⁹)	(⁹)	(⁹)
Nebraska.....	56.22	43.98	13.55	96.28	92.73	3.55	65.25	64.60	.65	(¹⁰)	(¹⁰)	(¹⁰)
Nevada.....	56.78	55.98	1.41	.....	.....	.....	.....	.....	.....	(¹¹)	(¹¹)	(¹¹)
New Hampshire.....	58.23	46.31	12.00	125.73	112.83	13.50	61.46	52.46	9.00	73.15	53.15	20.00
New Jersey.....	.....	.....	.....	107.46	105.64	1.82	.....	.....	.....	.....	.....	.....
New Mexico.....	46.78	44.55	2.23	72.89	71.03	1.86	44.97	43.02	1.95	40.05	37.23	2.82
New York.....	71.15	59.06	14.57	131.43	124.00	9.17	81.32	69.50	15.28	79.40	66.21	15.71
North Carolina.....	30.25	30.04	.21	58.18	57.67	.51	.....	.....	.....	35.77	35.33	.44
North Dakota.....	57.66	54.81	2.87	109.40	106.61	3.01	63.43	52.50	10.93	63.38	60.12	3.26
Ohio.....	54.04	54.38	1.66	94.35	93.46	.89	55.28	53.39	1.89	.....	.....	.....
Rhode Island.....	55.48	50.68	6.65	109.70	102.70	7.00	70.28	64.74	7.24	71.48	63.66	12.78
Utah.....	69.82	59.71	.11	113.74	113.27	.47	65.66	64.65	1.01	64.01	63.96	.05
Virgin Islands.....	11.12	11.03	.09	16.04	15.90	.14	(¹²)	(¹²)	(¹²)	11.57	11.40	.17
Wisconsin.....	58.63	50.96	7.70	128.75	118.42	10.50	62.74	57.85	4.89	83.41	65.44	18.03

¹ Averages for general assistance not computed because of difference among States in policy or practice regarding use of general assistance funds to pay medical bills for recipients of the special types of public assistance. Figures in italics represent payments made without Federal participation. States not shown made no vendor payments during the month or did not report such payments.

² Averages based on cases receiving money payments, vendor payments for medical care, or both.

³ Averages based on number of cases receiving payments. See tables 10-13 for average money payments for States not making vendor payments.

⁴ For aid to the permanently and totally disabled represents data for the 40 States with programs in operation.

⁵ For Illinois includes premiums paid into pooled fund for medical care for November 1953 but excludes vendor payments made in November 1953 for medical services provided before the pooled fund plan began in August.

⁶ Less than 1 cent.

⁷ No program for aid to the permanently and totally disabled.

⁸ Average payment not computed on base of less than 50 recipients.

BRITISH SOCIAL SERVICES

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Table 3 gives a detailed breakdown of the first item in table 1.

The total amount spent on social security in 1950-51 was only a little more than twice that spent in 1938-39. The sum spent on unemployment greatly diminished, both absolutely and relatively, from nearly £100 millions (or about 30 percent of all social security payments) to less than £25 millions (or 3.5 percent). Relatively less was spent on public assistance (including poor relief in 1938-39) and more on sickness, industrial injuries and maternity. The new family allowances amounted in 1951-52 to 10 percent of all social security payments. The share of administration remained about the same, between 6 and 7 percent. Payments to the aged accounted for about 27 percent of all social security expenditure in 1938-39, but for about 48 percent in 1951-52. In terms

of national income, however, the proportion (social security payments only) increased from 1.4 percent to 2.3 percent, and will almost certainly increase in the future.

Another change, reflected by the totals of expenditure, has been the movement away from payments on test of means to payments as of right. This had become most marked by 1947-48 when payments on test of means covered only 12 percent of all social security payments (compared with 29 percent before the war). The fact that insurance benefits have not kept pace with the rise in the cost of living has led to an increase in assistance payments in later years. In 1951-52 payments on test of means amounted to £100 millions, or over 15 percent of all social security payments (see table 4).

Important changes have been made in ways of financing social security. Before the war 31 percent of all social

security expenditure was financed through individual insurance contributions,³ 13 percent by local authorities and over 55 percent by the central government. In 1951-52 insurance contributions accounted for 52 percent, the central government for 46 percent and local authorities for only 2 percent. If social or national insurance alone is considered, insurance contributions have had a steadily increasing share in finance. Whether this trend is maintained in the future, when the cost of retirement pensions is bound to increase steeply, depends on what the Government decide to do about the level of contributions. In 1938-39 nearly 70 percent of social insurance expenditure was financed by insurance contributions, but in 1951-52 this proportion had increased to 83 percent and in 1952-53 to 85 percent.

³ Contributions by employees and employers.