
"IS THE WELFARE STATE DEAD?"

The Rt Hon Baroness Castle of Blackburn

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Town House, Haddington

This is a transcript from a tape recording of Barbara Castle's lecture.

Baroness Castle spoke extempore with the minimum of notes.

What a lovely audience! What a delightful Scottish welcome and I hope and believe that the microphone is even going to work because, of course, microphones are an occupational risk of public speakers. They can make funny noises right in the middle of what you are trying to say.

I always remember when I was attending, as a member of the National Executive Committee, a Young Socialists' conference somewhere in the countryside and Nye Bevan was coming to speak to us and his train was late, so a Young Socialist was holding fort until he arrived and, of course, the microphone went wrong. I told him to carry on, but the poor boy was in misery because one minute it would flare up and then it would die down, and he sat down in some confusion. That great man smiled gently and said to him, 'I will say this to my young friend. He should not worry if the microphone fails in the middle of his speech. If it had only failed in the middle of my speeches, I wouldn't be in the trouble I'm in now!'

Is it working, by the way? Yes. Good, that's fine.

I hope my tribute to John Mackintosh will be adequate to this important occasion, but I think the most significant thing I can say is that my presence here is a tribute in itself because, you see, John Mackintosh and I had very different political points of view on many issues. He couldn't abide the Bevanites and I think he mistrusted me as a dangerous left-winger.

Of course, some of them I thoroughly approved of. His work for devolution I thought was excellent, but we parted company on the issue of Britain's membership of the European Community. I was one of the antis and he, of course, was passionately pro. Indeed, you will find in my memoirs, when of course you read them, that I make reference to him when we had a special conference of the Party to decide what our attitude should be to the terms Ted Heath had brought back for Britain's acceptance into the European Community. I wrote that the most brilliant speech of them all was John Mackintosh's and I noticed wryly that he stole the argument; and that from a political critic of him on this was, I think, the biggest compliment he could have been paid.

Because we all agreed. And in this great Movement of ours, you know, looking back over the years I can see how we have more things drawing us together than driving us apart. There is a great bonding of the people of our Movement which overcomes little difficulties and differences and I stand here and say with great pleasure that I always admired his intellectual capacity and his deep, personal integrity. So, I'm glad I came because I always like coming to Scotland. You do have a jolly good way of doing things and also you like to get to the depths of politics, really get to the heart of the issues that we have to deal with. That is why I chose this subject for my tribute to John Mackintosh today. 'Is the Welfare State Dead?'

I chose it deliberately because of the situation in which this country now is. We are at one of the great turning points of social policy and I have lived through a number of them. The great advantage of having lived as long as I have is that you get a perspective. Looking back you can see the historical trends and where they are leading us. In fact I have been in, not just alive during but actively in three of the stages of social policy in this country in the last 50 or even 60 years.

Stage number one I learned as a schoolgirl in Bradford where the ILP had been founded by Keir Hardie, the great Scotsman we all salute. I was of course from an ILP family. I joined the ILP Guild of Youth at the age of sixteen and I went round canvassing in my gym tunic, you know, and warm, black, woollen stockings we wore in those days and I learned at first hand from people still alive of the conditions in which they had been brought up. Conditions of such atrocious social neglect it seems difficult to realise that they took place in this century, and not in some dim and distant past.

There was Fred Jowett, for instance. He had been brought up in one of the back-to-backs, the rows of them with a privy midden serving a whole row of houses; flushed very irregularly. There was Margaret McMillan who started the nursery schools and who was elected to the Bradford School Board at the end of the last century. With Fred Jowett she campaigned for two things: meals to fill empty bellies. 'You can't,' she said, 'educate children when they are too weak to learn!', and also for public baths and school medical examinations. She found when at last they got the school medical examinations that of the 200 children at one school, half hadn't had their clothes off for six months. In Dickens' day? No! In this century! Not quite in my lifetime, it was dying away then and Labour was winning victories, but in the lifetime of people with whom I rubbed shoulders and from whom I learned my political education.

So that was the first stage, and it was a terrific struggle to overcome the acceptance of this situation by the well-to-do. The Town Council was full of the wool merchants, Tory and Liberal — there was no difference. One of them was heard to say, 'You don't have to give children any more education than they need to spend a lifetime in the mill.' Now, I'm not just getting, you know, the reminiscent old lady. I'm

telling you this so you'll tuck it in your memory and remember it! Because the battle over that didn't come easy, and it's very recently won, and in the beliefs of more people in this country than we are all allowed to realise, it still lingers on. It is there. It is dormant, waiting to be evoked again.

Now the second stage was, of course, Labour's great victory of 1945. I was a new young MP in that Parliament. 'Bliss was it in that dawn to be alive, and to be young was very heaven'. So we set out to change all that. To give people, not charitable patronage — an occasional hand out from the well-to-do — but to give them certain basic rights as citizens. Of course our bible would be William Beveridge. The thing to remember about William Beveridge and his National Insurance Scheme was that it was based on two beliefs. The first is that poverty is an unnecessary evil. Those giants he talked about: sickness, disease, ignorance and want were revocable. They weren't acts of God. They were failures of human organisation, to use the resources of society to get rid of them. It could only be done, he said, purely by a National Comprehensive Scheme. The same philosophy, of course, imbued Aneurin Bevan's National Health Service. It was a wonderful new principle that hit the country with a ray of light in which he said, 'We are all going to need help in dire contingencies at some times in our lives, whether it be illness, old age, widowhood or disability. And so what we do is we pull our resources. Only a few very rich can single-handedly master those contingencies and so we pull our resources on the principle that when you're working fit, you pay, put in and when you need help you draw out.'

Now that, of course, to me has always been the epitome of what we mean by socialism and so powerful was its appeal that it compelled members of any other Party to pay lip service to it. The thing you have to remember when people say to you socialism is dead — Margaret Thatcher in her book is right about one thing, you know, when she said there has been socialism in this country ever since 1945. In a sense she is right. The principles had to be adopted by our political enemies because they never won any votes otherwise. I watched over the years. I watched Tories boasting that they produced more welfare than we have. Never forget Harold Macmillan in the 1950s boasted that he built 300,000 publicly financed, low-cost housing — boasted of it! I, as a Minister when I became Secretary of State for the Social Services, as far on as 1974, used to face Linda Chalker on the opposition front bench, shadow spokesman for the disabled, attacking us for not having done enough for the disabled, when for the first time in the whole history of our country we produced a Charter for the Disabled, giving them rights and dignities they had never had before. So, consensus behind our Socialist analyses prevailed until 1979.

We are now in stage three, and the purpose of stage three is to reverse the whole trend and the whole philosophy. What we are living through now is a period of nothing less than a determination to destroy the Welfare State root-and-branch. A basic desire to win the support in this country for the reverse of our philosophy. If

you think that I am exaggerating, may I ask that you get hold of a pamphlet which has just been produced by the 'No Turning Back' Group of ardent Thatcherites. It is called 'Whose Benefit?' and, of course, it builds up a great picture. Ah! the Welfare State is out of control. Scroungers are living off the fat of the land while the decent people are paying taxes through the nose. That girls, girls you know, are actually getting into the family way in order to get a council house. Inconceivable, except that we see the argument is with us, and its aim is to prove that state provision in the field of welfare, in the field of our human needs as citizens, must give way to private struggles to fend for yourself. I say to you that as long as the Conservatives stay in office in this country nothing is sacred. Everything, step by step, will be privatised because, of course, the philosophy is: 'Stand on your own feet!'

Margaret Thatcher obviously believes that she never had any particularly good fortune in life. She got to the top by her own virtues and everybody else would do the same if they only had her guts. Let me quote you two sentences out of this pamphlet if I can find it. Yes, I want to give you the exact words because every word is significant. Quote number one, 'State benefits should be primarily for the poor.' Quote number two, 'Ultimately the State may provide no insurance of its own.' Now that's not just a few wild men who have really been superseded by non-Thatcherites. You all heard the Tory Party Conference. You all heard Mr Peter Lilley, Secretary of State for the Social Services, Michael Howard (Home Secretary) and even John Major himself starting to spread what they call the 'Back to Basics' philosophy, and the purpose of it is to condition people to two things: one, we can no longer afford the Welfare State, and two, we ought not to afford it even if we could because, it is said, it rots people's moral fibre.

As you know, in his speech to the Tory backwoodsmen of the Party Conference cheering to the echo, he even told us that scroungers were coming here to this country on a Cook's tour from Europe to pick up our lavish benefits.

They get so carried away they don't notice the damage they are doing not only to our country's image, but to their own. Shortly after that speech was made, Leo Tinemmans who is the chairman of the PPE in Europe, the Conservative group sent a letter of protest to John Major for the vulgarity and arrogance of that speech. You know, you can't be surprised we don't make friends in Europe when in a mad desire to hear the clapometer moving in their favour, Tory ministers at their conference would insult their fellow Conservatives in Europe. Now, the 'No Turning Back' pamphlet, therefore, is very much Conservative policy. They never move from it step by step. When they get a defeat here or there they retreat and pop up somewhere else till the fuss has died down. Again with the lone mothers — you know, their grandmothers ought to support them, I hope the grannies in this room are listening, if they have a baby out of wedlock or if their husband dies, I suppose, or if their husband deserts

them, or they are divorced — Back to basics! Back to Victorian basics! Back to the household means test which ravaged the miners' communities of this country in the years just before the war under which anything that belonged to the household was counted in reckoning benefit.

Aneurin Bevan used to tell a story in the House of Commons, when he was fighting the crime of the household means test, of a pit family, you know, a miner's family. The father was out of work. The son, a young boy, only a young boy, had got himself a job down the pit and came home one day to say he had an increase to seven bob a week. Proud as punch, starting to make his way as a man in the world until he discovered that that money was then subtracted from his father's relief. Oh yes, that's back to basics in the Tory view. Of course, the news that the support for the lone parents should be reduced has all decent sections of society, including the churches, up in arms against them. So they retreat. Oh no! Nothing of the sort. This was just an option.

It is a softening up process that is going on and we face, in my view, the biggest battle that I can remember in my long political life because in the '30s when I was an unemployed graduate, like many more, we were fighting the recession, we were fighting Fascism, we were fighting the household means test, but what we are fighting now is a determination to take away from us all our gains and if we sit back and let it happen, we deserve to be overrun politically. And we will.

Now, of course, life has to evolve, policy has to change. Of course the William Beveridge Report, in which I was brought up politically, has got to be brought up to date; of course it has. Let me tell you what worries me. There are too many in our Movement who call themselves modernisers who are rushing to pave the way, not for the improvement of Beveridge, but for its elimination in favour of private insurance for everyone, private health insurance, private socialism. Remember what the 'No Turning Back' group said, 'Ultimately the State may have no insurance system of its own.' And they have won a lot of the battles in the past. A lot of Tories are only too glad to welcome it because the more they reduce the State's responsibility, the more they can wash their hands of any political responsibility for the poverty and the insecurity that ensues. Just as Michael Heseltine, having rigged the market against coal then tells the House of Commons, 'Well, my hands are tied. I can't force the electricity companies to take coal or to stop importing cheaper coal and using nuclear power. It's nothing to do with me!' But he made it nothing to do with him so that the destruction of the coal industry would systematically take place. They are, I can assure you, the shrewdest, the most ruthless ruling class in the whole of the Western democracy. Brilliant they are — brilliant! We underestimate them at our peril!

And so I worry when I hear modernisers in the party saying, 'Oh, we have got to overhaul the Welfare State.' Isn't that what Margaret Thatcher said when she set

up a review into the finances of the NHS? What she meant, of course, was one to change the way in which it was funded. Unfortunately for her, the review reported that our system of funding the National Health Service was the most effective and administratively uncostly of any alternative. So she has had to, you know, retreat, get her opted-out hospitals, encourage private medicine and undermine the principles of the Health Service as much as she can. And this is what is happening in these other fields. I read a piece in the *Guardian* the other day which said that the insurance companies are already sniffing about for what would be the most profitable bits of social insurance because of the interest in them. It is called 'cherry picking'. You substitute the comprehensive national system in which resources are pooled. Freedom for individuals to pick off the profitable bits, leaving the unprofitable bits to flounder in a welter of neglect. We have seen it in the Railway Privatisation Programme, haven't we? There is no longer to be one authority responsible for the whole integrated network with the more profitable routes helping to keep alive the rural lines and those in the most isolated areas. The private sector has been let loose to 'cherry pick'. You know, if Branson can get a luxury fast train from London to Edinburgh, double the present fare and make money out of it, with a few businessmen, good luck to him; the rest of us can take what is left. Oh no, 'cherry picking' is one of their major techniques and plans have already been started and indeed taken to apply to the social insurance people.

Because, you see, this process, as I said, has been going on insidiously for some time. I want to say to the modernisers of our Party who say: 'Oh, we must get up to date'. We are up to date, and I'll tell you when we became up to date: in the 74-76 Government when I had the privilege to be Secretary of State for the Social Services. We all knew the failings of the National Insurance Scheme. We all knew the gaps. We all knew what changes had to be made, that Beveridge's flat-rate pension had sunk below subsistence level, that certain factors had overtaken it and there must be changes.

So I called together the best brains in the social policy field in this country; the inestimable Brian Abel-Smith, Peter Townsend, Tony Lynes, many of them. We sat down and we said what must be done to meet the faults, to close the gaps, recognising, as Labour governments always have, that money isn't limitless and that you have to work out a scheme that is viable. And I tell you what we all agreed. The first thing we had to do was to get rid of means-testing — the worst system of combating poverty there is because, you see, what it does is to trap people into a poverty trap. They earn a little bit, get a little windfall. They are able to pay, they are better off and then they are in restrictions of the Tories idea of charity.

Means-tested benefits, by definition, are those which are not covered by the contributions people pay. So a patient can't stand up and say, 'I've paid for it all my life.' Oh no you haven't, you have only paid for so much. Now we can screw you down

for the rest, and it's a proven technique but it's one that must be destroyed if poverty in this country is to be dealt with successfully.

The Tories, of course, love means testing. It gives them a power. It gives them a financial control and they dress it up in the fine phraseology at which they are so good. 'Oh', they say, 'money should only go to those who need it. Let's have some targeting.' Well, we had a jolly good example of Tory targeting in Nigel Lawson's budget of 1988 that fuelled the disastrous boom that led to the recession directly, in Norman Lamont's own words. Of course, they had been drawing North Sea oil lavishly in a peak year. They got £18 billion in one year alone from that. When we left office, it hadn't come on stream. The only help we got from North Sea oil revenue was £4 million in all our 5 years of government, '74-'79. They got that because they had been selling the family silver, you know, your processes and mine and they had some money to give away and he decided to give away £4 billion in income tax relief; and he gave £2 billion to the 5% richest people in the country. £2 billion at a time when an all-party Select Committee in the House of Commons was saying the NHS desperately needs another £2 billion injection. £2 billion to the 5% richest tycoons in the land, so that if you had a quarter of a million pounds income, the tax relief made you £882 a week better off, but if you were in the bottom 30%, who mainly lived on means-tested benefits, you didn't get a penny because, you see, under a means test any tax relief is deducted from the means-tested amount to which you are entitled. It is the most organised, clever robbery that we have ever known.

So we said in 1974 that we would have a plan of campaign. We know money isn't flowing like water. We know there isn't a bottomless pit of resources. We've got to watch the brass and we musn't put too big a tax burden on people; that is just as bad. But, we have got to find ways of meeting functional need. And we did it. We said, 'Look, we will have universal benefits, without means tests, paid to those in functional need'. What do I mean by that? Well, I mean they are old, like me, or they are sick, or they are widowed or they have kids and their wages are very low, they haven't enough to bring up their family or they are unemployed; now there is a condition which must be helped, regardless of income. If they said, 'But that's not targeting', the answer is then why is it that all the time reducing the level of income tax the most effective means that exists of raising money where it can be afforded to give to those who do not have enough? I remember in 1989 making a speech in Neil Kinnock's constituency of Islwyn, if that's how you pronounce it, just after Lawson's budget and they were then trying to get a great public feeling going. 'Oh! don't waste money giving it to people who don't need it. Target it on the poor.' There was a Tory party political broadcast showing a very well-clothed woman in a very nice home who said, 'I don't need child benefit. Why do they give it to me? Give it to someone who needs it more'. To which my reply was, 'You didn't need the income tax cuts you have just had. Why wasn't it given to somebody else?' Oh, they only talk about targeting

when they want to isolate the poor. Because once they can make the poor a separate, identifiable group they can win all the rest to conniving in allowing that poverty to continue.

So, 'Right,' we said, 'we'll get rid of it,' and so we had a whole panoply of measures. First we gave the earnings link to existing pensioners; linked their pensions to the movement in the national wealth as reflected in the earnings level of average earnings; the only way of stopping them falling wretchedly behind. Of course, the Tories hated it. Margaret Thatcher abolished it — almost the first thing she did. As has been pointed out, in one of the many documents on social policy I have been reading, that if this process goes on and we do not reverse the Tories' reversal of our policy then by the end of this century, not far away, the pension will have dropped to 11% of average earnings. It is taking place all the time, you know, and we are not winning. We are not rousing anger. We are not even rousing it in ourselves. Let's be honest.

Another thing we said, 'Yes, Beveridge is out of date. A flat-rate pension is not the right answer today. We must have an earnings-related pension so that when you retire you don't suddenly drop down the pit to a lower standard than the one to which you had been accustomed. Make it a reasonable relationship to what you earned'. So, we introduced the State Earnings-Related Pension Scheme; one of the biggest battles any minister could have. I must say this frankly, though I am proud to be declared the author of it, the real credit must go to my minister of state Brian O'Malley who was a musician and therefore had an actuarial sort of mind. He worked out all the details with patience and when he died suddenly and tragically in the middle of our work from a mysterious brain haemorrhage, I wouldn't be surprised if all the work he did on that scheme for you didn't contribute to it. I mourn him still. It was a wonderful scheme. The pensions industry said every worker in the land, whether manual or white-collar, whether man or woman shall be entitled to an earnings-related pension. And everybody now knows that's one of the gaps in today's provision. Do you know what they did to it? Margaret Thatcher tried to abolish it. We can't have that. We can't have a level playing field. We must have a playing field tilted always our way in the direction of the rich. You can't have manual workers having the same rights as professionals. Do you know, it had some wonderful principles in it. I had the miners very much in mind when we introduced the provision that in calculating your entitlement to the pension, to which you had to contribute all your working life but which actually matured in 20 years — it was the quickest maturity rate in any scheme. We said, 'What shall it be? Shall it be a final salary scheme like they have in white-collar jobs?' Well, you know, the town clerk probably reaches his earnings peak just before he retires, so it suits him. What about the miner whose energy began to run out in his fifties? Perhaps he had had to take a surface job instead of the coal face. Is he going to retire on what he was earning at

his lowest ebb? 'No way!' we said, 'We'll calculate his entitlement on his 20 best earning years'. Socialism! Margaret Thatcher hated it.

We said you could contract out of the state scheme, if you like, into an occupational pension scheme provided that occupational pension scheme meets our standards, it gives equality of treatment to women, it inflation-proofs the pension every year — which it never did before — provided that it gives a guaranteed minimum pension, it isn't funded so that what you get fluctuates according to what has happened to the market. It was a wonderful scheme so Margaret Thatcher hated it. She tried to abolish it outright. There was an outcry, not least amongst the middle-class and so she had to beat a retreat. She never retreats very far, you know, and I talk as though she is still alive, because she is. She is alive in spirit and the whole of that bunch at the Tory Party Conference with John Major wringing his hands madly in the background and conniving some of her worst atrocities. So what did they do? Shall I tell you what they did? They encouraged 'cherry picking'. They said to people, we are not going to give any more state contributions to help the occupational pension scheme.

Nobody shows you the small print, but a recent report has revealed that of the money being paid in now under this bribery by people contracting out of SERPS to go into a private pension scheme, 25% goes on commission. You're giving fat living to somebody, aren't you, but not yourself! The Equal Opportunities Commission produced a report the other day showing how badly women fare under private pension schemes because they are less well paid most of the time than men. It calculated that if they were all to switch to private pensions, over a million women would benefit merely to the tune of 50p per week and they'd have lost their SERPS, and they'd have lost any occupational pension scheme that we might have provided them with. As they were all bribed away and the remainder shrunk in numbers, the government could at last do what it always wanted to do — abolish the scheme.

So that was our policy, and I'll tell you what our policy was for lone mothers. We set up a pilot committee who produced a report which was really terrifying in its content and implications. They wanted a very lavish benefit but when it saw the cost, it said well obviously this couldn't be afforded unless it was means-tested and so we said no. Our way of helping lone mums would be primarily child benefit, and I'm proud of this as much as anything in my long political life that I carried that Child Benefit Bill through Parliament. We always visualised it as steadily increasing in size so that it became bigger than any unemployment benefit support for the child the mother might get, remove one of the disincentives to work, but would particularly help the lone mother. Now if I were back in that job, I tell you what one of my priorities would be to solve this problem: the lavish nationwide provision of child care so people could go out to work. That's what they want. The government preaches at them that they have a 'dependency mentality', but it isn't that. They are in a trap. We have all

heard the stories of women who couldn't go out to work because the cost of getting the child looked after would be more than the wage they earn. If you've got the will to remove the poverty, it can be done.

Because, let me tell you this, we had to cut our State Earnings-Related Pension Scheme, costed by the government Actuary, have a long section of our White Paper on what it would cost and how that cost would be met and what would be needed in terms of increased contributions and how much the burden would be on the State. The government actually found, and they're tough guys you know, that the scheme was viable and affordable. And don't you ever forget if any of them start to tell you, 'Oh, look how the Labour Party splashes money about'. You see, if you don't have this State provision, which gives the best value for money at the lowest administrative cost, you're going to have to provide yourself in some other way which would be more expensive.

There was an interesting figure given to me the other day. People want to pay more for better pensions in old age. The figure was that we currently spend as a country £300 million per week on the State scheme. We spend another £300 million per week on occupational pensions and we spend another £300 million per week on top of that on supplementary private pension schemes. So people do want it. People are prepared to pay for security. Look at the number of people who say, 'Yes, put more money into the NHS. We wouldn't mind a bit on the income tax, so long as you give us a top-quality service.'

And so, I say to you, we have brought Beveridge up-to-date, only the government has turned back the clock. It doesn't want Beveridge today. It doesn't want Beveridge. It wants 'cherry picking' with a few profit makers out of human insecurity and I am worried that we even set up the Commission on Social Justice.

Now I have a great admiration for John Smith, particular admiration for the last speech he made at the TUC — a brave speech. But they've got at him. The modernisers have got at him, you know. 'Oh, we've got to show we're up-to-date. We'll have a review, an independent review.' You see, the more I read the details of what has been said so far, and I have had a long talk with (Sir) Gordon Borrie, the Chairman, but they know either you have to scrap the whole system of state insurance altogether, or you have to strengthen it broadly along the lines that I have suggested. Yet, you see, the Tories are beginning to say, 'Even the Labour Party says it needs reforming', and by that they mean gradual abolition.

I think it's a big psychological mistake we make when we look back at our achievements and see the security they have brought — if only they had been allowed to mature.

So I call upon you to realise the danger that faces those of us who fought for and helped to build the Welfare State and to say to you that Welfare State is as

manageable financially and as administratively economic as your National Health Service, and anything which destroys the Social Insurance System will be a further step towards the destruction of the NHS. They are built on the same principles.

So let us go to the attack. Never go on the defensive, always go on the counter attack. How do you think Margaret Thatcher survived so long, except on that philosophy — brilliantly executed. If you look at what is happening to social service expenditure at the present time, you'll find that the increased cost can be laid directly at the door of government policies. The first in importance, of course, is unemployment. That's been the biggest increase. It's not that all the other forms of social support have been rolling in it in the past few years. Unemployment has been going up, tax revenue falling, costs rising.

I had a talk with somebody in the DHSS, somebody quite high up, the other day asking for a breakdown of the figures of the forecasts they have for expenditure 1993-94. Where were the increases? Well, we know the biggest; and do you know where the next biggest was? Housing benefit. She said, a high-up civil servant in the Department. She said that's due to the fact that the Government has encouraged rent increases. It doesn't mean people are getting more help than they got before. It is a result of the 'deregulation', which is such a favourite word.

And so, when of course they say, 'Look at the success of Family Credit.' Huh! Do you know what Family Credit is? It's a government subsidy for low wages, that's all. The government shouldering the burden from its friends that it won't shoulder in other categories.

So, I say to you. Please realise the danger. Please be proud of what your Governments have done. Please believe in the sound financial, moral and every other category of your Labour Party's policies and go out in John Mackintosh's name and fight for them.